



Woodside Energy Ltd.
ACN 005 482 986
Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia
T: +61 8 9348 4000
F: +61 8 9214 2777
www.woodside.com.au

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Attention: Australian Small Business and Family Enterprise Ombudsman

PAYMENT TIMES AND PRACTICES INQUIRY

I refer to your correspondence of 19 December 2016, inviting Woodside to make a submission to the Australian Small Business and Family Enterprise Ombudsman's Inquiry into Payment Times and Practices. Woodside welcomes the opportunity to make this submission and provides the following information for consideration.

Woodside is Australia's largest independent oil and gas company. Our assets are renowned for their safety, reliability and efficiency and we are Australia's most experienced liquefied natural gas (LNG) operator.

Our producing assets in Australia include the landmark North West Shelf (NWS) Project, which has been operating since 1984. In 2012, we commenced production from the Pluto LNG Plant and we expect to add additional volumes from our non-operated Wheatstone LNG interests in mid-2017. We also operate a fleet of floating production storage and offloading (FPSO) facilities.

We recognise that long-term meaningful relationships with communities are fundamental to maintaining our licence to operate, and we work to build mutually beneficial relationships.

A description of Procurement policies used across your business:

Improving the sustainability of our supply chains is a strategic imperative of Woodside's approach to contracting and procurement. We acknowledge the importance of providing sustainable economic benefits through local employment and supply chain opportunities.

Our supply chain incorporates procurement and logistics management across our value chain. In 2016, Woodside as operator engaged a total of 2088 suppliers and spent approximately US\$ 3.5 billion across a range of locations. Our Contracting and Procurement Procedure details our approach to developing contracting strategies, supplier selection and evaluation, contract and supplier management and procure to pay activities.

We expect high standards of ethical conduct within our organisation and from our suppliers. Anti-bribery and corruption due diligence policies and procedures ensure appropriate screening and evaluation of all third parties with whom we do business.

A summary of payment terms and conditions that apply most frequently to your commercial dealings with small business:

The Company's standard payment terms have remained unchanged throughout economic downturns.

The terms are '21 day prox' which means any invoice received by the Company's Accounts Payable (AP) team and receipted into our Enterprise Resource Planning software (SAP) should be paid on the 21st day of the month immediately following the month of receipt.

Once an invoice is received in the AP email inbox it is 'Baseline' stamped. The 'Baseline' date stamp shows the date when payment terms start. The invoice is attached to the invoice document created in SAP. These payment terms are contained within the standard terms and conditions, which are publicly available on Woodside's website at:

http://www.woodside.com.au/supplying_to_woodside/Pages/General-Information-for-Suppliers.aspx#.WHbtBMtPpaQ

A description of changes (either recent changes within the last two years or proposed changes) to your procurement policies and the background for these changes:

Woodside undertook a complete review of the Woodside Management System (WMS) utilised by the company in 2016, which included all of the contract and procurement procedures and guidelines. This review ensured that Woodside's values and strategy of our Compass and Board Policies were imbedded within our management systems. Contained within the WMS are the Contracting and Procurement Procedure, Contract Delivery Requirements Procedure and supporting guidelines and tools.

Changes to the Contracting and Procurement procedure include the requirement to ensure an understanding of local content requirements and that these opportunities are documented in our contracting strategies and contracting plans. Further support for Indigenous business engagement opportunities have been enabled to provide enhanced opportunities for awards to indigenous businesses

Woodside will commence procurement activities on Ariba, our new e-Procurement cloud based solution during 2017. Ariba offers a streamlined purchase order and invoice payment processing system that is paperless and provides for more transparent communications. Importantly, invoice processing time may be reduced enabling suppliers that have implemented Ariba to be paid in a more timely manner.

A summary of any programs and policies your business has to support small business (e.g. local procurement, indigenous procurement, prompt payment policies):

Woodside recognises the importance of maintaining our social licence to operate, including providing opportunity to local communities where we operate and we are committed to providing full fair and reasonable opportunities to local suppliers. We have a range of activities and programs in place including:

Australian Industry Participation:

Woodside currently has two Australian Industry Participation Plans that outline the activities we will undertake to provide full, fair and reasonable opportunity for Australian suppliers to participate in the Greater Enfield Development and the North West Shelf subsea tieback program. In accordance with these plans and to assist us with understanding local capability and capacity Woodside utilises the services of the Industry Connect Network of Western Australia (ICNWA) to publicly advertise major scopes of work associated with these projects, and provide external advice on local suppliers. We also

require our major suppliers to publicly advertise relevant scopes of work with ICNWA in line with the requirements of our Australian Industry Participation Plans.

