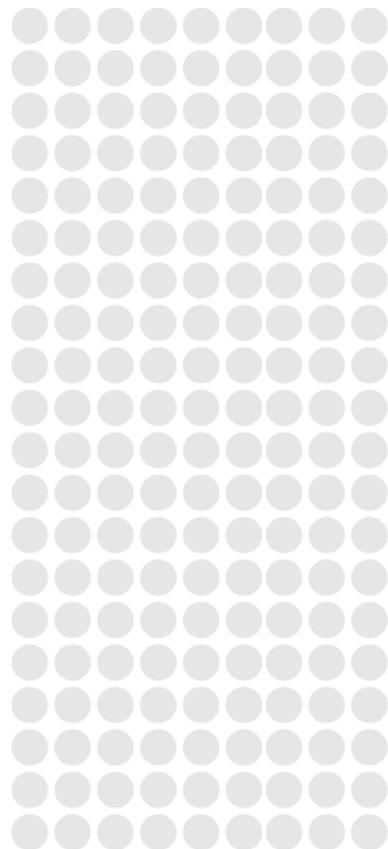




# APA Group

## Sustainability Report.

For the financial year ended  
30 June 2019



**energy. connected.**

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## Message from the Chairman and CEO

Welcome to the APA Sustainability Report for FY2019. We are pleased to provide you with an update on key initiatives we have undertaken to continue to build our maturity with environmental, social, governance (ESG) and sustainability performance and disclosure. While FY2019 was a year of challenge and transition for APA, we have continued to successfully execute our business strategy as well as key corporate initiatives in areas such as customer focus, community relations and safety in particular, producing strong improvements whilst also identifying areas for further development.

Following on from steps taken in FY2018, we have continued with our ESG initiatives/improvement program with special emphasis on aligning our climate risk management with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We accept the Intergovernmental Panel on Climate Change's (IPCC) assessment of climate change science that the climate is changing due to human influence. We believe that climate change is one of the most significant issues facing the energy industry and the Australian community in general. We also believe that natural gas and our diversified energy asset portfolio will play an important role in the shift to a lower carbon, sustainable future.

As a key player in the Australian energy industry APA will work to address the challenges in this industry to restore trust, ensure reliability of energy supply whilst also driving improved affordability and reduced emissions.

Our approach to sustainability is therefore based on these beliefs and challenges, recognising that we need to continue to grow in our maturity and capability. For APA sustainability means:

- We are active in helping to displace more carbon-intensive energy options – like coal or oil – both in Australia and overseas;
- We are proactive in continuing to grow and build our portfolio of renewable energy assets such as wind and solar;
- We will explore, collaborate and actively support the design, testing and commercialisation of cleaner energy sources (such as hydrogen and renewable methane) where it makes sense to do so;
- We put our customers at the centre of what we do
- That in the operation of our assets we seek to:
  - Optimise the operational efficiency and maintenance of our assets such that safety and environmental performance is assured and asset performance meets customer requirements;
  - Understand and measure our impact on the environment, and in particular our greenhouse emissions, water usage and land management; and
  - Progress opportunities to improve and manage our assets responsibly through the identification, measurement and assessment of impact to the environment (e.g. emissions, water utilisation.)

Our business success will be largely dependent on our ability to fully, honestly and regularly engage with all of our stakeholders – customers and consumers, our employees and contractors, landowners and communities, regulators and policy makers as well as the investment community.

Accordingly we are committed to:

- Listening to understand, and being responsive and accountable to our various stakeholders;

- Applying a risk based approach to our processes and decisions;
- Setting goals and targets for improvement and transparently reporting against those on a regular basis;
- Working to leave a lasting positive impact, be that with our projects or ongoing operations and business interactions.

In this report we have endeavoured to increase the level of disclosure in both our commentary and metrics, by discussing both the positives and those areas where we have not performed to the standard we would wish.

**Sustainability highlights for APA in FY2019 are:**

- The launch of APA's Customer Promise, underlining our commitment and accountability to deliver services for our customers in ways of value to them;
- APA's foundational involvement and drive in the development and launch of the industry-wide Energy Charter, which has a vision of "Together, deliver energy for a better Australia";
- Identification of material financial and non-financial risks using the Taskforce on Climate-Related Financial Disclosures (TCFD) framework, including completion of scenario analysis;
- The commissioning of new renewable assets in both Queensland and Western Australia, such that over 50% of APA's electricity generation capacity is now from renewables;
- Development of a robust process safety framework rolled out to key assets and formalised within the APA safety management system;
- Roll out of APA's new Code of Conduct, now called Our Code, which was fundamentally reviewed at the end of FY2018;
- Steady progress with our diversity and inclusion strategy and the Gender Targets Action Plan in particular, both in actions taken to improve the diversity and inclusiveness at APA as well as specific increases in each of the targeted employee categories; and
- Significant improvements in the processes and systems to gather and verify data for greenhouse gas reporting.

We are pleased with the progress made against the plans and commitments made in last year's report. It is reflective of the hard work and drive for excellence that APA's employees regularly exhibit in delivering our strategy and living our values.

However we know we need to do more. We are currently transitioning our operating model to provide increased leadership, capability and where necessary capacity to step up improvements in areas such as (but not limited to):

- Further maturity and development using the TCFD framework including developing a corporate climate change policy;
- Improved breadth and integrity of environmental data collection, validation and measurement, that will in time include target setting;
- Establishing a plan for carbon and water management; and
- Developing and implementing a more comprehensive and integrated approach to social performance across APA's activities, from supporting local regional communities to industry initiatives.

Progressing these initiatives will be a key focus for APA in FY2020, as well as maintaining and improving current performance areas.

Building a sustainable, low carbon future is not only our goal for APA but for Australia. We understand our role as a leading energy infrastructure company to mitigate and adapt to

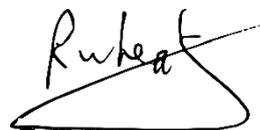
climate related risks and opportunities. We are committed to acting responsibly for our customers, employees, securityholders and the community.

In addition to continuing to displace more carbon intensive fossil fuels, natural gas and gas peaking plants serve a critical role in supporting the integration of renewable energy sources in Australia's National Electricity Market, where natural gas is the partner or enabler of renewable energy, providing the flexibility required to ensure a reliable electricity system. In the future, APA will also investigate the role for Australia's extensive gas distribution system in decarbonising heating and industrial energy use with renewable methane and potentially hydrogen. We believe Australia should leverage its current and future investments in the gas and gas related infrastructure to deliver long term, reliable, secure and cost-effective carbon reductions.



**Michael Fraser**

Chairman



**Rob Wheals**

CEO & Managing Director

## About this report

This report provides an overview of APA Group's (APA) performance on sustainability topics for the period 1 July 2018 to 30 June 2019, with case studies to demonstrate that performance in more detail. It also sets out our key risks and opportunities and high level plans for FY2020 in these areas.

Over this period we have:

- Undertaken mapping of material financial and non-financial risks using the Financial Stability Board's Taskforce on Climate Related Financial Disclosure (TCFD) recommendations;
- Been part of an important industry initiative, the Energy Charter, a whole of industry disclosure and accountability regime designed to improve customer outcomes and ultimately trust in the Australian energy industry;
- Undertaken reviews of our social performance and community relations on key development projects; and
- Continued to work on improved compliance and performance with respect to diversity and inclusion, training, health, safety and the environment.

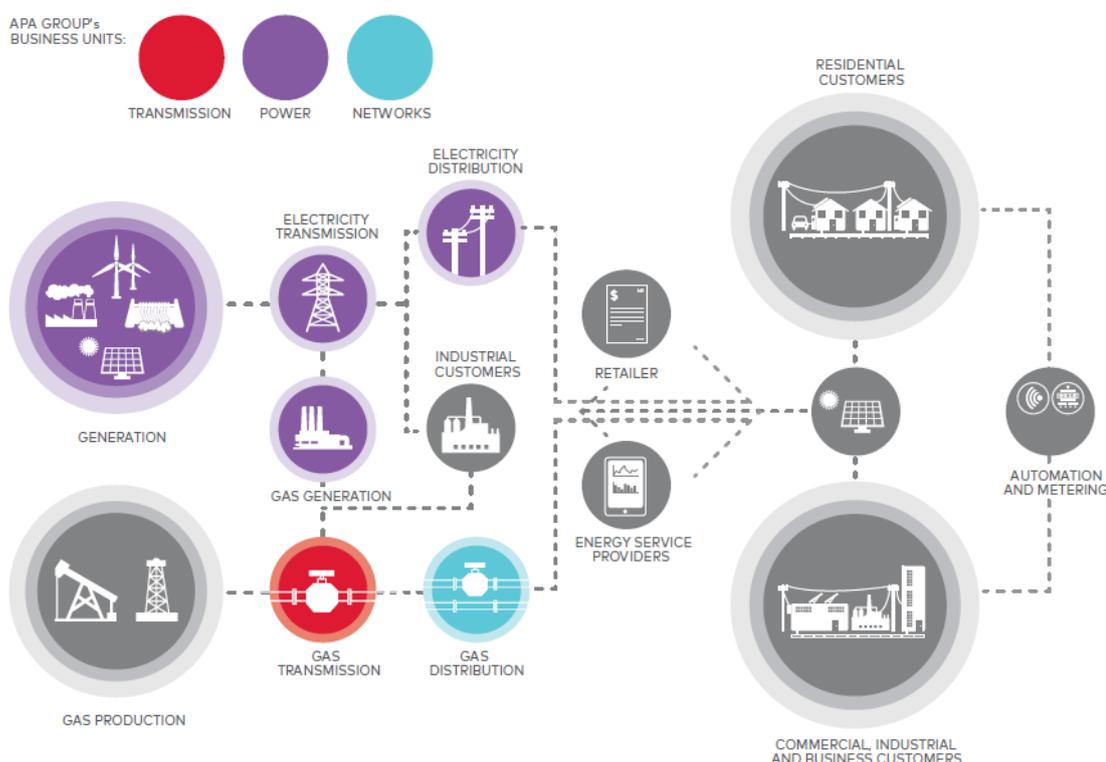
Topics reported on have been determined based upon our previous sustainability reports, key organisational policies, operational management systems and corporate assessment.

## About APA Group

APA is a leading integrated Australian energy infrastructure business. We develop, own, manage and operate over 15,000 kms of natural gas pipelines that span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. We also own or have interests in gas distribution networks to around 1.4 million gas consumer connections, gas storage facilities, gas-fired power stations, electricity interconnectors, wind farms and solar farms. We own and/or operate in excess of \$21 billion of energy infrastructure assets across Australia with a skilled workforce in excess of 1,800 people.

### APA's role in Australia's Energy Supply Chain

#### APA Group's involvement in the Australian Energy Supply Chain



*Adapted from: Energy Charter, 1st Edition, January 2019, pg. 4*

### APA Assets, Operations and Markets

APA has three core operating businesses:

#### Transmission

APA's Transmission business is the company's largest business unit, transporting, processing and storing gas at pressure across a pipeline network of 15,000 kms, often between gas sources and urban centres. APA's pipelines also connect major manufacturing and mining companies that use gas for feedstock or electricity generation. APA's Transmission customers are gas producers, energy retailers, gas-fired power generators, miners and industrial manufacturers across the mainland of Australia.

## Networks

APA owns or operates approximately 29,000 kms of gas mains and pipelines connecting around 1.4 million domestic and commercial customers with gas supply.

## Power

APA's Power business oversees multiple solar and wind farms, gas fired power stations, and electricity transmission interconnectors. Assets are located in Western Australia, South Australia, Victoria, NSW and Queensland.

## How we do Business – The APA Way

The APA Way is our blueprint for how we want to do business. At its heart are our five STARS values, which guide our behaviours. The values are supported by the five principles of our Decision Compass, which guide the way we make decisions. We'd like our company to be here for a long time, not just the successful times. Our Values, Decision Compass and Our Code of Conduct provide a clear roadmap to achieve that.

### Our Values: Five STARS



These STARS guide us in our daily interactions with each other, and with all of our stakeholders.

#### Safe

We will maintain a safe environment and a professional workplace where staff work collaboratively, are valued and treated with respect.

#### Trustworthy

We act with honesty and integrity and accept individual and collective responsibility for the delivery of all business outcomes. We do what we say we are going to do.

#### Adaptable

We continually respond and adapt to our changing environment by innovating, modifying our behaviour and improving our processes and systems to take advantage of opportunities to enhance, improve and grow our business.

#### Results

We consistently meet our commitments and deliver excellent results to the benefit of our customers, employees, securityholders and the community through tenacity and perseverance.

#### Service

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

## our decision compass: five decision-making principles



These principles help us to make the right decisions for our customers, our securityholders, our people, the environment and the community.



### Governance

APA is committed to conducting our business in accordance with high standards of corporate governance. APA believes that robust corporate governance policies and practices will facilitate the responsible creation of long-term value for APA's securityholders and help it to meet the expectations of other stakeholders.

Details of APA's corporate governance framework, practices and documentation can be found in APA's 2019 Corporate Governance Statement.

Further corporate governance material about APA is available on APA's website (<https://www.apa.com.au/about-apa/our-organisation/corporate-governance/>).

## Climate Change and Renewable Investments

APA recognises that climate change impacts the natural environment and community resilience, shifts domestic and export markets, and can impact our national reputation and policy settings. We recognise that a low carbon future may create new opportunities for our diversified business mix with investments in Australian pipelines, gas storage facilities, gas-fired and renewable energy generation.

### The Australian Energy Market

Australia is undergoing an unprecedented transformation across its energy markets with the rapid growth in renewable power generation and gas exportation. Natural gas plays an important role in providing secure and reliable electricity by supporting the integration of renewable energy with flexible, peaking power. This flexible gas supply was identified as playing an essential role in providing secure and reliable electricity in the 2017 Finkel review<sup>1</sup>, as such we see the growth in gas power as playing an important role in the evolution of Australia's national energy market.

Natural gas is also recognised by the International Energy Agency for its potential to decarbonise the global energy mix by displacing more emissions intensive energy fuels, such as coal and oil. When used in power generation, natural gas can be 50% less carbon intensive than coal<sup>2</sup>. Going forward, Australia's export of liquefied natural gas can significantly contribute to replacing coal fired power generation in Asian economies, which will be critical for the success of the Paris Agreement. By expanding the global access to gas, the global transition to a lower carbon economy can be both feasible and affordable and provide significant economic benefit to Australia.

