
Statement on Review of Industry Associations

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1. Summary and overview

Santos is a proudly Australian company that has been safely and sustainably exploring and developing oil and natural gas resources for over 65 years. Our purpose is to provide sustainable returns for our shareholders by supplying reliable, affordable and cleaner energy to improve the lives of people in Australia and Asia.

In the conduct of Santos' activities, the company is member of a number of industry associations. This Statement outlines a 2020 review Santos has undertaken in relation to its membership of industry associations, with a focus on the alignment to our company's climate and energy policies and ambitions.

Industry associations serve a clear purpose

Industry associations exist as a way for businesses to share best practice, develop standards, and influence policy debate. They function as a forum to debate, align, and promote key interests of businesses and organisations. This is especially true for Santos in geographical areas where the company has operated interests, which is the focus of this review. In Santos' case, significant benefits flow from the company's membership of the Australian Petroleum Production & Exploration Association (APPEA), including public policy advocacy in support of an internationally competitive investment environment for the Australian oil and gas sector. Similarly, the Western Australian Chamber of Minerals and Energy (CME) continues to drive local skills and workforce development. The South Australian Chamber of Mines and Energy (SACOME) also regularly prepares submissions representing technical and policy requirements aligned with Santos' interests to state and national policy processes.

Members of industry associations and the associations themselves have a wide range of views

There is a range of opinion on each element of industry associations' work, because these associations represent a diversity of members. When industry associations form a view on a particular issue, it does not necessarily represent the views of all members – or indeed any single member. Usually most members will somewhat align with the views of the associations they are members of, but alignment on single issues does not translate to alignment on all issues; nor does some alignment on an issue indicate full alignment. An industry association's view, like that of its members, is the product of a dynamic debate between its members and the external context.

Santos participates in these associations to contribute to industry debate

Santos is a member of industry associations for two primary reasons: to keep abreast of the latest developments and up-to-date views on debates within the industry, and to contribute and advance the company's own views on key issues such as climate and energy policy to broader industry positions. Where an industry association's views on particular topics diverge from Santos' own views, Santos will continue engaging in constructive dialogue or advocacy. This ongoing engagement either helps Santos to refine the company's own approach, or advocate for the company's view and seek to evolve the approach of the association and / or its members. Industry associations present a leadership opportunity for Santos and give the

company a chance to exert a positive influence on the industry and the economy. As always, Santos will continue to advocate and stand up for policy positions that advance and secure a sustainable future for our stakeholders.

We regularly review our membership of these industry associations

In 2020 Santos paid AUD\$955,245 (ex-GST) for membership of the eight Australian industry associations addressed in this Statement. Santos regularly reviews memberships of industry associations to determine whether to become, or remain, a member. The elements of the review outlined in this Statement specifically considers energy and climate policy and involves four steps:

1. Identify which industry associations are in scope, the relevant policies for comparison, and available data from public sources.
2. Compare the industry associations' positions on key climate and energy with Santos' policies.
3. Account for broader benefits and costs arising from membership of the industry associations.
4. Consider whether Santos will continue its membership of the industry associations.

Santos becomes or remains a member of an industry association when we derive significant benefit from membership and/or believe we can constructively and positively influence the best practice, standards, or policy positions of the association or its members.

Section 2 of this Statement explains our review method in more detail.

Santos' climate and energy policy and ambitions

Santos has a Policy on climate change that guides the company's decision-making. This Policy is provided as an appendix to this Statement. More information about Santos' approach to climate change can be found in our annual Climate Change Reports, aligned with the recommendations of the G20's Task Force on Climate-Related Financial Disclosures, available on our website www.santos.com.

The company's Climate Change Policy sets out our commitments to climate change:

- + Santos recognises the science of climate change and supports the objective of limiting global temperature rise to less than 2 degrees Celsius.
- + Our strategy focusses on natural gas which we believe will continue to play a key role in a low carbon future.
- + We are committed to being part of the solution by supporting the twin objectives of limiting greenhouse gas emissions while providing access to reliable and affordable energy to domestic and global markets.

