Investment Stewardship

Vote Bulletin: Woodside Petroleum Ltd.

Company	**Woodside Petroleum Ltd.**
Market and Sector	Australia/Oil & Natural Gas
Meeting Date	15 April 2021
Key Resolutions[1]	**Item 2a:** Elect Christopher Haynes as Director **Item 5a:** Approve the Amendments to the Company's Constitution Proposed by Market Forces **Item 5b:** Approve Capital Protection
Key Topics	Climate risk
Board Recommendation	The board recommended voting FOR item 2a, and AGAINST Items 5a and 5b
BlackRock Vote	BlackRock voted AGAINST items 2a, 5a and 5b

Overview

Woodside Petroleum Ltd. (Woodside) is an Australian oil and natural gas company with global exploration, development, and production operations.

BlackRock Investment Stewardship (BIS) regularly monitors Woodside's governance practices and risk profile as part of its responsibility to shareholders. In our recent engagements with the company's board, we had extensive discussions on a range of material issues, including but not limited to the company's approach to sustainability reporting, climate risk, environmental impact-management, business oversight and risk management. We welcome the steps the company has taken to strengthen its sustainability and climate disclosures, particularly the alignment with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). BIS expects companies to provide disclosure aligned with the four pillars of the TCFD framework, including scope 1 and scope 2 emissions, along with accompanying greenhouse gas (GHG) emissions reduction targets. Carbon-intensive companies (such as Woodside) should also disclose scope 3 emissions.

Originally there were three shareholder resolutions up for consideration at Woodside's 2021 annual general meeting (AGM); Resolutions 5a and 5b as listed above, and resolution 6 requesting an amendment to the constitution to hold a "say on climate." However, the proponent, the Australasian Centre for Corporate

[1] Woodside Energy, "Notice of Annual General Meeting 2021".

Responsibility (ACCR), withdrew resolution 6 following Woodside's commitment to hold a vote on its climate plan beginning in 2022.[2]

Rationale for BlackRock's Vote

Item 2a: Elect Christopher Haynes as Director (AGAINST)

BIS voted AGAINST the longest serving director up for re-election given our concerns about the comprehensiveness of the company's current climate risk disclosure

Currently, the company provides an integrated annual report and separate Sustainable Development Report (SDR). The annual report aligns with the four pillars of the TCFD,[3] while the SDR includes reported scope 1, 2 and 3 emissions and scope 1 and 2 emissions reduction targets of 15% and 30% by 2025 and 2030 respectively.[4] However, the company does not provide scope 3 emissions reduction targets. As discussed in our commentary, "Climate risk and the transition to a low-carbon economy", BIS looks for companies in carbon-intensive industries to disclose scope 3 emissions reduction targets as it is particularly important for investors to understand the complete emissions profile of carbon-intensive companies as the world transitions to a low carbon economy.

As a result, BIS voted against the longest-serving independent director up for re-election (in lieu of a vote against the sustainability chair who was not up for election) to hold the company accountable for inadequate progress on scope 3 target setting.

Item 5a: Approve the Amendments to the Company's Constitution Proposed by Market Forces (AGAINST)

BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

This resolution requested that the company amend its constitution by inserting a new clause: "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."

The Australian voting regime requires a change in the company's constitution in order to file a shareholder resolution. Shareholders may submit ordinary resolutions, but companies are only required to put forward binding (or special) resolutions and are allowed to exclude non-binding or ordinary resolutions if it is determined that they request that the board act in a certain matter. In other words, to allow for the non-binding resolution (5b), a resolution calling for an amendment to the company's constitution is first required.

BIS does not support this type of resolution. Lacking regulatory reform, market practice has defaulted to either abstaining or voting against this constitutional change requirement, even while many companies are allowing for the underlying resolution (in this case, 5b) to be discussed and voted upon. BIS has generally not been supportive of constitutional amendment resolutions given our view that tighter regulatory requirements should be in place in order to prevent potentially non-business relevant resolutions.

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[2] Woodside Energy, "Withdrawal of resolution requisitioned by shareholders".

[3] Woodside Energy, "2020 Annual Report".

[4] Woodside Energy, "2020 Sustainable Development Report".

Item 5b: Approve Capital Protection (AGAINST)

BIS voted AGAINST this shareholder resolution because it is overly prescriptive and unduly constraining on management's basic business decision-making

The resolution requests that the company disclose, in subsequent annual reporting, how the company's capital expenditures will facilitate the efficient "managing down" of oil and gas operations and assets, as well as plans and capital expenditure requirements for decommissioning and rehabilitating asset sites at the end of their Paris-aligned lifetimes. We did not support the resolution given its overly prescriptive nature through its intrusiveness into the basic decision-making of management, as well as the contradiction between the resolution's request to wind down all of the company's operations and the board's fiduciary responsibilities to act in the long-term economic interest of shareholders.

In addition, we believe that Woodside's commitment to an annual vote on its climate plan beginning in 2022 will give investors the opportunity to measure progress as well as provide timely feedback.

Nonetheless, as previously discussed, we strongly believe the company could be more proactive on its scope 3 emissions reduction targets, and to signal these concerns we voted against the longest-serving director up for re-election. We believe that this will encourage the company to proactively and ambitiously manage the climate risk inherent in its business model.

We have also encouraged the company to continue to develop its strategy to transition its business model and position itself to respond to the continued evolution of the energy sector and long-term policy environment in Australia and globally.

About BlackRock Investment Stewardship (BIS)

BIS plays a fundamental role in the activation of BlackRock's purpose of helping more and more people experience financial well-being. Consistent with the firm's fiduciary duty, BIS advocates for sound corporate governance and business practices that deliver the sustainable, long-term financial returns that enable our clients to meet their investing goals. This objective drives our engagements and votes at company meetings.

We engage company leadership on key environmental, social, and governance (ESG) topics that, if not adequately addressed in policies, managed, and overseen, could expose the company to material economic, operational or reputational risks. Every year, we determine our engagement priorities based on our observation of market developments and emerging governance themes. Engagement also informs our voting decisions.

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) and/or supporting a shareholder proposal that addresses a material risk are often the most impactful actions a long-term shareholder can take.

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