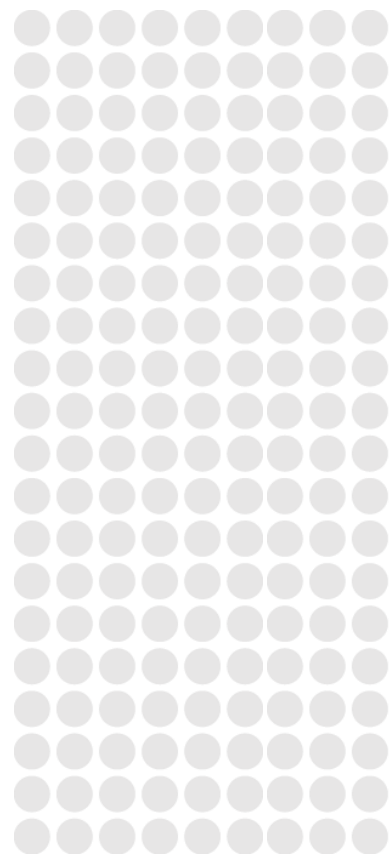




APA Group

Sustainability Report.

For the financial year ended
30 June 2016



energy. connected.

1 Our Sustainability Approach

APA Group ("APA") is one of Australia's largest companies – in fact we are Australia's number one gas infrastructure business and as such are a leader within the energy industry, playing a key role in defining and delivering the future of Australian energy.

Our reputation is important to us as we strongly believe that how we conduct our operations is key to growing a sustainable business. Infrastructure and energy needs are long term investments as is the investment we make in our five stakeholder groups – investors, customers, the environment, communities and our employees. Our vision is to connect Australia to its energy future and to do this we must connect with and respect our stakeholders.

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

Safe

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

Trustworthy

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

Adaptable

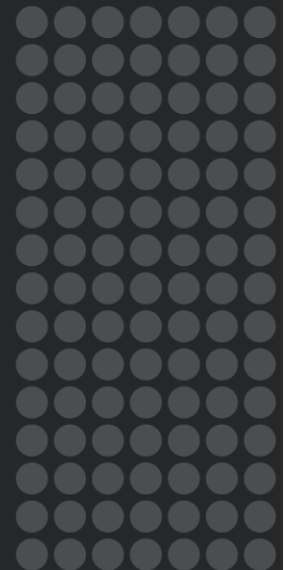
We respond and adapt to our changing environment by innovating, modifying our behaviours and improving our processes and systems.

Results

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

Service

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



The FY2016 Sustainability Report details APA's financial year performance against sustainability actions for FY2016, as well as outlining the material economic, environmental and social sustainability risks and how APA mitigates those risks.

2

Message from Mick McCormack, Managing Director

At APA, we continue to manage and grow our business by focusing on our key sustainability objectives. We focus on delivering sustainability initiatives while keenly aware of the role we play within the community and the responsibility we have to our stakeholders –our Customers, the Environment, our Community, our Employees and our Investors. It gives me great pleasure to provide an update on some of these key sustainability initiatives in our FY2016 Sustainability Report.

Our people are our greatest asset and we have continued our commitment to keep them safe through our culture of Zero Harm. While it is disappointing to report a small increase in the Lost Time Injury Frequency Rate from the prior year, we are unrelenting in our health and safety initiatives to ensure everyone is able to return home safely to their families at the end of each day.

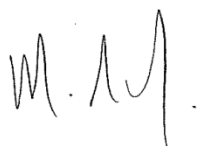
Mindful of our responsibility to the community, we have continued our Building Brighter Futures community investment program. Established in 2010, the program includes partnering with organisations focused on supporting disadvantaged young Indigenous Australians and on supporting four employee-nominated causes. The program's broader aims are to improve future prospects of at-risk Australians and to connect APA as a business and our people to the communities in which we operate. It has been a privilege to continue our partnerships with the Clontarf Foundation, the Rev Bill Crews Foundation and The Fred Hollows Foundation, which has included APA staff involvement in our partners' activities.

At the core of the success of our business are our customers. It is pleasing to report that during FY2016 we completed a number of projects to further enhance our customer offerings and enable us to provide flexible and creative solutions in response to our customers' changing needs.

We recognise the potential to impact the environment through our business activities and, with this in mind, continued to pursue a high standard of environmental management. Our purpose is not only to address risks and meet our legal obligations, but to ensure we preserve and restore the natural state of the areas we operate in, and minimise any possible impacts to flora and fauna, and their dependent habitats.

The shift towards a low carbon economy is front of mind in APA's growth aspirations. In FY2016, we again – for the sixth time - participated in the voluntary Carbon Disclosure Project, scoring highest amongst our direct peers. We also joined the Clean Energy Council to further our knowledge of renewable energy and low carbon markets, as we continue the development of wind and solar renewable energy projects and expand our low emission generation portfolio of assets.

In FY2017 we will continue our commitment to maintaining and growing a sustainable business through several programs and initiatives that provide value to our customers, the environment, the communities, employees and investors.