In addition to the Climate Change Policy, Santos has a number of emissions-related targets to support our net-zero Scope 1 and 2 emissions ambition. Central to Santos' Policy, strategy and climate change goals, is the role of natural gas in reducing greenhouse gas emissions and contributing to a lower-carbon future.

Santos realises its Climate Change Policy commitments and actions through the decisions we make as a company, the partners we work with and the change we advocate for externally, including through membership of industry associations and other representative bodies.

In 2019-2020 Santos joined the CO2CRC and has become a founding member of B Team Australasia's Australian Climate Leaders Coalition. The CO2CRC is a world leader in carbon capture, utilisation and storage research with a mission to add value to customers by testing, developing and demonstrating carbon capture, utilisation and storage research, products and services as viable options for a lower emissions future. The Australian Climate Leaders Coalition is a group of cross-sectoral Australian corporate CEOs supporting the Paris Agreement commitments and setting public decarbonisation targets. In addition to the active role Santos takes as a member of associations within our industry, through these cross-industry associations we specifically seek to progress and contribute to a lower-carbon future in Australia by progressing step-change emissions reduction technology and working collaboratively with other organisations to realise our emissions reduction goals and Climate Change Policy objectives.

In 2020, most industry associations have climate and energy policies that align or mostly align with Santos' positions

The industry associations of which Santos is currently a member have views that align, mostly align, or are neutral with Santos' own. These views as they relate to energy and climate policies are summarised in the table below and outlined in more detail in the following pages.

APPEA, CME and the Australian Pipelines and Gas Association (APGA) have climate and energy policy views that align with Santos', while the Australian Industry Greenhouse Network (AIGN), SACOME and QRC mostly align with Santos' views. The Australian Resources and Energy Group (known as "AMMA") and the Australian Institute of Energy (AIE) are neutral with Santos' climate and energy policies, largely because their focus is on employment and workplace relations, and community convening, respectively.

Group	Aligns	Mostly aligns	Neutral	Misaligned
APPEA	X			
CME WA	X			
APGA	X			
SACOME		X		
AIGN		X		
QRC		X		
AIE			X	
AMMA			X	

2. Review method

Santos regularly reviews its membership of industry associations across a broad range of principles to determine whether to become or remain a member. This Statement is focussed on the element of Santos' review with respect to alignment of climate and energy policies of the Australian industry associations of which we are a member. This involved the four steps outlined in the diagram below.

In the **Identify** step, Santos identified industry associations of which it is a member for inclusion in the review and collected public data on the industry associations' views on climate and energy. This public data consisted of formal policies, as well as publicly stated views in presentations, submissions, and other media.

