ASX Announcement

Thursday, 30 April 2020

ASX: WPL
OTC: WOPEY

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AGM ADDRESS BY CHAIRMAN RICHARD GOYDER AND CEO PETER COLEMAN

In accordance with the Listing Rules, please see attached announcement relating to the above, for release to the market.

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This ASX announcement was approved and authorised for release by Woodside's Disclosure Committee.

Woodside Petroleum Ltd.

2020 Annual General Meeting
Thursday, 30 April 2020

Chairman Richard Goyder

Good afternoon. My name is Richard Goyder and, as Woodside's Chairman, I would like to welcome you to the 2020 Annual General Meeting.

I'm speaking to you from Perth and would like to begin by acknowledging the traditional owners of this land, the Whadjuk Noongar people, and paying my respect to their Elders past, present and emerging.

This AGM is unlike any that we have ever held before. We have adapted our procedures in light of the COVID-19 pandemic to practice social distancing and play our part in slowing the spread of the virus.

This meeting is being held with the assistance of video and teleconferencing technologies that will allow shareholders to submit questions during the meeting.

I thank all of you for logging on and tuning in. I'm sorry that we do not have the opportunity to mix and engage this year, but I'm sure you understand how vitally important it is that we all change our behaviours for a while.

We'll talk today about the changes we have implemented as a company as we've worked to protect the health of our staff and community, whether in Karratha, Perth or our international offices. Safety is at the core of our company's culture and we responded quickly to the threat posed by COVID-19.

Despite the restrictions on gatherings, we wanted to keep this appointment with shareholders.

The AGM is an incredibly important occasion in our company's calendar and one that the Board looks forward to every year, as it gives us a chance to hear directly from our shareholders and respond to your questions.

CEO Peter Coleman and I are here in Perth, along with Company Secretary Warren Baillie and Chief Financial Officer Sherry Duhe, appropriately socially distanced.

Our directors are unable to travel to be here, but they are joining us via the webcast. Welcome to Larry Archibald, Frank Cooper, Swee Chen Goh, Chris Haynes, Ian Macfarlane, Ann Pickard, Sarah Ryan and Gene Tilbrook.

We'll hear messages shortly from Ian Macfarlane and Larry Archibald, who are seeking re-election and from Swee Chen Goh, who joined the Board in January and is seeking election.

Present on the call is Trevor Hammond, representing our auditor Ernst and Young.

I confirm that a quorum is present – by virtue of the proxies I hold as Chair – and I now formally declare the meeting open.

Just a reminder that as Woodside reports its results in US dollars, any reference to dollars this afternoon will be in US currency unless stated otherwise.

As notified to the ASX, all resolutions today will be decided on a poll, based on proxies that were submitted before the meeting.

Lisa Ahwan from the company's share registry Computershare has agreed to act as Returning Officer for the poll. The poll will be scrutinised by representatives from Ernst & Young, the company's auditors.

I now declare the poll open, and I will now vote all directed proxies in accordance with the directions provided by shareholders.

As advised in the notice of meeting, I will also vote all available undirected proxies:

IN FAVOUR of items 2(a) to 3 inclusive
And AGAINST item 4(a), which was requisitioned by a group of shareholders

I have been informed that resolution 4(a) will not be passed by the 75% majority required for a special resolution.

Accordingly, it is not necessary to vote on resolutions 4(b), (c) and (d).

However, questions in relation to those items will be allowed in the Q&A for resolution 4(a) and we will then display on the screen proxy and direct votes that were received before the meeting on these resolutions.

I now declare the poll closed. The formal results of the poll will be notified to the ASX after the meeting, and will be posted on the Woodside website, and I will display the voting outcome for each item of business after the online Q&A about that item.

I would now like to outline the procedures for questions at this meeting.

As this is a shareholders' meeting, only shareholders, their attorneys, proxies and authorised representatives are entitled to ask questions. Questions can be submitted via the Questions icon on your screens.

Thank you to those who have already submitted questions in advance. If you have a question prepared today, please submit it now so that we can answer as many questions as possible when I come to the relevant agenda item. I ask you to please limit yourself to no more than two questions.

All questions should be addressed to me as the Chair. Please start your question with the resolution number to which it relates and provide your affiliation if you are not here today in your personal capacity.

I expect there are a lot of different issues to be discussed today. We want to hear from as many shareholders as possible, so I ask that you keep questions brief and avoid repeating issues that have already been covered.

Let me start by talking about our company's performance in 2019 and how the work we have been doing in preparation for a growth phase sets us up for the challenges we are now facing.

As you know, in 2019, we achieved an underlying net profit after tax of $1.063 billion and reported NPAT of $343 million, reflecting the impairment of the Kitimat LNG asset.

