



**Company: Santos Limited, Australia**

**Meeting date: May 4, 2017**

**Proposal 5: a) Special Resolution - Amendment to the Constitution  
b) Ordinary Resolution - Strategic Resilience for 2035 and beyond**

**Board recommendation: AGAINST**

## **Engagement addresses disclosure gaps**

*In our recently published engagement priorities for 2017-18, BlackRock Investment Stewardship explained that, as a long-term investor, we are willing to be patient with companies when our engagement affirms they are working to address our concerns. However, our patience is not infinite - when we do not see progress despite ongoing engagement, or companies are insufficiently responsive to our efforts to protect the long-term economic interests of our clients, we will not hesitate to exercise our right to vote against management recommendations. Climate-related risks and opportunities are issues we have become increasingly focused on at BlackRock as our understanding of the related investment implications evolves. One of our five engagement priorities is encouraging disclosure on climate risk policies and practices, in line with the Task Force on Climate-related Financial Disclosures (TCFD).*

In a case study of how BlackRock engages with companies to advise them on our perspectives on best practice, we worked with Santos Limited (Santos) to set in place new disclosure practices on climate change.

Santos is an oil and gas company listed on the Australian Securities Exchange (ASX). Ahead of the Santos annual general shareholder meeting, the company received a proposal from a group of 100 shareholders, who collectively held 0.018% of shares. The proposal requested the company include routine annual reporting of climate change risk and opportunities in line with the recently released draft recommendations from the TCFD.

BlackRock has been engaging with Santos over a number of years on issues relating to corporate governance, including disclosures around the environmental impact of coal seam gas extraction, associated community relations, and climate change risk policies. These engagements involved meeting with the chairman as well as management at the company's coal seam gas operations.

The final TCFD framework is yet to be released. Nonetheless, BlackRock reviewed Santos' disclosures and found them to be generally in line with the draft TCFD framework. However, there was room for improvement in explanations around the governance of the climate risk policy and how it is integrated into the investment decision-making process. We met with Santos' chairman



to share our perspective and listen to his explanations of the company's approach on behalf of the board and management.

**We determined to vote with the board's recommendation on the shareholder vote** as, following on our discussions, Santos [released](#) the following publicly:

### ***Santos' ongoing disclosure commitments***

*Santos recognises the importance of climate related disclosure to ensure shareholders and stakeholders alike are in a position to adequately assess the risks and opportunities identified by the company in response to climate change. To this end we have committed to review the Financial Stability Board's Task Force for Climate-related Financial Disclosures for future reporting and will look to ensure that the following reporting requirements are met:*

- *Santos will introduce a Climate Change report which explores and assesses the impact of climate change on our business;*
- *Santos will continue to measure and collate our Sustainability Performance Data and make it available on our website;*
- *Santos will participate in select carbon disclosure and sustainability surveys*

In our assessment, the company's commitment to climate change risk disclosure goes well beyond the request in proposal. It demonstrates the value of direct engagement between a chairman and long-term shareholder, particularly one that has established a relationship with the company over time.

BlackRock plans to continue engagement with Santos to ensure the recent commitment to climate change risk disclosure meets TCFD guidelines and provides shareholders with sufficient information to be able to assess risk exposure and the effectiveness of the policy.

In BlackRock's view, supporting a shareholder proposal is an escalation of engagement, should direct private dialogue not result in a satisfactory response from the company. BlackRock will always view such proposals on a case-by-case basis and may support those where we assess that the outcome will be of benefit for long-term shareholders. We will also continue to engage with companies exposed to climate change risk on improved disclosure in line with the TCFD framework regardless of whether or not the company is the subject of a shareholder proposal.