



Corporate Governance Statement

August 2009

APA Group (“APA”) comprises two registered investment schemes, Australian Pipeline Trust and APT Investment Trust, the securities in which are “stapled” together, and their controlled entities.

Australian Pipeline Limited (“Responsible Entity”) is the responsible entity of those trusts and is responsible for APA’s corporate governance practices.

The ASX Corporate Governance Council issued its revised Corporate Governance Principles and Recommendations in August 2007. That document articulates eight core principles of good corporate governance and, for each of those principles, recommendations as to their implementation. Adoption of the Council’s recommendations is not compulsory. However, under the Australian Securities Exchange (“ASX”) Listing Rules, companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period and, where companies have not followed all the recommendations, they must identify which ones they have not followed and give reasons for not following them.

Each of the principles of good corporate governance has been responded to in turn below and the table at the rear of this statement provides a checklist of APA’s adoption of the ASX Corporate Governance Council’s recommendations.

Various references are made below to APA’s web site as a source of information on corporate governance practices and documentation. The home page for APA’s web site is www.apa.com.au, and the link entitled “About APA” leads to the corporate governance material. Securityholders who do not have internet access but wish to read that material should telephone 1800 992 312 (or +61 2 8280 7132, if calling from outside Australia) and ask for a copy of the relevant material to be sent to them.

Principle 1: Lay solid foundations for management and oversight

The board is accountable to securityholders for the proper management of APA’s business and affairs. It operates in accordance with a charter, which is published on APA’s web site.

To assist the board in carrying out its responsibilities, the following standing committees of its members have been established:

- Audit and Risk Management Committee;
- Remuneration Committee; and
- Health Safety and Environment Committee.



The board delegates responsibility for implementing the strategic direction and managing the day-to-day operations of APA to the Managing Director. The Managing Director consults with the Chairman, in the first instance, on matters that are sensitive, extraordinary or of a strategic nature.

The current non-executive directors have each received a letter of appointment documenting, among other issues:

- the roles and responsibilities of the board and each of its committees;
- expectations of the time commitment to be made by directors in serving on the board and its committees, and of their participation in an annual review of the board, its committees and individual directors;
- requirements with respect to the disclosure of directors' interests;
- the fees payable to the directors; and
- key policies that directors are required to comply with, such as APA's securities trading policy.

The Managing Director, Chief Financial Officer and other senior management have service contracts setting out their duties, responsibilities, conditions of service and termination entitlements.

Newly appointed senior executives complete an induction program on the management of the business covering topics that include financial matters, strategic direction, operations, risk management, health and safety, environmental issues and governance matters. APA also conducts annual processes relating to talent and succession management, and the development of leadership capabilities.

APA has processes in place to review the performance of senior management. Each senior executive, including the Managing Director, has personal objectives as well as objectives related to the performance of business units and APA as a whole. They are reviewed against those objectives at least annually. A review of senior management occurred during the financial year ended 30 June 2009.

Performance evaluation of the Managing Director is handled by the Chairman with the assistance of the Remuneration Committee and a report is provided to and reviewed by the board. Assessment and monitoring of the performance of other senior executives are handled by the Managing Director who reports on those matters to the Chairman and the Remuneration Committee.

Principle 2: Structure the board to add value

The board determines its size and composition, subject to limits imposed by the Responsible Entity's constitution. The constitution provides for a minimum of three directors and a maximum of 12.

The board has determined that a board of seven directors is appropriate. The names, experience, terms of office and membership of board committees of the seven current directors are set out in the directors' report.



The composition of the board is determined in accordance with the following principles:

- a majority of the board will be comprised of independent directors;
- the Chairman will be an independent director; and
- a person cannot hold the positions of both Chairman and Chief Executive Officer.

Under the Responsible Entity's constitution, Petronas Australia Pty Limited is entitled to appoint one director of the Responsible Entity while the Petronas Group holds not less than 10% of the issued securities in APA. Muri Muhammad is the current Petronas-appointed director.

The Responsible Entity's constitution requires one-third of its directors (excluding the Managing Director, the Petronas-appointed director and any director who is standing for re-election after having been appointed as an additional director or to fill a vacancy) to retire from office at the annual general meeting each year. If the calculation of that one-third is not a whole number, the number of directors required to retire by this "rotation" process is rounded to the nearest whole number. Retiring directors are eligible for re-election. The Chairman, Leonard Bleasel AM, and Russell Higgins AO will retire and offer themselves for re-election under this provision of the constitution at the 2009 annual general meeting, the board (not including those two directors) having determined, under the board rotation and succession policy (published on APA's web site) to support their re-election.