### APA's Role

As Australian and global communities move to de-carbonise their economies, APA is working to understand and anticipate the long-term implications for Australia's energy industry and our business. Importantly, any transition to a lower carbon future should look to avoid unaffordable increases in energy costs and declining energy reliability. Our continued investment in natural gas assets plays an important role in providing secure and reliable electricity by supporting the integration of renewable energy with flexible, peaking power.

Over the past decade, APA has also supported and invested over \$750 million in renewable energy projects around Australia, providing 490 megawatts of capacity. We are also currently evaluating emerging technologies in 'greening' natural gas, such as the development of renewable methane. In the future, the integration of renewable fuel supplies like renewable methane and hydrogen into existing pipeline distribution systems

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<sup>1</sup> Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future, Commonwealth of Australia 2017

<<https://www.energy.gov.au/sites/default/files/independent-review-future-nem-blueprint-for-the-future-2017.pdf>>

<sup>2</sup> Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future, Commonwealth of Australia 2017

<<https://www.energy.gov.au/sites/default/files/independent-review-future-nem-blueprint-for-the-future-2017.pdf>>

could make a significant contribution to reducing the carbon content of energy used to heat homes, buildings and fuel transportation.

**APA’s adoption of TCFD**

APA has adopted the recommendations of the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures<sup>3</sup> (TCFD) to help customers, investors, and other stakeholders understand APA’s approach to managing climate related risks and opportunities.

The TCFD was created to “develop voluntary, consistent climate-related financial risk disclosures for providing information to investors, lenders, insurers, and other stakeholders” and is made up of four core elements;

**Governance** – Disclose the organisation’s governance around climate-related risks and opportunities.

**Strategy** – Disclose the actual and potential impacts of climate related risks and opportunities on the organisation’s business, strategy, and financial planning.

**Risk Management** – Disclose the processes used by the organisation to identify, assess, and manage climate related risks.

**Metrics and targets** – Disclose metrics and targets used to assess and manage relevant climate related risks and opportunities.

APA has conducted risk assessments on each of its assets to understand better its exposure to climate risk. Significant work is currently underway to develop strategies and metrics to understand and manage those risks.

**Table 1: APA’s progress on TCFD’s four core elements**

<p><b>Governance</b></p> <p>APA’s Board is responsible for reviewing and considering the potential impacts of climate related risks and opportunities on APA’s strategy and business.</p> <p>APA’s Executive team is responsible for the implementation of APA’s strategy, execution of strategies and plans to manage climate related risks and opportunities.</p>	<p><b>Strategy</b></p> <p>APA is currently developing a new enterprise-wide climate strategy and to inform our future planning, we use three divergent, climate driven scenarios.</p> <p>Our analysis was conducted using the IEA data under the following scenarios:</p> <ul style="list-style-type: none"> <li>• Less than 2°C</li> <li>• 2°C to 3°C</li> <li>• 4°C to 6°C</li> </ul>
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<sup>3</sup> Recommendations for the Task Force on Climate-related Financial Disclosure, Final Report 2017 <<https://www.fsb-tcfid.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>>

Risk Management	Metrics and Targets
<p>The Board's Audit and Risk Management Committee has oversight of the climate change related transition and physical risks as part of its oversight of APA's risk management system. Climate change is also embedded in APA's integrated risk management process which is regularly reviewed by the Executive Risk Management Committee.</p>	<p>APA reports on metrics that are relevant to our sustainability performance, including greenhouse gas emissions, fugitive emissions and investment in low carbon technologies. We have plans to improve our monitoring, measurement and management of these metrics, especially with respect to our emissions.</p>

### Managing Climate Change as a strategic business issue

APA recognises that as an owner and operator of energy infrastructure assets in Australia, we have a responsibility to play a role in addressing the challenge of climate change. This is recognised in our [Board Charter](#) and complementing governance structures and has been incorporated into our enterprise risk management framework and processes. Continuing to grow our maturity through use of the TCFD recommendations will also assist our strategic management of this issue.

#### Climate Change Governance

Responsibility for reviewing and considering the potential impacts of climate related risks and opportunities on APA's strategy and business lies with APA's Board who are supported by the Audit and Risk Management Committee and the Executive Risk Management Committee.

Identification, assessment and management of transition and physical risks driven by climate change is based on APA's risk management practices and processes, which are aligned with the relevant International Standard and consistent with the ASX Corporate Governance Principles and Recommendations. APA's Audit and Risk Management Committee Charter includes a specific responsibility to review and approve the risk management system, including reviewing and evaluating the adequacy of risk management strategies to manage material risks for APA Group (both financial and non-financial).

#### Strategic planning for climate impacts

The TCFD recommends the use of divergent climate driven scenarios to assess both transition and physical risks of climate change that challenge and significantly alter the basis of 'business as usual assumptions'. To support strategic discussions, during FY2019 APA engaged external experts to develop three climate related scenarios to identify climate related risks and opportunities in the next ten years.

Transition risks refer to risks that arise from the transition to decarbonise global economies, which can create regulatory, market, technological or reputational impacts.

Physical risks refer to the physical consequences of climate change which can be chronic or acute weather events.

### Time horizon

For the purpose of climate related scenario analysis, APA has utilised the time horizon of the next ten years, from 2020 to 2030. Using a ten-year time horizon allows APA to assess the risks and opportunities for its key assets. It enables climate related scenarios to capture transition risks throughout the current commitment period of the UNFCCC under the Paris Agreement.

As we mature in the use of TCFD, we anticipate that the time horizon and associated reliance on assumptions used for future scenario analysis will be extended beyond ten years to be more consistent with the long-lived nature of our assets.

### Analytical choices for building scenarios

We have undertaken scenario analysis, using three divergent climate-driven scenarios, to explore the implications of different levels of climate change and energy decarbonisation for our business over the ten year period from 2020 to 2030. One of these scenarios is aligned with the Paris Agreement goal of limiting global average temperature rise to “well below 2°C”. This scenario uses the energy system projections of the IEA’s Sustainable Development Scenario, as we consider the IEA to be the most authoritative source for global and regional energy system projections. For analysis of the physical impacts of climate change we have used the latest localised climate projections from the CSIRO.

While the scenario analysis showed that APA Group’s assets and business strategy remain resilient and appropriately calibrated for at least the next 10 years, we understand that this exercise needs to be regularly repeated to account for further developments in energy technology, policies, and climate science. For example, at this stage the IEA has not produced a scenario for the 1.5°C goal referenced in the Paris Agreement, so it is not included in our scenarios in this round of analysis. If and when the IEA produces a 1.5°C scenario we will include it in future scenario analysis. Similarly, APA intends to do further work to extend the time horizon for the scenario analysis beyond ten years particularly as more reliable data becomes available.

**Table 2: Scenarios for transition risk assessment**

Scenario	IEA Scenarios	Climate Future
High-climate mitigation scenarios	Sustainable development scenario	Less than 2°C
Mid-climate mitigation	New policies scenario	2°C to 3°C
Low climate mitigation scenario	Current policy scenarios	4°C to 6°C

In each scenario, APA considered our assets’ role in the transition to decarbonise the global economy, which will critically depend on:

- Gas price competitiveness for complementing the rise of renewable energy penetration in comparison to other firming solutions such as batteries and pumped hydro;
- The level of incentives for the industrial sector to switch from higher emission fuels (such as oil and coal) to gas, and/or upgrade to more energy efficient technologies; and

- The uptake of substitutes for energy intensive industries, such as hydrogen produced using renewable energy.

The key factors that may impact APA's business are:

- International gas demand in the Asian region and the impact on LNG demand (volume and price);
- International and domestic policy settings;
- Domestic industrial gas demand and incentives to fuel switch;
- Commercial and policy drivers for electrification of space heating in the residential sector; and
- Gas to power demand and the competing alternatives, particularly renewables.

Engaging internal and external subject matter experts, APA identified and evaluated the potential impacts of each scenario to our business model up to 2030.

### Outcomes of APA's scenario analysis

The scenario analysis for the next ten years demonstrated that APA's portfolio of assets is expected to be economically and physically resilient to climate related impacts under the less than 2°C, 2°C to 3°C and 4°C to 6°C scenarios, particularly given APA's assets are largely underground and APA's revenue weighted average contract tenor being in excess of 12 years.

### Transition risks

In the scenario that Australia limits its carbon emissions to align with a less than 2°C carbon budget, Australian policies and technological development may need to accelerate to redirect the current emissions trajectory. In this case, APA has identified the following risks below.

**Table 3: Climate related transition risk in a less than 2°C scenario**

Identified risk	Potential impact
<p><b>Technology</b></p> <p>Economics of alternate energy generators and storage (e.g. renewables, batteries, pumped hydro) outcompete gas in supporting intermittent renewable energy generation.</p>	<p>Significant decrease in domestic gas demand for gas power generation in the medium to long term.</p>
<p><b>Technology</b></p> <p>Renewable gas alternatives outcompete the use of natural gas as feedstock for industrial customers.</p>	<p>Significant fuel switch from natural gas to renewable gas for domestic industrial customers in the medium to long term.</p>
<p><b>Policy – carbon price</b></p>	

<p>A high carbon price reduces gas demand.</p>	<p>Industrial customers that compete in the international commodity market could be priced out and/or seek fuel switching to alternative fuels such as renewable hydrogen for heat and feedstock.</p>
<p><b>Investor pressure</b></p> <p>Communities and investors become more active in their opposition to APA for its role in providing infrastructure to the gas industry/fossil fuels.</p>	<p>Prolonged adverse media coverage and reduced social license to operate. Debt and equity investors divesting and prohibited from making fossil fuel related investments.</p>

**Outcomes of the Physical Risk Assessment**

We used the latest climate projections produced by CSIRO to identify weather related risks to our assets.

Our pipelines which are underground assets, are largely resilient to key climate variables such as an increase in temperature and a change in rainfall patterns for at least the next 10 years. Any potential operational disruptions that may be caused by extreme weather events, such as flooding and landslides, are also buffered by the existing storage capacity in the pipelines, strong maintenance and pipeline integrity regimes and robust emergency response plans.

We anticipate water requirements for cooling our gas fired power generation assets may incur additional water transport costs during periods of extended drought.

**Key metrics and targets**

TCFD recommends that organisations describe their key climate related metrics and targets such as those related to greenhouse gas emissions, water usage and energy usage.

APA is committed to providing investors the necessary metrics by which to assess our management of climate related impacts. In this report you will find:

- Reporting of greenhouse gas emissions under Australia's comprehensive National Greenhouse and Energy Reporting scheme (NGERs);
- Capital and operational investment into renewable power generation.

In the future, we will continue to gather and develop more reliable and insightful data, metrics and targets by developing a carbon management work plan that aligns with our corporate growth strategy.

**APA's business is expected to be resilient to climate related risks for at least the next 10 years**

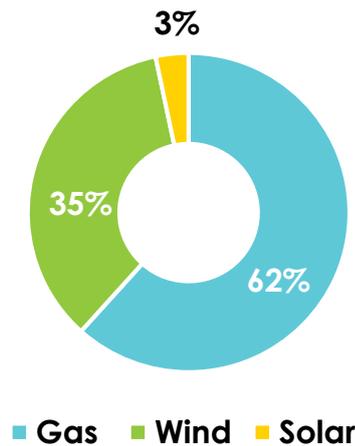
APA's scenario analysis reaffirmed our view that as a diversified energy infrastructure company with a revenue weighted average contract tenor of in excess of 12 years, APA is expected to be resilient to climate related transition and physical impacts for at least the next ten years. We continue to actively monitor and assess emerging risks and opportunities that are related to climate change.

## Renewables & Future Energy Mix

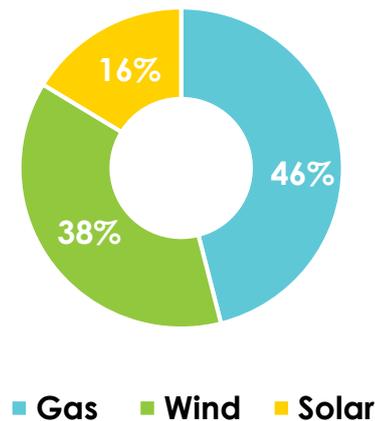
APA owns and operates a sizable renewables portfolio, which has been steadily increasing. Renewables now compose greater than 50% of APA's electricity generation capacity with a total of 490 megawatts of installed renewable energy capacity now under APA's operation

### APA Installed Energy Generation Mix

**FY2018 APA Installed Capacity  
(MW by energy source)**



**FY2019 APA Installed Capacity  
(MW by energy source)**



	Installed Capacity (MW)	
	FY2018	FY2019
Gas	373	418
Wind	212	342
Solar	20	148 <sup>4</sup>
<b>Total</b>	<b>605</b>	<b>908</b>
Percentage Renewables	38%	54%

### Renewables Projects

#### Badgingarra Wind Farm and APA's creation of WA's latest Renewables Precinct

In May 2019, APA commissioned its new \$315 million Badgingarra Wind Farm at Hill River, 220 kilometers north of Perth. The Badgingarra Wind Farm consists of 37 wind turbines (3.6 megawatt) and is co-located with APA's 17.5 megawatt Badgingarra Solar Farm, which is under construction and will be commissioned in early August 2019.

Together with APA's nearby Emu Downs Wind and Solar Farms, the projects create one of the largest 'renewable energy precincts' in Western Australia (WA) with approximately 250 megawatts of installed renewable generation capacity. The precinct is designed to help demonstrate how different types of renewable energy can be deployed effectively by efficiently transmitting that energy through the same transmission connection infrastructure. Taking advantage of this complementary resource and maximising use of shared infrastructure has enabled APA to successfully develop this precinct.

<sup>4</sup> Includes Badgingarra Solar Farm commenced commercial operations early August 20

As part of the precinct's development, APA has worked closely with energy retailers in WA to ensure long term offtake of the site's generation. Once all renewable projects are commissioned, the Badgingarra and Emu Downs renewables precinct will have a combined generation capacity of approximately 250 megawatts, enough power to supply 250,000 households in the Wholesale Electricity Market (WEM) in Western Australia.

