

sustainability. matters.



our sustainability approach.

contents.

Message from the Managing Director	S1
Customers	S2
Environment	S4
Community	S7
Employees	S10
Investors	S13

APA Group is one of Australia's largest companies – in fact we are Australia's number one gas infrastructure business and as such are a leader within the energy industry, playing a key role in defining and delivering the future of Australian energy. Our infrastructure is built for long term use and is underpinned by long term contracts with creditworthy counterparties. Our business practices must be sustainable to reflect and support these long term customer and capital commitments.

Our vision is to connect Australia to its energy future and to do this we must connect with and respect our stakeholders. We are committed to delivering connected and long term energy solutions that are safe, reliable, innovative and cost-effective so that: **our customers** can meet their business objectives; **our securityholders** earn secure and predictable returns; **our employees** have a safe and stimulating workplace; and we continue to add value to **the communities and the environment** that we operate in.



At APA we are guided by 'Our Values' which anchor how we act and how we make decisions. We reach for the STARS quite literally:

Safe

We will maintain a safe environment and a professional workplace where we work collaboratively, and treat each other with respect

Trustworthy

We accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we're going to do

Adaptable

We respond and adapt to our changing environment by innovating, modifying our behaviours and improving our processes and systems

Results

We meet our commitments and deliver excellent results to the benefit of our stakeholders through tenacity and perseverance

Service

We are committed to high quality service delivery achieved through listening, understanding, anticipating and responding to our customers' needs

APA's Annual Report and Sustainability Report are printed on ecoStar uncoated 100% recycled paper. ecoStar is an environmentally responsible paper made Carbon Neutral. The greenhouse gas emissions of the manufacturing process including transportation of the finished product to BJ Ball Papers Warehouses has been measured by the

Edinburgh Centre for Carbon Neutral Company and the fibre source has been independently certified by the Forest Stewardship Council (FSC). ecoStar is manufactured from 100% Post Consumer Recycled paper in a Process Chlorine Free environment under the ISO 14001 environmental management system.

message from the managing director.

As Australia's leading energy infrastructure company, we take our leadership role and responsibility seriously, particularly our approach to sustainable growth.

At APA, we are focused on connecting Australia to its energy future, investing over \$13 billion in energy infrastructure across mainland Australia to-date. Our infrastructure is built for the long term to meet our customers' needs for reliable and sustainable energy supply. We are committed to practices and relationships with our stakeholders that ensure we are all here for the long run and that our impact on communities and the environment is a positive one for all concerned.

I am pleased to provide you with APA's 2017 Sustainability Report as a record of our performance and accountability to our stakeholders.

Our customers are why we are in business. In FY2017, we committed to \$1.2 billion of growth projects to meet our customers' energy needs. These projects are diverse in infrastructure and location but have the common purpose of providing more energy for Australia. In Western Australia we will be constructing a wind farm; a solar farm; a 198 kilometre pipeline and a gas-fired power station. In Victoria, APA will overhaul and refurbish a moth-balled gas processing plant that will enable our customer to develop a new offshore gas field to inject gas into the eastern Australian market. In Queensland, not only will we be developing a large scale solar farm, but we have also commenced construction of a pipeline that will facilitate injection of much needed gas supplies into the domestic market.

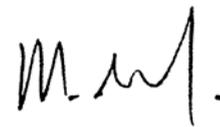
As part of the development process for all these long-life projects, as well as our business-as-usual practices, our management frameworks and systems must take a full life-cycle approach. In planning we consider the impact on communities and surrounding environment not only during construction, but also in the years to follow as our infrastructure becomes a permanent fixture of the region that will need to be maintained.

Our people are also intrinsic to this sustainable approach. Safety, diversity and inclusion, encouraging innovation and organisational development are all key aspects of APA's people management framework. It is essential for the success of our projects, to have committed, skilled, conscientious and motivated people working across the life-cycle of APA's projects.

It is a dynamic world we live in and our actions today will determine the consequences of how we live and operate tomorrow and the years to come. APA has long held the view that climate change is a real, current and future issue for the Australian energy sector as it is also for the rest of the world. Our two primary activities - natural gas and renewable energy - are key enablers of Australia's transition to a lower carbon sustainable economy. Our foray into gas-fired power generation and renewables around a decade ago in addition to gas transmission was with the future in mind. Ten years on, we have developed the experience and knowledge to be part of the solution of Australia's future energy needs, so that Australia's carbon and climate goals support the need to maintain both energy security and business competitiveness.

For our investors who back our business, we understand their need to have access to objective disclosure, not only quantitative measures of standard financial reporting as contained in the Directors' Report, but also on the qualitative aspects of APA's strategy.

To all our stakeholders, I thank you for working alongside APA as we continue to connect Australia to its energy future.



Mick McCormack
Chief Executive Officer and
Managing Director



customers.

We will deliver value to our customers and create responsive solutions to meet their needs by:

- Providing market-leading flexible solutions to meet our customers' changing requirements.
- Working with customers to provide optimal energy market solutions.
- Ensuring the highest level of service reliability to enable customers to manage their operations.
- Delivering value to customers by optimising the use of APA's infrastructure assets.
- Maximise use of existing assets and profitably continue to expand APA's asset portfolio in order to meet customers' needs.

FY2017 Performance

Growth

- Completed the latest stage of the Victorian Northern Interconnect expansion project, increasing the bi-directional capacity between Victoria and New South Wales.
- Won a competitive bid process to design, construct and operate the 50km greenfield Reedy Creek Wallumbilla Gas Pipeline that will connect into APA's East Coast Grid. APA entered into a 20 year GTA with APLNG which underwrites the pipeline construction.
- Successful in winning the competitive tenders for both the 198 km greenfield Yamarna Gas Pipeline and 45MW Yamarna gas-fired Power Station in Western Australia. Gas will flow through four APA pipelines to the new Yamarna Power Station which will supply reliable power to the Gruyere JV gold mine project.
- Entered into a 13 year power purchase agreement with Synergy, an existing customer in Western Australia, which underpins development and construction of APA's new 20MW Emu Downs Solar Farm. Synergy already takes the wind generated power from APA's Emu Downs Wind Farm which is adjacent to the greenfield solar farm site. The two sites will share infrastructure.
- Entered into a 12 year offtake agreement with existing customer Alinta that will underpin construction of APA's new 130MW Badgingarra Wind Farm in Western Australia. The site is adjacent to Emu Downs and will share operational synergies with the existing wind farm and new solar farm.
- Acquired the 110MW Darling Downs Solar Farm greenfields project in Queensland, including a long term offtake agreement until December 2030 with Origin Energy for all energy and the Large-scale Renewable Generation Certificates generated.
- Contracted with Santos to commence development of the planned new 450km Western Slopes Pipeline to connect the proposed (subject to FID) Narrabri Gas Project to APA's East Coast Grid, bringing more gas supply into the domestic market.
- Signed a Memorandum of Understanding with new customer Blue Energy to explore the development of new pipeline and mid-stream infrastructure to bring potential new gas sources online from the Bowen Basin in Queensland.

