

# 1. Corporate Governance at Woodside

Woodside is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

This Statement reports on Woodside's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

Woodside's Compass is core to our governance framework. It sets out our mission, vision and strategic direction and core values of integrity, respect, working sustainably, working together, discipline and excellence. It's the overarching guide for everyone who works for Woodside.

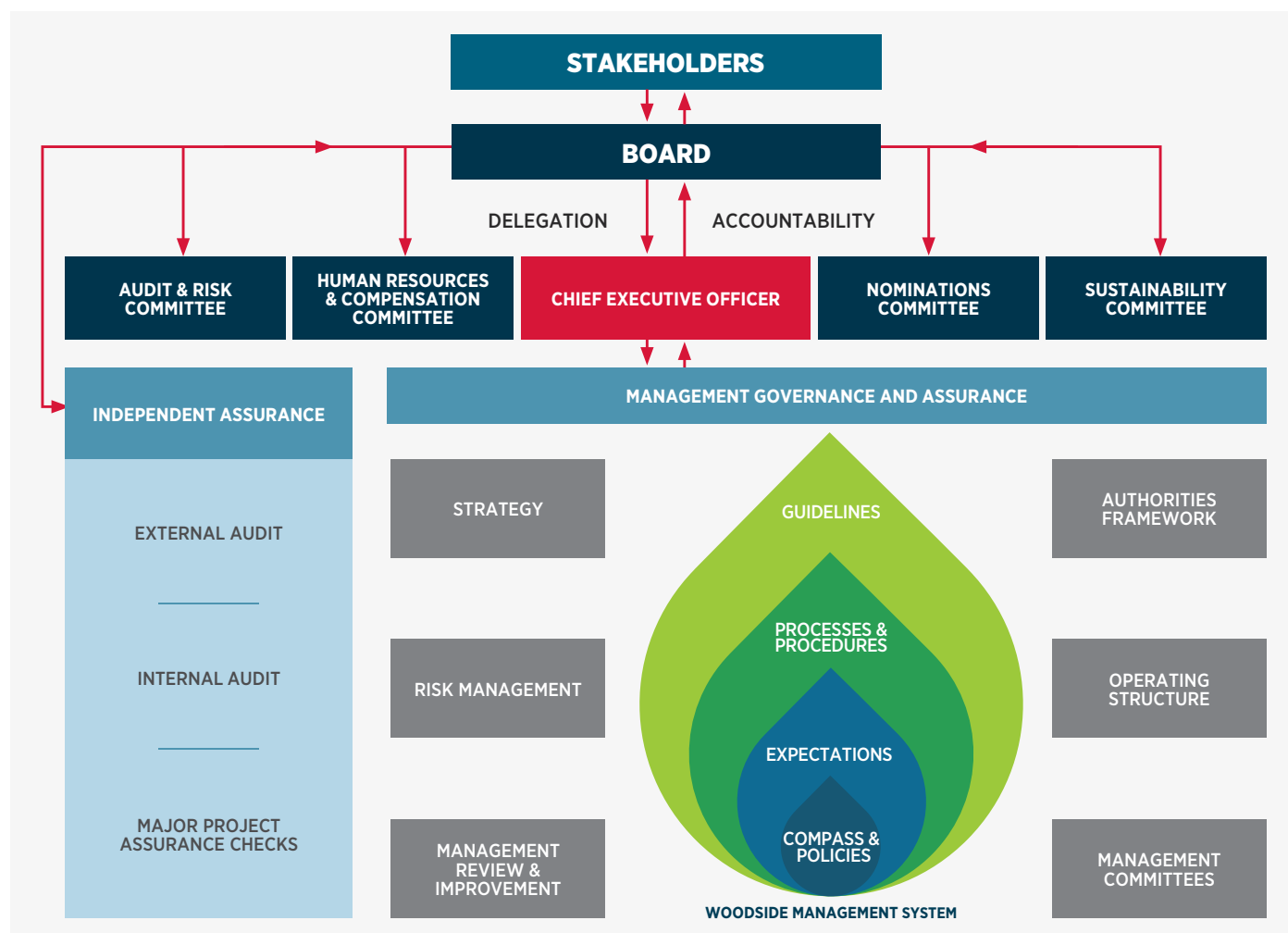
Woodside's corporate governance model is illustrated below. The Woodside Management System (WMS) describes the Woodside way of working, enabling Woodside to understand and manage its business to achieve its objectives. It defines the boundaries within which Woodside employees and contractors are expected to work. The WMS establishes a common approach to how we operate, wherever the location.