### ***Darling Downs Solar Farm, Queensland***

Construction of APA's Darling Downs Solar Farm in Queensland was completed in FY2019 with over 423,360 solar panels erected across an area exceeding 200 hectares. The Darling Downs Solar Farm is a solar photovoltaic generation facility with an installed generation capacity of 110MW, enough to power up to 36,000 homes.

Commissioning and performance testing work saw the facility commence commercial operations in Q1 2019. This was slightly later than anticipated due to the main contractor going into receivership towards the end of the construction phase. Due to APA's project management expertise and in-house capabilities, the stage of the project's completion and disciplined contract management, APA was able to take over the final construction and commissioning, employing some of the displaced contractors with no significant impact to either the cost or schedule of the project.

This project is underpinned by an agreement with Origin Energy for the purchase of all the energy and Large-scale Renewable Generation Certificates generated by the solar farm until December 2030. In addition, the development was backed by a \$20 million grant from the Australian Government through the Australian Renewable Energy Agency (ARENA) Advancing Renewables Program, and supported by the progressive Western Downs Regional Council.

The Darling Downs region has now become a focus for renewable energy investment. APA's project represented an important piece of infrastructure for the people of the Darling Downs, being the first major project in the area, reinvigorating the region's economy which suffered a sharp downturn when construction associated with coal seam gas development slowed in the mid-2000's.

During FY2020, we will continue to evaluate further opportunities to expand our future renewable energy portfolio based on our customer needs. We are in the process of identifying potential partners to progress opportunities that have been identified. Our due diligence process will not only consider the financial viability of these projects but also the needs of our customers to ensure long term stable, affordable and reliable energy.

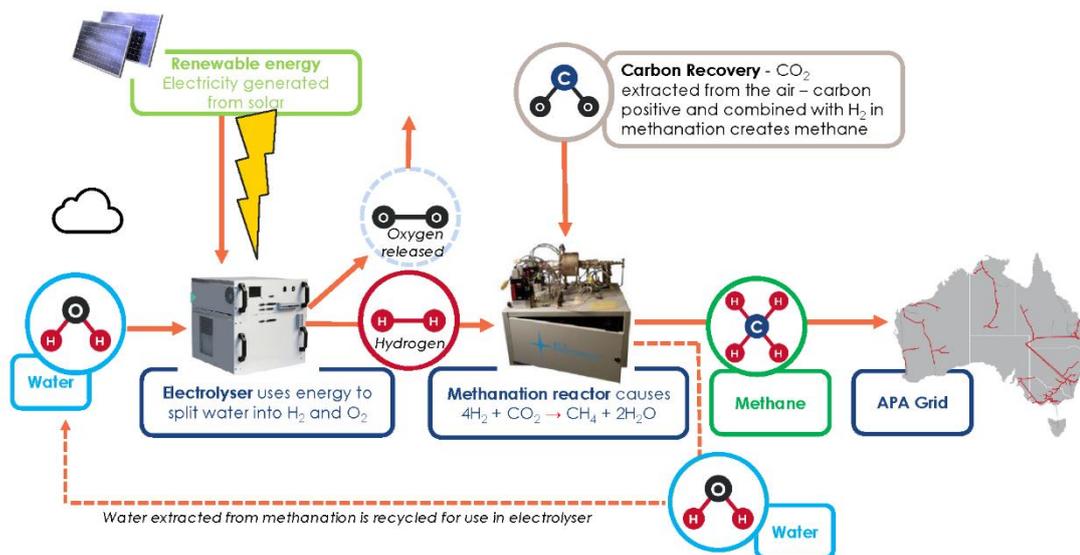
### **Renewable Methane Development Agreement**

APA has established a 'New Energy' function, which with input from industry, research institutions and government agencies such as ARENA, is investigating step-out sources of energy, including hydrogen and renewable methane.

In October 2018, APA entered into a joint development agreement with Southern Green Gas to develop renewable methane gas. The agreement is aiming to develop a demonstration plant located at our Wallumbilla compressor station in south western Queensland to demonstrate how renewable methane gas can be produced and injected into the gas pipeline system.

Renewable or green methane produced from renewable power and carbon recovered from the air can be readily stored in existing pipeline networks. This process allows renewable energy to be produced, stored and dispatched wherever it is favourable to do so without the need to expand costly high voltage transmission networks.

Below is a diagram of the process to create renewable methane.



Depending on the outcome of the demonstration project and, ultimately, the signing up of customers for the end product, APA intends to jointly develop a commercially viable renewable methane project.

In FY2020, the New Energy team will continue to explore, review and assess alternative energy sources, in line with APA's strategy and capabilities.

Actions for FY2020
Continue to progress TCFD work including additional scenarios and/or extended timeframes beyond 10 years
Developing a corporate climate change policy
Improved breadth and integrity of environmental data collection, validation and measurement to inform target setting
Establishing a plan for carbon management
Plan to better monitor and manage our fugitive emissions

## Customers

Commitment and action to put customers at the centre of our business is of key importance to APA.

### The Energy Charter

APA is a signatory to the Energy Charter, an energy industry wide voluntary disclosure and accountability regime that was launched in January 2019. The Energy Charter currently has 18 signatories across the gas and electricity supply chains. APA was a driving force behind the Energy Charter's development.

The Energy Charter's objectives are to improve customer outcomes and rebuild trust and confidence in the energy industry. Development of the Energy Charter followed increasing customer and community concerns regarding increasing energy prices and system reliability. While the reasons for these concerns are complex, APA believes that all energy businesses, irrespective of where they sit in the supply chain, have a role to play in helping address those concerns.

The Energy Charter is comprised of five Principles and 24 Principles in Action.

Signatories are required to report annually on their progress against each of the Principles and Principles in Action, each of which is directed towards improving the culture and solutions required for better customer outcomes.

Those disclosures are assessed by an Independent Accountability Panel that will make publicly available findings and recommendations for continuous improvement at both the business and whole of industry levels.

APA's full Energy Charter Disclosure will provide a comprehensive report on all of APA's customer initiatives for FY2019 and will be available on the Energy Charter Accountability Panel website and also via APA's website in early October 2019.

### Customer initiatives

Coinciding with the Energy Charter, APA embarked on a number of initiatives during FY2019 to improve the customer experience and to embed a 'customer at the centre' culture. These initiatives included:

- **APA Customer Promise** – APA's Customer Promise was launched across our offices and sites in March 2019 and externally with our customers in August 2019. It represents our commitment to customers, and was developed following extensive consultation with our employees and testing with our customers. The red dot in the centre of our logo has always represented customers and showcases how the customer is at the centre of everything we do.

#### Energy Charter Principles

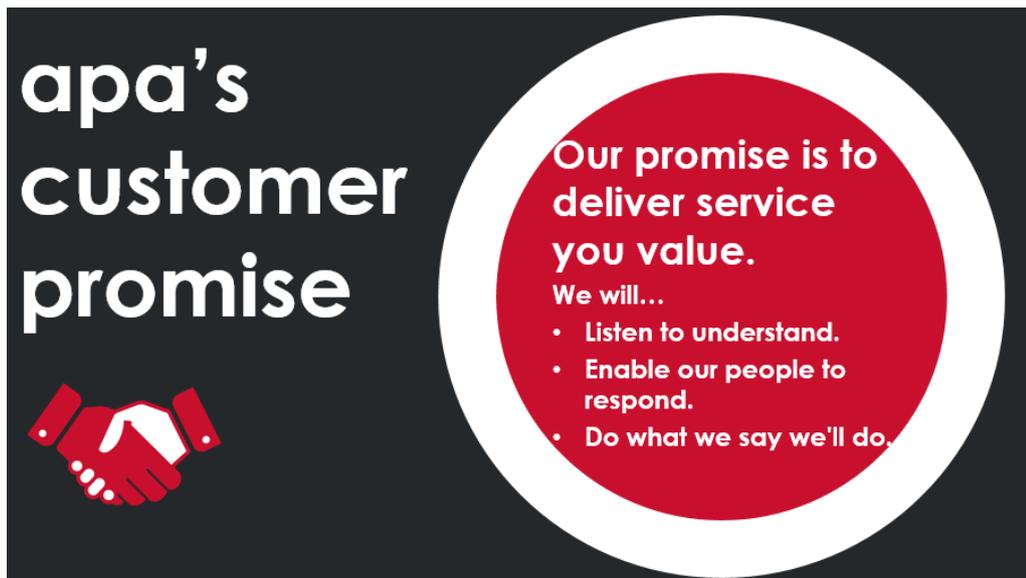
**Principle 1.** We will put customers at the centre of our business and the energy system

**Principle 2.** We will improve energy affordability for customers

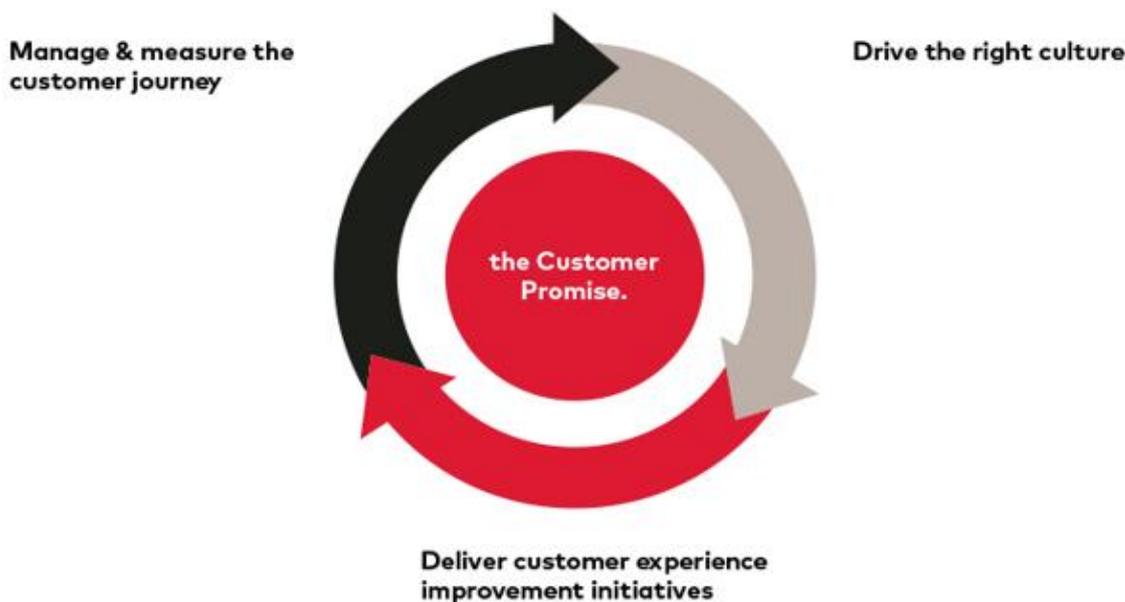
**Principle 3.** We will provide energy safely, sustainably and reliably

**Principle 4.** We will improve the customer experience

**Principle 5.** We will support customers facing vulnerable circumstances



- Project Red Dot** - A key platform for APA to deliver improved customer experience is Project Red Dot. 2019 is the first year of this multi-year customer experience improvement program, which will focus on corporate culture enhancement, measurement and improvement initiatives. An overview of the program is depicted below



- Capacity Trading and Auction** – Implementation of a Capacity Trading and Auction Platform, providing a daily pipeline capacity trading and auction facility in line with new regulatory requirements under the National Gas Rules. The aim is to increase access and liquidity in the market for pipeline capacity, and to increase pipeline utilisation for greater efficiency.
- Increased information transparency** - Publishing of financial statements and associated information to comply with new requirements under the National Gas Rules. The measures are designed to provide customers with greater information as they engage with APA.

- Continued infrastructure investment** – APA continued to invest in energy infrastructure to meet the needs of our customers. By investing in the infrastructure needed to bring new gas to market and increase energy supply, APA plays its part in helping put downward pressure on energy prices. This included upgrading of the Orbost Gas Processing Plant, continuing to work with Santos on the Narrabri Gas Project and the Crib Point Gas Import Jetty project in Victoria. We also continued with other developments to deliver energy to our customers such as the Darling Downs Solar Farm, Badgingarra Wind and Solar Farms, and Gruyere Power Station.
- Enhanced Networks customer communication** – APA has been working with major energy retailers and energy distributor businesses on a number of initiatives to improve customer communication when it comes to connections, outages and service fault management. This includes notification of customers via SMS and notifying plumbers on completion of work to enable them to more efficiently complete work on customer sites. APA has also been involved in initiatives to provide online access to gas usage data for large customers, and the Customer Own Read Card process allowing households to read their own gas meter to reduce the use of estimated reads.

Further information on APA's customer initiatives can be found in APA's Energy Charter disclosure report which will be available on the Energy Charter Accountability Panel website and via APA's website from early October 2019.

Actions for FY2019	Performance		
	Achieved	In Progress	Not achieved
<b>Growth</b>			
Progress construction and development of various energy infrastructure projects to meet agreed commissioning schedules that enable customer's energy needs being met including the Darling Downs Solar Farm, Badgingarra Wind and Solar Farms, Gruyere Power Station and the Orbost Gas Processing Plant.	√		
Continue to identify and capture opportunities that deliver flexible, responsive and sustainable solutions for our customers.	√		
Continue to work with customers to realise planned projects into committed projects to deliver projects.	√		
<b>Customer Solutions</b>			
Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' diverse requirements across Australia.	√		
Continue to refine APA's Integrated Operations Centre, grid operations and customer management system to provide enhanced services and deliver reliable supply.	√		
Continue to implement Gas Market Reform Group rules – financial reporting, capacity trading and auction.	√		

Working with energy retailers, APA commenced implementation of SMS messaging to customers impacted by a supply fault or outage.