Flexible Customer Solutions

- Entered into a new 3 year multi-asset, multi-service gas transportation contract with AGL Energy to replace an expiring point-to-point contract.
- Worked with new customer Cooper Energy and entered into an agreement with them to acquire, upgrade and operate the Orbest Gas Processing Plant to increase gas supply into the tight east coast gas market.
- Improved gas nomination and billing platforms as well as information transparency to customers and the market. APA now provides details on all its gas pipeline capacities and the expected flow on those pipelines as part of the Bulletin Board information service. This allows the market to determine what capacity may be available on a day.

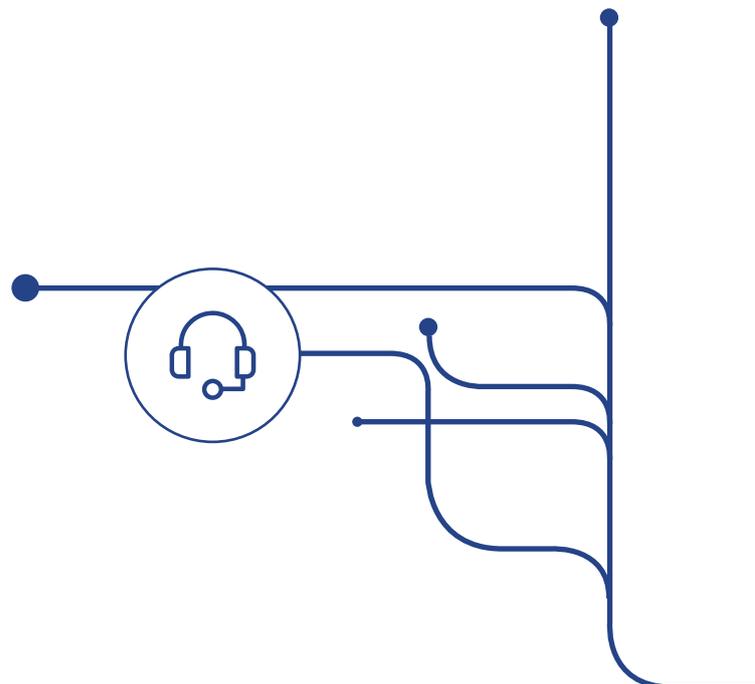
Actions For FY2018

Growth

- Progress construction of the various projects announced in FY2017 to meet agreed commissioning schedules including the Darling Downs Solar Farm; Badgingarra Wind Farm; Emu Downs Solar Farm; Yamarna Gas Pipeline; Yamarna Power Station; and Orbest Gas Processing Plant.
- Continue to identify and capture revenue growth opportunities that deliver flexible, responsive and sustainable solutions for our customers.
- Continue to work with customers such as Santos and Blue Energy to realise planned projects into committed projects.

Flexible Customer Solutions

- Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' diverse requirements across Australia.
- Continue to refine the Integrated Operations Centre (IOC), grid operations and customer management system to deliver reliable supply and enhanced services.
- Business implementation of Gas Market Reform Group (GMRG) rules and ongoing proactive engagement with customers.



Key Sustainability Risks

– Demand for gas – The volume of gas that is transported by APA is dependent on end user demand. The relative price of gas and its competitive position with other energy sources (such as electricity, coals, fuel oil, renewable sources) may change demand levels for services on APA's assets.

– Supply of gas – Availability of competitively priced gas is essential for ongoing use of gas infrastructure assets.

– Counterparty – If a counterparty is unable to meet its commitments to APA, there is risk that future anticipated revenue would be reduced unless and until APA is able to secure an alternative customer.

– Operations – APA and our asset management customers are exposed to a number of operational risks which can result in equipment failures or breakdowns, pipeline rupture, technology failures including sabotage or terrorism attack (including cyber-attack).

– Economic regulation – APA may be negatively impacted as a result of a change in regulatory settings. There are a number of pipeline sector regulatory reform initiatives currently being developed by the Gas Market Reform Group (GMRG) that could adversely impact the regulatory environment that APA operates in.

Risk Management

– Long term agreements with strong counterparties underpin assets.
– Flexible and innovative customer solutions.
– Complementary investments in gas storage and power generation and continued evaluation of emerging growth opportunities such as wind, solar farms and gas processing plants.
– Ongoing monitoring and market intelligence of domestic and global gas markets.

– Long term agreements with strong counterparties underpin assets.
– Connect more gas resources with more gas markets such as:
– East Coast Grid provides flexibility for customers to manage their gas portfolios.
– Working with new / emerging gas producers to bring new gas supply to market.
– West Coast assets increasingly interconnected to deliver energy for longer distances to remote mining locations.
– Provide infrastructure connectivity / flexibility to existing and emerging gas markets.
– Flexible and innovative customer solutions.

– Creditworthiness test applied to new customers and projects, as well as ongoing monitoring.
– Regular updating of supply / demand studies, customer information and market intelligence.
– Appropriate customer guarantees in place.

– APA operates assets in accordance with all relevant regulations and standards.
– An integrated approach to Emergency Response, Business Continuity and Crisis Management.
– Participation in anti-terrorist exercises and testing to provide effective and emergency response to cyber attack.

– The current regulatory regime is well understood and encapsulated in national law.
– The reset dates of APA's price regulated assets are staggered, with on average one review each year.
– Composition of asset portfolio is optimised to manage exposure to regulator settings.
– Engagement with policymakers and other stakeholders.
– Business implementation of new GMRG rules and proactive engagement with customers.

The capacity of APA's Victorian-Northern Interconnect has been expanded several times over recent years in response to working with our customers to connect their gas resources to their markets.



environment.

