Woodside Petroleum Ltd Annual Shareholders Meeting - Final

19,753 words
18 April 2018
CQ FD Disclosure
FNDW
English

Presentation

MICHAEL A. CHANEY, FORMER CHAIRMAN OF THE BOARD, WOODSIDE PETROLEUM LTD: Good morning, ladies and gentlemen, and welcome to Woodside's 2018 Annual General Meeting. My name is Michael Chaney. And as Woodside's Chairman, I'd like to thank all our shareholders and Woodside's staff and guests for attending today's meeting.

I'd also like to thank [Adrian Biemme], [Robin Bland], [Erica Cathera] and [Mia Smith] from the West Australian Youth Orchestra for entertaining us prior to the start of the meeting. Woodside's been a very proud supporter of the orchestra since 1991.

I extend my welcome also to those who are joining us via webcast today. Before we commence, please take a few seconds to familiarize yourselves with the evacuation procedures, which are shown on the screen above, which would apply in the unlikely event of an emergency.

In furthering the process of reconciliation, it's important for us to acknowledge the past and present traditional owners of the land on which we are gathering today. And to that end, I invite Dr. Richard Walley, OAM, who's a Whadjuck man of the Nyoongar country of South West, Western Australia to the stage to deliver a Welcome to Country for us. Richard?

RICHARD WALLEY: (foreign language) So this is the Whadjuck section of the Nyoongar language group. May the good spirit keep everyone safe as we're converting and speaking business on the, what you call, the (foreign language) on the land by the river. Not only in the official and formal capacity, but when we're sharing food, conversation and drink, we're creating stories and doing something that all of our ancestors have been doing for thousands of years. And when these official procedures have completed, may the good spirit take each and every one of you safely back home to your families. I will do what we call the (foreign language), the story of the river traveling to the ocean. This is part of the song that's all about -- now, countries across this nation are linked in song lines, and this is just one of the songs.

(presentation)

(foreign language) May the good spirit be with us.

MICHAEL A. CHANEY: Well, thanks very much, Richard. And now on stage with me is our Chief Executive Officer and Managing Director, Peter Coleman; our Chief Financial Officer, Sherry Duhe, who joined us only recently; and our Company Secretary, Warren Baillie.

I'd like to introduce our Board of Directors who are sitting in the front row, and perhaps each of you could stand as I mention your name. Firstly, Larry Archibald; Melinda Cilento; Frank Cooper; Richard Goyder, who will succeed me as Chairman after today's meeting; Chris Haynes; Ian MacFarlane; Ann Pickard; Sarah Ryan; and Gene Tilbrook.

Trevor Hammond from Ernst & Young, the company's auditors, is also present.

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

It's a pleasure to be reporting to you again on Woodside's activities, and I look forward to any questions that you may have later on in this meeting. The meeting actually has pretty special significance to me as my 11th meeting as AGM Chairman before I move on from a role that has capped off a 46-year association with Woodside.

I joined the company back in 1972 as a petroleum geologist in my first job out of university during what was a really exciting time when major discoveries were being made on the North West Shelf. And after leaving to pursue a different career, I came back as a Director in 2005 and then as -- became Chairman in 2007.

As I prepare to hand over later today to Richard, I'm very pleased to update you on Woodside's activities over the last year. The company's entering a very exciting phase at the moment with some really promising developments on the horizon.

But first, I can report that 2017 was a good year for Woodside as the oil price rallied, profits grew and the company positioned itself for growth. Now profit's increased 18% over the last year to more than $1 billion. We achieved low unit production costs and lifted our gross margins to $23 per barrel of oil equivalent.

We maintained our 80% dividend payout ratio and paid a fully franked dividend of $0.98 per share, which was up from $0.83 in the previous year.

Over the past decade, we've seen the oil price vary from a high of $145 to a low of $30 a barrel. Despite those fluctuations and dramatic shifts in global financial conditions, Woodside has remained profitable over that period.

Throughout all of this, we've been looking for opportunities to grow our portfolio when this, in our view, presented value for shareholders. We've never pursued growth for growth's sake. But in recent years, we've been able to make some important acquisitions that have set the company up, we believe, to take advantage of emerging demand.

In 2017, conditions improved as oil prices stabilized and then firmed, as I said. And in the second half of the year, LNG spot prices increased significant, which for us, of course, is a very important issue. A cold northern winter, combined with China's switch from coal to natural gas for heating, fueled demand for LNG and led to a surge in spot prices that reminded buyers, we think, that more supply will be needed. It's a simple equation, really. Investment in new supply globally has not kept up with demand. Global LNG demand increased by around 30 million tonnes last year, but only one new LNG project for 3.4 million tonnes per annum was approved. This is the backdrop against which Woodside has unveiled its plans for new production to meet anticipated rising demand from the 2020s.

In preparation for this, as you'd all be aware, we undertook a AUD 2.5 billion equity raising in recent months. We think the equity offer presented a win-win proposition for shareholders, with those who took it up securing extra shares at a discounted price, and those who chose not to take it up receiving a payment representing the premium that those equivalents attracted at subsequent sale.

The capital we raised with your support allows us to maintain our prudent financial position and ensures that we are very well placed to develop our planned projects. That bodes well for you as shareholders but also for the people of this state and this nation, who'll benefit from the supply of energy as well as the employment and the revenue associated with the development of what are really plentiful gas resources off Western Australia.

At the same time as launching our rights issue, we also announced we're increasing our stake in the Scarborough resource, giving Woodside greater control and alignment and certainty over its development. I must say, as a shareholder, I'm pleased that the company was able to acquire the increased stake in Scarborough at a favorable price and has come up with a cost-effective approach to developing the abundant gas resources in that field and also in the Browse fields.

The successful development of the Pluto project was one highlight of my time as Chairman. As you all know, that was the fastest-ever development of an LNG project from discovery to completion of the plant. And that facility will now provide the avenue for development of other gas resources.

Back when I joined the company, the -- Woodside was a junior explorer with a market capitalization of around AUD 12 million. That's -- that means that the current market capitalization is 2,000x higher than it was back in 1972. It now has a market capitalization of $28 billion. The plans that we've outlined in the last year mean that Woodside's future should be, in our view, as successful as its past.

When I think back to my early days with the company, I recall how the industry was shaped by political forces at the time. Shortly after I joined, the Whitlam Government was elected to power, and Rex Connor, who you might recall, was appointed Minister for Energy. He soon made comments about Woodside that seem to threaten the company's rights to develop the North West Shelf gas that we had discovered. In early 1973, Woodside wrote to Minister Connor asking him to -- for clarification of its policy. And the response that came from his department consisted of just one sentence, stating bluntly that the government would buy all of the gas at the wellhead and arrange its downstream distribution.

Woodside fought back against this de facto nationalization policy but Connor wouldn't budge. As a result, expenditure on exploration all but dried up all around Australia. And it's no different today. Statements and decisions by our politicians shape business conditions. Amid increasing competition for capital globally, it's really, I have to say, disappointing that the federal opposition parties in Australia, the opposition and the minor parties, continue to stymie the Commonwealth Government's proposal to reduce the corporate tax rate for all companies.

It's blindingly obvious to everybody who's involved in business, large and small, that a lower corporate tax rate sets up a virtuous circle by attracting investment on the one hand, and that leads to increased tax revenue, increased employment and higher wages. By contrast, if the current impasse continues, jobs and investment will leave our shores. You simply cannot have a corporate tax rate that's out of kilter with that in other countries.

The standoff over corporate tax is symptomatic, I think, of a polarization of political debate that jeopardizes common sense outcomes. The erosion of public trust in the role of business is, I think, quite alarming, particularly if it's fueled by populist politicians who seek to impose a greater regulatory burden on corporations that in turn restricts their ability to deliver investment and deliver the employment that Australia needs.

On another matter, as Chairman, I've met with many of our investors over the last 18 months to discuss their expectations of us. One change we've made recently in response to those expectations was an overhaul of our executive incentive framework. The revised scheme, which applies for rewards from this year, from the 2018 performance year, is geared to promote share ownership and support the company's strategy while ensuring that Woodside's able to attract and retain the best leaders.

On that note, I'd like to thank the Woodside team for your hard work. The CEO and Managing Director is an outstanding executive and has done a brilliant job, I think, in the -- is it now 7 years since you've been here, Peter? And he's built up a really strong executive team, and I thank them all for their efforts.

I'd also take the opportunity to thank the board. We've got a really outstanding group of directors. There's a diverse set of experiences and expertise on the board. All of them have one aim, and that is to act in the interest of the company and therefore its shareholders. And in every decision we make, that is front of mind.

In the interest of a smooth transition, Richard Goyder joined the board as a Non-Executive Director in August. And as I mentioned, and as you're aware, will take over as Chairman at the end of this meeting. I know that your shareholdings will be in good hands with Richard in the Chair.

Following Peter's words, which come up in a moment, we'll move to the formal business of the meeting. And so I now hand you over to Peter Coleman.

PETER JOHN COLEMAN, CEO, MD & EXECUTIVE DIRECTOR, WOODSIDE PETROLEUM LTD: Well, thank you, Michael, and good morning, everybody. This morning, I want to reflect on 2017 and discuss our plans for the months and years ahead. As you know, we have in recent months shared more detail of these plans and we're excited with lies ahead.

Woodside is preparing to deliver new production right at a time when the world will need more LNG. We have world-class resources, the facilities and the expertise. We have proximity to the markets that matter where demand is already growing. And we are pleased that many of you, our shareholders, have shown your support for our growth plans by participating in our recent entitlement offer.

I want to talk in just a moment about that offer and the developments it will support as we unlock the Burrup Hub here in Western Australia and progress our plans offshore Senegal. But first, let's run through some of the highlights from 2017.

As Michael has already outlined, it was a good year for Woodside, and one that has set us up for the next phase of growth. Our net profit after tax increased by 18% to more than $1 billion, driven by higher prices for our products and sustained low production costs. In 2018, we expect production costs to be impacted by a full year of production from Wheatstone Train 1 and the start-up of Train 2, together with maintenance work to be undertaken on the Vincent FPSO as part of the Greater Enfield project.

In 2017, we generated free cash flow of $832 million while maintaining investment in growth projects and developments. These strong financial results supported an 18% increase in shareholder distributions to USD 0.98 per share.

Our industry is emerging from several challenging years into a period when we see opportunity on the near horizon. The market conditions for the start of this year have been positive but we are prepared for headwinds as new LNG supply is delivered into the market ahead of a global supply gap emerging in the early 2020s.

Woodside's ready to grasp the opportunities. Our finances are sound and our reputation for operational excellence is firmly intact. We have promising prospects, both in Australia and internationally.

Our commitment to ongoing safety improvements is evident in the fact that we achieved our lowest-ever total recordable injury rate in 2017. In the past year, we progressed all of our priorities in Australia, Africa and Asia. The safe start-up of Wheatstone was an important milestone for us. We will continue to support the operator to optimize performance as it progresses delivery this year of LNG Train 2 and the domestic gas facilities.