√

Actions for FY2020
<p>Continued roll-out of Project Red Dot and associated initiatives, including:</p> <ul style="list-style-type: none"> <li>• Increase direct executive and senior management involvement in the customer-contact program;</li> <li>• Enhancing the processes that monitor and manage progress of the Red Dot program:                             <ul style="list-style-type: none"> <li>○ Expanding the Transmission and Power customer feedback survey program</li> <li>○ Deploy customer-orientated metrics, with a view to improving awareness of customer experience with all functions of the business.</li> <li>○ Implementing a trial to collect Net Promotor Scores;</li> </ul> </li> <li>• APA Networks will continue to collaborate with Victorian distribution businesses and retailers to make improvements to the new connections processes;</li> <li>• Continue the program of significant enhancements to the Transmission Division's customer facing hydrocarbon accounting and billing system (APA Grid) including a new online customer portal;</li> <li>• 90-day and 12-month pipeline capacity forecast reports will be made available to customers in easy-to-interpret, graphical format;</li> <li>• Establishment of APA Power customer feedback program;</li> <li>• Deploy new Customer Complaint Management system, ensuring that all complaints are fully investigated and that corrective actions are identified and implemented via a transparent and systemic process; and</li> <li>• Energy Charter: continued involvement in industry working groups and customer initiatives.</li> </ul>

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> <li>• Demand for gas – the volume of natural gas that is transported by APA is dependent on end user demand, which is influenced by the strength of the industry sectors that require gas to operate.</li> <li>• The relative price of natural 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term contractual agreements with strong counterparties underpin assets.</li> <li>• Ability to provide flexible and innovative customer solutions.</li> <li>• Complementary investments in gas storage and power generation and continued evaluation of emerging growth opportunities such as wind and solar farms and gas processing plants.</li> </ul>
<ul style="list-style-type: none"> <li>• Supply of natural gas – availability of competitively priced gas is essential for ongoing use of gas infrastructure assets.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term agreements with strong counterparties underpinning APA's assets.</li> <li>• Connect more gas resources with additional gas markets.</li> <li>• Ability to provide flexible and innovative customer solutions.</li> </ul>
<ul style="list-style-type: none"> <li>• Operations – APA and our customers are exposed to a number of operational risks such as equipment failures or breakdowns, pipeline rupture, technology failures</li> </ul>	<ul style="list-style-type: none"> <li>• APA operates assets in accordance with all relevant regulations and standards, including robust maintenance and asset monitoring regimes.</li> </ul>

<p>including sabotage or terrorism attack including cyber-attack.</p>	<ul style="list-style-type: none"> <li>• Management of urban encroachment and excavation activities close to APA infrastructure.</li> <li>• An integrated approach to Emergency Response, Business Continuity and Crisis Management is applied across the business.</li> <li>• Participation in anti-terrorist exercises and testing to provide effective emergency response systems to manage a potential cyber-attack.</li> </ul>
<ul style="list-style-type: none"> <li>• Poor service delivery to customers impacting customer confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• APA continually reviews its product and service suite and provides innovative and optimal solutions to our customers.</li> <li>• Regular customer surveys to seek feedback on areas to improve services and customer experience which is embedded within a continuous business improvement mindset.</li> </ul>

## People & Culture

As we continue to develop and expand our operating portfolio, we continue to invest in our greatest asset: our people. We are committed to achieving diversity of thought across the business by providing a safe and inclusive workplace where employees thrive, both in the moment and for the future.

### Career Development

As a growing and dynamic business, we have the resources that enable employees at all business levels to advance their careers. We encourage our people to learn on the job, to network, and to connect with peers through:

- **Accelerated Talent Development Programs** — assessment, mentoring and coaching programs supporting transition into senior roles;
- **Leadership Development** — activities and programs dedicated to enhancing leadership capability among our people;
- **Technical Training** — competency development, on-the-job training and assessments plus secondments that encourage internal mobility and to build the skills needed to become experts in their field;
- **Graduate and Interns Program** — participants rotate across the business, they attend development and learn from industry experts; and
- **Apprenticeship Program (under development, available in 2020)** — will include rural areas to employ local people in local jobs with structured development to achieve a trade qualification.

#### Case Study: APA Graduate Program

APA's 2020 Talent & Early Careers Graduate program is viewed as a long-term investment in APA's talent pipeline. In FY2019, we redesigned the program to ensure the delivery of a well-structured and executed two-year development program focused on building a younger talent pipeline. This was in response to our analysis of our demographics and gaps in succession planning.

In FY2019 we received over 1600 applications for the 2020 Graduate Program for 10 roles available in the Commercial, Health and Safety, Information Technology, Finance and Engineering departments. We succeeded in achieving our aim of a 50/50 gender split in those who have accepted offers to commence with us early next year.

Our aim is to have a program that provides a balanced relationship between APA and the graduate which is mutually beneficial, and encourages graduates to realise their career potential within APA.

Graduates will receive on-the-job technical training with up to three rotations where they will be exposed to challenges and learning opportunities, as well as different business or operating environments. They will also be part of a tailored development journey involving a mix of core experiential learning days, supported and connected by a customised online learning environment and networking opportunities. Line managers, mentors and buddies will also support the graduates throughout the program, along with the Talent & Capability team. This revised program will commence in February 2020.

## Leading @ APA Program

In FY2019, we launched a new people management fundamentals program called Leading @ APA, aimed at new and frontline leaders. The program's focus is to provide a framework for success by understanding leadership's roles and responsibilities, initiating good quality conversations across the company, and to build trust, set expectations and provide feedback when leading teams, including remote teams.

This program was rolled out to 258 people with 18 workshops delivered in FY2019. Evaluation results have been positive, with almost 93% of participants indicating they would recommend this program to their co-workers.

Complementing the Leading @ APA program, the first pilots of an Inclusive Leadership Program for all people leaders, alongside training to increase employee awareness of unconscious bias, were rolled out in July 2019. A full schedule of these programs will be developed for delivery throughout FY2020 touching as many leaders and employees as possible.

## Diversity and Inclusion

APA is committed to providing a positive workplace with an inclusive culture and safe, fair and positive working conditions. In addition APA is committed to respecting the dignity and human rights of everyone, and creating an environment where everyone feels safe and supported to bring their best and true selves to work.

We value and encourage diversity across our workplace, understanding that it creates better business decisions, thinking and outcomes. We do not tolerate any form of discrimination or exclusionary behaviour and strive to give every employee the opportunity to realise their full potential and contribute to APA's success. Our Diversity & Inclusion Policy is available [here](#).

## Gender Targets Action Plan

Established in July 2018, APA's four-year Gender Targets Action Plan (2018 – 2022) demonstrates the company's clear commitment to increase the role of women across all levels and roles within the business.

The plan is organised around four critical elements of **Attraction, Recruitment, Retention and Development** and **Performance Metrics & Targets**. Significant progress has been made during FY2019 in these four areas of focus as set out below:

### Attraction

- Established a trusted, internal recruitment capability;
- Completed and implemented an Employee Value Proposition; and
- Increased the number of women in our candidate pools through improved advertising and sourcing. This has been achieved through updated written content with an increased emphasis on flexible work and career options, improved visuals/photos and broader placement of our advertising.

### Recruitment

- Established an internal recruitment team of six recruiters consistently managing between 150-175 roles. Key outcomes have been regular positive feedback from hiring managers and the business, and a reduction in both cost and time to hire;
- The Diversity and Inclusion Committee has determined that all recruitment should aim to have both genders in their shortlists and both genders on interview panels for final candidates for implementation in Q1 of FY2020; and
- A target to recruit 50% of females for the new graduate program to commence February 2020 which has been achieved.

### Retention and Development

- Conducted an APA-wide survey of all women to improve female turnover (see Women @ APA survey below). Pleasingly, turnover of females in 2019 has significantly reduced;
- Increased focus on provision of flexible work arrangements saw an almost 50% increase in formal flexible work arrangements being implemented in FY2019 compared with FY18;
- Introduction of up to 10 days per annum paid Family Violence Leave together with necessary support for leaders and employees managing such situations with dedicated Family Violence support officers being identified;
- Redesigned the talent review process to provide a greater focus on potential and targets and to reduce bias;
- Commenced sponsoring APA women to regularly attend external D&I and industry events;
- The LeAP program – (Accelerated senior talent program) – 43% female participation for FY2019; and
- Business agreement for an Emerging Leaders program, with a proposed 50% female nomination and participation.

### Performance & Measures

Progress has been made in measuring performance in diversity and inclusion with key performance indicators being set for Executives and other senior managers, and improvements in gender targets and recruitment. A full set of measures is being finalised for use in FY2020 with results in FY2019 as a base line.

Category	Female Representation by % *			
	Target by 2022	FY19	FY18	FY17
Senior Leaders	25%	19%	17%	17%
Talent Pipeline	>30%	>40%	30%	25%
Total Workforce	30%	29%	27%	26%

*Figures as at 30<sup>th</sup> June, 2019.*

## Women @ APA

As part of our Diversity and Inclusion strategy the Employer of Choice working group designed an Employee Value Proposition and also launched a gender survey to understand why females were leaving APA at a rate higher than the overall female percentage of the workforce during 2018.

The Women @ APA survey was completed across APA in November/December 2018. A total of 64% (309) of females responded. In addition to the survey results, we also interviewed over 20 participants who indicated they wished to provide additional data and insights. Whilst there were many positive results, the common themes from the survey for improvements included:

- Increasing the number of women in leadership and increased mentoring;
- Better career opportunities and development;
- Consistency in the application of flexible work practises, and
- Improved behaviours within the workplace.

Activities have already commenced to begin to address these areas and will continue in FY2020, commencing with quarterly female networking events, based off development needs. An education program on inclusive and appropriate behaviours is also being developed and this together with the Inclusive Leadership training will look to ensure improved workplace behaviour.

## Equal Remuneration

APA's remuneration policy lays the foundation for gender pay equality, i.e. comparable remuneration for comparable skills, capability and contributions. The policy formally states that: APA recognises competency, contribution, impact, behaviour and performance which is intended to attract, motivate and retain our people.

APA values gender equality and diversity and aims to make promotion and remuneration decisions based on capability, contribution and work performance. APA uses job evaluation methodologies to assess and measure the relative work value of roles to assist in the removal of unconscious bias when making grading decisions.

Towards the end of FY2019, APA undertook a detailed gender pay audit to understand where there were any discrepancies in terms of remuneration. This was APA's second formal gender pay audit,

While a variety of different methodologies were applied, when fixed pay was compared on a 'grade by grade' basis, the outcome was that on average, females were paid slightly less than males for undertaking roles of comparable size and complexity. Work is underway to address issues arising from this audit, including a commitment to undertake further audits on at least an annual basis.

## Code of Conduct

APA's [Code of Conduct](#) (now known as Our Code) was refreshed and rolled out at the end of FY2018. It defines the key standards of personal conduct, professional behaviour and ethics that APA expects of Directors, senior executives, employees and other

stakeholders who represent APA. This includes expectations on behaviours and actions that address fraud, anti-bribery and corruption.

Our Code reflects the 'APA Way' (refer S8) which sets out the blueprint for the way APA does business. The APA Way comprises our 'STARS', the values which guide our behaviours and our 'Decision Compass' which guides our decision making.

Our Code defines what each Decision Compass principle looks like in action including the standards for behaviour. The Code applies to everyone working for, and with, APA, and includes employees, Directors, contractors and consultants and also applies to suppliers and business partners. It recognises APA's responsibilities to customers, employees, securityholders, regulators and the community.

Much of our Code is reflected in specific APA policies and is underpinned by relevant legislation and regulatory requirements in operation in Australia and internationally.

Our Code was developed by a working group involving senior representation from Corporate Governance, Risk, Investor Relations, People, Safety & Culture and Internal Communications. The document was then shared more broadly across senior managers to gain their insights, assist with hypothetical examples and finalise the drafting. The final document was approved by the Board in early FY2019.

The new Code was then launched across Australia and copies provided across all our sites during the first two quarters of FY2019. It is referenced in our updated Induction and is one of the key foundation documents new employees sign off on in their first few weeks of working at APA. In FY2020 we will revise our Fair Treatment Training to expand it to cover Our Code and this training along with other learning modules will need to be completed by employees on a regular basis.

### **Integrated Human Resource Information System (HRIS)**

Considerable time and effort has been undertaken by APA's people.connect project team in FY2019 for APA to move to implementing an integrated human resource information system. Throughout the reporting period the project team undertook detailed internal analysis of the current system issues and pain points, determining key business requirements, evaluating four different HRIS options and selecting the preferred provider.

In FY2020, the project will move into implementation, which will be done in stages. The implementation of the new system will build the foundations for seamless and efficient processes and improve capability in reporting and analytics, as well as provide greater self-service functionality for leaders and employees. The system will support improved employee experiences at every point: from how we recruit and on-board to how we undertake learning and performance development. New functionality will be rolled out from early 2020 and conclude in FY2021.

### **People Data**

Total workforce:

- Male employees (1233) and contractors (83) = 1332
- Female employees (501) and contractors (16) = 517
- Total (1734 + 99) = 1833

Percentage of total employees covered by collective bargaining agreements:

- 31%

Voluntary Employee Turnover for FY2019:

- 8.4% (FY2018 was 7.3%)

**Total number of employees by employment type (permanent and temporary) by gender:**

	Male	Female	Total
Permanent Full Time	1130	380	1510
Permanent Part Time	8	70	78
Fixed-term Full Time	70	42	112
Fixed-term Part Time	2	2	4
Casual	23	7	30
<b>TOTAL</b>	<b>1233</b>	<b>501</b>	<b>1734</b>

Board Gender Diversity		
Female	Male	Total
33%	67%	100%

Notes:

- Numbers are as at 30<sup>th</sup> June 2019
- Employee numbers do not include independent contractors or board members

Actions for FY2019	Performance		
	Achieved	In Progress	Not achieved
Launch a new people management fundamentals program called Leading @ APA, aimed at new and frontline leaders.	√		
Implementation of engineering capability framework.		√	
Develop business specific competencies and learning frameworks to embed and improve technical know-how and capability.	√		
HR Systems project commenced to upgrade people, processes and system capability.	√		
Improve capability and processes around key people functions such as recruitment, resource planning, business partnering, change management and learning design.	√		
Continue work on the D&I strategy with emphasis on:	√		
• Development of Employee Value Proposition	√		
• Gender Targets Action Plan implementation			√
• New Apprenticeship program	√		
• Increased use of flexibility arrangements.			