We will continue to deliver an environmentally responsible, safe and essential service by:

- Taking a systematic and risk-based approach to environmental risk management.
- Maintaining compliance with environmental laws in all jurisdictions where we conduct our business, including our emissions reporting obligations.
- Including environmental risk management in all investment and procurement decision-making.
- Meeting or exceeding the Australian Pipelines and Gas Association (APGA) Code of Environmental Practice.
- Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a cleaner energy mix.
- Evaluating further renewable energy and low emission gas generation opportunities.

FY2017 Performance

- Successfully awarded \$25.5 million of funding from the Australian Renewable Energy Agency (ARENA) in respect of the two solar projects - Emu Downs and Darling Downs.
- Continued to evaluate wind and solar generation opportunities. APA announced three new renewable energy projects during FY2017: 130MW Badgingarra Wind Farm; 20MW Emu Downs Solar Farm; and the 110MW Darling Downs Solar Farm.
- Participated directly and through industry bodies in policy discussions and promoted the role of gas as an important contribution to meeting Australia's 26 to 28% Paris COP21 carbon reduction commitment.
- Continued to apply control measures in line with APA's environmental procedures, leading to compliance with license and regulatory requirements, with the exception of two breach notices issued by the NSW Department of Planning and Environment for the Victorian Northern Interconnect Expansion project in relation to erosion and sediment controls. The site has been remediated and procedures amended.
- Delivered the remaining objectives of the Environmental Strategy leading to continual improvement of our Environmental Management System.
- Restructured the environment team to a national service model to ensure consistency across APA's operations.
- Won the Golden Gecko Award recognising excellence and leadership in Environmental Management.
- Awarded Platinum in the Best Learning Transfer category and Gold in the Best Behavioural Change category for APA's Environmental Training and Awareness Package at the LearnX Impact Awards.
- Contributed to the drafting of the revised of the APGA Code of Environmental Practice due to come into effect FY18.
- All old IT equipment is sent to an IT manufacturer for recycling.
- Replaced all office copiers, faxes, scanners and printers with multi-function devices that allow for "follow-me/pull printing". Jobs can only be printed using a scan card and uncollected jobs are deleted without printing. Default settings are set to double-sided grayscale, thereby reducing unnecessary colour printing and machines default to power saving mode. Paper savings of 20% have been realised as have power savings, reduced printing costs and ink cartridge use.
- Throughout all APA offices, we have switched to using 100% recycled paper from Muru Group which also supports indigenous communities.
- APA commenced a battery recycling facility at its offices in Sydney, Adelaide, Melbourne and Brisbane to keep batteries and their hazardous contents out of landfill.

Actions for FY2018

- Evaluate further wind and solar generation opportunities such as the potential Beelbee Solar Farm Development site (adjacent to Darling Downs Solar Farm).
- Contribute to climate policy discussions and recommendations contained in the Finkel Report. Promote the role of renewables and gas as important contributors to achieving meaningful emission reduction targets.
- Continue to develop relationships with APA's industry member bodies, the Clean Energy Council and Business Council of Australia, to promote effective climate change policy.
- Continue to apply control measures in line with APA's environmental procedures, leading to compliance with license and regulatory requirements.
- Review Environmental Management Plans to ensure that they are fit for purpose.
- Redevelopment of the Dandenong office will include consolidation of two servers into one reducing power and cooling requirements, as well as installation of solar and battery backup.



Key Sustainability Risks

- Significant damage to the environment and breach of environmental regulatory requirements has the potential to result in significant penalties and affect operational activities.

Risk Management

- The Environmental Strategy and Improvement Plan seek to apply robust controls to manage identified environmental risks such as chemicals and contamination, cultural heritage disturbance and vegetation and fauna impacts.
- Controls may include specific targeted procedures, Environmental Management Plans, and training/awareness programs.
- APA operates assets in accordance with all relevant regulations and standards.
- Update APA's HSE Induction to better on-board contractors and new starters in environmental risk management.
- Further integrate HSE with APA's business systems to ensure environmental risk information is implemented into the daily work done on each asset.
- Asset based risk registers are to be refreshed or developed, which will better inform the over-arching Environment risk register.

Environmental management at APA

Our Health, Safety and Environment (HSE) Policy approved by APA's Board HSE Committee sets out APA's commitment to achieve our overall goal of zero harm. That's zero harm for all our employees, contractors and third party stakeholders that either operates our assets or work near them; community members who live within the vicinity of our assets; and importantly avoiding and minimising environmental harm where our assets are located. Every employee, including contractors and sub-contractors has an obligation to prevent or minimise any environmental harm arising from APA's operations and activities.

APA's HSE Management System "Safeguard+" provides a framework to manage our Health, Safety and Environment risks and includes a planning element that results in the development of a HSE Strategic Plan that outlines the key initiatives for APA's Environmental Management approach as listed above.

In FY2017, we completed delivery of APA's two-year Environmental Strategy and Improvement Plan that commenced in 2015. The Strategy has delivered a corporate governance framework that standardises how environmental management is conducted across all business units in Australia. APA focuses on eight key environment areas: Approvals and Planning; Vegetation and Fauna; Emissions; Chemicals and Contamination; Waste; Soil and Water; Heritage; and Data and Reporting.

Native vegetation management

APA's extensive energy infrastructure assets mean we are an intrinsic part of Australia's diverse natural landscapes. APA understands that our obligation to safely operate and maintain our infrastructure also includes managing native vegetation over and around our assets in accordance with legal requirements. We are shared users of much of the land we occupy so minimising and avoiding potential impacts on native vegetation is one way we recognise the value of vegetation to the community and environment.

We have a systematic approach for determining whether native vegetation is cleared or can be retained. We store environmental information in our Environmental Management Plans and have a new Native Vegetation Management Procedure that outlines the minimum management measures to be applied in the absence of site-specific documentation.

This approach allows us to comply with environmental laws so that we can continue to play our critical role in Australia's energy mix whilst retaining environmental value for future generations.

Soil and water management

APA understands that watercourses are sensitive environmental features, which are important for ecosystem function. Managing our activities and our contractors' operations on land surrounding watercourses is a significant focus area for APA because risks in these areas.

For projects that have potential to affect a watercourse, we strive to manage our activities in order to maximise benefits and minimise risks to the environment and community. For instance, we factor the sensitivity of watercourses into our risk assessments; avoid interaction with watercourses whenever practicable and focus on installing and maintaining sedimentation mitigation methods.