By delivering the $1 billion Persephone project 30% under budget and 6 months ahead of schedule, we demonstrated that we keep our commitments. In 2017, we completed our drilling program in Senegal ahead of schedule and under budget. And we've also completed 2 wells in Gabon. Later this year, we'll be progressing initial engineering and design work on SNE-Phase 1, our offshore development in Senegal, ahead of an anticipated final investment decision in early 2019. We made a third gas discovery in Myanmar last year and have a further 2 exploration wells planned for 2018.

Closer to home, we've just commenced drilling an exploration well at Ferrand-A in the Carnarvon Basin off Western Australia. We have a lot of activity planned in WA in the years ahead as we prepare for first production in 2019 from the Greater Enfield and the Greater Western Flank-2 projects.

And our vision for the Burrup Hub is taking shape. It's a vision that is bold but simple, involving a fresh wave of investment in natural gas for domestic and export markets. It's bold because of the sheer scale of it, supporting the eventual development of some 20 trillion to 25 trillion cubic feet of gross dry gas resources.

It's simple because it relies on proven facilities, rather than building new ones. And Woodside is in a unique position to deliver it as operator of all the resources and facilities: the Scarborough and Browse resources and the Pluto and North West Shelf facilities. We intend to deliver extra LNG right when a global supply shortfall is emerging from the early 2020s. Many of you will have read the material we sent you as part of the entitlement offer so you will be aware of what we're proposing. But a quick recap. This year, we lifted our stake in the Scarborough gas field off Western Australia to 75% and plan to develop it through the Pluto LNG facility where our operatorship is 90%.

To do this, we intend to expand the Pluto gas plant and have already completed feasibility studies to identify the best option. As I flagged at last year's AGM, we also plan, with joint venture partners, to pipe gas from the Browse fields 900 kilometers to Karratha to fill spare capacity at the North West Shelf's gas plant, extending the life of that facility for 25 years or more. And we plan to build an interconnector linking the Pluto and North West Shelf facilities, which will enhance their value by providing additional optionality. In broad terms, that's how we see the Burrup Hub evolving as we work towards developing and delivering gas from both Scarborough and Browse with a view to gaining early mover advantage as the market gap emerges.

We know there will be demand enough to support both projects. Indeed, we're already talking to potential customers. We see opportunity emerging as the rising demand for LNG from Asia follows a period of time in which very few projects were being sanctioned globally. Clearly, new supply will be needed. Suppliers like Woodside that can progress lower-cost and faster-to-market brownfield developments will be able to take advantage of this significant market shift.

Our vision for the Burrup Hub has captured the imagination of the state government, which has recognized the significant employment opportunities it offers, but it is timely to remind all governments that these opportunities can only be realized if the business environment remains competitive. We are particularly pleased that most of our shareholders, both retail and institutional investors, recognize the value in what we've outlined and took up our entitlement offer. The AUD 2.5 billion raise through this equity offer supports the Scarborough acquisition and the development of both the Scarborough and the SNE-Phase 1 projects as well as progressing Browse to a final investment decision.

On the Burrup Hub, we started construction this week of an LNG truck loading facility at Pluto. This will open up new uses for our product as low emissions transport fuel and for remote power generation, while underlining our commitment to the provision of gas in Western Australia.

This complements our work for the mining and shipping industries, which has taken on new urgency, ahead of the International Maritime Organization's 2020 deadline for ships to switch to low-sulfur fuels. We're doing our bit to ensure the fuel and facilities are there for ships to comply, and we encourage governments to consider what incentives and regulatory changes could support this transition to cleaner fuels.

We're committed to improving our own energy efficiency and to being part of the solution to the global challenge of climate change. As Australia's largest independent oil and gas company, we know we have an important role to play as countries strive to reduce emissions and preserve air quality while extending access to energy.

The LNG that Woodside supplies into Asia makes a significant contribution to that task, providing a cleaner burning energy source. Indeed, we've seen the demand from China surge in the past year as the government there mandated a switch from coal to gas for heating in certain provinces in a bid to improve air quality and reduce smog.

We're conscious that we need to work on reducing emissions from our own operations and are looking at options for integrating renewables at our facilities. We're also pioneering the use of a battery for spinning reserve on an offshore platform, the first in the world.

This month, we signed up to guiding principles for reducing methane emissions across the natural gas value chain. These principles have been agreed by major industry players globally on the advice of groups, including the United Nations Environment Programme, outlining a path to not only reducing emissions, but also ensuring accurate reporting of emissions data.

Climate change action is 1 of the 5 United Nations sustainable development goals that we have in the past year identified as goals to which Woodside can make a meaningful contribution.

I've talked about how Woodside operates the facilities and resources and the facilities on the Burrup Hub. I referred to the emerging energy demand for those resources and how Woodside can capture those market.

The final element is having the right people in place to do this. In my 7 years to date, I've been privileged to work with an executive team that has done an outstanding job of leading the company to world-class performance. As we enter a growth in construction phase, I've taken the opportunity in the past year to refresh our leadership team, carefully selecting executives whom I know have the competence and drive to deliver our next phase of growth.

I intend to stay around for a while yet and it would not surprise me at all if my successor were to emerge from amongst this talented team of executives, who will work together to lead the company through this next stage.

Finally, I want to thank Michael for the support, guidance and mentorship he has shown me during his years as Chairman. We welcomed Richard Goyder to the board last August, and we're looking forward to working with Richard as Chairman. But most of all, thanks to you, our shareholders, for your continued support of Woodside.

MICHAEL A. CHANEY: Thank you, Peter. Well, I now move to the formal business of the meeting. Apart from discussion of the accounts, we have, today, to consider the reelection of 3 Directors retiring by rotation, as well as the election of 1 new Director who's been appointed by the board since the last Annual General Meeting.

The final item of business then will be the consideration of the company's 2017 Remuneration Report. There'll be an opportunity for you to ask questions on each item. Once the formal part of the meeting has concluded, there'll also then be an opportunity to raise any general questions that you might have about the company. Please direct all of those questions to me as Chairman. I'd ask you that if you have more than one question to ask on a particular matter, you ask them together.

Voting today will be conducted by poll. Each person present in person or by proxy has 1 vote for every ordinary share that they own. And Ashleigh Spears from the company's share registry, Computershare, has agreed to act as returning officer for the polls. The polls will be scrutinized by representatives of Ernst & Young, the company's auditors.

Now today, we're using electronic keypads instead of paper poll cards. This means we'll be able to share the provisional voting results with you towards the end of the meeting. Instructions on how to use the handsets are now shown on the screen behind me. At the time of registration, shareholders who are eligible to vote would have been given a white plastic smart card and a handset like that. Proxy holders would also have been given a handset and a summary of their voting instructions. Please ensure that the plastic smart card is inserted into the top of the handset.

When we reach the -- each item of business, I'll open the poll for voting. And at that time, your handset will activate and voting instructions will appear on the screen -- on your screen. Now if you require any assistance or would like to clarify anything about the handset now or during the voting, please simply raise your hand and someone from the Computershare team will assist you. I'm in the great advantaged position of not having a handset and I was able to fill in a bit of paper, but I'm sure you'll find it a much more efficient and effective way of voting.

Voting will remain open during the discussion on items of business, and I'll let you know the results at the close of the polls. Shortly after the close of the polls, as I said, the provisional results will appear on the screen. We will then announce the final results of the polls to the ASX later this afternoon and they'll also be available on Woodside's website.

Now this year, the handsets can also be used as a microphone to ask a question. Instructions on how to use the microphone are shown on the screen behind me. If you want to ask a question, please press the microphone button on your handset to join the queue and the green button to confirm. And a list of people who want to ask questions will appear before me here, and I can then call on you. And when called on to speak, please stand and give your name and hold the device approximately 10 centimeters from your mouth, which is about this close here. It's quite close, in order that we can hear you.

Now the first item of business on the agenda is to receive and consider the company's financial report and the reports of the directors and the auditor for the year-ended 31 December 2017. Although voting is not required on this item, shareholders have the opportunity to raise questions and to comment on the reports. Trevor Hammond from Ernst & Young, the company's auditor, is here and is also available to answer any questions relating to the company's accounting policies, the audit of the accounts or the independence of the auditors.

So I now invite questions or comments on the 2017 Financial Report and Directors' Report. As a reminder, if you wish to ask a question, press the microphone button followed by the green button to confirm.

Questions and Answers

MICHAEL A. CHANEY: Well, it seems -- and it's actually fairly common that there are no questions on this item. And of course, we do have time for general questions later on. Sorry, there is...

ANTHONY MCAULIFFE: (inaudible) you haven't got it, it seems?

MICHAEL A. CHANEY: No, I didn't get it here. Did you press the green and then the confirm button -- or the microphone and the green button?

ANTHONY MCAULIFFE: Yes.

MICHAEL A. CHANEY: That's it.

ANTHONY MCAULIFFE: Oh, we're underway. Maybe...

MICHAEL A. CHANEY: [Mr. Hardigan], is it?

ANTHONY MCAULIFFE: It's Tony McAuliffe, Mr. Chairman, from the Australian Shareholders' Association.

MICHAEL A. CHANEY: Oh, Tony. Sorry, it's a bit glary up here. I couldn't recognize you down there. Go ahead.

ANTHONY MCAULIFFE: No problem. First of all, Mr. Chairman, I'd like to -- on behalf of the Association, I'd like to thank you for the opportunities to meet with you a couple of times during the year and discuss all those issues that we have to discuss as a proxy holder. I'm standing in for Barry Nunn today. Barry's our state chairman who normally carries out, but he's having a bit of a lesson in laser surgery on cataracts from the patient side, so that's why he's not here. This last year Mr. Chairman, we had 792 shareholders gave the ASA their proxy. This year, we have received 879, which is a significant increase. And we welcome that and hope that we can continue to receive support. It's been an interesting year, as you've said, and the increased net profit after tax, the increased full year dividend and the icing on the cake, the free cash flow of USD 832 million is really, as I said, the icing on the cake. There's many operational highlights that have already been mentioned and I think they're pretty impressive. It's an impressive company. This company operates all over the world, and I'm always urging our members who are shareholders of this company to read the report. And the annual report is a good report. It's very clear, it's very easy to understand. I'm not saying that you're going to read it in 5 minutes, but to just to sit down for maybe half of the day. But there's some really good stuff in that report. (inaudible) Lost me? No, still there. I'm not going to talk about the operational highlights because both yourself and Peter have given us a good summary of that. One thing we would -- we wish to pay you a compliment is on the equity raising being a rights issue -- and a tradable rights issue, which is better still. Our members really appreciate that sort of thing. It doesn't always happen that way in that we get a completely equal bite of the cake. On technology and innovation, Mr. Chairman, there's a couple of things that don't seem to get a lot of comment that I'd like to comment on. One is the anthropomorphic Robonaut site trial using equipment that's lent by NASA for a 5-year deployment in Perth, and this trial utilizes machines capable of conducting tele-operated and semi-autonomous patrols and inspections. We also note the installation of WiFi across all Karratha Gas Plant LNG trains has been completed. And finally, we are impressed with the company's FutureLab collaboration based at Monash, UWA and Curtin Universities, supporting the delivery of the Intelligent Enterprise, Plant of the Future and Offshore Transformation work programs. We think, Mr. Chairman, that, that really illustrates that this company looks outside the square and is taking every opportunity that advances in technology present to us. Thank you very much.

