

ATTACHMENT A
RESOLUTIONS AND SUPPORTING STATEMENTS

Resolution 1 - Special resolution to amend our company's constitution:

Shareholders request that the following new clause 32A be inserted into our company's constitution:

Member resolutions at general meeting

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 either 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.

Resolution 2 - Ordinary resolution on Paris Goals and Targets:

Shareholders request the Board disclose, in annual reporting from 2020:

1. Short, medium and long-term targets for reductions in our company's Scope 1, 2 and 3 emissions (**Targets**) that are aligned with articles 2.1(a) and 4.1 of the Paris Agreement¹ (**Paris Goals**);
2. Details of how our company's exploration and capital expenditure, including each material investment in the acquisition or development of oil and gas reserves, is aligned with the Paris Goals; and
3. Details of how the company's remuneration policy will incentivise progress against the Targets.

Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company, or to limit the disclosure of commercial-in-confidence information.

¹ Article 2.1(a) of The Paris Agreement states the goal of "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."

Article 4.1 of The Paris Agreement: In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

Resolution 3 - Ordinary resolution on our company's climate-related lobbying

Shareholders request that our company conduct a review of its direct and indirect lobbying activities relating to climate, resources and/or energy policy (Review). A report summarising the completed Review be should disclosed on the company's website by 31 October 2020.

The Review should cover a period of at least two years and should address the consistency of our lobbying activities with the goals of the Paris Agreement to limit global warming to well below 2°C (**Paris Goals**).

Direct lobbying by our company or its agents: where the Review shows direct lobbying inconsistent with the Paris Goals, shareholders request that the Board disclose a strategy to prevent further lobbying inconsistent with those Goals.

Indirect lobbying by Industry Associations of which our company is a member: where the Review shows a record of lobbying inconsistent with the Paris Goals, shareholders request that Board disclose a remediation plan, agreed with the Industry Association. Shareholders recommend that our company suspend membership of an Industry Association where a remediation plan cannot be agreed (or the Board otherwise decides suspension is in our company's interests).

Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company.

Supporting statement to resolution 1 (573 words including footnotes)

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. As a shareholder, the Australasian Centre for Corporate Responsibility (ACCR) favours policies and practices that protect and enhance the value of our investments.

The Constitution of our company is not conducive to the right of shareholders to place ordinary resolutions on the agenda of the annual general meeting (AGM). In our view, this is contrary to the long-term interests of our company, our company's Board, and all shareholders in our company.

Australian legislation and its interpretation in case law means that Australian shareholders are unable to directly propose ordinary resolutions for consideration at Australian companies' AGMs. In Australia, the *Corporations Act 2001* provides that 100 shareholders or those with at least 5% of the votes that may be cast at an AGM with the right to propose a resolution². However, section 198A specifically provides that management powers in a company reside with the Board³.

Case law in Australia has determined that these provisions, together with the common law, mean that shareholders cannot by resolution either direct that the company take a course of action, or express an opinion as to how a power vested by the company's constitution in the directors should be exercised⁴.

Australian shareholders wishing to have a resolution considered at an AGM have dealt with this limitation by proposing two part resolutions, with the first being a 'special resolution,' such as this one, that amends the company's constitution to allow ordinary resolutions to be placed on the agenda at a company's AGM. Such a resolution requires 75% support to be effective, and as no resolution of this kind has ever been supported by management, none have succeeded.

It is open to our company's Board to simply permit the filing of ordinary resolutions, without the need for a special resolution. We would welcome this, in this instance. Permitting the raising of advisory resolutions by ordinary resolution at a company's AGM is global best practice, and this right is enjoyed by shareholders in any listed company in the UK, US, Canada and New Zealand.

We note that the drafting of this resolution limits the scope of permissible advisory resolutions to those related to "an issue of material relevance to the company or the company's business as identified by the company" and that recruiting 100 individual shareholders in a company to support a resolution is by no means an easy or straightforward task. Both of these factors act as powerful barriers to the actualisation of any concern that such a mechanism could 'open the floodgates' to a large number of frivolous resolutions.

ACCR urges shareholders to vote for this proposal.

² sections 249D and 249N of the *Corporations Act 2001* (Cth).