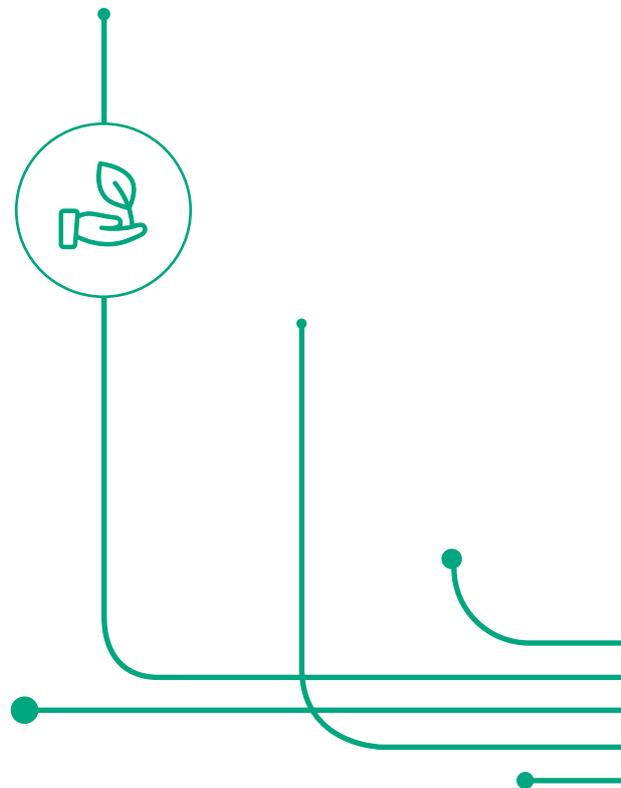
As a part of the Environmental Strategy, APA has developed Soil and Water Procedures to drive national environmental management consistency. These procedures are being implemented across all applicable business areas in FY2018.

Operations and Environment go hand in hand

The Toowoomba Second Range Crossing Project on the Roma Brisbane Pipeline (RBP) demonstrated APA's in-house expertise and ability to successfully deliver a construction project whilst ensuring environmental impacts were minimised.

The project involved the relocation of just over 1km of the RBP to facilitate the realignment of the Roma to Brisbane Road. Successful environmental management on the project was based on proactive communication between APA's project team and our environment team, as well as the construction contractor including review and approval of the construction environmental management plan (CEMP) prepared by the construction contractor.

The project was time critical, and sat within a much larger site, with a suite of environmental approvals, on top of the existing RBP Environmental Authority (Licence). It was therefore critical to ensure the CEMP and project documentation and processes adequately addressed all environmental requirements. This occurred through direct consultation between client and contractor dedicated environmental personnel. The Project went on to be delivered well, with no major incidents or environmental harm.





Emu Downs Solar Farm – first panels

Construction of APA's first solar farm commenced in FY2017. The 20MW solar farm will form part of APA's 230MW renewable energy precinct in Western Australia.

The solar farm will share the transmission connection and facilities with APA's existing 80MW Emu Downs Wind Farm, acquired in June 2011. The 130MW Badgingarra Wind Farm which is due to commence construction in early FY2018, will also leverage existing operational on the ground resources.

National greenhouse and energy reporting

APA complies with the Commonwealth National Greenhouse and Energy Reporting Act 2007 which establishes a national framework for corporations to report greenhouse emissions, energy consumption and production should specific thresholds be met.

APA's emissions are mainly the result of power generation activities, the combustion of natural gas in compressor stations and from fugitive emissions. In FY2016, APA reported 1,084,236 tonnes of carbon dioxide equivalent (scope 1 emissions). The increase in Scope 1 emissions in FY2016 is predominantly due to the addition of the Diamantina and Leichhardt Power Stations (DPS). APA moved to full ownership of DPS during FY2016. Emissions also increased as a result of the increase in the amount of gas transported on the South West Queensland Pipeline with all six Gladstone LNG trains now in operation, as well as gas flowing west to the domestic market.

Managing climate change issues

Carbon Disclosure Project

APA participated for the seventh time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of "B-" ranked highest amongst its direct peers.

Clean energy policy

APA continues to support reducing carbon emissions as a responsible risk mitigation response to climate change. APA supports technology agnostic domestic carbon abatement policies to meet Australia's 26% to 28% Paris COP21 carbon reduction commitment. APA is also broadly supportive of the June 2017 Finkel Report concepts and recommendations, with the key to any climate change policy requiring bipartisan support to ensure investment certainty.

In the longer term, as international and domestic carbon policy and markets mature, APA's assets will play an important role in meeting Australia's long term emission reduction targets as energy consumption shifts from carbon intensive fuels, such as coal, to more carbon efficient fuels, such as natural gas.

Investing in renewable energy

In 2017, APA announced three new renewable energy projects totalling approximately \$565 million; 130MW Badgingarra Wind Farm, 110MW Darling Downs Solar Farm and 20MW Emu Downs Solar Farm.

APA continues to evaluate further renewable energy and low emission gas generation opportunities as Australia moves to a low carbon economy.

For more information, refer to APA's website: <https://www.apa.com.au/about-apa/sustainability/>.



community.

We will positively engage with the communities within which we operate by:

- Building long term strategic community relationships to maintain support and goodwill for APA's activities.
- Increasing employee connections with local communities through sponsorships, employee volunteering and giving programs targeting vulnerable communities.

FY2017 Performance

- Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships and promoting and supporting employee fundraising events across the company.
- Extended the reach of Building Brighter Futures to include employee volunteering, and support diversity and inclusion strategies.
- Continue financial support for community events.
- Commenced stakeholder engagement in relation to proposed Western Slopes Pipeline project.

Key Sustainability Risks

- Community relations – Maintaining community support and goodwill for APA's activities.
- Encroachment – Urban encroachment around existing pipeline easements can increase the potential for damage. A change in pipeline location class may also increase compliance costs.

Actions for FY2018

- Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships and promoting and supporting employee fundraising events across the company.
- Continue Volunteering Program.
- Continue financial support for community events.
- Progress the community and stakeholder consultation program of activities for the Western Slopes Pipeline.