MICHAEL A. CHANEY: Thanks, Tony, and we appreciate your feedback. And I would appreciate if you'd give Barry Nunn our best wishes for a speedy recovery. We've got a question from [Mr. Towman].

UNIDENTIFIED PARTICIPANT: Do I have to press a button here?

MICHAEL A. CHANEY: No. It looks good.

UNIDENTIFIED PARTICIPANT: Oh, good -- it's good. Sorry, this refers to the Scarborough investment as mentioned on Page 115 of the report. And it's regarding a possible risk in this area. Carbon Tracker have recently reported that 40% to 50% of Woodside's capital expenditure was at risk of stranding on a 2-degree policy pathway. The report -- their was entitled "2 degrees of separation". Is the board convinced that the development in Scarborough is consistent with the Paris Agreement?

MICHAEL A. CHANEY: Yes, we are. And we don't believe that we have stranded assets, if that was the implication, in that gas, as we all know, is going to be an increasingly important fuel for power generation as the use of coal diminishes and renewables increase. But the problem with renewables, as you'd appreciate, is the intermittency, and you need to have back-up power, and gas is the obvious back-up fuel source because of its much lower carbon emissions. So this whole issue of emissions, emissions control and so on is one that's front of mind for the company. In all of our economic modeling we take account of things like the possibility of carbon tax and the cost of reducing emissions, and the Scarborough development is no different to that. So we're confident that the project will go ahead subject to it being economically viable, which we believe it will be, and that those sorts of issues will be well controlled. [Mr. Hardigan?]

UNIDENTIFIED PARTICIPANT: Yes. My question relates to the Browse development that you've just raised finance for. One of the immediate problems you have is to get the North West Shelf partners to come to an agreement for processing Browse resource because not only -- as Peter Coleman mentioned, it will extend the North West Shelf facility for another 25 years. Now those partners have to come to the table and give us answers. It's critical they give us answers so we can lay the plans for the pipeline and so forth. It looks as though the demand is there from 2022, if not before. And this project has been with Woodside since 1974. We owned 100% of that resource in the Browse in '74. This is the one thing that has stood on the table without enough attention over decades. So I hope the negotiations will be [upon] requisite and that we get some answers from the partners on the North West Shelf and also the other partners in Browse. Thank you.

MICHAEL A. CHANEY: Well, thanks, Mr. Hardigan. And we agree entirely. I mean, the field was discovered way back in the '70s and various evaluations over the decades have failed to come up with economic solutions. And we believe, now, with the backfill of the North West Shelf haulage, that we can -- that it's certainly economically viable. The point you raised is a very important one. In all of these projects, there are different groups of partners, and alignment of partners is critical to the projects going ahead. I mentioned at a dinner we had last night that one of the huge contributions, I think, Peter Coleman's made to the company is the great improvement in relationships with all of our partners. We now find the Shells and BPs and BHPs and Chevrons and so on working very closely with Woodside to find solutions to -- not only on the technical side, but the commercial issues that these problems always confront. And we're confident that given what we've seen over the last year, there will be partner alignment and that we'll be able to proceed with those projects. There's -- Mr. Clancy has a question. It'll be handy, actually, when you ask a question if you could stand up because it's hard for me to see actually where you are, otherwise. Is Mr. Clancy here?

JOHN CLANCY: Yes, right here. This is where I usually sit, you should know where to look.

MICHAEL A. CHANEY: I actually avoid looking over there in case you're there.

JOHN CLANCY: Yes, you'll miss me next year. A general question. You've been here 11 years and you're talking yourself up that you're going now and I'd just like to say that I wouldn't brag about the quality of your boardroom. The boardroom at the moment (inaudible) of sleaze and corruption and just plain stupidity. Now, with the business establishment, your Perth cowboy company director seem to have struck up quite a good relationship over the last few years and they're well represented here today. And I don't think you've got much to brag about in your time at this company, that the other directors want to point out why I'd be happy to go at you, you can just tell them why Peter Costello is probably one of the most corrupt politicians ever to sit in the Australian Parliament. You can give them the answers to that, you're well aware of it. I've raised it with you before. So I don't think there's a lot for you to brag about. Good riddance.

MICHAEL A. CHANEY: Well, thanks, Mr. Clancy. I must say I'm disappointed with your comment because last year, when you came along, you asked a quite rational question and it's always disappointing to hear what are really quite defamatory comments. In the past, you've compared me to criminals like Don Argus. I must say, I'm proud to be associated with Don Argus, but it really is a waste of the meeting's time for you to stand up and make outrageous comments and, in this case, about a very distinguished group of people on our board. But given we believe in free speech, we tolerate it. Mr. -- well, there's a question now from [Abbott Co. Proprietary Limited].

UNIDENTIFIED PARTICIPANT: That's me, [Michael Strakosh]. I've flown in from Sydney as a [FIFO] member. And there's 2 bits. Firstly, why isn't the board on the stage?

MICHAEL A. CHANEY: Well, we've always -- it's always been the case in Woodside that we've had the board sitting in the front row and...

UNIDENTIFIED PARTICIPANT: Not a good answer.

MICHAEL A. CHANEY: Well, I guess, it's a matter of opinion. I -- as a Director, I must say, of other companies, I've sat up on the stage for hours and hours, for example, at BHP, and I've always thought it was a rather token thing to do. And that's -- this is the practice we have adopted, but I take on board your comment.

UNIDENTIFIED PARTICIPANT: It allows us to look at the interest of the Directors and how often they go to sleep discussing the meeting's agenda. But the proper one, why I came in. Can confirm that the increase in the share numbers -- will allow the dividend to be maintained and the franking percentage to be maintained over the increase in share numbers of something like 10% from memory?

MICHAEL A. CHANEY: Yes, yes.

UNIDENTIFIED PARTICIPANT: The second one is, why didn't you debt finance as opposed to share finance the purchase of the Scarborough effort? And what was the percent recoverable of the gas in the price paid and what was the oil price assumed in the price paid for Scarborough? And what are the high and low estimates of the recoverable reserves as opposed to one number put on the paperwork?

MICHAEL A. CHANEY: Sure. Well, firstly, on the dividends. Yes, we certainly -- we have sufficient franking credits to continue to fully frank our dividends. We actually have quite a surplus of franking credits and would really ideally to distribute them. But doing so is a challenge given the current tax rules. But we -- that's one of the reasons we have an 80% dividend payout ratio, and we certainly expect to continue that for the time being. You might read in our report, you might have read that we have a policy of 50%, but we've adopted 80% payout ratio for the foreseeable future. The level of the dividend itself will obviously depend on the level of profitability. And the -- as I mentioned earlier, since I've been Chairman, the oil price has varied from $145 a barrel to $30 a barrel, which has a direct impact on our profits.

We do have some lag involved in the profits, so that we don't always receive today's share price. It's really an average of what happened in the recent past. But obviously, the dividend, if it's 80% payout ratio, that magnitude of the dividend will depend on the actual profit. The reason we didn't finance the acquisition with debt is that we already had enough debt. In fact, we had a bit more than we wanted to have in our projections going forward. We wanted to maintain a credit rating of A- so that we could fund our projects at the right sort of cost going forward. And so as we stand today, we've got a very strong balance sheet, and we can be confident that over the next few years, as we have capital expenditures, we can manage them within that balance sheet. Eventually, of course, if you're developing Scarborough and Browse and so on, which require many tens of billions of dollars, we would fund them accordingly at the time in equity and debt. But that's quite some years into the future. As far as the oil price goes, we -- and firstly, Peter might like to make a comment on the reserves. But in all of our economic evaluations, we do a range of scenarios of the oil price, so we have a base case in which we assume a certain oil price. And we don't disclose this for competitive reasons because we're often bidding against other companies. But we'll assume a certain oil price, and then we'll have a downside case with a much lower price, an upside case to look at the effect all of those different scenarios have on the company. And I think basically, we take a pretty conservative view of it because if you end up paying full price for any asset, it's hard to get a performance -- economic performance above your peers. And so we take a conservative view. But Peter, do you want to talk about the reserves side?

PETER JOHN COLEMAN: Yes, I will. And just maybe correct one thing Michael said. It's a BBB+ that we're aiming for, not an A-.

MICHAEL A. CHANEY: Yes.

PETER JOHN COLEMAN: Just on reserves. Sorry, I don't carry the reserve number with me. But what I can assure you of, this is a very well delineated resource. It's been around for many years now. And so the advantage we had coming into it is that, of course, we purchased 25% equity in Scarborough from BP a couple of years ago -- BHP a couple of years ago. And what that's allowed us to do is really understand the resource particularly well because Exxon Mobil and BHP had spent considerable money over time drilling wells in the resource and doing all of the technical work. So that gave us the confidence then when Exxon Mobil approached us for the sale of their percentage that, in fact, we could do that on a very solid basis. The resource itself is -- I would describe it as a North West Shelf kind of look alike. In our world, and I'll say this simplistically because I'm an engineer, not a geologist, but it's a pile of sand. And it's an excellent pile of sand, very close to the seabed. So the drilling costs itself are much less complex than our Pluto development. In fact, it's a better quality reservoir and resource than Pluto is. The cost of development in itself will be, we believe, cheaper than Pluto, and you saw that in some of our numbers. And so the confidence we have around that enabled us to make the acquisition at very competitive pricing. We were able to buy the Exxon

Mobil equity at the same price that we paid for the BHP share that we'd purchased 18 months before hand, which was really at the bottom of the market for us.

Just on pricing, we don't disclose what we call our mid-term price numbers. But what we do and have been very clear with investors, we do, do a low price test, and all of our acquisitions need to provide an adequate return at a flat price outlook of $50 per barrel, so an equivalent flat price outlook of $50 per barrel. So you can imagine any acquisitions or any projects that we're moving forward with, notwithstanding what we think the view of the world may be and where prices are going, we run a very rigorous test and say, well, if it doesn't work out the way that we hope and price is generally the major mover of value in a project, [we'll] trade at $50 per barrel and just make sure that we're comfortable on that basis. So I hope that answers your question.

MICHAEL A. CHANEY: Thanks, Peter. And Mr. Barker?