³ S198A provides that "[t]he business of a company is to be managed by or under the direction of the directors", and that "[t]he directors may exercise all the powers of the company except any powers that this Act or the company's constitution (if any) requires the company to exercise in general meeting."

⁴ *National Roads & Motorists' Association v Parker* (1986) 6 NSWLR 517; *ACCR v CBA* [2015] FCA 785). *Parker* turned on whether the resolution would be legally effective, with *ACCR v CBA* [2016] FCAFC 80 following this precedent on the basis that expressing an opinion would be legally ineffective as it would usurp the power vested in the directors to manage the corporation.

Supporting statement to resolution 2 (926 words including footnotes)

Our company claims that it “recognises the science of climate change and supports the objective of limiting global temperature rise to less than 2°C”⁵. While our Company’s 2019 Climate Change Report addresses each of the key pillars of the Task Force for Climate-related Financial Disclosure (TCFD), our company’s growth strategy and emissions targets are not consistent with the goals of the Paris Agreement.

Capital expenditure and growth

The IPCC’s Special Report on Global Warming of 1.5°C projects that in the absence of, or with only a limited use of fossil fuels with carbon capture and storage (CCS), the share of primary energy provided by gas must decline by 20-25% by 2030, and by 53-74% by 2050 (relative to 2010)⁶. Contrary to those projections, our company intends to increase gas production by 60% to 120 million barrels of oil equivalent by 2025⁷.

Our company has indicated major growth capital expenditure of \$500 million in 2020, including the Barossa and Dorado fields, and in Papua New Guinea⁸. Our company continues to fund offshore exploration off the coast of Western Australia, and onshore in the Northern Territory and Queensland⁹.

In early 2019, our company assessed the resilience of its portfolio against three scenarios from the International Energy Agency (IEA), all of which rely heavily on large scale carbon capture and storage (CCS) and/or negative emissions. Even the most ambitious of those scenarios, the Beyond 2°C Scenario (B2DS), allows for one-in-three odds of exceeding 2°C. Our company should reassess its strategy on the basis of the Principles for Responsible Investment (PRI) Inevitable Policy Response, which forecasts policy intervention by 2025 that will be “forceful, abrupt, and disorderly because of the delay”¹⁰.

There is a clear gulf between our company’s plans and the recommendations of the IPCC, given the absence of commercially viable carbon capture and storage. It is incumbent upon our company to demonstrate to shareholders how its capital expenditure, including each material investment in exploration, acquisition or development of oil and gas reserves, is aligned with the Paris Agreement’s goal of limiting global warming to well below 2°C.

Emissions targets and performance

Our company’s Scope 1+2 emissions (operated) were 5.88 million tonnes CO₂-equivalent in 2017/18, an increase of 48% since 2013/14¹¹. Our company’s Scope 3 emissions were 19.1 million CO₂-equivalent in 2017/18, an increase of 6% since 2013/14¹². Our company’s Scope 3 emissions, from the use of product sold, equate to more than three quarters of its carbon footprint, yet it has shown no intention of limiting or reducing its Scope 3 emissions.

In its 2019 Climate Change Report, our company committed to the following¹³:

⁵ Santos Ltd, Climate Change Policy, 12 December 2017

⁶ IPCC, Special Report on Global Warming of 1.5°C, October 2018

⁷ Santos Ltd, ASX Media Release, 3 December 2019

⁸ Santos Ltd, 2019 Investor Day Presentation, 3 December 2019

⁹ *ibid.*

¹⁰ <https://www.unpri.org/inevitable-policy-response/what-is-the-inevitable-policy-response/4787.article>

¹¹ Santos Ltd, Climate Change Report 2019, 21 February 2019

¹² *ibid.*

¹³ Santos Ltd, Climate Change Report 2019, 21 February 2019

1. To increase gas production by 50% by 2025 (increased to 60% in December 2019);
2. To reduce operational emissions by 5% by 2025;
3. To assess carbon, capture and storage, and solar thermal technologies.

These are not credible targets, nor are they aligned with the Paris Agreement. Our company intends to increase production for the foreseeable future, even though its global peers BHP Group, Repsol and Royal Dutch Shell have committed to set targets to reduce Scope 3 emissions.

