

Vote Bulletin: Origin Energy Ltd.

Company	Origin Energy Limited (ASX:ORG)
Market and Sector	Australia, Utilities
Meeting Date	20 October 2021
Key Resolutions ¹	<p>Item 10.a: Amendment to the Constitution</p> <p>Item 10.b: Water</p> <p>Item 10.c: Cultural heritage</p> <p>Item 10.d: Consent</p> <p>Item 10.e: Climate-related lobbying</p> <p>Item 10.f: Paris-aligned capital expenditure</p>
Key Topics	Climate and natural capital; company impacts on people
Board Recommendation	The board recommended a vote AGAINST all items
BlackRock Vote	BlackRock voted AGAINST items 10.a-10.d and voted FOR items 10.e and 10.f

Overview

Origin Energy Limited (Origin Energy) is an integrated energy company that provides energy retail, renewable energy, gas exploration and production, and power generation services to 4.3 million customers in Australia and the Pacific.^{2,3} The company is headquartered in Sydney, Australia, and employs approximately 5,000 people.⁴

BlackRock Investment Stewardship (BIS) regularly engages with the company to understand how it manages sustainability risks and opportunities we believe can help drive long-term value creation for clients. In our engagements with both board members and management, we discuss the company's approach to environmental-related risks, including climate change and transition risks. We have also discussed social risks and opportunities, including how the company conducts proper consultation processes to identify, manage, and prevent potential adverse impacts on the communities in which it operates.

At this year's Annual General Meeting (AGM), the company received six shareholder resolutions that address multiple environmental and social issues. It received similar shareholder resolutions at the 2020 AGM. At the time, BIS published a [Vote Bulletin](#) explaining our vote rationale. Three resolutions submitted at the 2021 AGM relate to concerns regarding the potential impact of the company's activity in the Northern Territory's Beetaloo

¹ Origin Energy Ltd. "Notice of Annual General Meeting 2021." Pages 3 and 4.

² Origin Energy Ltd. "What we do."

³ Origin Energy Ltd. "2021 Annual Report." Page 4.

⁴ Origin Energy Ltd. "2021 Annual Report." Page 4.

Sub-basin area on water, cultural heritage, and consent.⁵ BIS recognizes the importance of these issues, the complexity of Australia's unique cultural history, and its corresponding reconciliation process; we understand this process will continue to evolve. The issues addressed in this Vote Bulletin correspond to our Climate and Natural Capital and Company Impacts on People [engagement priorities](#) and are also addressed in our [proxy voting guidelines](#) for Australian securities.

Rationale for BlackRock's Vote

Item 10.a: Amendment to the Constitution

BIS voted AGAINST the resolution to amend Origin Energy's Constitution. The full resolution reads as follows:⁶

To consider and, if thought fit, pass the following resolution as a special resolution:

"To amend the constitution to insert in Clause 8 'General meetings' the following new sub-clause 8.11 'Advisory resolutions': The shareholders in general meeting may by ordinary resolution express an opinion, ask for information, or make a request, 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 an issue of material relevance to the Company or the Company's business as identified by the Company, and cannot advocate action which 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 (in this case items 10.b-10.f). 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 10.b: Water

BIS voted AGAINST the resolution because the company's related policies and practices already largely comply with the goals of the resolution. The company's disclosures also provide transparency regarding how it engages and considers stakeholders' interests on water and water monitoring policies. The full resolution reads as follows:⁷

Subject to and conditional on Resolution 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 Company, before undertaking any further shale oil and gas exploration and/or production, (also known as "fracking"), commit to:

⁵ The company's Beetaloo Sub-basin project is a multi-year, nine well shale gas project in Australia's Northern Territory (NT) that was granted exploration agreements in 2003 and 2005 and started exploration in mid-2014. As majority of the land in the Sub-basin is used for cattle grazing and Indigenous land practices, it is therefore managed under the laws and mechanisms in place to protect Indigenous peoples' rights. This includes the company reaching an agreement with recognized Native Title holders through the Federal Court-designated Northern Land Council (NLC), the independent statutory authority that assists Aboriginal peoples in acquiring and managing their traditional lands and seas in the NT. Further, companies must obtain approval from the Aboriginal Area Protection Authority (AAPA) to confirm adherence with laws in place to identify and protect Aboriginal sacred sites on land and sea across the NT. According to the company's disclosures in its most recent "Beetaloo Native Title Holder Engagement" report, its activity to date has been cleared to proceed by Native Title holders following a sacred site avoidance and clearance survey certified by the AAPA. The combination of both the contractual and legislated protection measures seek to ensure that Native Title holders are active participants in deciding wellsite locations, so that sacred sites and objects are avoided and protected." See "Northern Land Council," "Beetaloo Native Title Holder Engagement," and "Unlocking the Beetaloo: The Beetaloo Strategic Basin Plan" to learn more.