If the board appoints a director to fill a vacancy or as an addition to the board, the new director holds office until the end of the next annual general meeting and is eligible for re-election. No new director has been appointed since the last annual general meeting.

At least 60 days before annual general meetings of the Responsible Entity, securityholders are notified, by announcement to ASX, that they may nominate a person to fill a vacancy on the board that arises on retirement of either a director under the "rotation" process or a director appointed by the board since the last annual general meeting. If securityholders wish to exercise that right, at least 45 days before the annual general meeting they must send the Responsible Entity a signed nomination form and the nominee's signed consent to act as director. If nominations are received by the required date, the Responsible Entity advises securityholders of all candidates who have been validly nominated and presents its nominations to the annual meeting of securityholders.

This past year, the board determined a new policy dealing with independence of directors, and that policy is published on APA's web site. The board has reassessed the independence of the non-executive directors having regard to that policy and considers that Leonard Bleasel, John Fletcher, Russell Higgins and Robert Wright are independent. Muri Muhammad, George Ratilal and the Managing Director, Michael McCormack, are not considered to be independent.

The former Nominations and Remuneration Committee of the board became the Remuneration Committee in early 2008 so that the functions with respect to selection and appointment of new directors and related matters previously handled by that committee then reverted to the board. Ultimate responsibility for such matters rests



with the full board and the board considers the efficient handling of those matters is not diminished by the absence of a Nominations Committee.

In considering potential new directors to commend to shareholders of the Responsible Entity and securityholders, the board seeks to identify candidates with appropriate skills and experience to contribute to the effective direction of APA and who can exercise an independent and informed judgement on matters which come to the board.

A review process to assess the performance of the board, its committees and individual directors is undertaken each year, the review for the 2009 financial year having been completed in July.

The review involves completion of a questionnaire by each director. The responses are then collated and the board meets to discuss and consider the results and to determine any actions arising from the review. The Chairman also meets with each director to discuss the review and the director's own performance.

Matters covered by the review include the role and performance of the board and its committees, directors' understanding of APA's long-term objectives and key risks to the business and achievement of those objectives, succession planning and the effectiveness of the Chairman in leading the board.

Subject to normal privacy requirements, directors have access to APA's records and information, and to the Company Secretary and other relevant senior management personnel. They receive regular detailed reports on financial and operational aspects of APA's business and may request elaboration or explanation of those reports at any time.

Each director also has the right to seek independent professional advice at APA's expense. Prior approval of the Chairman is required, but this may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of APA's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars and conferences. Where appropriate, APA will meet expenses involved in such activities.

Principle 3: Promote ethical and responsible decision-making

The board and senior management are firmly committed to ensuring that they and all employees observe high standards of ethical behaviour and conduct.

APA's code of conduct sets out the behaviour required of directors and employees and recognises the responsibilities of APA and its personnel to securityholders, customers, suppliers, employees and the community. It also requires that breaches of the code are reported and provides a mechanism to enable breaches to be reported without fear of retribution. The code of conduct is published on APA's web site.

APA's securities trading policy, published on its web site, provides that directors and designated management personnel may buy or sell APA securities only during the periods, each of one calendar month, starting on the second business day after each of three events, namely the release to ASX of the half year and full year results and



APA's annual meeting, unless exceptional circumstances apply. Directors and employees are precluded from buying or selling securities at any time if they are aware of any price-sensitive information which has not been made public.

Principle 4: Safeguard integrity in financial reporting

The board has established an Audit and Risk Management Committee, the composition of which is determined in accordance with the following principles:

- the committee will have at least three members;
- all members of the committee will be independent, non-executive directors; and
- the committee Chairman cannot also be the Chairman of the board.

The current members of the committee are Robert Wright (committee Chairman), John Fletcher and Russell Higgins and their qualifications are set out on in the directors' report. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities of the committee are set out in the committee's charter which is published on APA's web site.

The Managing Director, Chief Financial Officer, Company Secretary, other senior management personnel, as required, and the external and internal auditors attend committee meetings at the discretion of the committee. The committee also meets with the external and internal auditors without management present.

The minutes of each committee meeting are reviewed at the subsequent meeting of the board and the committee Chairman reports on the committee's activities and recommendations to the board.

The committee is required by its charter to meet at least four times each year. The number of times it met during the financial year ended 30 June 2009, and the committee members' attendance at those meetings, are set out in the directors' report.