Importantly, we generated operating cashflow of $3.3 billion, indicating the underlying strength of our base business.

We continued to deliver value for shareholders, with a final dividend of 55 US cents per share, representing a payout ratio of 80% of underlying profit. Our annual dividend was 91 US cents per share.

Our disciplined approach to capital management has positioned us well to respond to the extraordinary circumstances that have unfolded around the world in recent months.

A paradox of this pandemic is that it shows just how connected we all are, even as it forces us physically apart. The challenges are much bigger than any individual – and we need to face them together.

We know many people are doing it tough. I want to assure you that we are acting to protect your company for the long-term and we are also doing our bit for the community.

To protect our business, we rapidly adopted an operating model that minimises contagion risk and ensures we can continue to provide the natural gas that is crucial to Western Australia's energy supply and to our customers globally.

As I've said already, safety is of paramount importance to us. In fact, last year we recorded our best-ever personal safety outcome, which was a credit to our staff and contractors.

Faced with the challenges of COVID-19, the response from our people has been fantastic. They have adapted to changed rosters and ways of working, whether at our facilities in Karratha or our corporate headquarters here in Perth, where most of our staff have spent time working from home.

Woodside does a lot of preparation for crisis response and although a pandemic of this scale is not something the company had drilled for, we had the right processes and people in place to respond and manage impacts on our business and our community.

We've set up a $A10 million community fund, which is already providing support to LifeLine WA, FoodBank WA, Orange Sky and The Salvation Army in Karratha. These community groups play an important role even at the best of times – and at times like these, their role becomes even more crucial. This targeted support is in addition to our existing commitments in the community.

There have been difficult decisions for everyone along the way but by working together, we are trying to get the best outcomes for all our stakeholders.

We have expedited payment terms for small, local and indigenous businesses, bringing forward millions of dollars in payments.

We are also working closely with our contractors to mitigate impacts on their businesses and their employees. We've had positive feedback from contractors - like NEMMS JV (an indigenous contractor in Karratha) and Matera Electrical - that this close engagement is helping them get through this difficult time.

We recognise that our business relies on so many others in the community, who in turn are reliant on us. We are doing what we can to protect not only our business, but also our community.

We are able to take these steps because we entered this period of uncertainty with a strong balance sheet.

But the challenges are significant and all the more pressing for our industry because we are facing simultaneous supply and demand shocks from COVID-19 and oversupply of crude oil and LNG influenced by geopolitical forces beyond our control.

Woodside has prudently managed those things that are within our control to identify a pathway through these challenges.

For the past two years we have been preparing our balance sheet for a growth phase of higher capital expenditure. Now we have been able to adapt our plans to these new circumstances, delaying major growth projects in Western Australia and halving our forecast expenditure for this year.

I've said before that the number one rule in business is: never run out of cash and make sure your balance sheet is strong. On those measures, Woodside is in good shape.

Of course, under more normal circumstances, we would have liked to have spent this meeting updating you on the progress on our proposed Burrup Hub projects and the momentum building to final investment decisions.

But it is, in fact, fortunate that we have not yet sanctioned those projects. This gives us flexibility. We have delayed until 2021 a target final investment decision on developing the Scarborough gas field and expanding the Pluto LNG facility.

We have also deferred a decision on developing the Browse resource.

Delaying these projects was the right decision, but when the timing is right, we will be ready to proceed.

The economy will certainly be in dire need of projects that involve investment and jobs and the world will need the reliable and cleaner energy offered by natural gas.

Over the past year, I've met with all of our large shareholders. I would like to thank each of them for the open and transparent way we have been able to conduct our conversations.

Many of those conversations have begun with discussion about climate change and our role in responding to it.

This is not just an issue for companies but also for all of our big investors.

That's certainly not going away as an issue. The fact that global emissions growth is likely to slow this year due to the severe economic downturn is not in any way an excuse for inaction.

This is still a major challenge for the world.

Our industry has a big role to play.

We produce an energy source, natural gas, that can displace higher emissions fuels and get the world's energy mix shifting in the right direction.

Woodside supports the goal, implicit in the Paris Agreement, of net zero emissions globally by 2050.

And as a company, we are working on our own role in delivering that as we aspire for Woodside to achieve net zero direct emissions within that timeframe.

That involves changes in the design and operation of our facilities as well as investment in carbon offsets and new energy opportunities.

We are also working within industry associations to support action on climate change.

I want to thank Peter Coleman, his executive team and every Woodsider for their efforts in the past year and, in particular, in recent months.

And I want to talk briefly about remuneration. We have worked very hard in recent years to ensure our executive remuneration is aligned closely with shareholder interests and designed to support the delivery of superior shareholder returns over the long term.