Risk Management

- Remain in touch with community interests and issues.
- APA actively engages with its communities through sponsorships.
- Education and communication around APA's activities.
- Construct and operate infrastructure using industry recognised standards or better.
- Landowner liaison and community education and support of "Dial Before You Dig" (DBYD) service. Increasing awareness of DBYD through APA presentations.
- Pipeline easement monitoring and surveillance.
- Dedicated Infrastructure Protection and Planning department for processes and assurance; urban planning; asset protection; and, access and approvals.
- Participation in APGA Corridor Committee / pipeline operator groups.
- Liaise with council and planning authorities to effectively manage potential encroachment issues.

Community investment program

APA's 'Building Brighter Futures' program continues to provide an effective platform for delivering meaningful support to the communities in which we operate, and through which employees can contribute to causes meaningful to them with support from APA. The program establishes an effective foundation for further building and developing our community relationships, enhancing the APA brand and demonstrating APA's support for the communities in which we work.

APA expanded the 'Building Brighter Futures' community investment program in FY2017. In addition to Headline Partnerships with The Clontarf Foundation, The Fred Hollows Foundation and the Darwin Literacy Centre, and our Employee fundraising events, we added:

- Corporate support for three charities, each with a Diversity and Inclusion (D&I) focus:
 - Orange Sky Laundry
 - Dressed for Success
 - White Ribbon Australia
- A pilot employee volunteering program, encouraging our employees to give back to our local communities by donating our time and skills to registered Australian charity organisations.



APA employees from the Southbank office celebrate our support for Orange Sky laundry.

Orange Sky Laundry was launched in Australia in 2014 as the world's first free mobile laundry service for the homeless. Starting in the streets of Brisbane, Orange Sky has now grown to 13 services across Australia, in Brisbane, the Gold Coast, Melbourne, Sydney, the Sunshine Coast, Canberra, Perth, Adelaide, South East Melbourne and Hobart.

Orange Sky Laundry now does over 6.9 tonnes of laundry every week and provides 1,300 hours of positive and genuine conversations every week. APA has sponsored Orange Sky to support this free service for the disadvantaged.



APA Sydney employees Jillian Summers (left) and Tracy Hutchinson (right) delivering clothes to Dress for Success Sydney Operations Manager Toni Purnell (centre).

Dress for Success is an international not-for-profit organisation that empowers women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and in life.

In Australia, Dress for Success is represented by six affiliates, five of which APA is supporting through direct company donations as well as locally organised clothing drives and volunteering.

Community and stakeholder engagement

APA values and respects its relationships with stakeholders and communities in which we operate. We are committed to building and maintaining long term relationships with our stakeholders, as well as meeting all applicable regulatory and legislative requirements.

APA's approach to stakeholder engagement is guided by the following principals:

- **No surprises:** Inform and engage community members and key stakeholders early in the process, and ensure they remain fully informed.
- **Be inclusive:** Ensure the community has easy access to clear and concise information about projects, ensuring all communications use language (e.g. non-technical) appropriate for each audience.
- **Be honest and act with integrity:** Always use facts and speak the truth. If the answer is not known then the question will be taken on notice, the appropriate parties spoken with and a response provided promptly.
- **Be responsive:** Respond to all stakeholder contact in a timely manner and make every effort to resolve issues to the satisfaction of all involved.
- **Be a part of the community:** Use projects to contribute to stronger local communities and provide economic and social benefit.
- **Honour all obligations:** Deliver on promises made to the community and stakeholders.

Where Community Consultation is required, APA develops a Community Consultation Plan to identify stakeholders and their likely area of interest in the proposed Project, along with whom in the Project team has responsibility for engaging the stakeholder(s) and the timing and mechanisms for these engagements.

The plans are not static documents, evolving as the project progresses. They will require revision and flexibility to meet changing needs and circumstances. Each project plan is usually reviewed every three months or as required.

The purpose of a Community Consultation Plan is to:

- Find opportunities to listen to what the community's issues and expectations are;
- Actively respond to identified issues and expectations;
- Be open and transparent about plans for the Project, - addressing issues and informing the community about key Project phases;
- Be consistent in messaging and provide opportunities for the community to interact with APA in a variety of forums; and
- Respond efficiently to complaints as and when they arise to reinforce APA's commitment to responsiveness.

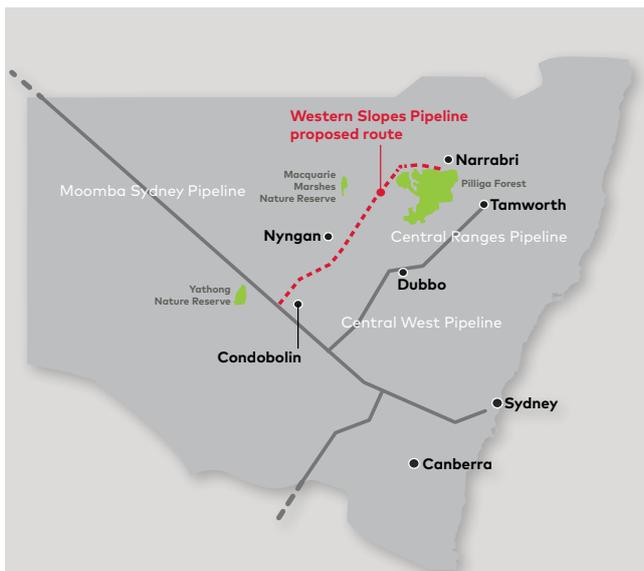


(left to right) Jens Schulz, Project Manager RCR Infrastructure, Neil Weatherly APA's Manager Access & Approvals, Paul McVeigh Mayor, Western Downs Regional Council and Ross Larsen APA's IPP Senior Town Planner

Working together

APA, Western Downs Regional Council and RCR Infrastructure prepare for a Local Vendor Opportunities information session for the Darling Downs Solar Farm Project. Local businesses, suppliers and tradespeople were invited to the forum to discuss a range of packages and service opportunities during the construction of APA's 110MW wind farm.