⁶ Origin Energy Ltd. "Notice of Annual General Meeting 2021." Page 3.

⁷ Origin Energy Ltd. "Notice of Annual General Meeting 2021." Page 3.

1. *surveying the Company's entire licence areas to establish a baseline of water quality;*
2. *consulting with Traditional Owners and their family groups on all cultural water flows to establish connectedness; and*
3. *make the methodology, findings, and recommendations of this research public."*

Analysis of the company's disclosures of policies and practices in relation to water management and protection of local biodiversity – further informed by multiple engagements with the board and management – indicate that the company already largely addresses the issues raised in the resolution. Its disclosures regarding engagements with key stakeholders, in particular Native Title holders, demonstrate an awareness and responsiveness through proactive consultation and consideration of the community's interests. In order to manage potential adverse impacts on sacred sites, the company followed the *Northern Territory Aboriginal Sacred Sites Act* to obtain approval from the relevant Native Title holders and certification by the Aboriginal Area Protection Authority (AAPA), which confirmed the relevant Native Title holders and custodians were consulted.⁸ Moreover, the company continues to disclose how it engages with the Northern Land Council (NLC) to maintain the support of Native Title holders.⁹

Item 10.c: Cultural heritage

BIS voted AGAINST the resolution due to its overly prescriptive nature, which risks limiting basic decision-making of management. In addition, the company provides adequate disclosure related to obtaining and maintaining consent from Native Title holders, as well as its practices regarding its approach to sacred site protection and impact avoidance policies. The full resolution reads as follows:¹⁰

Subject to and conditional on Resolution 10(a) being passed by the required majority, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"Shareholders note that after the destruction at Juukan Gorge, all current State and Territory cultural heritage protection laws and policies are under review. Shareholders therefore request that the Company:

1. *support and comply with all legislative changes resulting from that review process; and*
2. *cease all operations in the Company's licence areas until all of the recommendations of The Scientific Inquiry into Hydraulic Fracturing in the Northern Territory's Final Report (2018) have been implemented, including:*
 - a. *requirements for engaging with groups within the licence area before commencing fracking and for that engagement process to be undertaken by the Aboriginal Areas Protection Authority (AAPA); and*
 - b. *the rights of all impacted Traditional Owner family groups to veto anything that will disrupt cultural heritage and sacred sites."*

BIS does not support shareholder resolutions that are overly prescriptive and that as such, would risk unduly constraining management's ability to make basic business decisions, as is the case with this resolution. The request to "cease all operations in the Company's license areas..." is a decision that lies with Origin Energy's management team, with oversight by the board.

⁸ Origin Energy Ltd. "[Notice of Annual General Meeting 2021](#)." Pages 15 and 16.

⁹ See "[Northern Land Council](#)," "[Beetaloo Native Title Holder Engagement](#)," and "[Unlocking the Beetaloo: The Beetaloo Strategic Basin Plan](#)."

¹⁰ Origin Energy Ltd. "[Notice of Annual General Meeting 2021](#)." Page 3.

Upon reviewing the company's disclosures and engaging with the board and management team, BIS is satisfied that the company has proper mechanisms in place to involve and obtain consent from Native Title holders prior to undertaking any activity or project. Specifically, it has on-going engagement with the NLC to maintain support from Native Title holders. Regarding sacred site protection, the company has publicly committed that "Native Title holders are consulted on and approve potential wellsite locations and associated infrastructure to protect sacred sites" and that "only work that has been cleared by Native Title holders as having no impact on sacred sites or objects can proceed."¹¹ It adheres to an "avoidance of impact" strategy as per Northern Territory (NT) legislation and discloses its policies to protect sacred sites, the process it follows to identify with whom to consult, and the mechanism for maintaining support.^{12,13}