The committee monitors the effectiveness of the external and internal auditors and the independence of the external auditor, and makes recommendations to the board on the appointment or replacement (subject to securityholders' approval, if applicable) of the external auditor. The external auditor appointment and independence policy (published on APA's web site) documents the process for appointment of the auditor and for monitoring the auditor's independence. Pursuant to that policy, the lead partner and the review or concurring partner of the external auditor must be rotated at least every five years, followed by a two year minimum time-out period during which they may not take part in the audit.

The Responsible Entity's costs incurred in acting as responsible entity of Australian Pipeline Trust and APT Investment Trust are reimbursed by APA. The actual cost recovery in the financial year ended 30 June 2009 was \$2.8 million. The Responsible Entity does not make a profit, nor seek performance fees. The constitutions of Australian Pipeline Trust and APT Investment Trust enable the Responsible Entity to charge fees up to 0.5% per annum of the value of gross assets;



however, the right to charge such fees has been waived to the extent it exceeds the Responsible Entity's costs.

Principle 5: Make timely and balanced disclosure

APA has a market disclosure policy aimed at ensuring that information that a person could reasonably expect to have a material effect on the security price, whether the information is positive or negative, is announced to the market by release to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company Secretary is the nominated continuous disclosure officer.

All ASX announcements are posted on APA's web site as soon as reasonably possible after notification to ASX.

The market disclosure policy is published on APA's web site.

Principle 6: Respect the rights of shareholders

APA aims to ensure its securityholders are informed of all significant developments affecting APA's state of affairs and business. Information is communicated to securityholders by a number of means, including the following:

- the interim (half yearly) report, the directors' commentary on that report and the annual report;
- APA's web site which has a dedicated Investor Centre section;
- announcements to ASX and media releases, copies of which are posted to APA's web site;
- a biannual securityholders' report (securityholders who elect to receive the annual report do not also receive the securityholders report for the full year results);
- "Open Briefings" prepared from time to time to provide an update to investors, and released to ASX;
- analyst briefings released to ASX;
- the annual meeting of securityholders; and
- webcasting of half year and full year accounts presentations, the annual meeting and announcements of major events.

The recent redesign and expansion of APA's web site support the provision of comprehensive and timely information to securityholders.

Securityholders and others may elect on APA's web site to receive ASX and media announcements and newsletters by email.

At the annual meeting of securityholders, the Chairman encourages questions and comments from securityholders and seeks to ensure the meeting is managed to give securityholders an opportunity to participate. In the interests of clarity, questions on



operational matters may be answered by the Managing Director or another appropriate member of senior management.

The external auditor attends the annual meetings and is available to respond to questions about the conduct of the audit and the preparation and content of the independent audit report.

Principle 7: Recognise and manage risk

The identification and effective management of risk, including calculated risk-taking, are viewed as an essential part of APA's approach to creating long-term securityholder value.

The board is responsible for adopting and reviewing APA's approach to the identification, evaluation and management of business risks that are material to the fulfilment of APA's business objectives.

The board has delegated certain activities to its Audit and Risk Management Committee, the charter for which is published on APA's web site. With respect to business risk, the committee's primary function is to maintain and oversee a sound system of internal risk management controls based on the board's adopted risk management approach.

Specific risk management responsibilities of the Audit and Risk Management Committee include:

- reviewing and approving APA's updated risk profile, and risk management policy and framework;
- reviewing at least annually APA's implementation of the risk management policy and framework; and
- receiving and reviewing management's report on the effectiveness of risk management and internal control systems and otherwise monitoring the effectiveness of the risk management framework and the system of internal control, and progress against agreed risk management plans.

The Managing Director is accountable for ensuring that a risk management system is established, implemented and maintained in accordance with APA's risk management policy and framework.

Senior management is accountable for risk management within the areas under their control, including devolution of the risk management process to operational managers, and is responsible for:

- reviewing the measures of risk impact severity that underlies the identification of material business risks, to ensure the measures remain current to APA's context;
- identifying material business risks that may impact on APA's business plans and objectives and the development, implementation, performance and review of risk management plans. In doing so, senior management considers both financial risk and non-financial risk, including operational, environmental, strategic, market-related, compliance and reputation risk;



- aggregating operational risk data across APA, and monitoring external factors, to facilitate monitoring of APA's risk profile; and
- contributing advice, leadership and facilitation in the development of group-wide risk control solutions.