Review and redesign the performance and reward/ remuneration models	√
Refreshed Code of Conduct to be rolled out to employees and contractors.	√

Actions for FY2020
Progress implementation of People.Connect – the new HRIS – across all of APA
Support the review of the APA Operating Model, including conducting Employee Cultural Survey
Develop a renewed Remuneration and Performance Strategy
Competency and capability frameworks continued development and implementation
Revise and refresh the Diversity and Inclusion Strategy
Continue to progress Gender Targets Action Plan to improve gender diversity
Implement the flexibility plan, including updated policy and guidelines
Launch the new Emerging Leaders talent program, with 50/50 female/male participation
Progress Inclusive Leadership and Unconscious Bias training
Continue to develop Recruitment capabilities, processes and sourcing strategies to meet organizational requirements and reduce time to hire
Complete the development of the APA Apprenticeship Program for implementation in 2020
New Executive Remuneration design to be implemented

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> <li>Employee capability, recruitment and engagement – Failure to develop, attract and retain talented employees.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The business has introduced a strong internal recruitment capability to ensure we identify and secure external resources as and when needed.</li> </ul>
<ul style="list-style-type: none"> <li>Failure to focus on the health and wellbeing of our people impacting productivity, absenteeism and culture/behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Health and wellbeing education and awareness is a key element of the system.</li> <li>As part of our assurance framework and HSE audits, APA regularly reviews its people metrics and trends, as well as conducting employee surveys.</li> </ul>
<ul style="list-style-type: none"> <li>Failure to comply with Employment, Discrimination (sex, race, disability, age, gender), EEO and Diversity regulations</li> </ul>	<ul style="list-style-type: none"> <li>APA has several initiatives in place to strengthen the cultural, gender and age diversity of APA's workforce including the 2017-2020 Diversity &amp; Inclusion Strategy and Gender Targets Action Plan.</li> </ul>

<p>resulting in potential fines or negative publicity.</p>	<ul style="list-style-type: none"> <li>• Employees are regularly trained in their obligations with respect to lawful and appropriate behaviour, discrimination and complaints and investigation processes are in place to address issues.</li> <li>• Employment terms and conditions are established and regularly reviewed to ensure they meet or exceed legislative requirements.</li> </ul>
<ul style="list-style-type: none"> <li>• Failure to properly define and manage culture, behavioural standards and practices to ensure an effective and positive culture impacting reputation and performance</li> </ul>	<ul style="list-style-type: none"> <li>• The APA Way, with Values and Decision Compass help set key behavioural drivers.</li> <li>• Policy framework in place with training on APA expectations and legal consequences.</li> <li>• Structure, objective investigation processes in place.</li> <li>• Regular refresh and training materials for every employee.</li> <li>• Whistle-blower Policy with independent third party hot line operating.</li> </ul>

## Health and Safety

APA is committed to providing a zero-harm work environment with respect to physical safety. We constantly work to fulfill our duty of care obligations with the aim that all our people go home in the same state that they came to work, as well as ensuring that APA meets its health and safety obligations. But safety goes beyond physical health and safety, and increasingly our focus and activities are incorporating employee wellbeing.

Our approach to managing health and safety is systematic and risk based focussing on the concepts of Risk, Control and Assure. This is coupled with strong consultation processes, education and training to empower our people to contribute to safety excellence and promote continual improvement. Supporting our assurance activities are governance structures and our comprehensive HSE management system known as Safeguard, a framework aligned with the AS/NZS 4801:2001 Occupational, Health and Safety Management Systems.

At APA, our health and safety commitment is to:

- Follow all legislative requirements and APA safety policies and work procedures;
- Treat the health and psychological wellbeing of our people as being as important as physical safety;
- Come to work fit to do the job, unimpaired by alcohol, drugs or other substances
- Stop work if we think it's unsafe;
- Never undertake work unless we are trained, competent and fit to do so;
- Never put production, budget, schedule or any other measure ahead of safety;
- Speak up to report hazards, near misses and incidents.

APA's HSE Policy can be viewed [here](#).

### Health & Safety Performance for FY2019

Measurement of APA's performance with respect to health and safety happens on a number of levels – through our lead indicators, our lag indicators and completion of actions and initiatives as part of the HSE Strategic plan.

In FY2019, the last year of the current HSE Strategic plan, completion of planned activities was at more than 95%, the key activities being:

- Commencement of safety culture maturity assessment and improvement plans;
- Roll-out of random alcohol testing across all APA sites;
- Commencement of a program to boost the awareness and engagement with our Fatal Risk Protocols, delivered through storytelling. A series of videos accompanied with Leader Packs to help lead discussions have been made featuring senior APA management sharing personal stories of safety significance, with very positive feedback and strong completion rates;
- Completion of updated processes and training regarding Chain of Responsibility;
- Expansion of the Health & Wellbeing program beyond the online portal (see below).

All lead indicators for FY2019 were achieved or positive, including the completion of a comprehensive internal audit program (70 audits) covering Contractor assessments, drill-down procedural audits and reviews of high risk activities.

Our performance with respect to lag indicators improved on FY2018 (see Health & Safety Data) – LTIFR improved by over 50% and TRIFR by more than 30%.

However incidents resulting in the issuance of a regulatory notice did increase. In particular, a significant incident occurred when an APA truck with a vehicle-mounted crane made contact with a 415 volt overhead powerline, bringing it to the ground. There were no injuries or damage to equipment as a result of the incident, however, we recognise that vigilance is necessary at all times, and it was a high potential consequence event. APA received a financial penalty of \$2000 for this incident. We have completed a comprehensive investigation into this incident with learnings shared across APA.

### **Training and Chain of Responsibility**

In FY2019 APA's critical initial safety training module – the HSE Induction – was fully reviewed and designed to educate employees and contractors conducting work for APA on our safety expectations. In addition, an online training module addressing APA's [Alcohol & Other Drugs Policy and Protocol](#) must be completed.

Beyond this mandatory training, APA employees are then required to complete a range of compliance training relevant to their role. Field based employees will also have asset specific inductions and training to complete as well as competency based training to increase and improve their overall technical competence and expertise.

During the reporting period APA established a Working Group to review the new requirements that have been reflected in the revised National Chain of Responsibility legislation that was introduced in October 2018 covering the supply chain for the transportation of goods and services. The working group has refreshed APA group procedures for Chain of Responsibility. An external Chain of Responsibility audit was also completed to identify any existing gaps in meeting the revised legislative requirements. The audit provided a roadmap to address any gaps in our approach to Chain of Responsibility. This included developing training material and providing training to APA employees that have Chain of Responsibility obligations. This training will be ongoing during FY2020.

### **Health and Wellbeing**

APA's Health and Wellbeing program, Bounce, and the portal continues to provide all employees with valuable information on various health topics. The portal allows employees to complete their own confidential health assessment and establish a plan to address issues that may need to improve.

In addition to APA's Health and Wellbeing program, APA has in place:

- An independent pre-employment medical assessment process, which is managed as part of the recruitment process;
- Where required, health surveillance to monitor the health of workers who may be exposed to potential health hazards, the requirements and results of which are communicated to workers;
- 24 hours access to a confidential counselling service for both work and non-work related matters available to employees and their family members;
- Provision of annual flu vaccinations;
- Processes for the proper management and rehabilitation of employees in both work-related and non-work related injuries and illnesses;
- Provision of salary continuance insurance as part of the suite of benefits provided to permanent employees.

Our Health and Wellbeing program has continued in FY2019 with the development and implementation of a quarterly program that focuses on a specific health and wellbeing topic, for example, mental health and nutrition. The topics are informed from the confidential health self-assessments completed through our Health & Wellbeing portal.

We have also incorporated Health conversations into our 'Leading at APA' leadership development program.

### Contractor Safety

Contractor performance with respect to HSE is an area that APA wants to actively improve. Whilst TRIFR for contractors has improved in FY2019 it was double that of the employee TRIFR. To assist with improved focus in FY2019, health and safety forums have continued to be rolled out to our contractors, especially in our Networks business group. Contractor safety performance meetings have also been introduced, with selected contractors providing an opportunity to review performance and provide feedback. The HSE team as part of their internal audit program also undertake Contractor H&S audits and APA managers conduct regular monitoring interactions with Contractors on work sites to monitor the performance of safe work practices.

### Process Safety

One major area of improvement and development in FY2019 has been in the area of Process Safety which is a disciplined framework for managing the integrity of operating systems and processes that handle hazardous substances. For the gas industry, emphasis of process safety and asset integrity is to prevent unplanned releases that could result in a major incident.

As part of APA's focus on safety and asset management, we have developed a process safety framework (based on the model used by the Energy Institute in the UK) to help us manage the integrity of our operating systems and processes for handling hazardous substances by applying good design principles, engineering and operating practices.

APA's assets have, over time, become more complex, with pipelines becoming a grid with gas hubs, the addition of gas storage, gas processing facilities and gas-fired power generation, meaning that APA has become more exposed to major hazard risks. As a result of this APA has set-up a framework and established improved capabilities for managing these risks. The behaviours required for the management of personal safety and process safety are very similar. Effectively, both require the identification of hazards and management of risk, and they require us to follow safe work practices to prevent an incident noting that safe work practices are tailored for process safety.

#### Throughout FY2019, the following changes were made:

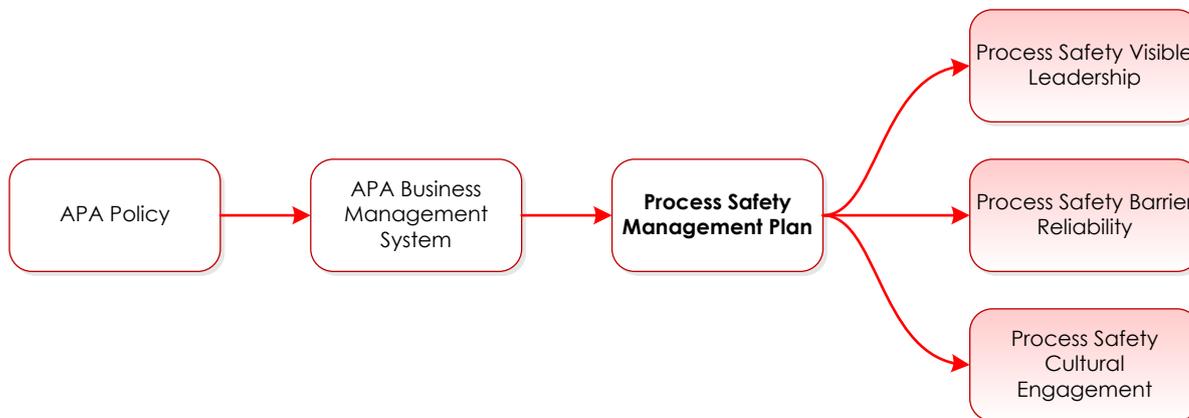
- A change in HSE policy to ensure process safety is covered;
- Adoption of metrics around our risk acceptance to cover process safety;
- Development of industry standard metrics to show our process safety performance;
- Process safety education pilot program completed at Orbost Gas Processing Facility, Mondarra Gas Storage and Processing Facility, Dandenong LNG Gas Storage Facility (DLNG) and Wallumbilla Compressor Station; and
- Improvements in selected processes; for example, management of change and alarm management processes in APA's Integrated Operations Centre (IOC).

#### In FY2020, we will:

- Develop a process safety section in APA's HSE management system Safeguard as our guiding framework for process safety;
- Rollout process safety education program to Transmission assets;
- Improvement in other key processes to cover process safety.

Longer term, we will work to ensure that a comprehensive management system for all process safety risks will be adopted and integrated into business processes and activities across APA over the next two to three years. The program will deliver an optimised process safety framework by 2022.

**Diagram: The process safety framework and supporting management plan**



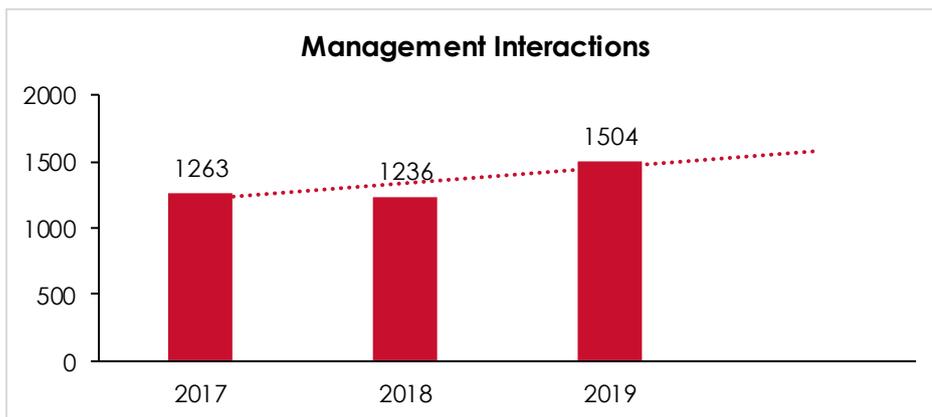
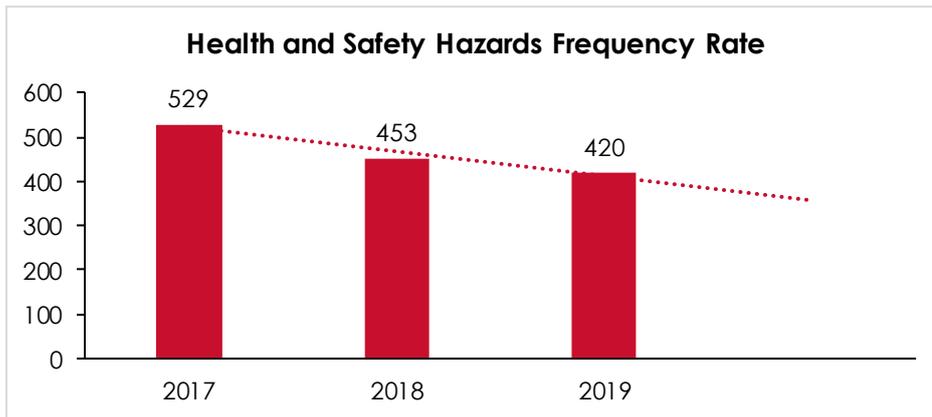
**Case Study: Designing out Risk in Process Safety**

As part of APA's process safety program, safe operating limits have been collected for all transmission and midstream assets. The limits are design limits mostly for pressure, temperature and flow. All limits are collated in a register and linked to our operational historian system (Pi). Pi allows these to be monitored visually 24x7 by our controllers, and, if required Engineers, in a web-based interface which flags operating events when they fall outside the safe operating limit.