The company, as a listed entity, must comply with the Corporations Act 2001 (Cth), the ASX Listing Rules, and other Australian and international laws. The ASX Listing Rules require the company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's third edition of its Corporate Governance Principles and Recommendations (ASXCGC Recommendations). Throughout the year, Woodside complied with all the ASXCGC Recommendations.

A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this Statement and the 2016 Remuneration Report is provided on pages 13 to 15.

Information on Woodside's governance framework is also provided in the Governance and Compliance section of Woodside's website.

The website contains copies of Board and committee charters and copies of many of the policies and documents mentioned in this Statement. The website is updated regularly to ensure it reflects Woodside's most current corporate governance information.



## 2. Board of directors


### 2.1 Board role and responsibilities

The Constitution provides that the business and affairs of the company are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Woodside's business activities is delegated to the Chief Executive Officer (CEO) who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

The central role of the Board is to set the company's strategic direction, to select and appoint a CEO and to oversee the company's management and business activities.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- + the appointment and removal of the CEO, any other executive directors and the Company Secretary and determination of their remuneration and conditions of service;
- + approving senior management succession plans and significant changes to organisational structure;
- + authorising the issue of shares, options, equity instruments or other securities;
- + authorising borrowings, other than in the ordinary course of business, and the granting of security over the undertakings of the company or any of its assets;
- + authorising expenditures which exceed the CEO's delegated authority levels;
- + approving strategic plans and budgets;
- + approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- + approving dividends;
- + approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the company;
- + approving policies of company-wide or general application;
- + appointing the Chairman of the Board;
- + appointing directors who will come before shareholders for election at the next annual general meeting (AGM); and
- + establishing procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

 A copy of the Board Charter is available in the Governance and Compliance section of Woodside's website.

### 2.2 Board composition

The Board is comprised of ten non-executive directors and the CEO. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out in Table 1. Detailed biographies are available in the Annual Report 2016 on pages 66 and 67.

The Board and its committees actively seek to ensure that the Board continues to have the right balance of skills, knowledge, experience and diversity necessary to direct the company in accordance with high standards of corporate governance and to oversee Woodside's management and business activities.

In assessing the composition of the Board, the directors have regard to the following principles:

- + the Chairman should be non-executive and independent;
- + the role of the Chairman and the CEO should not be filled by the same person;
- + the CEO should be a full-time employee of the company;
- + the majority of the Board should comprise directors who are both non-executive and independent;
- + the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the company; and
- + the number of Shell-nominated directors, as a proportion of the Board, should normally be in the proportion that Shell's holding of fully paid ordinary shares in the company bears to all of the issued fully paid ordinary shares in the company.

The directors on the Board collectively have a combination of skills and experience in the competencies set out in Table 2 on page 3. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each director and the combined capabilities of the Board.

The Board considers that collectively the directors represent the skills, knowledge and experience necessary and desirable to direct the company. The non-executive directors contribute operational and international experience, an understanding of the industry in which Woodside operates, knowledge of financial markets and an understanding of the health, safety, environmental and community matters that are important to the company. The CEO brings an additional perspective to the Board through a thorough understanding of Woodside's business.

The directors on the Board represent a diverse range of nationalities and backgrounds. There are three women on the Board. The Board recognises that opportunities exist to consider diversity upon future retirements of non-executive directors. The Board achieved its objective of having at least 30% female representation on the Board in 2016.<sup>1</sup>

Table 1 – Details of directors

Name of director	Term in office	Qualifications	Status (Independent or Executive)
M Chaney (Chairman)	Director since November 2005 Chairman since July 2007	BSc, MBA, Hon LLD (UWA), FAICD	Independent
P Coleman (CEO and Managing Director)	Director since May 2011	BEng, MBA, FATSE	Executive
L Archibald <sup>1</sup>	Director since February 2017	MBA, BSc (Geosciences), BA (Geology)	Independent
M Cilento	Director since December 2008	BA, BEc (Hons), MEc	Independent
F Cooper	Director since February 2013	BCom, FCA, FAICD	Independent
C Haynes	Director since June 2011	Bsc, DPhil, FEng, CEng, FIMechE	Independent
I Macfarlane	Director since November 2016	FAICD	Independent
D McEvoy <sup>1</sup>	Director since September 2005	BSc (Physics), Grad Dip (Geophysics)	Independent
S Ryan	Director since December 2012	PhD (Petroleum and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology)	Independent
A Pickard	Director since February 2016	BA, MA	Independent
G Tilbrook	Director since December 2014	BSc, MBA	Independent

<sup>1</sup> Mr Larry Archibald commenced as a director on 1 February 2017. Mr David McEvoy is retiring with effect from the 2017 AGM on 5 May 2017 and is not included in the Board Members gender profile.