Woodside encourages all businesses, including small to medium enterprises, interested in understanding contracting opportunities to register their business details on ProjectConnect.

Indigenous business support:

Woodside's Reconciliation Action Plan underpins Woodside's Indigenous business participation and Indigenous capacity building program, and includes a range of actions that Woodside undertakes to support the development and engagement of Indigenous businesses, (http://www.woodside.com.au/Working-Sustainably/Documents/2016_RAP.PDF) including:

- Maintaining financial membership with and promoting Supply Nation who are the leading Indigenous business advocacy organisation within Australia.
- Sponsorship of Many Rivers Microfinance, throughout regional and remote Western Australia. Many Rivers is a not for profit organisation that provides micro-enterprise development support to Indigenous and non-Indigenous Australians. The goal of the program is to see the potential of people and communities realised through access to microfinance and enterprise development services to enable people to start sustainable businesses.
- Sponsoring the Local Contracting Alliance to deliver an Indigenous business networking event to connect major suppliers with Indigenous business.
- Committing to continue to expand on contract numbers provided to Indigenous businesses, through direct contracting opportunities with Woodside as well as working with our major suppliers to provide sub-contract opportunities. This has resulted in a 16% increase in contract numbers being delivered in 2016 against a target of 5%.

In August 2016, twenty Indigenous businesses and development organisations were invited to visit the Cisco Internet of Everything Innovation Centre (CIIC) to provide an opportunity for the businesses to learn about the CIIC, the role of Woodside, CISCO and Curtin University and what each party contributes. Several of the businesses subsequently expressed an interest in using the space to collaborate on their business ideas.

Innovation and Technology:

Since 2012, Woodside has invested over A\$ 200 million in our Strategic Technology Plan. This includes projects by our people, collaborative research with industry participants and direct funding of university research, professorial chairs and other programs.

Small and Indigenous business engagement are key elements of these activities with a range of activities being undertaken including sponsorship of the KPMG Energise Accelerator Program and the WA innovator of the year award.

Woodside's Future Lab, which focuses on local collaboration and innovation activities incorporates collaboration spaces to foster new ideas and the evaluation of early stage commercial prospects. These spaces are being delivered in conjunction with Universities, Government agencies such as the CSIRO and Industry representative organisations. Additional detail on Woodside's Future Lab is available at: <http://www.woodside.com.au/Working-Sustainably/Science-and-Technology/Documents/Woodside%20FutureLab.pdf>

Woodside has contributed significantly to the development of the 2017 Australian Oil and Gas conference, and has worked in collaboration with the Department of Commerce and National Energy Research Authority to provide a program that enables suppliers to understand opportunities in the oil and gas sector. The conference offers eligible businesses opportunities to enrol in a development program to facilitate introductions into the oil and gas supply chain.

Prompt Payment:

Woodside also has the flexibility to reduce payment terms to 14 days under certain circumstances (such as payments for Indigenous businesses), with these alternate terms being agreed during initial contract negotiations.

A summary of most frequently encountered reasons your business would withhold payments:

Payment to a supplier may be withheld should a compliant invoice not be provided in line with the minimum requirements, which are that the invoice:

- is addressed to the correct Woodside entity that is consistent with the Purchase Order (PO);
- is from the correct supplier as listed on the PO and provides the suppliers business identity number or registration, such as an Australian Business Number (if Australian);
- identifies the relevant Company Purchase Order number For all Goods or Services;
- provides a breakdown of applicable taxation, such as goods and services taxes, withholding taxes, value added taxes;
- includes a description of goods or services provided with sufficient detail; and
- includes evidence such as timesheets, delivery notes, diagrams, etc. to provide information on the charge.

Woodside does not have differing payment terms and conditions for any specific business types such as small to medium enterprises. Relevant terms and conditions are publicly available via our external supplier information webpage:

http://www.woodside.com.au/supplying_to_woodside/Pages/default.aspx#.WH2h4427qiw

As noted there are options available for the reduction in payment timeframes should this be necessary to support unique opportunities such as Indigenous business engagement.

Woodside sees value in the Committee's consideration of the matters raised within. I trust that this submission will be of assistance in the course of your inquiry.

Yours Sincerely

Jackie Harris

VP Chief Procurement Officer