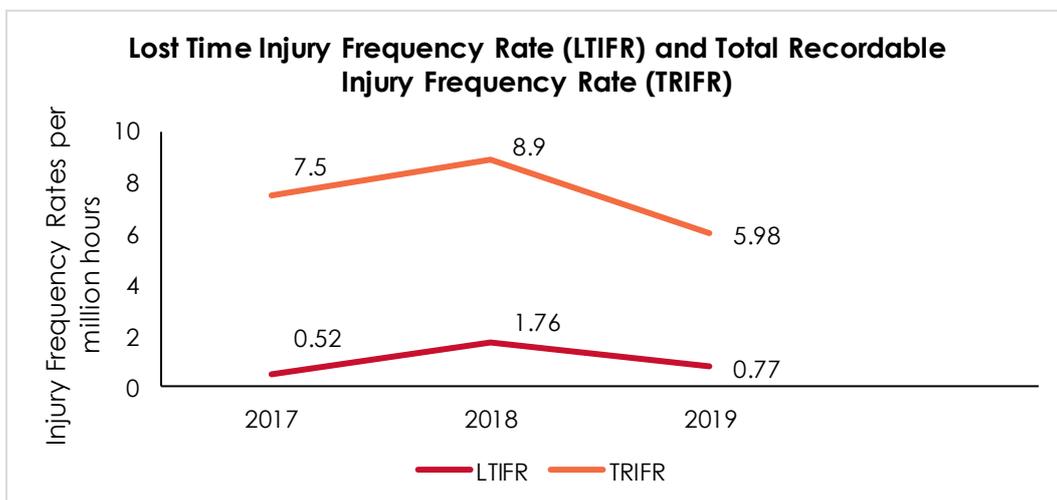
In our trial of this process on the Roma Brisbane Pipeline, two connections were identified that at times had operated above a high flow limit for a thermowell (a piece of equipment that allows a temperature instrument to read the temperature of the flow of gas). Because of this, immediate action was taken to limit flows below the safe operating limit. A project was then commenced to ultimately design out the risk. This project was completed around 3 months after detection of the risk, allowing our customers to resume higher flows without safety concerns.

**Health and Safety Data**

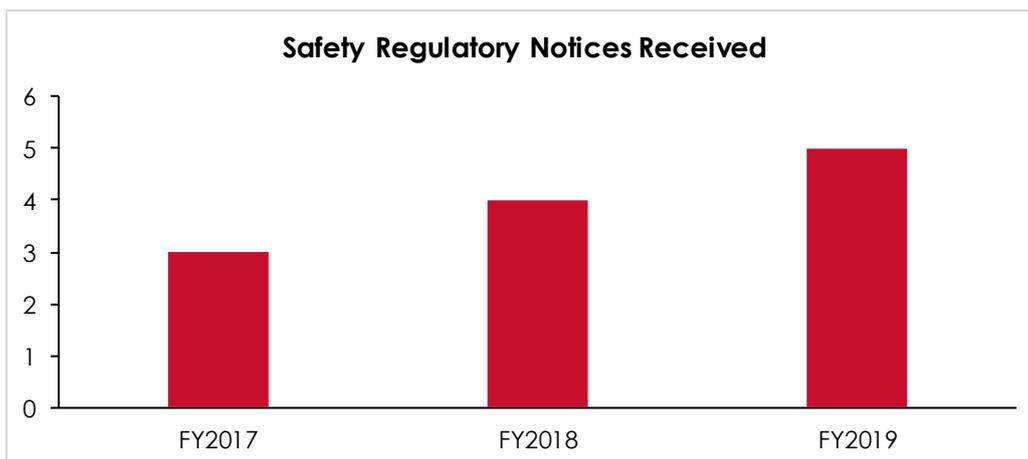
**Leading Indicators**



### Lagging Indicators



Notes: No fatalities occurred; Contractor data is included



All events leading to Regulatory Notices received in FY19 have been thoroughly investigated by APA and actions implemented to rectify related issues. Three of the five regulatory notices received in FY19 were issued to Principal Contractors conducting construction works. APA has worked proactively with these contractors so we can ensure they continue to be equipped to conduct their work safely.

Actions for FY2019	Performance		
	Achieved	In Progress	Not achieved
Target TRIFR of no more than 7. APA will use data analytics to develop activities to improve injury performance including (but not limited to) contractor performance and management, manual handling and focus on prevention of hand injuries.	√ (5.98)		
Continued development of a comprehensive process safety framework, measures and integration with current Safety Management system.		√	
Revise and implement company-wide Health and Wellbeing program targeting areas identified from APA's Health and Wellbeing online platform.	√		
Safety Leadership initiatives and programs as part of APA's overall leadership and development framework.	√		
Improve mobility and usability of HSE reporting.			√
Contractor Safety program		√	

Actions for FY2020
Develop and implement new three-year HSE Strategic Plan
Continue to focus on Contractor Management with additional targeted HSE audits
Review contractor performance directly with contractor companies

Continue with our Health and Wellbeing program targeting specific health and wellbeing risks such as mental health, nutrition and the importance of sleep health.
Continue roll-out of Fatal Risk Protocol videos and leadership packs
Continuation of the Safety Culture Maturity program
Establishment of specific Safety Leadership program
Improve Health and Safety data and analytics and access to mobility for field based employees
Continued roll-out and embedding of the Process Safety Framework across APA assets
<b>Target Metrics</b>
<ul style="list-style-type: none"> <li>• Overall APA TRIFR of &lt;5.5</li> <li>• Contractor TRIFR of &lt;7.0</li> </ul>

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> <li>• Failure to provide a safe workplace resulting in serious or fatal injuries.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• HSE training, education and awareness is a cornerstone of the HSE Management System.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• Compliance failures resulting in the potential for legal proceedings for failure to comply with Health and Safety legislative obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and monitor compliance to APA's HSE Management System including undertaking regular compliance monitoring through audits and workplace inspections.</li> <li>• Provide Health and Safety training to managers and employees.</li> </ul>
<ul style="list-style-type: none"> <li>• Failure in process safety management at an APA asset resulting in a major incident or explosion.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued roll-out and development of APA's Process Safety framework on all of APA's key assets.</li> <li>• As part of APA's assurance program, Health and Safety audits are also undertaken in all parts of the business, including on some key Process Safety critical controls.</li> </ul>

## Environment

Pursuing a high standard of environmental stewardship forms part of the APA Way, and we are committed to taking a systematic and risk based approach to environmental management and minimising environmental harm across all areas of our business.

Key environmental areas of management for APA include Greenhouse Gas (GHG) emissions, vegetation management, fauna, waste and water. APA's overarching management system 'Safeguard' includes health, safety and environment (HSE) components. It is built on the principles of ongoing identification of hazards and risks, implementing control measures, and providing assurance that the controls work.

The Safeguard Environmental Management Group Procedure defines the requirements for environmental management and applies to environmental risks related to all our assets (both owned and managed), activities and operations controlled by APA. Safeguard is subject to regular review and improvements to ensure objectives and obligations are continually satisfied.

APA operates in a diverse range of environments, including metropolitan, rural and remote parts of Australia and at times we operate within or in close proximity to Aboriginal cultural heritage and natural built heritage sites. Characteristics of the environments we work in, are drivers to ensure we meet our environmental obligations. Compliance with our environmental obligations is one way we ensure that we operate and construct our assets in a socially responsible manner.

### Environmental Management Plan (EMP) Improvement Program

The Environmental Management Plan (EMP) Improvement Program continued in FY2019 to refresh APA's Operational EMPs and in doing so, provide a standardised, streamlined approach to managing operational environmental risks and meet or exceed environmental regulatory compliance obligations. This has been one of the critical Environmental initiatives for FY2019 driving improved environmental compliance, awareness and performance.

For each major asset (or asset group) under the Program schedule so far, APA has developed an Environmental Management Plan (EMP) that describes the way environmental risks associated with that asset are controlled and managed. For many assets, EMPs are a regulatory document, mandatory for the ongoing operation and subject to external review and audit.

The Program to date has delivered a total of 20 Environmental Risk Assessment workshops, bringing together key stakeholders to review environmental risks for each asset, and inform the subsequent revision of the relevant Operational EMP.

The program achieved the FY2019 target of 12 EMPs completed across Transmission, Midstream, Networks and Power generation with a further 9 EMPs planned for FY2020.

EMP's completed to end FY2019	
Asset	APA Business Unit responsible for operation and maintenance
Kogan North Processing Facility (KNGPF)	Transmission (QLD)
Origin Roma Pipeline (ORP)	Networks (QLD)
Diamantina Power Station	Power (QLD)
Gruyere Power Station	Power (WA)
DirectLink	Power (NSW/QLD)
SESA - VIC Section	Transmission (VIC)
Central Ranges Pipeline (CRP)	Networks (QLD)
Rockhampton Transmission Pipelines (includes Moura and Wide Bay Pipelines)	Networks (QLD)
Orbost Pipeline	Midstream (VIC)
Berwyndale Wallumbilla Pipeline (BWP)	Transmission (QLD)
Roma Brisbane Pipeline (RBP)	Transmission (QLD)
Victorian Transmission System (VTS) (includes Metro, Gippsland, Albury and Otway)	Transmission (VIC)

### Environmental Performance

During the reporting period APA's operational environmental performance was satisfactory in that there were no significant environmental incidents, damage or compliance breaches. APA received one regulatory notice relating to environmental compliance during the reporting period as a result of the late submission of the annual National Pollutant Inventory (NPI) for Danndine Power Station.

Details of the key metrics are below. However, we are conscious that our maturity with respect to environmental reporting is still developing. Environmental incident and hazard reporting will continue to be monitored further prior to establishing and reporting specific targets and outcomes.

### Environmental Lead Metrics

Metric	FY2019
Environmental Management Plans refreshed (under EMP Improvement Program)	12
Environmental Compliance Audits complete	13

### Environmental Lag Metrics

Metric	FY2017	FY2018	FY2019
Environmental Regulatory Notices Received (number)	5	0	1

### Greenhouse Gas Emissions

APA's activities use and generate energy, and release greenhouse gas emissions as both a planned and unplanned function of our business operations. Identifying, understanding and complying with energy and emissions reporting requirements in a timely and cost-effective manner is important to APA's reputation and to achieving environmental compliance. Any breach of energy and emissions reporting requirements may result in penalties and impact our reputation.

In February 2019, the Australian Government's Clean Energy Regulator ranked APA Group (responsible entity Australian Pipeline Limited) 45<sup>th</sup> out of 412 heavy emitters, placing our business in the top 50 of Scope 1 emitters for 2017/2018.

The continued growth and development of APA's asset footprint and operations has made it difficult to set a baseline for establishing an emissions reduction target. However, APA runs a multi-million dollar capital expenditure program to sustain and improve the operational efficiency and integrity of APA's assets which includes integrity repair work, pigging and compressor overhauls.

APA's emissions are mainly the result of power generation activities, followed by the combustion of natural gas in compressor stations and fugitive emissions from venting and pipeline releases. Common sources of APA GHG emissions are: CO<sub>2</sub>, SF<sub>6</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HCFs and PFCs.

APA annually reports on greenhouse gas emissions in compliance with the National Greenhouse and Energy Reporting scheme (NGERs).

Under the NGER Act, APA reports on energy consumption, production and emissions for approximately 35 facilities (inclusive of offices, pipelines, gas power generation, windfarms, LNG/gas storage and power lines).

### Greenhouse Gas (GHG) Emissions Data\*

APA's summary of Scope 1 and 2 emissions and energy consumption for the 2018 financial year as reported under the NGERs, is set out in the following table.

Throughout the reporting period APA has been working closely with the Clean Energy Regulator to conduct a quality review of our current and historic emissions reporting figures. Readers will note that our FY2018 and FY2017 Scope 1 and 2 emissions and energy consumption figures have changed from those reported in our previous disclosures (eg. APA's 1H FY2019 Directors' Report). This change is due to identified unit and accounting errors which have been clarified and agreed with the Clean Energy Regulator and are now also rectified in APA's emissions reporting processes.

The significant reduction in Scope 2 emissions from FY2017 to FY2018 is almost entirely attributable to line loss from the Directlink Interconnector. Whilst the CER has confirmed their satisfaction with the Scope 2 data, APA is undertaking additional work to understand the reasons for the variance, including investigating operational trends as well as the integrity of line loss raw data.

	FY2018	FY2017	%Change
Scope 1 <sup>(1)</sup> CO <sub>2</sub> emissions (tonnes)	1,205,766	1,241,632	-2.9%
Scope 2 <sup>(2)</sup> CO <sub>2</sub> emissions (tonnes)	178,445	367,387	-51.4%
Energy consumption <sup>(3)</sup> (GJ)	25,777,203	26,793,268	-3.8%

Notes:

(1) Scope 1: emissions associated directly with APA facilities, such as company vehicles, 'fuel combustion' and fugitive emissions from gas pipelines.

(2) Scope 2: are indirect emissions such as consumption of purchased electricity/fuel not generated by the facility but used under its operations or electricity line loss.

(3) Energy Consumption is referring to the total calculation of all energy consumed and produced by APA across all facilities.

*\*Due to the timing of reporting, FY2019 information is not available at the time of this report. FY2019 data will be reported in October 2019 and updated on the APA website at this time.*

### Greenhouse Gas and Pollutant Reporting

In FY2019, APA continued an Environmental, Social, Governance (ESG) environment reporting work stream to improve reporting methodologies. This work involved mapping the source of greenhouse gas and select pollutant data inputs with reporting requirements and processes. As a part of this project, we also assessed data management systems and processes for accountability.