Item 10.d: Consent

BIS voted AGAINST the resolution because, in our view, the company's policies and disclosures allow shareholders to understand how the company acknowledges and engages with key stakeholders to obtain proper consent. The full resolution reads as follows:¹⁴

Subject to and conditional on Resolution 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 Company:

- 1. acknowledge that Traditional Owners have a right to know who has consented to the Company's operations on their Country;*
- 2. obtain consent from Traditional Owners in accordance with the standards set out under the principles of the United Nations Free, Prior and Informed Consent; and*
- 3. publicly disclose any and all materials (maps, translators, etc.) used in consent negotiations, including all agreements and signatories, and details of enquiries made by Traditional Owners about the consent agreements that pertain to their Country."*

In our view, the company's policies and related disclosures enable shareholders to understand how Origin Energy: 1) acknowledges and engages with its key stakeholders to obtain proper consent before initiating exploration activities; and 2) holds itself accountable for any impact from its operations.

The company's Human Rights Policy – released July 2020 – outlines the company's commitment to: 1) Recognize and respect the rights of Indigenous peoples; 2) Consult with the communities that host the company to minimize and compensate for the adverse social impacts of its activities; 3) Undertake due diligence activities to identify, prevent and mitigate adverse human rights impacts; and 4) Follow the International Labour Organization's Indigenous and Tribal Peoples Convention 169 and the UN Declaration on the Rights of Indigenous Peoples, among other commitments.¹⁵

In its 2021 Code of Conduct, Origin Energy identifies Traditional Owners as one of its key stakeholders. As such, the company explicitly committed to guide its activities "by the principles of Free, Prior, and Informed Consent (FPIC), as articulated by the International Finance Corporation Performance Standard 8, and the UN Declaration on the Rights of Indigenous Peoples."¹⁶ In the specific case of the Beetaloo project, the company has disclosed its process to address with whom to consult, the process for maintaining support, and its policies to protect sacred

¹¹ Origin Energy Ltd. "Beetaloo Native Title Holder Engagement." August 2021. Page 14.

¹² Origin Energy Ltd. "Beetaloo Native Title Holder Engagement." August 2021. Page 14.

¹³ Origin Energy Ltd. "The Origin Beetaloo Exploration Project."

¹⁴ Origin Energy Ltd. "Notice of Annual General Meeting 2021." Page 3.

¹⁵ Origin Energy Ltd. "Human Rights Policy."

¹⁶ Origin Energy Ltd. "Our Code of Conduct – 2021." Page 26.

sites.¹⁷ The company states that it consults and engages with Native Title holders on an on-going basis to maintain site-specific and activity-based support.¹⁸

Item 10.e: Climate-related lobbying

BIS voted FOR the resolution. We recognize that the company sets a good example of industry association monitoring and support this resolution to encourage it to continue setting ambitious goals. Further, the resolution does not unduly constrain management’s ability to make business decisions. The full resolution reads as follows:¹⁹

Subject to and conditional on Resolution 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 strengthen its review of industry associations to ensure that it identifies areas of inconsistency with the Paris Agreement. Where an industry association’s record of advocacy is, on balance, inconsistent with the Paris Agreement’s goals, shareholders recommend that our Company suspend membership, for a period deemed suitable by the Board. 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 lobbying activities and disclosures are consistent with their overall strategy and long-term shareholder value creation. In assessing how well a company is balancing the benefits and risks of engaging in political activities, BIS will evaluate a company’s disclosure and other publicly available information to consider how a company’s political contributions and lobbying may impact the company. BIS looks to companies to evaluate whether there is alignment between a company’s stated positions on policy matters material to its strategy and the positions taken by industry groups of which it is a member.

The company “unequivocally supports the United Nations Framework Convention on Climate Change and the Paris Agreement, and measures to progressively reduce global emissions, including the aim to limit the world’s temperature increase to 1.5°C above pre-industrial levels.”²⁰ To achieve this, the company has committed to: 1) Helping lead the transition to a low-carbon future by progressively decarbonizing its business and investing in technologies to help its customers do the same; and 2) Progressing the update of its emissions reduction targets to a 1.5°C pathway, among other initiatives.²¹

In its 2021 Sustainability Report, Origin Energy disclosed that it conducted an annual review of its relevant industry associations in respect to their climate-related policies. As a result of that review, the company “found alignment on climate change positions with its key industry associations.”²² It also noted that “while there is unlikely to ever be full alignment across industry representatives on key policy areas, Origin may remain a member of an industry association with which it does not have complete alignment on the basis that there is opportunity for constructive industry dialogue and advocacy.”²³

BIS’ support for this resolution signals our belief that the company should further work to maintain its leadership position on industry association monitoring, particularly given the potential reputational risks arising from membership of groups whose policy advocacy may not align with the company’s stated position on strategic policy issues. It is also BIS’ view that this resolution is not overly prescriptive nor unduly constraining on management’s basic business decision-making.