The Business Risk Manager, who reports to the Company Secretary, is responsible for:

- overseeing and facilitating the co-ordination of the risk management activities of senior management;
- reporting regularly to the Audit and Risk Management Committee on APA's risk profile and the implementation and effectiveness of risk management plans;
- contributing leadership and facilitation of the implementation of group-wide risk control solutions; and
- working with senior management to design and develop risk education and communication forums.

The financial internal audit function audits the implementation of the risk management framework and policy in selected areas of APA's business based on a plan agreed with management and the Audit and Risk Management Committee, and reports its findings to the committee.

APA's management has reported to the Audit and Risk Management Committee as to its assessment of the effectiveness of management by APA of its material risks.

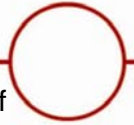
In the course of approving the financial statements for the financial year ended 30 June 2009, the board considered a written statement from the Chief Executive Officer and the Chief Financial Officer to the effect that, to the best of their knowledge and belief, their declaration pursuant to section 295A of the Corporations Act 2001 (broadly, that the financial statements give a true and fair view in all material respects of APA's financial position and comply in all material respects with relevant accounting standards) is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks, based on the management framework adopted by APA.

Principle 8: Remunerate fairly and responsibly

The board has established a Remuneration Committee to consider and make recommendations to the board on, among other things, remuneration policies applicable to board members and senior management.

The composition of the Remuneration Committee is determined in accordance with the following principles:

- the committee will have at least three members;



- all members of the committee will be non-executive directors and a majority of them will be independent directors; and
- the committee Chairman will be an independent director.

The current members of the committee are John Fletcher (committee Chairman), Russell Higgins and Muri Muhammad. The Chairman of the board, although not a member of the committee, usually attends committee meetings.

The roles and responsibilities of the Remuneration Committee are set out in the committee's charter which is published on APA's web site.

The Managing Director attends meetings of the committee by invitation when required to report on and discuss senior management performance and other remuneration matters.

The minutes of each committee meeting are reviewed at the subsequent meeting of the board and the committee Chairman reports on the committee's activities and recommendations to the board.

The committee is required by its charter to meet at least twice each year. The number of times it met during the financial year ended 30 June 2009, and the committee members' attendance at those meetings, are set out in the directors' report.

The committee can seek external professional advice on any matter within its terms of reference. Independent remuneration consultants were engaged to review non-executive director and executive compensation during the financial year.

The Corporations Act 2001 does not require registered investment schemes like Australian Pipeline Trust and APT Investment Trust to include a remuneration report as part of the annual directors' report, but APA has chosen to do so.

APA's remuneration report sets out details of APA's policies with respect to remuneration of non-executive directors, the Managing Director and other key management personnel, together with details of the components of remuneration and total remuneration paid to each of those individuals over the financial year to which the report relates.

In 2003, the board terminated the non-executive directors' retirement benefit plan so that the benefits to participating directors that had accrued up to termination were then quantified and preserved for payment on retirement of those directors. Under the plan, after three years service a director was entitled to the equivalent of the emoluments received over the most recent 12 months. After 10 years service, the entitlement increased to the equivalent of emoluments received during the most recent three years. No additional entitlement accrued after 10 years. For periods between three and 10 years, the entitlement was calculated on a pro-rata basis.

Robert Wright is the only current director entitled to benefit under the plan on his retirement from the board.



Corporate Governance Principles and Recommendations issued by ASX Corporate Governance Council

	Comply Yes/No
Principle 1: Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives	Yes
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
Principle 2: Structure the board to add value	
2.1 A majority of the board should be independent directors	Yes
2.2 The chair should be an independent director	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.4 The board should establish a nomination committee	No (note 1)
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2	Yes
Principle 3: Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of that code as to: <ul style="list-style-type: none"> ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	Yes
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Yes
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
Principle 4: Safeguard integrity in financial reporting	
4.1 The board should establish an audit committee	Yes
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists only of non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair, who is not chair of the board ▪ has at least three members 	Yes
4.3 The audit committee should have a formal charter	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4	Yes
Principle 5: Make timely and balanced disclosure	
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5	Yes
Principle 6: Respect the rights of shareholders	
6.1 Companies should design a communications policy for promoting effective	Yes



- communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy
- 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6 Yes

Principle 7: Recognise and manage risk

- 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies Yes
- 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks Yes
- 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks Yes
- 7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7 Yes

Principle 8: Remunerate fairly and responsibly

- 8.1 The board should establish a remuneration committee Yes
- 8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives Yes
- 8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8 Yes

Note

1. The board has chosen not to have a separate nomination committee, as explained in the section of this corporate governance statement entitled "Principle 2: Structure the board to add value".