UNIDENTIFIED PARTICIPANT: Yes, it was about the equity raising. Now that depressed the share price, and we're not going to get a return on that equity raising until 2025. Do you think that was a right move at this particular time?

MICHAEL A. CHANEY: Can you -- would you mind just explaining what you mean about you won't get a return until 2025?

UNIDENTIFIED PARTICIPANT: Well, you're not going to FEED until 2020 and so the development from the Scarborough field won't be until 2025.

MICHAEL A. CHANEY: I see. Yes...

UNIDENTIFIED PARTICIPANT: Is that what -- and it's also depressed the share price to $30. Well, at one time, it was lower than that. But when I checked last night, it was $30.72, which is down from the close in 2017 on the last trading day which was $33. So the equity has been taken out of the share price, but we're not going to get a return on that until 2025.

MICHAEL A. CHANEY: Right. Well, I'd have to say I disagree with you. The -- at the time of the announcement, the share price was around $31. And today, it's over $31, so shareholders who took up the offer at $28 are $3 ahead. And of course, they'll receive a dividend from the next dividend payment. So they get an instant return in that sense. Of course, the projects' development is much longer dated, but the funds are needed now firstly to make sure that we maintain our credit rating. And secondly, because we do have expenditures -- significant expenditures, as we go through the next few years to get to FEED and then FID.

UNIDENTIFIED PARTICIPANT: Yes, you're going to double the debt by that time as well. Isn't that correct?

MICHAEL A. CHANEY: Well, we modeled all of this -- as I mentioned earlier, we model all of this going out under different scenarios and make sure that we have a balance sheet that is in good shape no matter what happens to the oil price. And you have to understand, from the company's point of view, we don't know what's going to happen to the oil price. It could rise or it could fall. And when we saw in the last couple of years, it went to $30 a barrel. We had to make sure prior to that we had a balance sheet, unlike some other oil companies, I might say, that saw us through that depressed period. And so you can be assured that the board of Woodside operates in a way that we make sure that the balance sheet is strong under any circumstance and that we have adequate funding to develop the projects that you're aware of.

UNIDENTIFIED PARTICIPANT: Yes. So that even though you're going to go up to $8 billion by 2025 to give this project, you've depressed the share price in that time. It's like being in a syndicate and saying, oh, we buy this horse, which is a yearling or whatever and say 5 years down the track, we're going to get a return on it, but you don't know. You've said before in these meetings that the share -- that the oil price is going to go up, and it doesn't turn out that way. And that's probably why you've got a disclaimer in 142, saying, oh, what we're saying now just might not be real then.

MICHAEL A. CHANEY: Sorry, can I just repeat that people who subscribe for those shares at $28 are up 10% already, and that they'll be receiving -- if it were over the last year, they had received a dividend of USD 0.98. And so they'll get an instant return. Now if what you're suggesting is that we shouldn't have had an equity raising, all I can say is we totally disagree. We would have been imprudent in our view not to have an equity raising. We think it's very much in the interest of the company and the shareholders to have done so, and we're pleased that the shareholders already have seen a decent return on their investment.

UNIDENTIFIED PARTICIPANT: Yes, but it's still down from $31, as you said, when you did the equity raise.

MICHAEL A. CHANEY: Yes, it's actually higher than that today.

UNIDENTIFIED PARTICIPANT: Well it must have gone up since last night.

MICHAEL A. CHANEY: Yes, it went up $0.50 this morning.

UNIDENTIFIED PARTICIPANT: But then you put 93 million shares onto the market which is going to depress the price.

MICHAEL A. CHANEY: Yes, I think you've made your point about which I disagree. We could probably go to the next speaker. And is it [Abbott Co.] again?

UNIDENTIFIED PARTICIPANT: Yes. It's [Mark Dravox] again. What sovereign risk, I've told the peasants -- I mean the members, sovereign risk is not something the Liberal and Labor Party bandy about in tax rates and political discussion. Sovereign risk in Africa is coup d'Ã©tat and takeover of an offshore, an old platform. And the SAS is based down the road. It's a long way from Gabon or Senegal -- Oh, I forgot, to come and rescue you. So what sovereign risk premium is attached to the Senegal, Gabon and Morocco oilfields and whose info did you use and what reliability do you place on it?

MICHAEL A. CHANEY: Well, we use a number of sources for all sorts of information when we're doing a project evaluation, and we take account of sovereign risk. Again, we don't disclose actual figures on that for competitive reasons. But -- and also, when you're off dealing in a country, it's -- it would be unwise to be talking about sovereign risk premiums, and so on. But all of that's taken into account in our economic evaluations. It may, for example, cause you to be a little more conservative in your projections if you felt there was more sovereign risk there. I find it a pretty interesting subject because how do you define sovereign risk? I'd say, as I mentioned in my opening comments, we've got huge sovereign risk here in Australia at the moment because of high corporate tax rates. And whenever someone's doing a project evaluation, you take account of revenues, costs, profit, tax, profit after tax, cash flow after tax. And if your tax rate is high, the economics aren't as good as if the tax rate's low. I was in Washington recently with a whole lot of American business people, and there's this tremendous atmosphere of excitement about investing in the U.S. Business leaders are saying we're bringing investment back to the U.S. because of our low corporate tax rate. And guess where they're taking it from? Other countries with higher corporate tax rates. And so sovereign risk occurs everywhere including in Australia, but I can assure you that we take it into account in all of our evaluations. [Mr. Kempton]?

UNIDENTIFIED PARTICIPANT: Good morning, Mr. Chairman and the board. There's an elephant in the room as far as I'm concerned. You brought in politics at the start of your talk today. Would the company, a great Australian company, be prepared to make a statement on franking credits? There's a lot of people in here with quite a few gray heads, I might add too, that are probably concerned about it. My second question is, what's the situation on Timor, Sunrise? Are you going to get out of that or plug on?

MICHAEL A. CHANEY: Thanks, [Mr. Kempton]. Well, on franking credits, we are a great supporter of the current tax regime, and I personally have always been very supportive of the Australian imputation system and -- in spite of the fact that other countries have had versions of it. No one's had that pure imputation system that we've had where you don't have double taxation of company profits. I don't want to comment on the recent suggestions about -- by the opposition parties about removing payment of cash for excess franking credits. It's very much a political issue. My only comment in that regard would be to say that the existence of franking credits and the attraction of franking credits has facilitated the ownership of shares by Australians, particularly at the retail level by individual Australians and super funds. And anything you do to tamper with that or change it runs the risk of people being less willing to invest in shares. And that means companies finding it harder to raise equity and do project developments. So perhaps hopefully that satisfies your question. Peter, would you like to talk about Timor?

PETER JOHN COLEMAN: Yes, I would. As shareholders are aware, you saw a lot of reports in the media, there's discussions between the Timorese government and the Australian government over the past year around maritime boundaries, and that was done under the auspices of a team from the United Nations to try and bring -- a conciliation team to try and bring some finality to the maritime boundary dispute. That United Nations team also endeavored to finalize the development plan for Greater Sunrise. And of course, the discussions were around the Timor-based development or Darwin-based development. Unfortunately, those talks fell through in Malaysia earlier this year, and so only the maritime boundary was able to be finalized. The Timorese now of course have gone into an election period, and they have an election in Timor in May of this year. So we don't -- we've received notice from them. We don't expect to reengage with them until sometime after that election and they know who actually will represent them. But of course, we're still trying to work diligently on Sunrise. I think the key here is, of course, there is a recognition that Sunrise needs to be developed in the near term, that it can't keep getting kicked down the road, so to speak. The Timorese are motivated, the partners are motivated. From our point of view, we have until 2026 when the current leases expire, so there's still some time to work through this. So I think time will actually work in everybody's favor here. But there's been some pretty robust discussions on it. It's unfortunate that we couldn't get a conclusion. But sometimes, you kind of go take pressure off things and to allow things to move along and people to have some space to really think through what's important to them.

MICHAEL A. CHANEY: Thanks, Peter. [Mr. Ralph Krembeth].

UNIDENTIFIED PARTICIPANT: Apparently, the U.S.-based Harbor Energy is eyeing off Santos. Does Woodside energy have any views on this?

MICHAEL A. CHANEY: We never comment on M&A-type possibilities. I think I did read today, Peter, that you'd made a comment yesterday.

PETER JOHN COLEMAN: I actually said we put a very small ruler over it, not a large one. Of course, we -- as Mike mentioned, we looked at a lot of M&A activities, opportunities all the time. So as shareholders, you would expect management to be diligent in assessing every opportunity that comes up, not just what Harbor Energy is doing with Santos but others. And we always try and be opportunistic to see whether there's things that may fit better in our portfolio versus somebody else's. But I would say to you that the growth pipeline that we have in front of us already is a very full growth pipeline for us. And I think we're better off focusing on the things that we control rather than -- and understand really where our expertise is as a company. And that's very much in the offshore deepwater part of the world and, of course, in LNG. Some acquisitions such as the one you mention bring other complexities to them that once you rack up numbers and so forth. It's the old saying, is the juice worth the squeeze, and often it's not. So sometimes better in the hands of others.

MICHAEL A. CHANEY: [Mr. Richard Hosking.]

UNIDENTIFIED PARTICIPANT: Mr. Chairman. I just wanted to say how impressed I was you're looking at seizing the opportunities of the supply in LNG to the Pilbara region. I'm from up that way. And if you can convert heavy fuel machines to LNG that the -- that got sent up that way. But I'm also aware that our company follows the IEA's 450 Scenario and has predicted that natural gas demand will grow by 49% and oil demand by 12% until 2040. However, a recent report by Oil Change International has found that the 450 scenario gives only a 50% chance of keeping warming below 2 degrees. And as the young fellow in the room here, that concerns me a little. What assumptions of gas demand were used by Woodside as it completes its scenario analysis? Will it be compatible with the 2015 Paris agreement of keeping warming below 2 degrees?

MICHAEL A. CHANEY: We, as I mentioned earlier, call on a lot of experts to give us projections of gas and oil demand and price and so on. At the outset, one should say that all projections can't be relied on in the sense that you know if it's going to happen. It's people's best guess doing supply-demand analysis and so on. I made the point earlier that gas is a far better fuel for power generation than coal, and it will displace a lot of emissions as it takes over as a fuel, particularly coping with the intermittency of renewables. The 2 degree question is an interesting one in that, if you look at the commitments made in Paris and the actions that governments are intending to take, it would be extremely hard to achieve the 2 degree scenario. A lot more will have to be done and whether company -- countries around the world are going to be prepared to do that, time will tell. But what drives us is the knowledge that the more coal you displace with gas and the more gas is used for that filling the intermittency gap, the better off the world will be. Peter?

