

## Remuneration Policy

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## 1 PURPOSE

Woodside's desire is to remunerate fairly and responsibly and in accordance with the regional, and in some instances international, markets in which Woodside or its subsidiaries operate. This is achieved by ensuring that:

- The level and composition of remuneration is sufficient and reasonable;
- There is a clear relationship between Woodside and individual performance and remuneration; and
- The policy underlying remuneration is openly communicated and understood.

The purpose of this policy is to ensure that Woodside achieves the objectives of:

- Providing competitive rewards that attract, retain and motivate the highest calibre people; and
- Ensuring compliance with applicable legal requirements and appropriate standards of governance.

## 2 SCOPE

This policy covers:

- All Woodside non-executive directors (**NEDs**), including the Chairman of the Board. In the case of NEDs nominated for appointment and employed by Shell, fees, as determined by the application of this policy are not paid to the NED personally, but to their principal employer, Shell;
- The Woodside Chief Executive Officer and Managing Director (**CEO**);
- All Woodside executives. It does not cover executives providing services to Woodside who are employed through other joint venture companies, such as secondees;
- All Woodside employees on Australian based packages and provides the framework for the remuneration activities of in country national employees of Woodside's subsidiary companies, with regional variations based on the relevant market custom and practice; and
- All Woodside employees undertaking an international assignment, when seconded temporarily to one of Woodside's subsidiary companies or internationally to a joint venture operation. This also includes third country national assignees who are employed directly by one of Woodside's subsidiary companies and whose home location is a country other than Australia or the country of the subsidiary in which they are employed.

This policy does not cover people employed through another company such as third party contractors and secondees.

### **3 TOTAL REWARD MODEL**

Woodside has adopted an 'all inclusive' approach to reward and recognition. This means that employees, including the CEO, are rewarded for their services to the Company using a combination of reward and recognition elements according to the following:

- *Direct Financial Rewards*: to provide employees with competitive financial rewards linked to the achievement of performance objectives.
- *Non Financial Rewards*: to recognise and reward employees whose actions, achievements, and/or contributions deserve special consideration outside the normal achievement of performance objectives.
- *Job Satisfaction*: to provide employees with opportunities to undertake interesting and challenging work.
- *Career Satisfaction*: to encourage and support employees to take responsibility for their career development and achieve their career aspirations.
- *Climate*: to create a working environment that supports and encourages performance, teamwork, cooperation and work/life balance and rewards business outcomes.

### **4 PEER (COMPARATOR GROUPS) AND INDUSTRY BENCHMARKING**

#### **4.1 Non-Executive Directors**

Fees paid to NEDs of Woodside are based on advice from external remuneration consultants, taking into consideration the level of fees paid to directors by other major Australian corporations (top 20 ASX companies<sup>1</sup>), the size and complexity of the Company's operations and the responsibility and work requirements of Board members.

#### **4.2 CEO**

Remuneration of Woodside's CEO is reviewed by the Board of Woodside based on advice from external Australian remuneration consultants engaged directly by the Human Resources & Compensation Committee against other major Australian corporations (top 20 ASX companies<sup>1</sup>) and the Woodside approved international comparator group.

#### **4.3 Executives**

Remuneration of Woodside's executives is reviewed based on benchmarking against comparator organisations using survey data sourced from external remuneration consultants and data providers.

Woodside uses standardised methodology to size executive positions and compare and contrast executive remuneration against peer comparators. External remuneration consultants are used by Woodside to conduct periodic reviews and one off job sizing evaluations.

#### **4.4 Employees**

Remuneration of Woodside's employees is reviewed having regard to individual and business performance against agreed targets, and positioning within the relevant regional (and in some instances, international) market as measured against Australian resources companies and a group of companies operating in the hydrocarbon and related industries.

For Australian based employees Woodside obtains remuneration information and survey data from external remuneration consultants and data providers.

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<sup>1</sup> Determined by market capitalisation (six month average)

Similar remuneration information and survey data is obtained from external remuneration specialists regionally or within the countries in which the Company's subsidiaries operate.

Woodside uses standardised third party methodology to size employee positions and compare and contrast employee remuneration against peer comparators. External remuneration consultants are used by Woodside to conduct periodic reviews and one off job sizing evaluations.

#### 4.5 International Assignees

Remuneration of Woodside's international assignees is reviewed annually based on benchmarking the Woodside international salary line against US and UK oil and gas markets.

Woodside obtains expatriate/international assignment remuneration survey and/or location premium data from relevant external remuneration consultants and data providers.

## 5 REMUNERATION

### 5.1 Non-Executive Directors

NED's fees are recommended by the Human Resources & Compensation Committee and determined by the Board, subject to the aggregate limit approved by shareholders.

NEDs' remuneration consists of:

- *Board fees*: which reflect time spent on Board work and the degree of responsibility involved, and may be adjusted to reflect special factors such as travelling time for overseas directors;
- *Committee fees*: which remunerate directors for additional work done on Board committees; and
- *Superannuation contributions*: as required by law (or payment in lieu).