We have also increased disclosure of executive remuneration, in recognition of shareholders' interest in this subject.

In the past year, the Board exercised its discretion to make significant reductions in executive awards.

I believe we have got the balance right, preserving the ability of Woodside to attract and retain globally competitive talent who can deliver long-term value, while ensuring executive pay is closely linked to shareholders' interests. The Board will consider feedback from shareholders as we look to enhance the Executive Incentive Scheme going forward.

In business, it is important to have a strategy that guides you but be prepared to change your path when circumstances require it. As you know, Woodside has mapped out a clear growth strategy and we were preparing this year to take the next steps on that journey.

Peter and the team have responded with remarkable agility to these recent challenges.

Indeed, the Australian people have been terrific in their response to this pandemic. Unfortunately, the economic consequences will be significant and we need to navigate a safe pathway to rebuild our economy as soon as we can. While there will be risks, there are significant risks in not opening up.

None of us wanted to be tested in this way, but your company is resilient and has been able to navigate a path through this global uncertainty, guided by its unswerving commitment to disciplined financial management and a culture of health and safety.

Now I'll hand over to CEO Peter Coleman to provide more detail about our achievements in the past year and how we are managing the challenges we now face.

Peter Coleman
CEO and Managing Director

Thank you, Richard. And thank you to all of those who are joining us on the webcast.

As Richard already mentioned, it was crucial that we keep this appointment to talk with you. I know that now more than ever our shareholders want to hear how we see things playing out in the months ahead.

These are very dynamic times, but we are through the initial shock of the COVID-19 crisis. At Woodside, we have put in place the necessary arrangements to ensure we can continue operating for some time in these unprecedented circumstances.

Those arrangements are designed to protect the health of our people, the strength of our finances and the continuity of our operations. We have taken the difficult but prudent decisions that were needed, delaying our proposed projects and non-essential activities, contributing to a halving of forecast spending this year, to approximately $2.4 billion.

We’ve emerged from that immediate crisis response phase in as good a shape as possible, with our strong investment grade credit rating reaffirmed by both S&P and Moody’s.

The maintenance of a robust credit rating maximises our options for the future and supports prudent risk management.

Of course, our industry is confronted not just by the challenge of the COVID-19 pandemic and the associated reduction in demand, but also by the supply shock after the collapse of the deal between OPEC and Russia led to Saudi Arabia flooding the market with oil.

The agreement earlier this month between OPEC, Russia and other producing countries will help reduce the extent of the oversupply but the demand destruction we are seeing is so significant that low oil prices are likely to persist this year and possibly into next.

To be frank, this extraordinary confluence of events is the worst situation I’ve seen for our industry in the 36 years I’ve been in this game.

Now, why would I be saying this to our shareholders? Well, two reasons: first, our shareholders are smart people and you can see for yourself that our industry faces big challenges. And second, when an industry goes through extreme circumstances like this, it does throw up opportunities for those that have the balance sheet strength to pursue them.

I can assure you that Woodside entered this period of significant uncertainty with one of the stronger balance sheets in our industry and world-class, low-cost producing assets.

At the end of March, we had over $4 billion cash on hand, over $7 billion of liquidity and gearing at the low end of our target range.

We are in this position because of our disciplined approach.

We have taken on board learnings from Woodside’s activities over the past ten years to inform our approach to managing risk on our balance sheet, the execution of our projects and our M&A activities.

Our balance sheet strength and rigorous investment analysis ensure we can preserve value for our investors through uncertain circumstances, which can challenge the outlook for the timing and value of the sale of assets, the price of oil and LNG and the timing of major capital commitments in our portfolio.

In the past year, we have stress-tested our balance sheet against a number of scenarios, including two years of oil prices at $35 with ongoing oil prices beyond that of $50 flat real, to ensure the robustness of our investment strategy. Of course, any investment decision would depend on further analysis of a range of factors, including a view of likely oil price into the future.

We also test our investment strategy under various climate scenarios and incorporate a cost of carbon of at least $US40 a tonne, notwithstanding the fact that there’s not a carbon tax in Australia.

Our dividend policy is designed to recognise the uncertainty in our revenue streams due to the cyclical nature of the commodity business and the profit derived from that.

All of these measures have ensured Woodside’s balance sheet and cash flows remain robust.

That’s why we raised capital and debt over the last two years to ensure we could manage any uncertainty that might arise.

We ran scenarios to test our balance sheet that would have been considered extreme at the time, but now, with the benefit of hindsight, look prudent.

Our disciplined approach to cash flow and debt management allowed us to respond quickly and decisively to preserve cash flow through these challenging months and ensure we can successfully execute our growth strategy when the time is right.

We have also made the necessary changes to rostering arrangements at our facilities to ensure their operation is not disrupted by the spread of COVID-19. Our reliable and low-cost operations continue to maximise revenue from our base business.