## 3. Committees of the Board

### 3.1 Board committees, membership and charters

The Board has the ability under the company's constitution to delegate its powers and responsibilities to committees of the Board. This allows the directors to spend additional and more focused time on specific issues.

The Board has four standing committees to assist in the discharge of its responsibilities. These are the:

- + Audit & Risk Committee;
- + Nominations Committee;
- + Human Resources & Compensation Committee; and
- + Sustainability Committee.

The committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a committee by the Board.

Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required. Prior to the commencement of each year, the committees set an annual agenda for the coming year with reference to the committee charters and other issues the committee members or Board consider appropriate for consideration by the committees.

Each committee's charter is available in the Governance and Compliance section of Woodside's website.

Membership of the committees is based on directors' qualifications, skills and experience. Each standing committee is comprised of:

- + only non-executive directors;
- + at least three members, the majority of whom are independent; and
- + a chairman appointed by the Board who is one of the independent non-executive directors.

The Audit & Risk Committee and the Human Resources & Compensation Committee have additional membership requirements which are discussed in sections 3.2 and 3.4.

The composition of each committee and details of the attendance of members at meetings held during the year are set out in Table 3 on page 7.

All directors are entitled to attend meetings of the standing committees. Papers considered by the standing committees are also available to all directors who are not on that committee. Minutes of the standing committee meetings are provided to all directors and the proceedings of each meeting are reported by the chairman of the committee at the next Board meeting.

Each committee is entitled to seek information from any employee of the company and to obtain any professional advice it requires in order to perform its duties.

Each standing committee participates in regular review of its performance and effectiveness. As a result of the 2016 review, the Board is satisfied that the committees have performed effectively with reference to their charters.

Ad hoc committees are convened to consider matters of special importance or to exercise the delegated authority of the Board.

### 3.2 Audit & Risk Committee

The role of the Audit & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the internal and external audit functions.

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- 🔗 The Audit & Risk Committee's charter, which sets out further details on the role and duties of the committee, is available in the Governance and Compliance section of Woodside's website.
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Members of the Audit & Risk Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which Woodside operates, to be able to effectively discharge the committee's responsibilities.

The chairman of the Audit & Risk Committee cannot be the Chairman of the company.

Members of the Audit & Risk Committee are identified in Table 3 on page 7 which sets out their attendance at meetings. Their qualifications are listed in the Annual Report 2016 on pages 66 and 67.

Key activities undertaken by the Audit & Risk Committee during the year included:

- + monitoring developments in accounting, financial reporting and taxation relevant to Woodside;
- + reviewing significant accounting policies and practices;
- + reviewing and making recommendations to the Board for the adoption of the Group's half-year and annual financial statements;
- + approval of the scope, plan and fees for the 2016 external audit;
- + reviewing the independence and performance of the external auditor;
- + reviewing Internal Audit reports and approval of the 2016 Internal Audit plan;
- + reviewing the Group's key risks and risk management framework and confirming that the framework was sound;
- + reviewing reports from management on the effectiveness of the Group's management of its material business risks;
- + monitoring matters arising under the Code of Conduct and the Anti-Bribery and Corruption and Whistleblower Policies; and
- + reviewing and making recommendations to the Board on amendments to company policies.

The external auditors, the Chairman, the CEO, the CFO, the Group Financial Controller, the head of Internal Audit, the head of Risk and Compliance and the head of Taxation are regular attendees at Audit & Risk Committee meetings. At each committee meeting, time is scheduled for the committee to meet without management present, and to meet with the external auditors without management present.

The committee meets at least semi-annually with Woodside's internal auditors without management present.

### 3.3 Nominations Committee

The role of the Nominations Committee is to assist the Board to review Board composition, performance and succession planning. This includes identifying, evaluating and recommending candidates for the Board.

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All non-executive directors are currently members of the Nominations Committee.

Table 3 on page 7 sets out their attendance at committee meetings. Key activities undertaken by the Nominations Committee during the year included:

- + review of the size and composition of the Board;
- + Board succession planning;
- + making recommendations to the Board regarding the directors seeking re-election at the 2017 AGM; and
- + approval of the process for the annual Board performance evaluation.