¹⁷ Origin Energy Ltd. “[The Origin Beetaloo Exploration Project](#).”

¹⁸ Origin Energy Ltd. “[The Origin Beetaloo Exploration Project](#).”

¹⁹ Origin Energy Ltd. “[Notice of Annual General Meeting 2021](#).” Pages 3 and 4.

²⁰ Origin Energy Ltd. “[2021 Sustainability Report](#).” Page 21.

²¹ Origin Energy Ltd. “[Our sustainability performance](#).”

²² Origin Energy Ltd. “[Our sustainability performance](#).” Page 25.

²³ Origin Energy Ltd. “[Industry Association Review](#).” August 2021. Pages 2 and 3.

Item 10.f: Paris-aligned capital expenditure

BIS voted FOR the resolution as a signal of support for the company’s recent commitment to review its capital allocation governance framework, update its emissions reduction targets consistent with a 1.5°C pathway, and submit its climate change reporting to a non-binding, advisory vote (“say on climate”) at the 2022 AGM. We also believe the shareholder resolution is not overly prescriptive or unduly constraining management’s ability to make business decisions. The full resolution reads as follows:²⁴

Subject to and conditional on Resolution 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 commit to align all material future capital expenditure with the Paris Agreement’s objective of limiting global warming to 1.5°C. Nothing in this resolution should be read as limiting the Board’s discretion to take decisions in the best interests of our Company."

As stated above, the company has expressed its public support of the Paris Agreement and measures to progressively reduce global emissions, including the aim to limit the world’s temperature increase to 1.5°C above pre-industrial levels.²⁵ The company has also identified the transition to a low-carbon economy as a strategic priority for the company. We also acknowledge that the company has made progress – and disclosed such progress – towards decarbonizing its business and supporting its customers with a portfolio of cleaner energy solutions and technologies.²⁶

Further, on August 6, 2021, the company announced its intention to “submit a non-binding advisory resolution on the company’s climate change reporting to shareholders at the 2022 AGM.” In its announcement, the company specified that the “say on climate” vote will complement the continuing conversations it is having with shareholders and stakeholders about the risks and opportunities climate change represents for Origin Energy’s business.²⁷ Lastly, the company reported that it is “progressing its work on updating its existing emissions reduction targets consistent with a 1.5°C pathway,” and that it would “continue to review its capital allocation governance framework as part of updating its emissions reduction targets,” – a commitment disclosed in its “Climate change management approach” updated in September 2021.²⁸

BIS notes that the ask of the resolution is not overly prescriptive or unduly constraining management’s ability to make business decisions as it aligns largely with the company’s public support of the Paris Agreement. Thus, BIS’ vote in favor of this resolution is a signal of support of the company’s commitment to enhance its capital allocation governance framework and climate change reporting. BIS will monitor - through our engagements and analysis of the company’s future disclosures – its progress against its stated commitments to strategically prioritize the transition to a low-carbon economy.

²⁴ Origin Energy Ltd. “[Notice of Annual General Meeting 2021.](#)” Page 4.

²⁵ Origin Energy Ltd. “[2021 Sustainability Report.](#)” Page 21.

²⁶ Origin Energy Ltd. “[2021 Sustainability Report.](#)” Page 4.

²⁷ Origin Energy Ltd. “[Origin to adopt shareholder advisory vote on climate change.](#)” August 6, 2021.

²⁸ Origin Energy Ltd. “[Climate change management approach.](#)” September 2021. Page 3.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in BlackRock's fiduciary approach. As an essential component of our responsibility to our clients, BIS engages with companies to advocate for the sound corporate governance and business models that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets, we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business operations, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations (are we trying to move away from this word a bit) and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. 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.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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