PETER JOHN COLEMAN: Can I add to that? Just something to add to that. Our forecasts are generally in line with what you can read. Overall, gas, consensus-wise -- globally, gas is going to continue to grow at around 2% per year. Now that's gas -- total gas in the world, meaning pipeline gas as well as LNG. LNG itself is forecast to grow at around 4% per year. And there's opportunities for that to grow even faster. And the reason for that is now you're starting to see an acceleration of switching of fossil fuels, so meaning gas is becoming the preferred fossil fuel in many -- particularly the developing nations and also the developed nations around the world. The International Maritime Organization's directive around low sulfur fuel and the emissions from that in 2020 really means that LNG is very, very well placed to replace bunker fuel in ships globally. And then, of course, you've seen evidence of policy shift this last winter in China with the Chinese significantly increasing their demand just simply through policy switch because of the smog issues that pervaded -- were pervasive around Beijing and their other major cities. And we expect that to continue, not the same growth rate as this past year. But that demand is now sticky, and we think that demand will continue to grow, probably more normal growth rates over time. So you're seeing as people are looking for alternatives, they're more and more going back and saying actually gas is a pretty good alternative. The gas that you own as shareholders is some of the, what we call, the sweetest gas in the world. It's a very, very good quality gas in the reservoirs. And so you should be pleased at the low cost of development, but it also means that our emissions during production and liquefying that gas on a world basis are low for equivalent types of gas product.

MICHAEL A. CHANEY: Now I've got another couple of questions here. And I wonder, since this item of business is the accounts and the report, whether we ought to move through the formal business of the meeting and the items that are on the agenda, and then address those questions in the general business question time. Would the questioners be happy to do that? I'm thinking of [Mr. Toeman, Abbott Co again, Mr. Hardigan, Mr. Clancy]. Okay. Well, if you're all happy, we'll move through.

Items 2a, 2b and 2c relate to the reelection of Ms. Cilento, Dr. Haynes and Mr. Tilbrook as directors. They were elected at the 2015 AGM and retired by rotation at this meeting. And being eligible, all 3 of them offer themselves for reelection. Each year, the board conducts an evaluation of the performance of individual directors. And based on the 2017 performance reviews, the board supports very strongly the reelection of Ms. Cilento, Dr. Haynes and Mr. Tilbrook.

Item 2d relates to the election of Richard Goyder as a Director. Richard was appointed since the last AGM, and so he's required under the company's Constitution to retire at this meeting. And Mr. Goyder, being eligible, offers himself for reelection, and the board supports his reelection as a Director.

The details of the directors seeking reelection are set out in the explanatory memorandum that accompanied the notice of this meeting. I'd now like to invite each of the directors to briefly address the meeting on the skills and experience that they bring to the board.

Melinda Cilento will go first.

MELINDA A. CILENTO, INDEPENDENT NON-EXECUTIVE DIRECTOR, WOODSIDE PETROLEUM LTD: Thank you, Chairman, and good morning, ladies and gentlemen. My name is Melinda Cilento. I was appointed to the Woodside board in late 2008. I'm an economist by training. And over the course of my career, have worked in the public sector, the private sector and the not-for-profit sector. My career has covered organizations like the federal treasury, the Productivity Commission. I was the Head of Economics for Invesco, which is a funds management company, and the Deputy CEO and Chief Economist of the Business Council of Australia for some years. At the moment, I'm also the Chief Executive of the Committee for Economic Development of Australia and a Non-Executive Director with Australian Unity and the Co-Chair of Reconciliation Australia. On the board of Woodside, I also sit on the Sustainability Committee, and I chair the Human Resources and Remuneration Committee. I've greatly enjoyed the opportunity to contribute to the board of Woodside. And with the support of shareholders, I look forward to continuing to do so. Thank you very much.

MICHAEL A. CHANEY: Thank you. Chris Haynes will now address you.

CHRISTOPHER M. HAYNES, INDEPENDENT NON-EXECUTIVE DIRECTOR, WOODSIDE PETROLEUM LTD: Thank you, Michael. Good morning, everybody. I'm Chris Haynes. I'm British. I live -- based in the U.K. I came on the Woodside board in mid-2011 following 40 years in the oil and gas industry, well, around the world. I've enjoyed the time on -- my time with the Woodside board. And late last year, [when Shell] (inaudible) exited the shareholders (inaudible) director at that time, the board kindly asked me to continue until this Annual General Meeting. So I'm standing here to seek your support to serve another period on the Woodside board as an independent director. I think (inaudible) going to be an interesting time for the company in the next few years. I would welcome the opportunity of contributing to it. Thank you.

MICHAEL A. CHANEY: Thanks, Chris.

And Gene Tilbrook. Well, Gene's coming up, and I say that in this phase of our development, having skills like Chris', it makes other things -- Chris used to run the North West Shelf project, really important. Gene?

GENE THOMAS TILBROOK, INDEPENDENT NON-EXECUTIVE DIRECTOR, WOODSIDE PETROLEUM LTD: Good morning, ladies and gentlemen. I joined the board 3.5 years ago. Prior to my board career, I worked in finance strategy and acquisitions on major projects with Wesfarmers. My current portfolio, as well as Woodside, includes a major property trust and a mining services company. So I looked through a number of lenses at major capital projects and am most mindful of the effect of cyclical prices and price volatility on large projects. I'm also Deputy Chair of the Australian Institute of Company Directors advocating vigorously for better governance. It's a great privilege to be a part of the board and engaging with management with many lenses on the endeavors of Woodside for the next few years with a very clear and consistent approach to look at enhancing shareholder value and to do it in a long-term sustainable way. I look forward to continuing in the role and would very much appreciate your support.

MICHAEL A. CHANEY: Thank you, Gene. Richard Goyder?

RICHARD JAMES BARR GOYDER, CHAIRMAN OF THE BOARD, WOODSIDE PETROLEUM LTD: Well, thank you, Michael, and good morning, everyone. It's a great pleasure to be here today and an honor to be seeking election to the board of Woodside. I'm humbled and excited by the opportunity this presents. By way of background, I'm the son of farmers from the Wheatbelt town of Tambellup in the great Southern West Australia, right next to Chairman, where Mr. Hardigan went to school in Broomehill in the 1940s, he tells me before the meeting. I hold a Bachelor of Commerce degree from the University of Western Australia and completed the Advanced Management program at Harvard Business School in 1998. For the last 24 years, I was employed by Wesfarmers Limited, which I joined after working in various commercial roles at a company called Tubemakers of Australia. I became Finance Director of Wesfarmers Limited in 2002, was appointed

Deputy Managing Director and Chief Financial Officer in 2004 and succeeded Michael Chaney as CEO and Managing Director in July 2005 until I retired in November last year.

At Wesfarmers, our objective was to deliver satisfactory returns to shareholders and to create value for all our stakeholders and do so in an ethical and sustainable manner. Woodside has a very similar objective. In 2013, I was appointed Chairman of the Australian B20, the key business advisory body to the International Economic Forum, which includes business leaders from all G20 economies. This was an extremely valuable and insightful experience, giving me the opportunity to work closely with Australian and world business and political leaders on best economic and business practice and policy. I hope to bring to the board the following skills and attributes: an extensive knowledge of the Australian business community and exposure to many sectors of the economy and the issues facing businesses; a deep understanding of the policy and regulatory matters that impact on business and how to work effectively with government and government regulators; a knowledge of many of the global risks and financial pressures that will impact on the global and Australian business community; an understanding that the safety and well-being of our people is incredibly important; very clear views on the importance of maintaining a strong balance sheet and a passion for community engagement and diversity. Thank you for your consideration. I trust -- and I trust your support. I look forward to chairing the board of Woodside, working closely with my board colleagues, Peter Coleman and his team and all our stakeholders in delivering value. And finally can I, on behalf of my board colleagues, thank Michael Chaney for his exceptional leadership as Chairman of this board since 2007. Thank you.

MICHAEL A. CHANEY: Thank you, Richard. Well, the motions that Ms. Cilento, Dr. Haynes and Mr. Tilbrook are reelected as directors and that Mr. Goyder is elected as a Director are now before the meeting. Are there any questions on any of those motions?

I'll give you a moment to press your buttons.

MICHAEL A. CHANEY: Mr. [McCulloch, Tony McCulloch] from the ASA.

UNIDENTIFIED PARTICIPANT: Mr. Chairman, I'm going to be a bit economical here. We're going to support the reelections of Ms. Cilento, Dr. Haynes, Mr. Tilbrook and the election of Mr. Goyder. In the case of Mr. Goyder, as unlikely I'll be running into him down the street, but in his capacity as the Chairman of the AFL commission, could you please stop them changing the rules? That's good.

Mr. Chairman, I'd just like to restate our policy on director shareholdings and [that is] on completion 3 is as we expect to have accumulated shares in the company to the value of 1 year's director fees, otherwise referred to as skin in the game. We note that Ms. Cilento is a little behind but has made very significant efforts over the past 12 months and narrowed the gap in that respect. Ms. Cilento has already commented to us on this particular issue, and her comment is quite relevant. It is a bit onerous to expect younger directors to achieve that shareholding in 3 years, especially as a lot of them may still have families and school fees and mortgages and so on. That particular aspect of our policy is still an ongoing issue, and we will be discussing it at our monitor training in the next couple of weeks. Just on that, Mr. Chairman, we have 2 monitor training days a year, and we have a couple of chartered accountants and have our policy and research officer from our office in Sydney attending that. So we each one keep ourselves up to speed on current issues.

I'd also like to just restate our policy on the number of board positions that Non-Executive Directors should hold -- that should hold in our view. And that is 5 positions per Non-Executive Director -- counts as -- I will just repeat that, that is 5 board positions per Non-Executive Director, where a Chairman counts as 2 positions. And the rationale for that is if a Non-Executive Director sits on 5 boards and everything is going along swimmingly or going along smoothly, he can or she can direct their attention to all the issues. But should some form of disaster strike one of the companies, we would expect that, that non-executive director would have their time taken up with the company that's in trouble. So that's why we have that limit of 5 positions. In other words, a non-executive director can't be everywhere. Thank you very much.

MICHAEL A. CHANEY: Okay, thanks for your support. And we have a question from [Abbott Co Proprietary Limited].

UNIDENTIFIED PARTICIPANT: I'm pointing out that if Ms. Cilento has been on the board for a number of years and she doesn't have the share population as required, I'm sure the director's fees are adequate to purchase these small number. And the other thing I would point out as an outsider, not from Western Australia, but directors of Wesfarmers seem to be very common on this board. And they seem to inherit the chairmanship without much, how does one say, board experience on this board. I'm not saying they're not, how does one say, competent, but it is a bit strange for an outsider to see Wesfarmers so well represented on the board.

MICHAEL A. CHANEY: Well, thanks for the comment. And we'll note your comment about Ms. Cilento's shareholding. But when you're looking for new directors, you look far and wide and think about the skills you need. And sometimes, it's because you've had experience with people and you know how they work that you're able to identify them as the right people. And all I can say is, I think, if you ask all of our directors, they'd say that each director makes a significant and appropriate contribution, including those who once had an association with Wesfarmers.