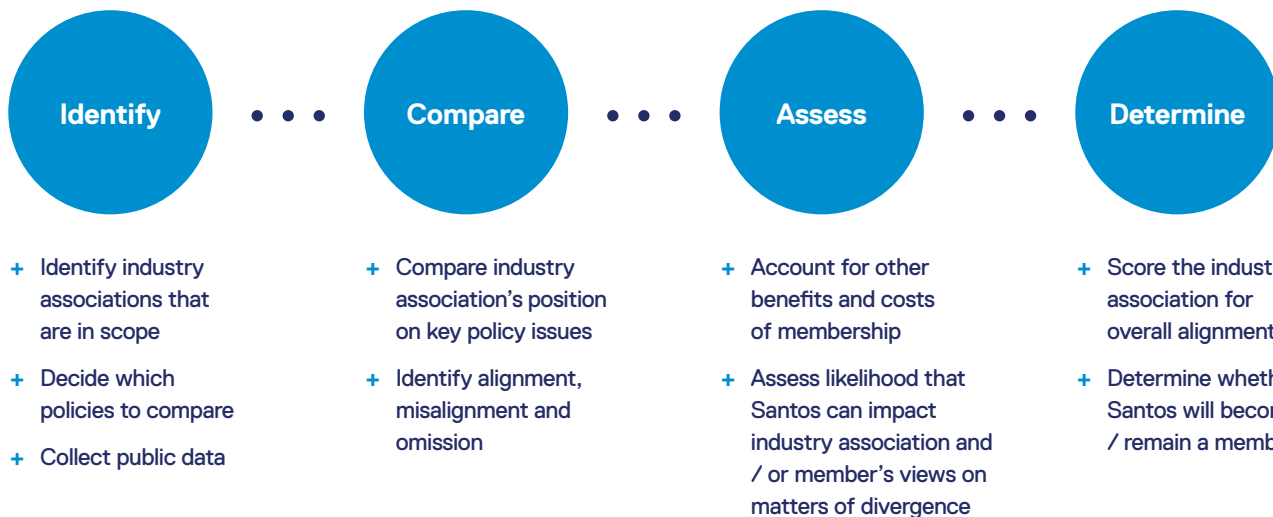
To **Compare** the industry associations' climate and energy policies we looked in particular for alignment with the following key Santos Policy positions:

1. Recognising the science of climate change and supporting the objective of limiting global temperature rise to less than 2 degrees Celsius.
2. Focussing on natural gas as a key technology in a low carbon future.
3. Supporting the twin objectives of limiting greenhouse gas emissions while providing access to reliable and affordable energy to domestic and global markets.

Along with the "Actions" outlined in Santos' Climate Change Policy we compared whether industry associations' energy and climate policies aligned, mostly aligned, were neutral, or were misaligned with Santos' Policy.

The **Assess** phase expanded this assessment to consider the broader benefits, costs, and opportunities that Santos faces as a member of each Industry association. This includes practical considerations like financial costs and technological benefits, as well as the extent to which Santos could impact the association and/or members' views on relevant matters of divergence.

The final phase of the analysis was to **Determine** each industry association's overall alignment and whether Santos will become/remain a member. This involved updating the comparison of climate change and energy policies to account for factors identified in the Assess phase. Santos' general approach is to only become/remain a member when we derive a net benefit from membership and/or believe we can constructively and positively influence the best practice, standards, or policy position of the association and/or its members.



3. Review findings

This section presents the analysis of how industry associations' climate and energy policies align with Santos'. Each part gives an alignment rating, identifies opportunities to improve each industry association's climate and energy policy alignment, and provides comment on whether each element of the industry associations' climate and energy policies align with Santos' position. Where relevant, there is also a comment on the broader aspects underpinning Santos' membership, the net benefits and costs of membership, and how this affected the overall alignment rating.

Australian Petroleum Production & Exploration Association (APPEA)

There is broad **alignment** between APPEA's position and Santos' Policy on climate change.

APPEA has outlined four key climate policy principles:¹

1. International engagement is crucial.
2. Climate change and energy policies must be integrated and harmonised.
3. Climate change adaptation strategies are necessary.
4. Climate policy must not compromise national or global economic development or energy security.

The detail underlying these principles is consistent with Santos' approach, especially Santos' position on international engagement and participation, lowest cost abatement and alignment with like-economies, its call for a national adaptation framework, and its emphasis on reliability and affordability. Further, APPEA believes that natural gas investment is crucial to developing a low-carbon economy, as does Santos.

APPEA is currently in the process of reviewing and refreshing its climate change policy principles in consultation with member organisations and Santos is playing an active role in this update. This update is planned for release in coming months and provides an opportunity to incorporate an additional level of detail in several key areas of its climate policy, for example in articulating a clear view on the Paris Agreement.

Western Australian Chamber of Mines and Energy (CME)

There is broad **alignment** between CME's position and Santos' positions on energy and climate change.