Western Slopes Community Consultation

As part of our commitment to community engagement, APA has commenced a comprehensive program of community and stakeholder consultation for the Western Slopes Pipeline project. Specific activities either completed or proposed include:

- Establishment of a project website, toll-free information line and project email address, including a mechanism for stakeholders to provide feedback regarding the project
- Direct contact with landowners along the preliminary alignment followed by individual landowner briefings and regular ongoing contact
- Advertisements and editorial in local newspapers regarding key announcements, project activities and upcoming events
- Community information sessions
- Consultation with relevant government agencies (Federal, State and Local)
- Presentations to existing forums including Local Government Council meetings and special interest groups
- Direct engagement with interested Aboriginal Parties in accordance with the applicable Government guidelines
- Direct contact with a range of other stakeholders with a potential interest in the project

In addition, the NSW Department of Planning and Environment's Secretary's Environmental Assessment Requirements (SEASs) for the project require APA to establish and operate a Community Consultative Committee (CCC). The CCC will be a key forum for discussion between APA and representatives of the community, a range of stakeholder groups and the local councils on issues directly relating to the Western Slopes Pipeline project.

Sponsorship and donations

APA continued to provide monetary and in-kind support to a number of groups or causes that achieve one or more of the following:

- Strengthen APA's reputation in the local community.
- Enhance APA's relationships with key community stakeholders.
- Increase community awareness and understanding of APA.
- Provide positive networking opportunities with community stakeholders.

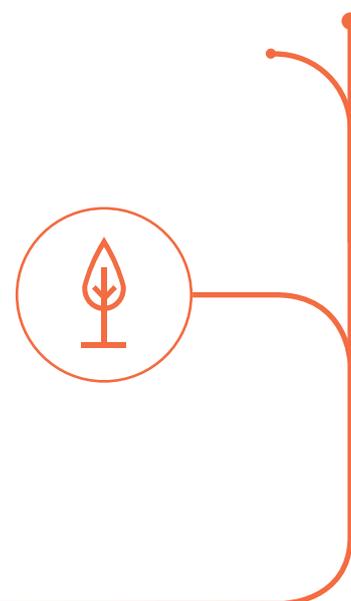
Of these, the two major sponsorships in FY2017 were for Taronga Zoo Foundation and the Australian Brandenburg Orchestra. As part of our support for the Australian Brandenburg Orchestra we sponsored a concert in Brisbane and a free community concert in Toowoomba where we have substantial operations.

Business continuity / emergency response / crisis management

APA's approach to recovery is integral to our operations and our values and seeks to protect our assets, property, people, and IT systems as well considering the environment and local communities we affect. Our integrated approach provides for effective recovery whilst continuing to service our customers and meet regulatory requirements:

- Emergency response for energy infrastructure assets incidents;
- Business continuity response for premises, people, IT systems and cyber type incidents; and
- Crisis management response involving the APA Executive which focusses on high severity incidents.

We maintain programs of testing to ensure our approach remains current and reflects changes in our business, our customers and the communities we are part of.



employees.

We are committed to providing an inclusive, rewarding and collaborative working environment where all our people can contribute, perform and succeed. We will do this by:

- Continually improving our health, safety and environment performance to reduce risks, prevent harm and build a sustainable future.
- Attracting, developing and enabling our people to build their own and the organisation's capability for future growth and success.
- Living and embedding the APA values so our culture is a key enabler of our success.

FY2017 Performance

Safety

- Strong improvement in safety performance with lead and lag indicators being met or exceeded; LTIFR¹ of 0.52 and TRIFR² of 7.50 have both improved over 25%. Importantly, no fatalities occurred.
- Completed over 1,000 safety management interactions and over 5,000 permit reviews with employees and contractors - both key critical controls to protect our people and assets.
- New three-year HSE Strategic plan rolled out with key themes that resulted in the following achievements:
 - Full review of APA's Fatal Risk Protocols (FRP) with the establishment of national FRP governance network;
 - Incident investigation training delivered to over 80 leaders with visible improvement in investigation quality and outcomes;
 - Successful independent audit of APA's contractor management system (no non-compliances);
 - Alcohol and Other Drugs education and awareness training delivered to all employees;
 - Completion of the establishment of the APA Environmental Management system, including Environmental awareness training for all employees; and
 - Revised Contractor Management Assessment tool to include HSE requirements.

Leading for growth and diversity

- Strategy-into-Action workshops and Leadership Styles and Climate programs, workshops, assessments and coaching delivered involving around 150 leaders.
- Inaugural national APA Excellence Awards presented for Innovation, Living the APA Values, Customer Service and HSE with positive feedback.
- Delivered key diversity and inclusion initiatives including an independent Gender Pay Parity review, expanded the APA Graduate and Intern Programs with further intakes, Diversity and Inclusion Workshops for over 250 people managers, and Women in Leadership programs for female talent.
- Develop and launch new Diversity and Inclusion strategy for launch in FY2018.
- Completion of detailed analysis of current HR system capability in preparation for project to upgrade to new people systems technology.

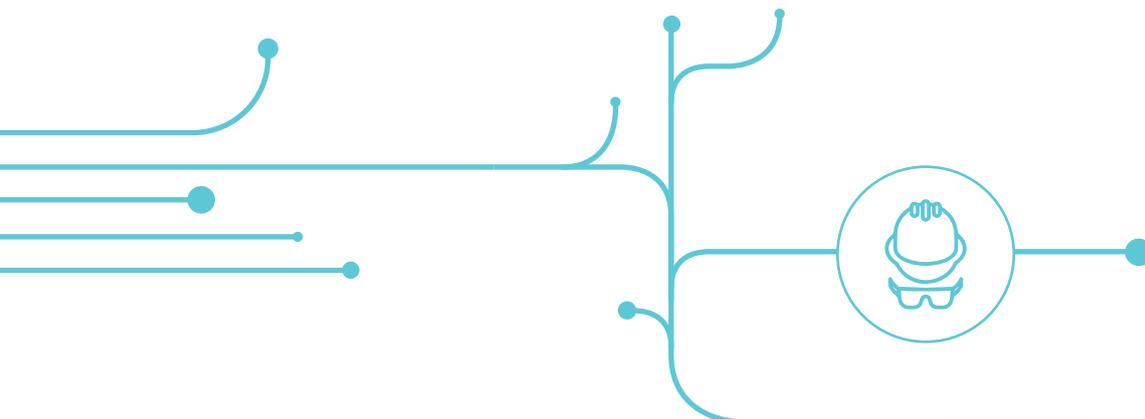
Actions for FY2018

Safety

- Target an LTIFR of less than 1 and a TRIFR target of no more than 8.
- Strong emphasis on improving HSE performance and cultural maturity to continue through the HSE Strategic plan, specifically around:
 - Continue to monitor the effectiveness of contractors HSE performance through increased HSE audits;
 - Introduce a revised Alcohol and Other Drugs policy, including testing protocols;
 - Launch of Health and Wellbeing platform;
 - Continue to develop education and awareness initiatives through our Safedrive+ program to manage the key risk of driving.