I think that's probably all the questions on these items of business. I now put -- open the poll and put resolutions 2a, 2b, 2c and 2d to the meeting. Each of them is independent and should be voted on separately. A summary of the proxy and direct votes received before the meeting on these resolutions will be displayed on the screen in a moment. And your handsets should now be activated. So please enter your votes for items 2a, b, c and d. Press the green button to advance to the next resolution or press the red button to return to the list of resolutions. And a confirmation that your vote has been received will be demonstrated or appear on your screen. To change your vote, simply enter your new choice to overwrite your previous selection. I hope that's all clear.

(Voting)

MICHAEL A. CHANEY: What was that?

UNIDENTIFIED PARTICIPANT: (inaudible)

MICHAEL A. CHANEY: The guy next to you, I think, a famous engineer from Woodside, is giving you a hand.

Now item 3 on the agenda is to consider the company's remuneration report for 2017. The report's set out on pages 76 to 95 of the annual report, and it explains the company's policy on the remuneration of directors and senior executives and provides remuneration information for last year. Although the vote on the rem report is only advisory, the board will take the outcome into consideration when determining the company's remuneration policy. So the motion to adopt the remuneration report for the year-ended 31 December 2017 is now before the meeting. Are there any questions in relation to this item of business?

UNIDENTIFIED PARTICIPANT: (inaudible)

MICHAEL A. CHANEY: Sorry, is -- was that a shareholder who'd like some assistance?

UNIDENTIFIED PARTICIPANT: (inaudible)

MICHAEL A. CHANEY: This is your opportunity to raise any question that you might have. So it's [Mr. Toeman], I think, is it?

UNIDENTIFIED PARTICIPANT: Thank you. Sorry, I was fiddling with the machine. I wasn't quite sure what it was saying.

Yes, last year, when you were asked if you'd stop short term remuneration incentives to executives that encourage activities that are inconsistent with the 2 degrees of warming, such as bonuses for reserve replacements or exploration, you said no. However, our company committed to remunerate based on emissions reduction. Doesn't this make our remuneration structure contradictory?

MICHAEL A. CHANEY: I don't quite understand what you mean. The remuneration structure is reviewed every year. And as you might know, we've introduced a new structure this year for senior executives which has a stronger focus on equity and long-term equity holding. And within that, there are performance shares, and the initial grant of the award is based on the performance of the executive and the company over the year. Now in each case, there are different KPIs or key performance indicators. And so the KPIs for Peter Coleman would be quite different to the KPIs for someone several levels down. And the KPIs range from financial measures to technical measures. In some cases, environmental measures, depending on the role of the person. So I don't think there are inconsistencies in there. On the point you raised about emissions, it is a strong focus of the group. And you will have seen in the report that in the last year, our emissions reduction targets weren't quite met because of some plant difficulties which are being addressed. But we do have a 2020 goal of significant reduction of emissions per tonne and, certainly we'll be holding people to account for that. I don't know, how do you -- yes, that's working.

UNIDENTIFIED PARTICIPANT: This seems working right, yes. It's in effect, the no of last year which was you said you would stop remunerating them for behavior that conflicted with the 2 is not being replaced by the actual policy is to remunerate based on emissions reduction where possible? Am I right about that?

MICHAEL A. CHANEY: Yes. Well, if that's what the report says. I must say I can't remember. Was that a verbal comment last year?

UNIDENTIFIED PARTICIPANT: Yes. It would have been a question asked last year, though not by me.

MICHAEL A. CHANEY: Yes, well, if that's in the annual report, that's the current situation -- so as I described. [Tony McCulloch], you've got another question?

UNIDENTIFIED PARTICIPANT: Yes, Mr. Chairman. The Australian Shareholders Association, of course. The remuneration report's become much easier to read over the past couple of years, particularly in the alignment of key measures with the short-term award by the scorecard. However, we are discussing the current remuneration system and not the replacement system what was announced a couple of weeks ago, 2, 3 weeks ago.

MICHAEL A. CHANEY: Yes.

UNIDENTIFIED PARTICIPANT: Currently, we can recognize the evolution of fair value, apply it to the performance rights allocations, replace them with market value. So we've always had a problem with the discounting but that will disappear this year.

MICHAEL A. CHANEY: And last year, too.

UNIDENTIFIED PARTICIPANT: And last year? Okay, that's even better. Yes, we note the current rem system allows for the CEOs or the system we're voting on allows what CEOs kept to be 2x his fixed annual rem which exceeds our policy. The company still uses a single hurdle of relative total shareholder return, which we could accept if an additional hurdle was applied to long-term award measurement, so return on equity or return on asset or growth in EPS or something like that. We know that there's no metric that will really answer all the questions or provide all the things we're looking for. The vesting share give us overgenerous at 50% and the award vesting at the 50th percentile, which is average performance to us. We prefer the 30% vesting at the 51st percentile. The short-term award is overgenerous at 2/3 cash and 1/3 equity would allow us to [flow] for 3 years instead of -- which is longer than our requirement, which is 2 years. So that's a bit of a plus in some respects, but still we'd prefer 50% cash and 50% equity. The dividends are paid from unvested awards. And with request of the table in the annual report showing the actual remuneration, the table in the annual report shows statutory remuneration. And there's always a lot of talk about remuneration. And frankly, people target our organization and say, "what are you doing about it?" And well, what we do about it is we try and engage with companies in a logical manner and which is sort of what we're doing now? But when it comes to the (inaudible) we don't have enough actual information to argue with because we're arguing with statutory remuneration instead of actual remuneration. And we do know that, sometimes, the actual remuneration is more than the statutory remuneration. So we could sort of argue that it's inaccurate in both respects. So we really need that table of actual remuneration in the annual report so we can really discuss this issue in a logical and accurate manner. And there's also one equity plan in this past remuneration report that we're voting on today, which had a potential payment. So obviously, Mr. Chairman, there are some things there we are uncomfortable with and don't comply with our policy. So we will be directing our proxies against this on the vote. Thank you.

MICHAEL A. CHANEY: Yes. Thanks, Mr. [McCollough]. One of the challenges of designing a remuneration system in any listed company is that you go around and talk to all the investors and get their views about it. And I wouldn't say every investor has a different view, but there's this vast range of views out there about how remuneration should be structured. And the board eventually, working with management, works out a remuneration system that they think best serves the interests of the company and the shareholders. One of the particular difficulties actually, while we very much appreciate our interaction with the Australian Shareholders' Association and enjoy our meetings and getting feedback and, occasionally, we've made are some changes to accommodate some of the suggestions, one of the frustrations is that the ASA has these hard and fast rules and says, "If you don't meet this, we'll vote against." An example is using relative total shareholder return as a sole measure. Our view is that if you look at a company like Woodside, trying to find a second long-term measure like ROE or profit or something is fraught with problems and just doesn't suit the company. And so we say shareholders would be happy if the shareholders have done well and the executives do well. And if the shareholders haven't done well, then the executives shouldn't do well. And that's what relative total shareholder return is all about. That is, we measure it from when we issued the shares to when they vest, or don't vest, the performance date. We measure how well the shareholders have done. And if they've beaten everyone else for more than 50%, they start vesting. And if they've beaten 75% of the sample, then they all vest. And that seems, to us, the fairest way of remunerating. If you introduce something like return on equity, you get all sorts of aberrations occurring. And a company like this with huge cyclicality and with huge variation in your investment profile and so on when you raise equity, when you raise debt. And so we're convinced that using relative total shareholder return against 2 different sample groups, one Australian-listed company, one international oil companies, is the best way of doing it. And almost all our shareholders, I would say, agree with it. Some go out and say, "You got to have 2 measures." Why, I don't know, but they say it. And the ASA says it, and so we'll vote against you if you don't have it. Some of the other elements, like the 1/3 cash and 2/3 equity, are things that we've now done away with, and there's a lot less cash in the new system coming up. And as far as your final point, reporting actual remuneration, the reason we haven't done it is that there are no rules around it. At least with the statutory remuneration table, there are rules set out, "hey, you have to treat cash equities and so on and you can follow it. " And some companies produce take-home pay, but there are no standard ways of doing it. And so we've said, if there were standard ways, we'd do it. But in the absence of that, we'll stick to what's required. [Mr. Barker]?

UNIDENTIFIED PARTICIPANT: Yes, the other employees of Woodside, what was their pay raise in the last financial year?

MICHAEL A. CHANEY: Peter, do you want to -- we're talking about a year ago. It was pretty modest.

PETER JOHN COLEMAN: Yes. It was -- so we have -- we did have a pay freeze for employees during the -- a couple of years ago. So when oil prices hit $30, we didn't think it was appropriate. And of course, the executives' pay was frozen for the better part of 3 years. In the past year, we've averaged employee pay increases of about 2% to 2.5% across the entire organization.

UNIDENTIFIED PARTICIPANT: Which is about the same as yours.

PETER JOHN COLEMAN: That's correct. So it's about the same. So we felt employees -- it was time to remunerate employees. The market's changing. And of course, Woodside employees are very highly sought after in the marketplace today. We have more competitors than ever in Australia, and so we need to maintain their competitive orientation as well. But equally, our employees worked very, very hard during the downturn to ensure that we took costs out of the business. And so there is a point in time when you need to recognize that and making sure that they remain competitive.

UNIDENTIFIED PARTICIPANT: Yes. And the other thing is the $1.3 million extra that you're getting in bonuses this year. On your performance since 2012 when the NPAT was nearly $3 billion to now, which is the last year, which was $1 billion. The gearing has gone up from 19.7% -- 19.70% to 6.8%. So the return on equity -- no, that was the return on equity, has dropped from nearly 20% to 6.8%. And in the same period of time, the debt's gone up from $2 billion to nearly $5 billion. So you reckon you're doing a good performance, but going by the figures which are in your annual report, you're not doing a good performance at all, because the dividends per share in 2012 were $1.30 and now they're still only $0.98. So how are you getting the bonus, is what I want to know. And the share prices dropped from $0.33 in 2012 to $0.33 now, so the share price hasn't moved. So I was (inaudible) bonus.

MICHAEL A. CHANEY: [Mr. Barker], perhaps I could answer you. Firstly, you should have a look at the oil price over that period, which has a big effect on the profit of the company. But secondly, the way Mr. Coleman's remunerated is set out in the remuneration report, and so you can -- each year, you could see why he was paid a certain amount, why he got certain short- and long-term incentives, and it's been supported by shareholders, and I think it's been an effective system.

UNIDENTIFIED PARTICIPANT: I've read all the black magic figures and the gobbledygook about it, but the actual prices in the report -- the performance in the report don't bear out them figures. That's what I'm saying.