CME has carbon and climate policy position across three key areas, listed below.² Santos' climate policy positions are aligned with all of these areas, though do not comment directly on CME's specific safeguard recommendations. Our review noted that CME also regularly publish and share articles responding to actual or proposed government policies on carbon that are broadly consistent with Santos' views.

CME advocates for a measured transition to a low emissions global economy, centred on three climate change policy pillars of:

1. Global agreement – supporting the Paris Agreement and as a strong platform for the development of a global carbon market.
2. Market-based mechanism – promoting the need for a national framework for greenhouse gas emission reduction and ensuring policy mechanisms promote access to lowest cost abatement.
3. Substantial investment in low emission technology and abatement – supporting further research and development into alternate low emissions generation technologies as important for Australia's future energy security.

CME's position could be strengthened with greater clarity on issues such as carbon pricing and climate science. Santos will seek to influence the industry association and its members on these areas in future.

Australian Pipeline and Gas Association (APGA)

While there is a level of detail that APGA does not address in its climate change policy positions, the information provided is clearly consistent with Santos' policy positions. As such we consider the approaches of Santos and APGA to be **aligned**.

APGA's website describes support for technology neutrality while actively supporting initiatives in hydrogen and natural gas, which are two priorities for Santos.³ APGA also supports the science of

climate change and the Paris Agreement, as well as a national policy approach, like Santos.⁴ While APGA does not have specific details on climate policy objectives, the degree of alignment between Santos' position and APGA's stated position is considerable.

Santos aims to use its participation to work with APGA on the development of more detail in its public position on climate change issues.

South Australian Chamber of Mines and Energy (SACOME)

There is considerable alignment between SACOME and Santos in relation to carbon pricing and energy policy and we consider the positions to be **mostly aligned**.

SACOME's carbon and climate policies are based on a set of principles that are largely consistent with Santos' position.⁵ The principles are summarised as:

1. A market-based mechanism: Australia's policy mechanism should incorporate a market-based framework that is phased in over time to smooth the transition for industry and operates in line with international developments on a global framework to addressing climate change.
2. Trade competitive: The design of a scheme to introduce a carbon price should not affect the trade competitiveness of Australian industries.
3. Simple and efficient: A cap and trade scheme should be clear for both business and the community, simple in its design and not overly burdensome. Future schemes should be economically efficient by being simple, cost effective and provide certainty on long term emissions trajectories.
4. Effective: A future scheme should be effective, providing clear long-term conditions and incentives to reduce greenhouse gas emissions; and encourage investment in lower emission technologies and abatement opportunities.
5. Broad-based: In line with international programs, the scope of emissions covered under the cap and trade scheme should be reduced in the short to medium term, with a gradual phase-in of nitrous oxide, in line with targets for fluorocarbons and methane.
6. Technology neutral: The scheme should continue to cultivate government/industry partnerships for development of new technologies and infrastructure which will deliver improvements in energy efficiency, emissions reductions, and electricity system management (e.g. smart technology, intermittent generation, embedded generation, two-way flow of electricity, electric vehicles).
7. Reliable, secure and low-carbon energy: Develop and deliver strategic, comprehensive energy policy considering all energy options. Australia should develop a vision for a transitioned energy sector based on lower carbon technologies without compromising on energy security and reliability.
8. Energy efficiency and adaptation: Complement and deliver the necessary energy market reforms to improve energy efficiency across the Australian economy including initiatives such as Government-led energy efficiency programs and adaptation strategies.
9. Carbon offsets: A comprehensive suite of abatement opportunities to reduce emissions should be permitted in any market-based scheme to price greenhouse gas emissions.

While SACOME's position is technology neutral, Santos views gas as a key technology in the transition to a lower-emissions future. SACOME's recognition of climate science and support of the objective of limiting global temperature rises could also be expressed more clearly. Santos has an active membership role with this association and will continue seeking further policy clarity in the association's position on these areas going forward.