So, what is the latest on our growth strategy?

Well, we have made good progress on the Burrup Hub - and that is continuing even though we have deferred target final investment decisions for Scarborough, Pluto expansion and Browse.

At the start of April, we achieved an important regulatory milestone for Scarborough. The offshore regulator, NOPSEMA, accepted the Scarborough Offshore Project Proposal (OPP), after assessing the potential environmental impacts over the life of the project.

Our team is going to continue progressing the relevant approvals so we will be ready to move forward when the time is right. The fundamentals are still sound and demand will recover.

In the cyclical nature of our industry, a number of projects that were proposed globally and are reliant on project financing will likely not proceed and that, in turn, will support LNG prices. I am confident that our proposed projects are cost-competitive - and we are now working towards a final investment decision on Scarborough next year.

We are aiming to start construction this year of the pipeline component of the Pluto-Karratha Gas Plant Interconnector, which continues to be a crucial part of our vision for an integrated production hub.

Our near-term growth is continuing, with a final investment decision reached early this year on the North West Shelf's Greater Western Flank Phase 3 and significant progress on executing the Pyxis Hub and Julimar-Brunello Phase 2.

Our international plans have also progressed. Work started early this year on the Sangomar Phase 1 development in Senegal. We are managing the emerging impacts of COVID-19 on the supply chain and project schedule.

We are working with contractors, the Government of Senegal and our joint venture partners to evaluate options to reduce total cost and near-term spend whilst protecting the overall value of the investment.

Richard has already referred to how we are responding to the global challenge of climate change. If the world is to have a chance of achieving the Paris Agreement goal, then natural gas will play a crucial role in driving the transition to cleaner energy.

Natural gas can provide energy that the world needs, with lower carbon than other major fossil fuel supply sources.

But we are not complacent about that – we are working hard on two fronts: first, to further improve the emissions profile of natural gas, both in our operations and across the value chain. And second, by developing new capacity in new energy, carbon management and technology.

We have set ourselves targets for improving our emissions performance – and we will report on our progress.

Our current energy efficiency target spans the years 2016 to 2020 and we have committed to setting a target for the 5 years beyond that.

In the past year, we announced a target for offsetting our equity reservoir emissions across our entire portfolio from 2021. These emissions occur naturally in gas reservoirs and need to be removed from the gas prior to liquefaction.

Our carbon management team has been hard at work to deliver this. Here in Western Australia we have acquired properties to undertake native tree-planting projects to generate quality carbon offsets and we are aiming to commence planting within weeks.

As a signatory of the Methane Guiding Principles, we are working to reduce methane leakage, including by improving leak detection and repair at our facilities and raising awareness of the importance of managing methane across the natural gas value chain.

In the past year, we have been progressing opportunities for hydrogen as a large-scale energy source and the networks that can enable this, including through agreements with partners in our key export markets of South Korea and Japan.

Last year we invested in a consortium in Korea that is building 100 hydrogen refuelling stations, giving us access to information on that market.

And earlier this month we announced an agreement with Japanese companies JERA Inc, Marubeni Corporation and IHI Corporation to examine the large-scale export of hydrogen as ammonia for use decarbonising coal-fired power generation in Japan.

We acknowledge investor and community interest in the challenge of climate change and we'll continue this conversation as our business plays its role in supplying reliable energy while supporting progress towards a lower carbon world.

The world has gone through some rude shocks in recent months and our industry has copped it on two fronts. The headwinds we face in the year ahead are significant, but Woodside is in a better position to weather them than most of our competitors.

This pandemic has been a reminder that we provide an essential service, supplying an energy source that keeps the lights on and homes heated as we come into winter.

I would like to thank all of you who are tuning in from your lounge rooms or home offices and urge you to continue to heed the advice of the health experts throughout this pandemic.

I also thank our employees for the flexibility they have shown in this period. I acknowledge these have also been challenging times for our suppliers and contractors and appreciate their willingness to work together to get through them.

Almost 80 suppliers can benefit from our expedited payment terms for small, local and indigenous businesses. We have expedited payment of some A$8.6 million so far as we target 14-day payment terms for small businesses. We know how crucial cash flow is to small business at this time.

In particular, I would like to acknowledge the importance of the grassroots work done by community groups at a time like this, dealing with immense social challenges, including domestic violence and homelessness. We remain committed to working with our community partners through these very difficult times. It's the right thing to do.

It is encouraging that Australia has managed thus far to slow the rate of infection, but it's not over yet. As a nation, we are going to be managing the economic impacts of this crisis for some time and companies like ours have a role to play in the recovery.

Now I'll hand you back to Richard.

The formal business of the meeting was then conducted.