MICHAEL A. CHANEY: Well, I can assure you that the actual rewards granted to the CEO in his reports are in accordance with the agreed remuneration system, but thank you for your comments. I think that, according to my screen, completes the questions on the remuneration report. So if there are no further questions, I put item 3 to the meeting. If you've not already done so, please submit your vote on item 3 now. The proxy and direct votes received before the meeting are displayed there on the screen. And as you see, there's been overwhelming support for the resolution.

So that now covers the formal business of the meeting, and voting will close shortly. So if you've still to vote on any item, please do so now. And I'll just give a short break to allow you to do that and then close the polls.

(Voting)

MICHAEL A. CHANEY: Okay, is there anyone who still is to vote? Okay, I can't see anyone there. So I formally -- sorry, there is someone over there. Are we -- do we have a problem over there?

UNIDENTIFIED PARTICIPANT: My apologies, Mr. Chairman, and thank you for the opportunity to ask this question. What I wondered was, given the environmental benefits from -- to be had or potentially to be had from biofuels and possibility for being used synergistically with fossil fuels, what appetite has Woodside got for supplementing their current product lines with fuels that are developed from straw and waste products such as [biogas] into ethanol; or secondly from woody waste or woody products being turned into high-value aviation fuels? Or thirdly, algae being turned into biodiesel? And what involvement has Woodside got in carbon sequestration?

MICHAEL A. CHANEY: Thanks, Mr. Robinson. Peter, would you like to comment on that?

PETER JOHN COLEMAN: Yes, I would. It's -- and it's a very wide-ranging question. With respect to biofuels, clearly there are others in the market already who are providing biofuels, particularly ethanol. So Woodside really doesn't have an interest in pursuing that at this point. What we are looking at, though, is our own product that we make. So as you know, natural gas is simply put in a liquid form to transport it to market. But you can also catalyze it or reform it into other products such as ammonia and/or hydrogen. And so we're currently studying along with some industry partners what a hydrogen future might look like for the product that we actually produce. The advantage we have in the Pilbara is we've got a very rich, natural energy source, being the intensity of the sun, in the Pilbara, and so we're looking at ways of capturing that using solar and then reforming our gas, of course, heating up water and using it as steam to reform it. The technology is not advanced enough yet to allow large quantities to be transported over long distances. That's generally very local manufactured, simply because of the temperatures -- very low temperatures and very high pressures that conventional use of hydrogen has required. But there are advances, particularly in Japan, where stabilizers have been put into the hydrogen to allow it to be stable for long periods of time at atmospheric pressures. So it's a new technology. It's a new future for us potentially. It's something that we think may become a serious technology around 2030, and it'll take that amount of time. But we're clearly looking at Woodside's product line over the years and saying, "Well, if the world does change a lot faster than we think we would, where do we have a natural advantage?" So rather than branching out into something we don't know, which is where many of the biofuels would take us, we said, let's focus on where the value is today and how can we take the most advantage out of the product that we currently produce? And that future might be a future that includes ammonia and/or hydrogen in it.

MICHAEL A. CHANEY: Thanks, Peter. Mr. Clancy?

JOHN CLANCY: Yes. How far along the road are you with the use of batteries in (inaudible)? Do you know what sort of batteries you use? Where are you up to with that?

MICHAEL A. CHANEY: Peter?

PETER JOHN COLEMAN: It's a good question. In fact, we're piloting the use of light-scale battery in the oil and gas industry. In fact, we're a leader. The first time we're doing it. I alluded to it in my opening speech, and it's what we call spinning reserve. It's basically saying, to ensure the reliability of our power generation system. If we need 3 generators, we typically run 4, just in case one of those generators trip and the system's not fast enough to recover. And so by using batteries on our Goodwyn platform, and it's a very large battery, it's a 1 megawatt-hour battery, we're able to shut off that fourth machine, which makes us, one, far more efficient and, two, very reliable. The advantage of batteries, it's what we call a very clean power source, meaning that for it to come into the system, you don't need to synchronize it to the same extent as you would if you were bringing a machine in. So it's a good source for us. It will keep the platform running for a couple of hours while we go and repair whatever we need to or restart things. So it's early steps, but it's a very significant steps. We're doing and in conjunction with Siemens. And I think it's tremendous. We're looking then at other applications for that, both in our Karratha Gas Plant and also in our Pluto facility. So it's all about self-help in the first instance. I believe one of the speakers mentioned how advanced Woodside is in technology. I recognize that the benefits of our technology efforts have reaped around $0.5 billion in value over the past few years for Woodside shareholders. Batteries is another pathway that we're going down as well.

MICHAEL A. CHANEY: Thanks, Peter. And [Mr. Hardigan]?

UNIDENTIFIED PARTICIPANT: I've got 3 questions, if I may.

MICHAEL A. CHANEY: Sure.

UNIDENTIFIED PARTICIPANT: One is a general one in relation to Myanmar. As much of the -- there's a large target, many large targets are mentioned for 2019 for drilling. So building up the resource is paramount for your policy. What intrigues me is, in your map, it showed 2 platforms. It -- this is in the Rakhine area offshore. There's the Shwe platform and the Yadana platform. And they have a Myanmar-China gas pipeline, which suggests that China is interested in gas. I'm not certain how Myanmar is placed there to see and what facilities it has to utilizing a development by Woodside. Have you had some discussions with the government of Myanmar on that? And is China a possibility for future supply if the go-ahead is determined? That's my first one.

MICHAEL A. CHANEY: Yes, Peter might like to comment on. Before I ask you to, Peter, I'm sure all the voting has now taken place. So I should formally close the poll. Peter, would you like to comment?

PETER JOHN COLEMAN: Thanks, [Mr. Hardigan], and I've taken note. I'm going to invite you along to one of our North West Shelf partner meetings to make sure we encourage them to stay aligned on the pathway we have for getting a total agreed on Browse, which I can assure you is imminent. So we have excellent momentum. On Myanmar, we've established what we call a northern hub and a southern hub. You're quite correct in your pronunciation, there's a field up in the north of Myanmar offshore. It's just on the -- near the border with Bangladesh. That field is called Shwe. It's not operated by Woodside. We don't participate in it. But what it does is it produces into a pipeline that's been built through Northern Myanmar up into China to service industries in the very large China's megacity of Kunming. So that pipeline's already in place, and it's 51% owned by the PetroChina, the largest national company in China. We have now been invited in by

PetroChina to share with them in 3 blocks in Myanmar, based on the success that we've had. And so our northern hub is really focused on getting gas into that particular pipeline, which we understand is only about half full. So that's the target for that. That energy corridor has already been built by the Chinese, and it's a strategic corridor for them. Down in the South, where we've had our first exploration success in Block A-6. We are partnering there with a local company called MPRL and also Total. The Total relationship was a strategic one for us, because Total are the operator of the Yadana field, which we quite rightly pointed out, has an existing pipeline system connecting it with Yangon but also to an export market across even to Thailand, and that Thai export market is a very highly prized market. So the drilling efforts this year will go around discovering more exploration volumes out of Block A-6 and the adjoining block, Block A-7, and then also progressing development plans for development of that Block A-6 down into Yadana.

Our relationship with the Myanmar government is an excellent one, notwithstanding some of the challenges that government has had with the issues in the Rakhine state. We've been very supportive of both the humanitarian efforts there on both sides of the border. We've continued our activities there because, certainly, the Australian governments feel, and we closely consult with them, but also the 8 agencies' view there is it's best to continue economic development while the government sorts out these other issues that they must deal with, and we encourage them to do that. But it's soft diplomacy. And the best thing is you can only influence if you are at the table or in the tent. If you are sat outside, then, of course, you can't influence. And so our view is take a long-term view to this, as tragic as the events have been, making sure though that Woodside upholds our principles on human rights all the way through then.

MICHAEL A. CHANEY: [Mr. Hardigan], did you have a second question?

UNIDENTIFIED PARTICIPANT: Yes. Yes, I do. Before I ask the question, I want to compliment the Woodside executive and all the people that work there for their innovations in relation to the LNG (inaudible) for the ships to be powered by LNG and what they're doing in relation to mineral -- supplying mineral trucks and so forth in the Pilbara. Those 2 innovations are to be commended. My question relates to Senegal. And while it's -- while I've been able to look at the report and try and analyze it as best I can, I would like to know when you will present with some reserve figures for Senegal in relation to the oil -- the probable and proven reserves that you have there before you submit your development plan to the Senegal government. I see, in relation to drilling activities, there will be one carried out in the fourth quarter in the Rufisque Offshore area. How will that impact on that development plan that you submit to the government in Senegal?

MICHAEL A. CHANEY: Peter?

PETER JOHN COLEMAN: Yes, just for clarification, I think that Rufisque Offshore is a contingent well for us, so it's not a commitment well at this point. And so we're continuing evaluation on that. With respect to the development plan, of course, we have certain commitments with the Senegalese government on SNE. Those commitments really take us to ensuring that we have a final investment decision by late first half of next year. And so you'll see some updates in the very near future, both on reserves and what we think the final development plan is to meet those dates. We're -- Woodside is currently transitioning as the operator for the development. That's taken -- that's been delayed. It took a little bit more time than we expected it would within the joint venture. But that's well underway now, and in fact, I'll be in Senegal in the near future presenting our credentials to the President. With respect to where else are we on the project, we just issued invitations to tender at the end of March for the provision of FPSO, also for the drilling rig and for the subsea equipment and tie-back equipment. So we will know by around late second quarter this year. It'll be in that June time frame we'll start to get those tenders back, and we'll be able to see what the costs look like. But we think we're hitting the low end of the market at the moment. I think there's a question about the equity-raising before. One of the things we're really working hard on is locking in these low costs in the market. We're in a 10-year low point in the cost cycle in the marketplace, and we can't wait for prices to increase because costs will increase on the expectation very, very, very quickly. So you'll see us moving forward with ordering long-lead items and trying to lock in production line slots and so forth for a line pipe and so forth to take advantage of the fact that you've supported us with the equity-raising. And that enables us to make sure we get those commitments. The advantage, of course, of locking cost in now is, as prices rise, and we hope they will rise, and of course, their margin improves. And so it gets back to that point before. There's no use waiting until price rise before you go and buy something because the margins are basically fixed. You get best margins when, of course, you can make -- take early-mover advantage and you have the access to world-class resources.

MICHAEL A. CHANEY: Thanks, Peter. Ms. [Heather Brettnaugh].

UNIDENTIFIED PARTICIPANT: Can you hear me?

MICHAEL A. CHANEY: Yes.