Australian Industry Greenhouse Network (AIGN)

Santos' position with AIGN is **mostly aligned** owing to considerable consistency with the majority of climate policy principles released by AIGN. There are some AIGN policies on which Santos does not have a policy position.

AIGN has 10 key climate policy principles. These principles, "envisage Australian policy measures that:

1. Are national — there is no place for state-based mitigation policies.
2. Are developed and implemented transparently to engender community support.
3. Are stable, predictable and avoid complexity to help minimise investment uncertainty.
4. Establish a long-term price signal across the whole economy.
5. Do not expose Australian export and import competing industry to costs not faced by these industries in other countries.
6. Compensate those, including low income earners and non-trade industry, that carry a disproportionate share of the cost burden.
7. Effectively address market failures not addressed by an emissions price signal.
8. Promote public and private investment in first-of-a-kind low emission technologies.
9. Do not discriminate against early movers and new entrants.
10. Encourage the community to invest in adaptation strategies."⁶

Principles 1-5, 8 (provided it has a commercial return), and 10 are consistent with Santos' energy and climate policy positions. Santos does not currently have a view on principles 6, 7, and 9. Santos will use its participation to support further articulation of AIGN's climate science position.

Queensland Resources Council (QRC)

QRC has four policy positions on energy and climate change policy:⁷

1. Global action is required to reduce the risks of climate change.
2. The global need to reduce emissions has clear implications for Queensland's energy policy.
3. Achieving an orderly transition to a low emission economy needs policy stability to minimise costs.
4. Climate adaptation requires a concerted focus to ensure Queensland communities remain resilient.

Overall, the association is **mostly aligned** with Santos. Santos agrees that global action is required, that Australia's policy response should balance emissions reduction with prices and reliability and that technology to transition to a low emission economy should involve least-cost abatement. It is also aligned in the view that policy should preserve the competitiveness of trade-exposed industry.

At times, however, QRC is faced with the need to reconcile various public policy positions of its broad membership base in ways that do not necessarily align with Santos' policy positions. As with its other industry association memberships, Santos will continue to both encourage healthy debate on QRC positions and review its membership annually.

Australian Institute of Energy (AIE)

AIE's role and convening function means it holds a largely **neutral** position on climate change policy relative to Santos. Santos will consider leveraging some of AIE's forums to advance the depth of understanding of key challenges and opportunities with climate policy reform consistent with Santos' policies.

AIE does not have an official policy stance on carbon or climate change. Its role is more educational/ community-based than direct representation, "[bringing] together individuals and companies with interests and involvement in the energy sector".⁸

AIE host talks and lectures with key figures from government, industry and industry bodies. Its website hosts the PowerPoint presentations from these lectures, which cover a range of issues that are not necessarily directly affiliated with the AIE.

AIE also publishes an energy news journal, Energy News. The most recent publication's cover story is titled, "Decarbonising Australia's Energy System" and discusses the potential of hydrogen fuel (which Santos agrees with) and decarbonising mining.⁹

Given it is a platform designed to give voice to all the current debates and discussions within the energy and related sectors, and that much of its content is indeed focusing on climate change, technology and

transitions to low-emissions or zero-emissions fuels, then Santos holds the view that membership is consistent with our energy policies and our desire to continue to discuss and debate the best ways forward to reduce emissions.

Australian Resources and Energy Group (known as "AMMA")

AMMA provides little specific information on climate or energy policies.

Occasionally, AMMA will comment on climate and energy policy with general positions to the effect that Australia should pursue a balanced mix of energy sources that protect its national energy interests, whilst also meeting in full its internally agreed obligations relating to carbon abatement.

Due to the generality of this position and the group's historical focus on employment and workplace relations, we characterise the alignment with Santos as **neutral**.