One of the key outcomes of this work was the development of a company-wide framework for greenhouse gas and select pollutant reporting. The framework comprises a streamlined data collection and verification process to ensure data accuracy and integrity, and a governance procedure that clearly defines roles and responsibilities across all business units.

As part of this work, a series of improvement tools and procedures have been developed which include standardised NGER and National Pollutant Inventory (NPI) reporting tools, operational control determination and reporting obligations procedure, reporting governance procedure and a series of data collection templates.

In addition to NGERs and NPI reporting, APA voluntarily participates in the CDP Climate Change Survey annually.

### Water Management

Watercourses are of major environmental, social and economic value to Australia, and a sensitive environmental feature relevant to APA's activities. Watercourses, including surface and groundwater resources, link together other environmental features such as native vegetation and fauna.

We strive to manage interactions with watercourses associated with our projects and ongoing operations in order to minimise risks to the environment, community and local businesses and landowners. Our management approach is based on the principles of avoidance, minimisation, mitigation and adaptive management. Ineffective management of watercourses can breach APA's Environmental Management Plans,

operating and social licences, as well as potentially damaging our company's reputation and operations.

Within APA's operations, processes which consume or utilise significant amounts of water include (but are not limited to):

- gas-fired power generation activities (including cooling towers);
- hydrotesting of new pipelines;
- concrete cutting;
- hydro-blasting / non-destruction digging; and
- dust suppression on major projects / excavations.

### **Waste Management**

APA produces a variety of waste depending on the site and area of the business.

In a joint initiative between the Environment and Corporate Procurement teams, in FY2019 APA conducted a rationalisation exercise to identify opportunities for improvement in how we manage waste, the types of waste produced, and the waste management processes and services employed.

This included analysis of waste and wastewater information for each site leased, owned and used by APA across the country, and engagement with APA's largest waste providers. Work to realise efficiencies in our waste practices will continue in FY2020.

### **Vegetation Management**

Native vegetation can be managed to accommodate and mutually benefit environmental, social and business stakeholders. For instance, native vegetation maintains ecological biodiversity, provides community amenity and prevents erosion which helps maintain pipeline integrity.

Conversely, unmanaged native vegetation can increase the risk of invasive root damage to gas pipelines and / or create a fire hazard or restrict access to facilities. APA adopts the principles of avoidance, minimisation and risk management to determine how native vegetation (and activities which impact upon native vegetation) shall be treated from the most desirable (avoid impacts) to least desirable option (impact and rehabilitate).

At times, difficult decisions need to be made with regards to the maintenance and pipeline rectification works. For example, in FY2019 APA had to remove two trees on Alphington Street in Melbourne to facilitate necessary pipeline rectification works to preserve the integrity of the 250 millimetre diameter pipeline that runs under Alphington Street. Extensive community consultation, review and discussion took place including engaging engineering firm GHD who thoroughly assessed a range of alternative options. The options were assessed against a number of factors including environmental impact, significance of disturbance to the local community, cost and the safety to public and our employees. It was deemed that the most suitable option, with the least amount of impact was the removal of the trees. APA committed to a more than equivalent offset of tree plantings (approximately 50 new trees planted).

### **Protecting native fauna**

Protecting native fauna (and their habitat) and minimising impact on livestock and domesticated fauna is also a key environmental consideration. Examples of APA's activities which could impact native and non-native fauna include:

- Vegetation and easement management;
- Vehicle and personnel movements;
- Ground and aerial patrols;
- Earthworks;
- Maintenance activities; and
- Excavation/trenching.

Important species and habitats are covered under State/Territory government laws, and nationally significant, or migratory species are managed by the Commonwealth as Matters of National Environmental Significance (MNES).

APA adopts many measures to ensure minimal disturbance to fauna in operational areas. For instance, wherever safe, practical and required, APA utilises certified and/or qualified fauna spotter/handlers during vegetation and fauna management activities in areas identified as containing important species or habitat, inspecting in advance of clearing and relocating fauna.

**Case Study: Bilby Research Project**

APA core business includes constructing and operating pipelines, often in areas which intersect protected or threatened species and their habitat. APA's Carpentaria Gas Pipeline (CGP) intersects habitat of some of the last known Bilby populations in Queensland. The bilby is listed as a 'vulnerable' species in the IUCN Red List.

APA's CGP Environmental Authority requirements are to maintain a Bilby Management Plan and undertake annual Bilby population monitoring around the Davenport Downs Compressor Station. The monitoring has demonstrated that Bilbies and our pipeline operations co-exist well, and we appear to have had no detrimental impact on their population.

To gain an understanding of the existing pressures on Bilby populations in QLD, the University of Queensland is coordinating a study on captive-bred Bilbies being released into a 2,850-hectare predator-proof reserve at Currawinya National Park, 1,000km west of Brisbane, south of the South West Queensland Pipeline.

In FY2019, APA supported this study by funding the purchase of tracking devices which will allow assessment and monitoring of the health, behaviours and movements of Bilbies in order to understand resilience of the species in new environments and potentially provide individuals to be released into future alike reserves.

**Establishment of Industry Environmental Risk and Compliance Subcommittee**

In addition to internal governance mechanisms, APA is a member of the Australian Pipelines and Gas Association (APGA), the peak body representing Australasia's pipeline infrastructure. In FY2019 with the support of APA, the APGA launched an Environmental Risk and Compliance Sub-committee. Sitting underneath the broader Health, Safety and Environment Committee, the Environment Subcommittee brings together representative organisations from across the industry to share environmental management information, provide guidance and contribute to discussions on environmental regulatory change that affect the industry. APA's representatives on this Committee played an integral role in leading the development of the APGA Environmental Code of Practice.

Actions for FY2019	Performance		
	Achieved	In Progress	Not achieved
Continue to expand our renewable energy portfolio with the scheduled commissioning of the Darling Downs Solar Farm and the Badgingarra Wind and Solar Farms.		√	
Contribute to industry and government policy discussions on environmental regulation and climate policy	√		
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.	√		
Explore and analyse risks and opportunities associated with ESG and climate risk across our business in accordance with the TCFD guidelines.	√		

Actions for FY2020
Progress Environment Management Plan Improvement Program
Implement improvement tools and procedures for compliance with NGER and NPI reporting
Plans to improve electricity and water usage data gathering and monitoring
Continue work to realise efficiencies in our waste practices
Development and implementation of the next 3 year HSE Strategic Plan
Target Metrics for FY2020
Deliver 9 planned Environmental Management Plans under EMP Improvement Program
Environmental Regulatory Notices Received <0

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> <li>Damage to the environment through air emissions, release of chemicals or hydrocarbons, inappropriate waste storage and disposal, the disturbance of heritage sites or protected flora and fauna.</li> </ul>	<ul style="list-style-type: none"> <li>APA's HSE Management System, "Safeguard" provides a framework to manage our Health, Safety and Environment risks.</li> <li>Operational procedures underpin this framework and include important steps to manage environmental risks such as waste storage and disposal, the handling and storage of chemicals and prevention of the spread of declared weeds.</li> <li>APA has in place management plans that identify local environmental risks and outline control measures that are applied and integrated into our operational procedures.</li> </ul>

## Community

Maintaining community support and goodwill for APA's activities is critical for the success of our business. We know that our social licence to own and operate our assets and therefore the success of our business is dependent on creating a positive impact on the local communities in which we work. APA also recognises that every community has insights, knowledge and experiences that can add value to or improve the outcomes or activities we undertake in a particular location. By tapping into these insights, knowledge and experiences, APA can improve its decision-making processes and develop better and more sustainable ongoing solutions for the benefit of all stakeholders and particularly the communities in which we operate.

We seek to build open, ongoing relationships with our community stakeholders and to facilitate clear channels of communication and feedback. We seek a two-way exchange of information which is reliant on regular input and views from our landowners, neighbours and local communities with regards to the projects and business activities we undertake (or proposes to undertake) in a region.

Communities that APA works with include:

- Residents;
- Landowners;
- Businesses and industry associations;
- Local and state government authorities or committees;
- Federal & State Government agencies and statutory bodies;
- Visitors to a region;
- Resident and community associations;
- Local or regional interest groups;
- Traditional Owners and Cultural Groups;
- Service providers, suppliers and contractors; and
- APA Group securityholders.

There are three overarching work streams that comprise APA's approach to community. Firstly the Infrastructure Protection Program, secondly community engagement for new projects and thirdly, corporate community investment. An overview and update on these three work streams is detailed below.

In addition, APA is a contributor to the broader Australian economy and community. During FY2019, APA:

- Paid \$1,205 million to suppliers;
- Paid \$195 million to employees;
- Paid \$287 million<sup>5</sup> in taxes to Australian based authorities.

### Infrastructure Protection Program

APA runs a multifaceted infrastructure protection program that covers its 15,000km of existing pipeline assets. This includes a landholder contact program, third party awareness

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<sup>5</sup> Includes corporate tax, GST, Payroll Tax and PAYG withheld from salaries and wages

programs (including promotion of Dial Before You Dig), aerial patrols, corridor condition inspections, and urban encroachment management.

APA engages with its landowners in a number of ways throughout each year. Our co-ordinated Landowner Contact Program facilitates face to face visits to all owner and occupiers of land where APA pipelines are located.

The purpose of the visit is to communicate how to:

- Work and live safely near the pipeline;
- Remind people of the need to seek approval for any works they wish to undertake over or adjacent to the pipeline, and;
- Check if there are any concerns with matters such as erosion, weed outbreaks subsidence and other land management matters.

Where face-to-face meetings cannot be arranged, contact is made by phone or letter. This program serves to maintain relations with landholder contacts and keep details up to date. APA also records any specific access or notification requirements to ensure we are able to meet landholder requirements.

FY2019 saw APA complete almost 8,600 such visits in:

- Western Australia: 650;
- Northern Territory: 100;
- Queensland: 1,200;
- New South Wales: 1,500; and
- Victoria: 5,150.

APA continually strives to maintain good landholder relations, and understand and observe landholder requirements, supported by maintaining a single point of contact (as much as possible). During FY2019 APA set up a system of alerts for change in ownership, which will trigger a proactive discussion with a new landowner.

### **New Projects: Engaging with community and landowners**

At the outset of each new project, APA develops a Stakeholder Engagement Strategy followed by a Community Engagement Plan. The Stakeholder Engagement Strategy is the overarching framework that documents how APA manages Stakeholder and Community Engagement for the project, with a particular focus on the regulatory requirements for consultation. The primary objectives of this process is to:

- Ensure a consistent consultation approach is adopted during the Project;
- Meet the statutory requirements and expectations of regulatory agencies in relation to the consultative processes used by the Project for engaging with stakeholders;
- Ensure that consultation activities enable stakeholders to better understand the Project through the timely distribution of Project information that is presented in an understandable format;
- Ensure that APA is able to understand the views of stakeholders;
- Ensure landowners and occupiers are sufficiently informed about the Project, the aspects that they can influence, and their rights;
- Allow landowners and occupiers to have input into those aspects of the Project that could affect them (including the potential route for a pipeline); and
- Outline the process of consultation with landowners and occupiers and the complaints process, to ensure consistency with regulatory requirements.

The Community Engagement Plan details how APA will engage and communicate with community stakeholders that sit outside of regulatory requirements such as community and

business groups, special interest groups, indigenous representative groups, media and the general public.

The project stakeholder lists and plans are continually reviewed and updated as work progresses. A formal update of all plans occurs prior to the commencement of construction.

During April and May 2019, in an effort to improve our social performance, APA engaged a specialist consultant to review several of our recent projects, assessing the effectiveness of community and stakeholder management during large development projects and making recommendations for improvement.

The resulting report found that APA had strengths in timely stakeholder engagement, especially in the Plan and Deliver stages of a project, landowner communications, planning documentation and complaints processes. The areas identified for improvement which APA will begin to progress during FY2020 included:

- Better issues tracking and management;
- Developing more comprehensive approaches to local supply chain involvement and indigenous employment; and
- Broader local community investment programs.

#### **Case Study: Hastings Pipeline Realignment**

Throughout March 2019, the APA Project team door-knocked 180 businesses in Hastings to discuss the potential impacts of the pipeline alignment options as part of the proposed Crib Point Project. A Business Impact Forum was also convened to provide further information which was attended by eight local businesses.

The feedback from these activities indicated a strong community preference for a revised alignment that would reduce disruptions to Frankston-Flinders Rd during construction for businesses and motorists. By relaying this sentiment, APA subsequently secured agreement from VicTrack to re-route a key section of the pipeline adjacent to the Stony Point rail line corridor.

The pipeline design will continue to be refined during the planning phase through landowner and community consultation, detailed environmental studies and consideration of public comment.

#### **Western Slopes Pipeline**

APA is progressing preliminary studies for construction of a 460 kilometre (approximate) gas pipeline – the Western Slopes Pipeline, connecting natural gas from Santos' proposed Narrabri Gas Project to the New South Wales gas transmission network, via the Moomba Sydney Pipeline.

The Western Slopes Pipeline will facilitate the transportation of natural gas from new supply areas in north-west NSW to help meet the State's future gas needs. The development of additional natural gas production will provide increased competition in the national gas market. That is good for consumers and promises greater energy security and economic and social benefits for regional communities.

APA has undertaken route planning and impact assessment on the basis of a nominal pipeline capacity of 200 terajoules of gas per day. This equates to approximately 50% of New South Wales' current demand for gas.

In October 2018 APA announced that we would defer submission of the Environmental Impact Statement (EIS) for the Western Slopes Pipeline until the assessment of the Narrabri Gas Project EIS has further progressed. APA continues to monitor the progress of the Narrabri Gas Project closely. APA understands certain community concerns in respect of the project and will proactively engage and work with the community and other stakeholders regarding the project during FY2020 with a view to appropriately addressing concerns.

### **Orbost Gas Processing Plant Upgrade Project**

On 1 November 2017, APA Group acquired the existing Orbost Gas Processing Plant and the connecting export pipeline to the Eastern Gas Pipeline. The plant (previously owned and operated by Santos and known as the Patricia Baleen Gas Plant) has undergone an extensive upgrade over the last 18 months. Once operational, the gas processing plant and the connected pipeline will supply gas to meet market demand from the Australian eastern seaboard. Cooper Energy owns and will operate the offshore Sole gas field and under-sea pipeline supplying gas to the plant.