Leading for growth and diversity

- HR Systems Review Project to upgrade our people systems and capability (employee and business processes, people analytics and enhanced talent and planning capability).
- Review of Performance, Reward and Talent strategies to deliver on organisational strategy.
- Continued work throughout organisation on Leadership Styles and Climate and living the APA values and culture.
- Launch of new Diversity and Inclusion strategy with key focus areas of gender, age and culture, with key initiatives such as:
 - Works towards achievement of 2022 female participation targets; (see S11)
 - Leverage partnerships to broaden workforce participation; and
 - Ongoing education around unconscious bias, inclusive leadership and appropriate conduct.
- Continue to develop competency based frameworks or core capabilities to improve technical and professional development.
- Conduct an Employee Engagement Survey and implement follow up actions.



1) LTFR Lost time Injury Frequency Rate is measured as the number of lost time injuries per million hours worked. APA's figure includes employees and contractors.

2) TRIFR Total Reportable Injury Frequency Rate is measured as the number of lost time and medically treated injuries sustained per million hours worked. APA's figure includes employees and contractors.

Key Sustainability Risks

- Failure to provide a safe workplace resulting in serious or fatal injuries (Safety).
- Potential for legal proceedings for failure to comply with Health, Safety and Environmental legislative obligations.
- Employee capability, recruitment and engagement - Failure to develop, attract and retain talented employees.

Risk Management

- APA maintains a comprehensive workplace HSE Management System. It is predicated on the principles of hazard and risk identification, control measures and a robust assurance framework.
- HSE training, education and awareness is a cornerstone of the HSE Management System.
- As part of our assurance framework, Health and Safety audits are undertaken across all parts of the business to ensure that health and safety risks are effectively controlled.
- Maintain and monitor compliance to APA's HSE Management System including undertaking regular compliance monitoring through audits and workplace inspections.
- Provide Health, Safety and Environment training to managers and employees.
- APA maintains a number of initiatives to ensure there is a pool of talent and internal capability for now and in the future.
- These include formal succession and talent management, a diversity and inclusion strategy, as well as technical, functional, business and leadership development.
- The business has introduced a strong internal recruitment capability to ensure we identify and secure external resources as and when needed.

Leading for growth and diversity

To build and sustain core leadership capabilities within APA, a foundational program, Strategy-into-Action, was launched for all leaders that focuses on connecting our leaders to the APA strategy and explores how to leverage various leadership styles to lead for growth. Over 150 leaders have participated in our program to date with another 270 scheduled to complete in FY2018. Our leadership program:

- creates foundational understanding of our strategy with all of our leaders;
- sets a standard for how we will achieve that strategy through our people i.e. how we lead at APA; and
- creates an understanding of the impact that leadership style has on the climate within our teams.

Leaders completing the program are skilled to:

- share a vision and long term focus with their team which can be translated into short term deliverables;
- develop a more collaborative, enterprise-wide mindset; and
- provide effective coaching and feedback to team members.

In addition to this, Diversity and Inclusion training has been rolled out to all people leaders in APA. These workshops are aimed at increasing awareness of APA's Diversity and Inclusion strategy and covering key topics like why diversity matters, the impact of unconscious bias, the benefits of flexible work and the skills to lead and create an inclusive workplace.



Diversity and inclusion

In July 2017 we launched our new 3 year Diversity and Inclusion strategy with key focus areas ahead being Gender, Age and Culture (ethnicity) underpinned by the principles encouraging diversity of thought and an inclusive work culture. The objective of this Strategy is for APA to be known as a workplace that is:

- Inclusive
- An Employer of Choice
- Flexible
- Cross-generational

Gender diversity

The following table provides an overview of the percentage of women at APA, as reported to the Workplace Gender Equality Agency (WGEA) in 2017 (for the period 1 April 2016 - 31 March 2017):

APA Workforce Gender Profile – Women	2017	2016
Non-Executive Directors	29.0%	29.0%
Workforce	27.0%	26.5%
Leadership roles ³ (defined as all roles with management or leadership responsibilities)	19.0%	20.0%
Trade and Technical roles	4.0%	4.0%

APA recognises that without deliberate action, attention and new thinking in this area, change will not occur. It is also recognised that leadership is key – setting the right examples, providing opportunities and having clear role models (male and female) who embody the behaviours and attitudes of a diverse and inclusive workplace.

3) Leadership roles are defined in accordance with the Workplace Gender Equality Agency ("WGEA", Australia and New Zealand Standard Classification of Occupations) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles. APA's public report to the WGEA is available at <https://www.apa.com.au/careers/working-at-apa>.

Flexible work in action

In November 2016 over 160 APA employees based in Melbourne undertook a significant change when their place of work moved from Dandenong (in the south-eastern suburbs of Melbourne) to Southbank, near Melbourne's CBD some 40km away.

Months of preparation involving all those impacted were required to make the transition a success – from the physical changes of moving many records from paper-based to electronic through to the personal change impacts of adjusting to longer travel times and for many, public transport for the first time in years. One of the important contributors to the success of the move was making flexible work arrangements available to all employees. The benefit for APA has been our ability to retain employees' skills and knowledge and provide a more productive work environment.

Developing talent

APA continues to undergo systematic planning to identify, build and retain a strong pipeline of critical capability to meet the organisation's current and future requirements and to ensure long term continuation of core business activities.

Leaders participate in a talent management process to identify high potential and emerging talent and potential successors for key roles. Employees identified through this process receive development via one of two talent programs. In FY2017 almost 100 employees were identified in this process (with 28% being female) who then participated in a range of development activities from structured assessments, to secondments and specific on-the-job training.

Also during FY2017, APA piloted two women in leadership programs to target development of female talent. Participants were invited to participate in either the Women in Leadership Program or Emerging Executive Women in Leadership Program. Both programs focused on creating opportunities for participants to build self-awareness, leadership skills, and their network both within APA and externally.