The group states its expertise is in "key employment policy areas including industrial and employee relations, skills and training, workplace health, safety and wellbeing, labour mobility and skilled migration".¹⁰ However, the organisation regularly publishes and shares information on their website about the governments proposed or actual carbon policies.¹¹ The sentiments AMMA displays when publishing and sharing this information generally align with Santos' policies.

Climate change and carbon pricing policies nonetheless have second round impacts on workforces – through job changes, skills gaps, economic dislocation and industrial transition – so Santos has an opportunity to encourage AMMA to consider the impacts of climate change and new energy requirements as part of its work.

4. Review conclusion

Santos regularly reviews its membership of industry associations to determine whether to become or remain a member. The focus of this Statement was in relation to the eight Australian energy and resources industry associations of which Santos is currently a member. In conducting a review of these associations, it was determined that these industry associations currently have views that align, mostly align, or are neutral with Santos' climate and energy ambitions.

Where industry associations do not have full alignment with Santos' positions with respect to climate and energy, and more broadly, Santos will continue to use its position as a member of the association to drive the evolution of the association's representative positions and policies. The company will also continue to regularly review the ongoing alignment with Santos' purpose and vision in the context of broader membership benefits and the company's ability to constructively and positively influence association and industry policy positions.

5. References

- 1 See APPEA (2016), "Climate Change Policy Principles" available at <<https://www.appea.com.au/wp-content/uploads/2016/02/Climate-Change-Policy-Principles-APPEA-final.pdf>>
- 2 CME WA (2017), "CME Submission to Australian Government Department of Energy and Environment Review of Climate Change Policies", available at <<https://cmewa.com.au/wp-content/uploads/2017/05/170524-ENV-Review-of-Climate-Change-Policies-CME-Submission.pdf>>
- 3 APGA (2019), "Gas Vision 2050: hydrogen innovation delivering on the vision", accessed at <https://www.apga.org.au/sites/default/files/uploaded-content/field_content_file/gasinnovation_10_for-internal-print.pdf>
- 4 APGA (2020), "Issues" accessed at <<https://www.apga.org.au/issues>>
- 5 SACOME (2018), "Climate Change Policy" available at <https://www.sacome.org.au/uploads/1/1/3/2/113283509/sacome_climate_change_policy__january_2018_.pdf>
- 6 AIGN (2010), "Climate Change Policy Principles" accessed at <<http://www.aign.net.au/documents/AIGN%20Climate%20Change%20Policy%20Principles.pdf>>
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- 8 AIE (2020), "What we do" accessed at <<https://www.aie.org.au/what-do-we-do->>
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- 10 AMMA (2020), "About us" available at <<https://www.amma.org.au/>>
- 11 AMMA (2020), "Mining reform" available at <<https://www.amma.org.au/influence/mining-reform/>>

Climate Change

Policy

Our Commitment

Santos recognises the science of climate change and supports the objective of limiting global temperature rise to less than 2 degrees Celsius.

Our strategy focusses on natural gas which we believe will continue to play a key role in a low carbon future.

We are committed to being part of the solution by supporting the twin objectives of limiting greenhouse gas emissions while providing access to reliable and affordable energy to domestic and global markets.

Our Actions

We will:

- + Work with governments and stakeholders in the design of climate change regulation and policies
- + Factor carbon pricing and greenhouse gas emissions into all business decision-making
- + Set greenhouse gas emission targets consistent with the objective of limiting global temperature rise to less than 2 degrees Celsius
- + Identify and pursue opportunities to reduce greenhouse gas emissions within our operations and through the supply chain
- + Identify and pursue opportunities to offset greenhouse gas emissions where relevant in further support of achievement of emissions targets
- + Identify, manage and mitigate climate change risks for our activities
- + Report on the company's climate change governance, strategy, risk management and targets and metrics in a transparent manner

Governance

The Environment Health Safety & Sustainability Committee is responsible for reviewing the effectiveness of this policy.

This policy will be reviewed at appropriate intervals and revised when necessary to keep it current.

Kevin Gallagher

Managing Director & CEO