UNIDENTIFIED PARTICIPANT: I'm not quite sure. I accept shareholders expect a decent return on their shareholdings. However, at what cost does this come? It is now accepted practice that staff who are treated with respect and justice will contribute to a greater organization and shareholder returns. Conversely, staff who are bullied and denied justice when they raise concerns contribute to a culture of fear and diminished shareholder returns. I am aware that Woodside internal cultural surveys further support shareholder concerns regarding the current workplace culture. As a board, you have a responsibility to eliminate the behaviors that drive poor performance and negatively impact returns. Poor results in staff morale and impairment leads to lost productivity returns. Some may even view the reappointment of the CEO as another 5 years of the same poor behaviors at Woodside. As a shareholder, I am concerned that the cultural workplace bullying and harassment at Woodside appears to have no board oversight. Therefore, my question is, what is the board going to do differently in 2018 and onwards to address this significant employee feedback of unacceptable culture at Woodside, and would the board consider publishing this information to hold Woodside management accountable for this issue?

MICHAEL A. CHANEY: Well, thanks, [Ms. Brettnaugh]. I'm not sure exactly what you're referring to. I would say that the issues you raise and some of the points you make, we totally agree with. It's really important to have the proper culture within the company. Bullying, et cetera, is not tolerated. And the CEO -- from the CEO down and from the board down, it's an issue that we're very keen to pursue and ensure occurs. You made one point about renewing the CEO's contract for 5 years. There's no such renewal. The CEO is on a continuing contract, and there's no 5-year renewal. Having said that, if there were, I think we would have renewed it anyway. But I just wanted to correct that inaccuracy. The board does take all these sort of issues very seriously, and we have a Sustainability Committee and an HR Committee, Human Resources Committee of the board that, over the course of the year, reviews all sorts of issues like complaints and resolution of complaints. So what I'd suggest is that -- because you've made some fairly strong statements there, but if you have any specific issue, which we wouldn't want to talk about in a public forum, it'd be useful for you to talk to the CEO or the Company Secretary or any of the other senior managers here. The HR chief is here as well after the meeting. [Richard Hosking]?

UNIDENTIFIED PARTICIPANT: I'm asking this question on a shareholder's behalf that I'm representing. He sent in this question a month ago to Investor Relations but never got a reply. Last year's Sustainability Report said that Woodside are committed to reviewing the remaining recommendations of the Task Force on Climate-related Financial Disclosure in 2017. However, our company has not released a scenario analysis or emissions reduction targets to the public or the shareholders. Is our company committed to implementing all of the Task Force for Climate-related Financial Disclosure recommendations? And when is our company going to plan to release the scenario analysis?

MICHAEL A. CHANEY: Well, thanks for the question. Peter can add to what I say if he thinks he needs to, but we do believe that our sustainability report conforms to the sort of requirements and processes set out in the climate-related financial disclosure task force. And we do have tangible targets. For example, we've got a 2020 emissions reduction target that equates to reducing our fuel and flare emissions by nearly 400,000 tonnes of CO_2. We've implemented projects that deliver 20% of that target, and this is by 2020. And we've got -- we've identified projects that can deliver another 70% of it. It's an issue we take very seriously. And as I say, we believe that our sustainability report conforms to most of the things that are in the -- in that framework. It's an evolving process. We -- each year, we're improving what we do in that regard and endeavoring to meet the requests or to at least consider and appropriately meet the requests of organizations with an interest in that area. Peter, do you want to add anything to that?

PETER JOHN COLEMAN: Yes, I would, Michael. Yes, the Woodside's commitment is outlined on Page 13 of the sustainability report. There were 17 recommendations of the United Nations sustainable development goals. Woodside chose to pick up 5 of those. And probably the one you're referring to is recommendation #13, which is climate action. So we have committed to take that up with -- it's in our report. We're working through what that actually means for us from a -- particularly from a self-help point of view with existing facilities, and then also what does it mean for the future and ensuring that our assets are sustainable in the future. So you'll hear more about that as we get through 2018. And we'll have it in our Sustainability Report next year. On scenario planning, that's also evolving. There's not a standard out there at the moment with respect to the way that you do it. As the Chairman said, this is an area that's moving very quickly. We just want to make sure that if we make commitments, they're the commitments that we can actually achieve, and we want to understand what those scenarios really mean for us. But I can tell you it's an active -- very, very active area in our business at the moment, but it -- and it's critical to our future license to operate.

MICHAEL A. CHANEY: Okay, we have a question from [Mr. Peter Miles].

UNIDENTIFIED PARTICIPANT: Thank you. I'd just like to ask a question on the reduction of methane gases. What is the cost of the company? And also, what effect does this have on dividend?

MICHAEL A. CHANEY: Peter?

PETER JOHN COLEMAN: Yes. Well, look, the actions we're taking so far are really what we call non-regret actions. So we use a process called "as low as reasonably practical" in the way that we assess things.

They're what I would call minor capital projects for us so they're really not affecting the dividend in any tangible way at this point. There are future projects that we're looking at, particularly around power generation at our Karratha Gas Plant, which is really 1970s technology. It's quite inefficient power generation. And there is a future state, once we're able to encourage the Browse development through Karratha, that we can justify replacing that power generation on an economically neutral or viable basis. And that would be with the mix of both gas and renewables and battery storage, probably outside of the fence of the plant. So that's one example of what we're doing. So your point is well made. No, we're not kind of chasing rabbits down burrows and not quite sure where the money is going so we all feel good about that we're doing the very best thing around climate action. We're doing sensible things, and we're doing things where we start with self-help in the first instance. We're also looking to broaden our product into the marketplace because as we know, as we can replace other fuels, there's also an immediate benefit from both a particulate emissions, but also greenhouse gas emissions. And that's why we went ahead and built a truck loading facility at our Pluto site, because there's more than 3 billion liters of diesel fuel imported each year into Western Australia to supply the mining industry in the Pilbara and Kimberley areas. And so that's a huge market. And -- but that's a market also that, if we can replace that with gas, has an immediate impact on our greenhouse gas emissions. So we're looking at it in 2 ways. What can we do internally to be more efficient but do it sensibly, and then on the other hand, are there new businesses that we can develop that give us a 2-way benefit on that, both from a greenhouse gas point of view and then also economically.

MICHAEL A. CHANEY: And we have what may be a final question from [Abbott Co.]?

UNIDENTIFIED PARTICIPANT: [Mark Stikers] again. One thing about you stating earlier, Mr. Chairman, the tax rate -- the effective tax rate is different than the headline tax rate. And especially when it comes to people -- well, I mean, companies like Chevron, which doesn't pay any tax in Australia much at all. And the other thing, the CEO employed 100% recovery rate at Scarborough, which sounds a bit optimistic to me. And the other third thing is with Scarborough. What's the cyclone effect on this plant -- proposed plan? And lastly, the Senegal cove developer, Cairn Energy, do you expect they have the capital resources to develop that gas field?

MICHAEL A. CHANEY: Well, thanks for those questions. Firstly, on tax. As you're aware, Woodside pays a high rate of tax, and we paid about $800 million in income tax last year. And we pay resources, PRRT, from the plays. The reason some companies, you mentioned one, might not be paying taxes, those may have very large investment allowances, having made an investment. And that's exactly what the tax system is designed to do. So looking at the actual bottom line tax of a particular company, you've got to take into account all of that. Obviously, tax avoidance is something that we absolutely reject, and we do, for example, have an office -- trading office in Singapore but we pay Australian tax rates. Peter, do you want to talk about the Scarborough 100% recovery, which I don't think you did say, and the Cairn capital issue?

PETER JOHN COLEMAN: Yes, I can. Just for edification, of course, when we put resources out there, we put recoverable resources. So the numbers that you see in our equity-raising are not gas in place, but the -- actually, what we expect to be recoverable. And of course, depending on the quality of the reservoir, and Scarborough is an excellent reservoir, those recovery factors, depending on whether it's pressure depletion or water drive, can range anywhere from 50% to 75% of the resource in place. So the number that you see is what we'd call our P50 recoverable reserve estimate. And of course, there's a pretty tight range around that, simply because the fuel is being well delineated. But that's certainly not the gas in place. The gas in place is much larger than that. On cyclones, you asked about cyclones. Yes, it is challenging mid-ocean conditions in the Scarborough area, but we're confident that we, as you know, we manage our facilities. We get, on average, 5 cyclones a year are formed in the basins that feed into where our facilities currently operate, and we have studied the mid-ocean conditions at Scarborough, and they're not too dissimilar to what we're already operating around the North West Shelf and the Pluto area. On Cairn, we don't really comment on others' abilities to fund. Notwithstanding that, I can tell you that we're looking at different funding arrangements within the joint venture, whether that funding will come off balance sheet. For Woodside, of course, we have the advantage that we can fund from our balance sheet or whether there will be project financing or some mix thereof. So that's still under discussion within the joint venture.

MICHAEL A. CHANEY: Thanks, Peter. And [Mr. Tolman]?

UNIDENTIFIED PARTICIPANT: Sorry, I forgot to press my button earlier. Quick -- well, quick answer, I think, from this one. Congratulating the board on Woodside becoming the first Australian oil and gas company to sign up to the Climate and Clean Air Coalition principles on reducing methane emissions. The first principle of that is to continue to reduce methane emissions. Can we expect Woodside to set targets to reduce its methane emissions?

MICHAEL A. CHANEY: Peter?

PETER JOHN COLEMAN: Well, thank you. We -- as you're aware, we've only just recently signed up to that in the last month or so. And so that's a first step for us. Methane emissions, typically in our business, are not as intense as, for example, you would find in an onshore, maybe shale gas sort of development, where you've got lots of small wells coming. But nonetheless, we still do have what we call fugitive emissions coming out of valves or flanges in our operating plants. The first part, of course, of signing up to that commitment is to get proper data with respect to just how much emissions we do have of, what we call, fugitive emissions. These are small leaks or weeps out of valves. So that's the first step. With respect to setting targets, you can expect, at least internally, once we get across what that number is, then internally we'll be discussing what our targets are. But it's too early today for us to do that. We've really got to spend the next 12 months or so working out now what's a consistent way of measuring, getting consistent measurement techniques in place and then starting to develop an action plan.

MICHAEL A. CHANEY: Yes. As Peter mentioned and as you implied, methane's a far more damaging greenhouse gas than CO_2. But if you look at our overall operations, it only contributes about 4% to our emissions footprint.

Now the provisional results of the voting, you'll see shortly on the screen, which indicates that the motions have been overwhelmingly passed. Computershare will undertake an audit of the results, and the final results, as I said earlier, will be available shortly after the meeting. It will be submitted to the ASX and put on our website.

Ladies and gentlemen, I think that concludes the meeting. And on behalf of the board and the staff of the company, I thank you for your attendance here today and your continued support of Woodside. On a personal note, I'd like just to close the meeting by thanking my fellow directors for their support and the management team for their great effort they put in on behalf of the company. And in particular, I'd like to thank my wife, Margrete, who's sitting in the second row, for her undying support of me during times that sometimes can be tough in a company like Woodside and other times not so tough. But I very much appreciate that and the support of my family. So I now declare the meeting closed and invite you to the foyer for refreshments. Thank you very much.

Document FNDW000020180420ee4i000gp