In FY2017, the APA Graduate Program that was developed in early 2016 was expanded with a further intake in January 2017 of three engineering graduates based in our Melbourne offices. The program provides for three, nine month rotations across different parts of APA's business with a view to growing beyond the engineering discipline. To complement the Graduate Program APA has piloted this year an Intern Program to provide undergraduates with 4-6 weeks paid work experience. Following the success of the pilot, plans are in place to establish this program as a key feature to increase our channels of entry to employment at APA whilst also encouraging younger employees to join APA.

All of the above development initiatives are complemented with a variety of coaching and mentoring opportunities, utilising both internal and external resources.

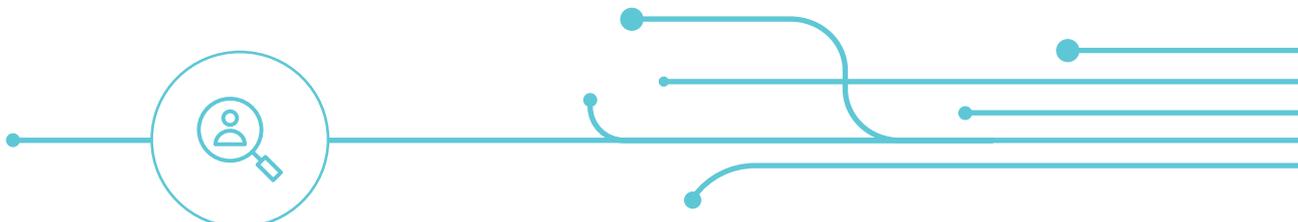
Rewarding excellence

In response to feedback in our last Employee Engagement survey and to increase employee recognition, APA launched its inaugural Excellence Awards in October 2016. These Awards recognised outstanding achievements and contributions of individual employees who have gone above and beyond the usual course of duty. Awards were made across the categories of Health, Safety and Environment (HSE), Living the APA Values, Customer Service and Innovation. Nominated by their fellow employees, the Award winners came from across all parts of the company and country, their achievements celebrated in their home location with special Award ceremonies.



Living the values

Paul McKinnon from APA's Networks and Power division was announced as the winner for Living the APA Values. He was recognised for his consistent demonstration of the APA values throughout his work and in particular in the critical role he played in minimising damage to the Berri converter station during the South Australia state-wide blackout last year. Working long hours and as APA's only employee permanently based in Berri, Paul closely monitored equipment and engaged extensively with external customers and staff throughout the night, adapting to changing circumstances. Paul's written log was invaluable in the subsequent black-out investigations and his commitment and adaptability throughout the situation was a clear demonstration of all APA's Values (S.T.A.R.S) Safety, Trustworthy, Adaptable, Results and Service.



investors.

We will continue to be a reliable and attractive investment which delivers superior returns for Securityholders by:

- Achieving reliable and sustainable earnings growth by focusing on long term revenue and reduced costs.
- Maintaining a strong and robust balance sheet.
- Identifying and evaluating additional attractive infrastructure style investments in related energy businesses.

FY2017 Performance

- Total securityholder return of 4.1% for FY2017.
- Delivered investors a 4.8% increase in distributions.
- Maintained investment grade credit ratings (BBB/Baa2).
- Issued A\$200 million of 7-year fixed-rate Australian dollar Medium Term Notes in October 2016 and US\$850 million (A\$1,109 million) of 10.3-year senior guaranteed notes into the US 144A market in March 2017.
- Repaid \$85.8 million (US\$65.0 million) and \$295.0 million (US\$154.0 million and A\$104.2 million) of US Private Placement Notes when they matured in July 2016 and May 2017 respectively.
- Corporate costs for FY2017 decreased by \$20.0 million to \$66.7 million (FY2016: \$86.7 million).
- Since FY2016 results, APA has announced \$1.2 billion of growth opportunities, which coupled with the Victorian-Northern Interconnect expansion project already in flight, will add up to around \$800 million of growth capital investment required over the next 12 months.
- \$377.5 million of capital and investment expenditure during FY2017.
- Voluntarily published APA's second Tax Transparency Report (available on APA's website). The Federal Government with support of the Australian Board of Taxation were seeking greater public disclosure of tax information by businesses and endorsed the Tax Transparency Code as part of the 2016-2017 Budget announcements.

Actions for FY2018

- Progress or complete current growth capital projects underway and ensure prudent funding strategies are in place and are executed.
- Continue to evaluate and develop additional revenue streams in related energy infrastructure businesses.
- Maintain investment grade credit rating levels.

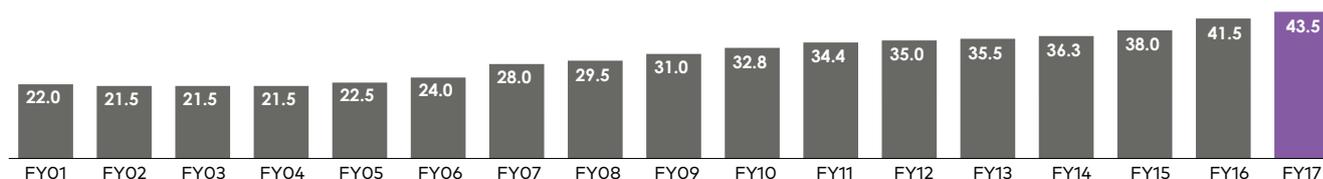
Key Sustainability Risks

- Debt and equity - Ensuring continued support from debt and equity markets for ongoing capital requirements. Inability to secure new debt facilities at appropriate quantum and price may adversely affect APA's operations and/or financial position and performance.

Risk Management

- APA's investment decisions are made and its balance sheet is utilised with a continuous focus on maintaining long term investment grade credit ratings.
- A diverse portfolio of long-life assets underpinned by regulated and long term bilateral agreements, underscores APA's ability to service debt and sustain steady equity distributions.
- Maintain diversified funding base and access to deep and liquid global debt capital and banking markets.
- APA has a long term sustainable distribution policy having regard for the capital needs of the business and economic conditions. Distributions are fully covered by operating cash flow.
- Financial results and other salient developments are communicated regularly to investors in a timely manner.

APA'S HISTORICAL ANNUAL DISTRIBUTIONS (CENTS PER SECURITY), HAS CONTINUED TO INCREASE



As at 30 June 2017, APA had over 78,000 securityholders holding 1.1 billion securities, with the top 20 investors holding 65.4% of securities. Currently, approximately 74% of APA's investors are based in Australian and/or New Zealand.