Once construction and commissioning is completed, the Orbost Gas Processing Plant is expected to deliver up to 70 terajoules of gas per day into the network commencing in Q4 FY2019.

The construction phase of the Orbost Gas Processing Plant has provided a boost to the local and regional economy, with beneficial flow-on into the community. During this time, there have been employment and business opportunities for local contractors and suppliers and from nearby regional centres such as Sale and the Latrobe Valley.

APA has been progressing a comprehensive program of community and stakeholder consultation over the planning and construction periods of the project, including:

- Establishment of a microsite website, a 1800 information line and project email addresses, including an email address for the lodging of local interests for suppliers and individuals on the project;
- Direct engagement with the Consultation Advisory Committee (chaired by Deputy Mayor of East Gippsland Shire Council) with members from the local business, government and community interest groups;
- Direct contact with landowners along the export pipeline alignment followed by individual landowner briefings and regular ongoing contact;
- Community information sessions;
- Presentations to existing forums including East Gippsland Shire Council (including a site visit by councillors), the Metropolitan Emergency Management and Planning Network, and direct engagement with Country Fire Authority, State Emergency Service, Police, Ambulance, hospitals, schools, etc, and special interest groups;
- Direct engagement with interested Aboriginal Parties in accordance with their Cultural Heritage Management Plan responsibilities for investigation of proposed ground disturbing works and artefact re – burials; and
- Sponsorship of local sporting and community groups.

## Corporate Community Investment

### Building Brighter Futures through Community Investment

Building Brighter Futures is APA's Community Investment Program. The program connects our business and our people to the communities where we work and live by supporting initiatives to improve the future prospects for vulnerable Australians. Our long-term corporate partnerships are focused on addressing disadvantage in Indigenous Australians through education, sport and health programs.

Our core partnerships are:

- [Clontarf Foundation](#): a program based around Indigenous Australian boys' passion for football, it improves the education, self-esteem and employment prospects of young men.
- [The Fred Hollows Foundation](#): the Foundation's Australian program is focused on improving the health and wellbeing of the Australian Indigenous community. Aboriginal and Torres Strait Islander people are still three times more likely to be blind than other Australians. APA has been supporting the Fred Hollows Indigenous Australia program since 2014.
- [Rev Bill Crews Charitable Trust](#): a program to empower young Indigenous youths through education and literacy and so protect them against the prospect of future unemployment and homelessness.

In addition to monetary donations, in FY2019, APA employees participated in leadership experiences, employment workshops and hosted site visits and work experience with Clontarf Academy students. APA also hosted a CEO boardroom lunch to promote the work that Clontarf does to 20 other CEOs of corporations that may wish to support Clontarf in the future.

APA representatives attended medical missions supported by the Fred Hollows Foundation and invited Fred Hollows representatives to speak to our employees during NAIDOC week celebrations to provide insights and have conversations about Australia's Aboriginal and Indigenous community and culture. The Foundation provided panel speakers at Sydney, Melbourne and Brisbane events, and their thought-provoking conversation provided insight into the work they undertake which is supported through our partnership.

#### **Case Study: The Fred Hollows Foundation: See Australia**

See Australia is a unique opportunity for corporate partners of The Fred Hollows Foundation to visit sight-restoring programs in remote communities in Australia.

In 2018, APA employees visited remote communities to see the impact of APA's support firsthand. In 2019, See Australia took a group of supporters, including from APA, to Katherine in the Northern Territory, to see an Intensive Eye Surgery Week.

At Katherine Hospital, visiting participants saw patient consultations, screenings, cataract surgery, and eye patches being removed, resulting in people seeing again for the first time in many years.

One patient, Mildred, travelled three hours from Roper Valley to Katherine for her surgery. She had cataracts in both eyes. When her patch was taken off, Mildred was overjoyed. She touched the faces of everyone around her saying, "I can see you! I can see you!".

The group also went to a local Aboriginal Community Controlled Health Service, Wurlu-Wurlinjang, to hear from local health professionals about delivering eye health care in remote and underserved communities.

## Employee Involvement

Building Brighter Futures also supports a number of causes close to the hearts of APA people through our annual employee community event calendar. APA matches funds raised by employees, up to \$10,000, for each of these four charities.

Supported events include Australia's Biggest Morning Tea (Cancer Council), Black Dog Institute (mental illness), Pink Ribbon Day (Cancer Council) and Movember (men's health).

In addition to supporting Indigenous health and fundraising for worthy events, APA supports diversity and inclusion initiatives through corporate donations and on-the-ground support for:

- Orange Sky Laundry: the world's first free mobile laundry service for the homeless;
- Dress for Success: an organisation focused on helping women get back to work, empowering them to achieve economic independence; and
- White Ribbon: an organisation engaging men to play a key role in preventing violence against women.

We also continued our support for Taronga Zoo, the Australian Brandenburg Orchestra and participated for the second year in the Sydney Street Choir, raising funds and awareness of homelessness, addiction and mental health.

Complementing our Building Brighter Futures program, APA also makes donations to local community-based organisations or initiatives. These include:

### Orbost (Victoria)

APA provides donations to the Orbost Agricultural Society, Orbost Cricket Club, Orbost Snowy Rovers Football and Netball Club.

### Darling Downs (Queensland)

APA participates in community events and has provided tours of the solar farm as part of the local council industry promotion programs.

### Emu Downs (Western Australia)

APA has contributed to the purchase of a local fire truck and shed.

### Badgingarra (Western Australia)

10,000 kilograms of scrap metal from the Badgingarra Solar Farm project was donated to the local Men's Shed group for their activities, providing the opportunity for local men to learn skills and build friendships.

## Memberships

APA's key strategic memberships are:

- Australian Pipeline and Gas Association (APGA);
- Business Council of Australia;
- Clean Energy Council;
- Energy Policy Institute;
- Qld Resources Council;
- Future Fuels Cooperative Research Centre (CRC);
- Energy Pipelines Cooperative (EPC); and
- Hydrogen Mobility Australia.

Actions for FY2020
Developing and implementing a more comprehensive and integrated approach to social performance across APA's activities, from supporting local regional communities to industry initiatives.
Better issues tracking and management of projects
Developing more comprehensive approaches to local supply chain involvement and indigenous employment.
Project to further standardise APA's community consultation approach.
Continue support of our community investment program, Building Brighter Futures, through headline partnerships and by promoting and supporting fundraising events across the business.
Continue to financially support community events by encouraging and empowering APA worksites across Australia to organise fundraising events.

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> <li>Community Relations – Maintaining community support and goodwill for APA's activities.</li> </ul>	<ul style="list-style-type: none"> <li>APA engagement with community interests including through local sponsorships.</li> <li>Community education and communication for construction activities including "Dial Before You Dig" (DBYD) service.</li> <li>Landowner liaison and education.</li> <li>Participation in Australian Pipelines and Gas Association Corridor Committee/pipeline operator groups.</li> <li>Liaison with council and planning authorities to manage potential encroachment issues.</li> </ul>

## Procurement

APA is committed to making informed procurement decisions. Our goal is to make optimal procurement decisions that meet the needs of our customers, and address human rights, health and safety and environmental requirements, in addition to other criteria.

Sourcing, category management and contractor and supplier management for goods and services is undertaken at the level for each category deemed most appropriate by APA – be it at a national, regional, and/or individual asset/site level.

### APA Supplier Prequalification (ASP) Program

We are now entering the second year of working within the [APA Supplier Prequalification Program](#) to improve key supplier compliance and alignment with APA's Stars values.

We are leveraging streamlined question sets in the APA procurement tool, called Browz in order to simplify compliance and the tendering and ongoing business interfaces with 200 of our key suppliers. The tool allows APA staff to view supplier compliance information, documentation such as certificates of insurance and corporate safety performance statistics and safety management documentation to supplement the information in Safeguard.

Going into FY2020 we will be extending the reach of the program to include more key suppliers and to support APA's response to Anti-bribery and Corruption, Modern Slavery, and Labour Hire and Chain of Responsibility legislation.

### Human Rights and Modern Slavery

In early FY2019, the Board approved our updated [Code of Conduct](#) which includes a section on respecting human rights. APA supports human rights consistent with the United Nations Universal Declaration of Human Rights and has no tolerance for using suppliers and contractors who engage in exploitive behaviours of modern day slavery such as child labour, debt bondage, inhumane treatment of employee and forced or compulsory labour.

APA will report under the Modern Slavery Act 2018 (Cth) and expects to submit its first Modern Slavery Statement in December 2020. Work on APA's supply chain completed in FY2019 has included classification of product categories and initial determination of risk levels based on category, industry sector and geopolitical risk.

The risk management approach will consider APA spend, location, product category, location and APA's brand and will be tested in FY2020 to identify focused supplier risk assessment requirements. The approach will be documented, communicated and rolled out via updates to a number of procurement procedures including Browz™, APA's supplier pre-qualification tool.

## Business Continuity, Emergency Response & Crisis Management

APA's approach to business recovery is integral to our operations and values. Our integrated approach to Business Continuity, Emergency Response and Crisis Management seeks to protect our assets, property, people and IT systems, and considers the environment and local communities we impact.

APA maintains a policy encompassing the principles and key requirements for business continuity, emergency response and crisis management and brings together the underlying frameworks into a consolidated capability.

In FY2019 APA completed all planned testing on business continuity, emergency response and crisis management exercises with learnings and improvements identified incorporated into plans and testing in future years.

APA maintains and continually reviews a number of crisis scenarios including asset explosion, cyber-attack, loss of Executive team members and major environment spill. At least one crisis test is undertaken annually with results reported to the Board and updates made to the Crisis Management Framework. During FY2019 a test was successfully completed on detention of members of the Executive Team.

APA also regularly participates in internal and external testing of emergency response procedures, exploring scenarios and stress testing our infrastructure asset recovery capability and plans. This improves government and private industry collaboration and understanding of cross sector and cross industry dependencies in event of an incident, emergency or crisis. Information shared contributes to APA's capability to manage new situations and is a key element of broader industry resilience.

In FY2019 we:

- Continued to participate in the Australian Government's Trusted Information Sharing Network for Critical Infrastructure, with attendance at workshops and information sharing sessions with representatives from the banking and finance, communications, food and grocery and health sectors along with the Police. The exercise focused on emergency information and communication needs, interdependencies between the different sectors and the importance of raising awareness amongst all stakeholders.
- Participated in workshops with the Energy Sector Group (ESG) to exchange information on infrastructure resilience issues affecting the energy sector and the Sector Resilience Network (SRN) in Victoria organised by Department of Environment, Land, Water and Planning (DELWP) to address challenges and opportunities for critical infrastructure resilience as part of the Victorian Government's Critical Infrastructure Resilience Strategy.

Actions for FY2020
Ongoing updates to plans for changes to critical business processes
Planning and testing on agreed test plans for business continuity and emergency response
Completion of planned disaster recovery testing and a cyber-response test
Completion of a crisis management test

## GLOSSARY

Climate Change Authority	The Climate Change Authority provides independent, expert advice on climate change policy. The Authority is established under the Climate Change Authority Act 2011. Visit: <a href="http://climatechangeauthority.gov.au/">http://climatechangeauthority.gov.au/</a>
CFA	Country Fire Association. The CFA is a volunteer and community based fire and emergency services organisation. Visit: <a href="https://www.cfa.vic.gov.au/home">https://www.cfa.vic.gov.au/home</a>
CSIRO	The Commonwealth Scientific and Industrial Research Organisation is an independent Australian federal government agency responsible for scientific research. Visit: <a href="https://www.csiro.au/">https://www.csiro.au/</a>
Dr Finkel	Dr Alan Finkel AO is Australia's Chief Scientist and was Chair of the Expert Panel that conducted the Australian Government's Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future, Commonwealth of Australia 2017. <a href="https://www.energy.gov.au/sites/default/files/independent-review-future-nem-blueprint-for-the-future-2017.pdf">https://www.energy.gov.au/sites/default/files/independent-review-future-nem-blueprint-for-the-future-2017.pdf</a>
EIS	Environmental Impact Statement
Energy Pipelines CRC	The Energy Pipelines CRC (Cooperative Research Council) was established in early 2010 for the purposes of providing research and education to support and benefit the energy pipelines industry in Australia. It is a user led CRC with its industry participants represented by the Australian Pipelines and Gas Association Research and Standards Committee (APGA-RSC). The research participants are the University of Adelaide, the University of Wollongong, Deakin University and RMIT University. Visit: <a href="https://www.epcrc.com.au/about">https://www.epcrc.com.au/about</a>
Finkel Review	The Finkel Review refers to the Australian Government's Independent Review into the Future Security of the National Electricity Market which was Chaired by Australia's Chief Scientist, Dr Alan Finkel
Future Fuels Cooperative Research Centre (CRC)	Established in 2018, the Future Fuels CRC supports Australia's multibillion dollar energy sector to transition to low-carbon fuels. These fuels will be delivered through both new and repurposed infrastructure to meet the needs of the whole energy market – electricity, transport, agriculture, mining, building, industrial and residential sectors. Visit: <a href="https://www.futurefuelscrc.com/about-us">https://www.futurefuelscrc.com/about-us</a>
HSE	Health, Safety & Environment. A business function with APA
LTIFR	Lost Time Injury Frequency Rate
IEA	International Energy Agency. Visit: <a href="https://www.iea.org/">https://www.iea.org/</a>
IUCN	International Union for Conservation of Nature's

MW	Megawatts
NGER	The National Greenhouse and Energy Reporting Act 2007 (NGER Act) introduced a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption. Visit: <a href="http://www.cleanenergyregulator.gov.au/NGER">http://www.cleanenergyregulator.gov.au/NGER</a>
NPI	National Pollutant Inventory. Visit: <a href="http://www.npi.gov.au/">http://www.npi.gov.au/</a>
Paris Agreement	The Paris Agreement calls all nations to the common cause of keeping a global temperature rise to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. See <a href="https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement">https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement</a>
SES	State Emergency Service
TJ	Terajoule
TRIFR	Total Recordable Injury Frequency Rate
UNFCCC	United Nations Framework Convention on Climate Change. Visit: <a href="https://unfccc.int/">https://unfccc.int/</a>