Our company also opposes regulators taking into account the emissions from Australia's LNG exports. In a speech in July 2019, our company's CEO Kevin Gallagher said "...that doesn't mean there's a role for regulators to consider Scope 3 emissions in project approvals"¹⁴.

Our company's commitment to reduce operational emissions by 5% by 2025 will likely be achieved by the ongoing decarbonisation of the electricity grid with only minor operational improvements by the company.

To date, our company has failed to provide additional information about its commitment to "assess carbon capture and storage, and solar thermal technologies". It has not disclosed its financial commitment, or any sort of timeline or metrics by which it will measure success.

The IPCC 1.5°C report recommends that in order to reach net zero carbon emissions by 2050, gas must play a diminishing role in primary energy. Failing to limit global warming to 1.5°C will seriously impact the functioning of our financial systems and society more broadly. The Australian summer of 2019/20 is evidence that climate change is already impacting the economy, yet our company has no plans to reduce its carbon footprint.

Remuneration

Our company's CEO and senior executives are awarded short term incentives (STI) based on the assessment of company performance against the company scorecard. Twenty percent (20%) of the company scorecard is composed of "Safety, Environment and Culture" measures, none of which relate to emissions reduction¹⁵.

Furthermore, thirty percent (30%) of the company scorecard is composed of "Growth" measures, including "2P organic reserves replacement ratio (RRR)" and "2C resource add"¹⁶. Despite overwhelming evidence that the vast majority of proven reserves cannot be extracted and burned if we are to limit global warming to well below 2C¹⁷, our company continues to incentivise executives to explore for more reserves.

Our company's remuneration report must be substantially overhauled to remove incentives for exploration, and begin to incentivise emissions reduction and business transformation.

ACCR urges shareholders to vote for this proposal.

¹⁴ Santos Ltd, CEO Speech to Petroleum Club WA Dinner, 23 July 2019

¹⁵ Santos Ltd, Annual Report 2018

¹⁶ *ibid.*

¹⁷ Global Carbon Project, Global Carbon Budget 2019

Supporting statement to resolution 3 (733 words including footnotes)

ACCR expects alignment of company lobbying with the goals of the Paris Agreement to limit global warming to well below 2°C (**Paris Goals**). We are concerned that our company's recent direct¹⁸ and indirect¹⁹ lobbying activities have not promoted the achievement of the Paris Goals.

Independent, UK-based research group InfluenceMap has described Australia as "a test-tube case for what happens when highly powerful and climate-obstructive fossil fuels lobbyists can operate with impunity."²⁰

This resolution seeks further disclosure on our company's direct and indirect lobbying on climate and energy policy, in light of the failure of successive Australian governments to implement policy designed to achieve the Paris Goals.

Direct lobbying

In recent years, our company has publicly criticised the Australian government's approach to energy policy as "populist"²¹, lobbied the Western Australian Premier Mark McGowan immediately after the Western Australian Environment Protection Authority (WA EPA) proposed considering Scope 3 emissions in project approvals²², and most recently called for subsidies for carbon capture and storage (CCS)²³. Currently, shareholders are unaware of the full extent of our company's direct lobbying of state and federal governments.

While some Australian states require the disclosure of limited relevant records (e.g. Ministerial diaries are disclosed in New South Wales), regulation in this area is incomplete. Federal law does not compel disclosure of the information requested in this resolution.

Indirect lobbying

Since 2017, at least eight ASX50 companies (and many more global companies) have conducted a formal review of the activities of their industry associations. To date, our company has not committed to doing the same.

Our company is a full member of the Australian Industry Greenhouse Network (AIGN), the Australian Petroleum Production and Exploration Association (APPEA), the Chamber of Minerals and Energy of Western Australia (CMEWA) and the Queensland Resources Council (QRC).

- **AIGN** represents the interests of EITE (emissions-intensive, trade exposed) industries. It lobbied against effective policy on climate change throughout the early 2000s, and its own members once described the organisation as the "greenhouse mafia"²⁴. Very little information about AIGN's recent activities is

¹⁸ **Direct lobbying** includes lobbying of state and federal parliamentarians undertaken by senior executives and Board members or lobbying firms engaged by our company as its agents.