NEDs do not receive any variable remuneration linked to Company performance.

NEDs are required to have a minimum holding of Woodside Petroleum Ltd shares. NEDs who have less than the minimum holding are required to direct a set percentage of net (after tax) fees to the purchase of WPL shares until the minimum holding requirement is satisfied. This requirement does not apply to NEDs that do not receive their Board fees directly.

Any increase in the maximum aggregate remuneration payable to NEDs is approved from time to time by shareholders at the Annual General Meeting, in accordance with the Company's Constitution and Australian Securities Exchange Listing Rules.

### 5.2 CEO

The remuneration of the CEO is governed by the CEO's contract of employment. The CEO's total remuneration has two components, a Fixed Annual Reward (**FAR**) and a Variable Annual Reward (**VAR**). The function of the FAR is to meet a competitive market for the CEO position recognising the value to the Company of retaining the CEO with a record of sustained high performance. The VAR is the mechanism for rewarding the performance of the CEO. The components are comprised as follows:

- *Fixed annual reward*: FAR is determined by the scope of the role, level of knowledge, skill and experience of the individual, along with their individual performance.
- *Variable annual reward*: This variable component is delivered through short term and long term incentives. The short and long term awards aim to reward the CEO for meeting or exceeding performance targets, while at the same time linking the reward to the creation of long term sustainable wealth for shareholders.

The VAR is split into two components, short term and long term award:

*a) Short term award:*

The short term award component of the CEO's remuneration is comprised of an annual cash incentive payment and a deferred equity award, which is based on the annual performance of both Woodside and the CEO. The cash and deferred equity awards allocated to the CEO will be determined by the Board on an annual basis.

The short term annual award component is determined by the outcome of the Woodside Corporate Scorecard which is set and approved annually by the Board and an Individual Performance Factor for the CEO which is determined by the Board annually.

The deferred equity-linked award is allocated through restricted Woodside Petroleum Ltd shares and is deferred for three years with no further performance measure.

*b) Long term award:*

The long term award component of the CEO's remuneration is delivered through an annual allocation of Relative Total Shareholder Return (**RTSR**) Tested VPRs.

The proportion of RTSR-tested VPRs vesting at the end of the four year performance period will be determined by a vesting schedule using the Company's performance measured in terms of relative TSR against a selected international peer group weighted at 67% and a second peer group of the top 50 ASX companies weighted at 33%.

The vesting of RTSR-tested VPRs will be tested on the fourth anniversary after the Allocation Date. Any portion of the long term award that does not vest at the initial test will be subject to a second test on the fifth anniversary after the Allocation Date.

### **5.3 Executives**

Woodside's executive total remuneration is comprised of three components:

- *FAR* (as defined above); and
- *VAR*: which is delivered through the Woodside Executive Incentive Plan (**EIP**). The VAR is split into two components, short term and long term award in the same way as described above for the CEO. The EIP aims to reward the executives for meeting or exceeding their performance targets, while at the same time linking the reward to the creation of long term sustainable wealth for shareholders.
- *Share ownership plans/long term incentive*: Share ownership plans and/or long term incentives currently only apply to Woodside Energy Ltd Australian based employees and Woodside Energy (USA) Inc employees. Executives (other than executive directors) may participate in these plans in the same way as all employees.

Woodside also utilises targeted retention plans for key executive roles.

### **5.4 Employees**

Woodside's employee remuneration is comprised of three components:

- *FAR*: (as defined above);
- *Short term incentive*: This comprises an annual cash incentive based on the individual's base salary. Payment is subject to each employee's individual performance assessment and Woodside's overall business performance for the relevant performance year and any payment is made at the discretion of the CEO; and
- *Share ownership plans/long term incentive*: Share ownership plans and/or long term incentives. The purpose of these plans is to link employee reward directly to the value creation in the Company which is reflected in the appreciation of the Company's share price.

Woodside also utilises targeted retention plans for key disciplines and business critical roles.

## 5.5 International Assignees

Woodside's international assignees are provided with a net remuneration package that is comprised of two components:

- *Net international base*: This is calculated using the base salary and any current home allowances less a hypothetical tax rate.
- *Net country premium*: This takes into account location specific premiums. Other allowances are determined by the hardship rating and cost of living differential between the home and host location, and the family circumstances of the individual.

The short term incentive for international assignees is based on the individual's base salary and the short term incentive principles for employees.

Where possible (and subject to compliance with any regulatory requirements) share ownership plans and long term incentives for Australian based international assignees is the same as that which applies for Woodside Energy Ltd Australian based employees. There is no provision for a long term incentive for third country national international assignees (typically fixed term).

## 6 REVIEW

Woodside's Remuneration Policy is reviewed regularly and updated as required.

*Adopted by the Woodside Petroleum Ltd. Board on 7 December 2006.  
Revised by the Woodside Petroleum Ltd. Board on 19 June 2007.  
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