¹⁹ **Indirect lobbying** includes lobbying, advertising and advocacy activities undertaken by Industry Associations of which our company is a member.

²⁰ Influence Map, Trade Groups and their Carbon Footprints, September 2019

²¹ <https://www.abc.net.au/news/2018-09-05/santos-gas-federal-government-policy-investor-confidence/10204284>

²² <https://www.smh.com.au/business/the-economy/epa-buckles-under-pressure-from-wa-government-oil-and-gas-sector-20190314-p5144l.html>

²³ <https://www.smh.com.au/business/companies/santos-boss-optimistic-about-next-two-decades-despite-amped-up-climate-change-debate-20200116-p53s3o.html>

²⁴ Guy Pearse, High and Dry, 2007

publicly available, however AIGN remains active and continues to send a delegation to international climate talks, including COP25 in Madrid²⁵.

- **APPEA**, of which our company's CEO is Chair, has supported the use of Kyoto carryover credits²⁶ to effectively halve Australia's 2030 emissions target, a position which the Australian government used to delay talks at COP25 in Madrid.²⁷ APPEA has called for LNG plants to be exempt from public disclosure of their emissions,²⁸ has opposed state-based renewable energy targets²⁹, and has said that there is no "need in any way, shape or form" for governments to regulate emissions from LNG exports³⁰.
- In recent years, **APPEA** has developed a growing online and social media presence, often under the auspices of several, ostensibly independent or separate, entities. These entities are all owned and managed by APPEA, and promote its messaging online using different branding and messaging styles. These entities include: Energy Information Australia, Bright-r with Gas, Gas4NT, Shale Gas, Natural CSG (no longer in use), Our Natural Advantage and Seismic Survey.
- **APPEA** and the **CMEWA** successfully campaigned against a WA EPA recommendation that would require large new emissions intensive projects to offset carbon emissions.³¹
- **QRC** has called on the Queensland government to underwrite the development of a new coal-fired power station³², lobbied extensively for new thermal coal mines in the Galilee Basin³³, and relentlessly pursued policies to promote the export of Australian thermal coal to Asia³⁴. In 2019, it supported government efforts to criminalise protest³⁵.

Australia urgently requires the implementation of public policy designed to bring the country's emissions trajectory into line with the Paris Goals. Our company's record of lobbying on climate and energy policy runs directly counter to the achievement of the Paris Goals. This resolution promotes a strategic reset of our company's approach to policy engagement, at a crucial time.

ACCR urges shareholders to vote for this proposal.

²⁵

<https://unfccc.int/process-and-meetings/parties-non-party-stakeholders/non-party-stakeholders/overview/how-to-obtain-observer-status>

²⁶

https://www.appea.com.au/media_release/appea-welcomes-commitment-to-further-consultation-on-labors-climate-change-action-plan/

²⁷ <https://www.theguardian.com/environment/2019/dec/16/un-climate-talks-australia-accused-of-cheating-and-thwarting-global-deal>

²⁸ <https://www.theguardian.com/environment/2018/nov/16/nothing-to-hide-oil-and-gas-lobby-pushes-to-limit-data-on-its-emissions>

²⁹ APPEA Submission, Energy Security Board National Energy Guarantee Draft Detailed Design Consultation Paper, June 2018

³⁰

<https://www.theaustralian.com.au/business/mining-energy/rivals-baulk-at-bhp-carbon-plan/news-story/83afe8670070a450b1a4732ebc6703ab>

³¹ https://www.appea.com.au/media_release/wa-epa-guidelines-put-investment-at-risk/

³² <https://www.qrc.org.au/media-releases/hele-power-plant-strengthen-queenslands-trade-energy-leadership/>

³³ <https://www.qrc.org.au/media-releases/all-mps-must-heed-bipartisan-committee-call-to-bin-galilee-ban-qrc/>

³⁴ <https://www.australianmining.com.au/news/record-coal-exports-continues-to-drive-queensland-economy/>

³⁵ <https://www.abc.net.au/radio/programs/pm/pm-pledges-to-crack-down-on-protesters/11665058>

ATTACHMENT B
AGENCY AGREEMENTS