Mick McCormack

3 Customers

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

- Providing market-leading flexible solutions to meet our customer' changing requirements.
- Ensuring the highest level of service reliability to enable customers to manage their operations.
- Delivering value to customers by efficiently and reliably utilising the capacity of APA's infrastructure assets.
- Working with customers to provide optimal energy market solutions.



New injection and withdrawal well completed at Mondarra Gas Storage Facility during FY16, increasing storage

FY2016 Performance	Actions for FY2017
<ul style="list-style-type: none"> • New agreements negotiated to support further capacity expansion of the Victoria – Northern Interconnect. • Completed the construction of the 293 kilometre Eastern Goldfields Pipeline ahead of schedule leading to earlier commissioning and start of gas transportation agreements with AngloAshanti Gold. • Entered into a contract to deliver gas transportation services to a new customer using the Eastern Goldfields Pipeline. • Completed compression and pipeline projects to provide bi-directional gas transportation services on the East Coast Grid enabling APA to provide our customers with flexible and innovative services in a dynamic gas market. • Entered into a number of flexible agreements which incorporate multiple receipt and delivery points on the East Coast Grid, including a service for a new customer on the Wallumbilla Gladstone Pipeline servicing the Gladstone market. • Continued to offer web-based capacity trading services to facilitate trades between buyers and sellers of capacity. • Completed migration of APA's gas transmission pipeline assets to the Integrated Operations Centre ("IOC"), to holistically manage day to day operations. • Completed an enhancement to the Mondarra Gas Storage Facility, enabling greater reliability and capacity. Contracts for new services have been entered into. • Completed construction of the new South Metro gate station off the Parmelia Gas Pipeline, enhancing gas security of supply for metropolitan Perth. 	<ul style="list-style-type: none"> • Progress the further expansion of the Victoria – Northern Interconnect. • Maximise use of existing assets and profitably continue to expand APA's asset portfolio in order to meet customers' needs. • Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' diverse requirements across the nation. • Implement new service offerings for capacity trading capability. • Continue to refine the IOC and grid operations to deliver reliable supply and enhanced services.

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> Demand for gas – The volume of gas that is transported by APA is dependent on end user demand. The relative price of gas and its competitive position with other energy sources (such as electricity, coals, fuel oil, renewable sources) may change demand levels for services on APA's assets. 	<ul style="list-style-type: none"> Long-term agreements with strong counterparties underpin assets. Flexible and creative customer solutions. Complementary investments in gas storage and power generation and continued evaluation of emerging fuels such as wind farms.
<ul style="list-style-type: none"> Supply of gas – Availability of competitively priced gas is essential for ongoing use of gas infrastructure assets. 	<ul style="list-style-type: none"> Long term agreements with strong counterparties underpin assets. Connect more gas resources with more gas markets such as: <ul style="list-style-type: none"> East Coast Grid provides flexibility for customers to manage their gas portfolios. Expansion of interconnect between Victoria and New South Wales. Working with new / emerging gas producers to bring new gas supply to market. Provide infrastructure connectivity to existing and emerging gas markets.
<ul style="list-style-type: none"> Counterparty – If a counterparty is unable to meet its commitments to APA, there is risk that future anticipated revenue would be reduced unless and until APA is able to secure an alternative customer. 	<ul style="list-style-type: none"> Credit worthiness test applied to new customers, and ongoing monitoring. Appropriate customer guarantees in place.
<ul style="list-style-type: none"> Operations – APA and our asset management customers are exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines and technological failures. 	<ul style="list-style-type: none"> APA operates assets in accordance with all relevant regulations and standards. In-house operating, maintenance and engineering expertise.
<ul style="list-style-type: none"> Economic regulation – APA may be negatively impacted as a result of a change in regulatory settings. The regulatory test for inclusion of gas pipelines being subject to economic regulation is expected to be reviewed by the Gas Market Reform Group, newly appointed by the Council of Australian Governments ("COAG"). 	<ul style="list-style-type: none"> Regulatory regime is well understood and encapsulated in national law. The reset dates of APA's price regulated assets are staggered, with on average one review each year. Composition of asset portfolio is optimised to manage exposure to regulator settings. Engagement with policymakers.



Mick McCormack (APA's Managing Director), Hon Bill Marnion (WA Minister for Mines and Petroleum) and Mike Erickson (Senior VP, AngloGold Ashanti) at the official opening of Eastern Goldfields Pipeline in February 2016.

4 Environment

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

- Protecting the natural environment in which we operate and managing impacts to biodiversity and landscapes.
- Conforming to the Australian Pipelines and Gas Association ("APGA") Code of Environmental Practice.
- Complying with emissions reporting obligations.
- Contributing to policy and responding to climate change initiatives to promote the use of gas as essential to a cleaner energy mix.
- Including the environment in all investment and procurement decision-making.
- Evaluating complementary clean energy projects.

FY2016 Performance	Actions for FY2017
<ul style="list-style-type: none"> • There were no material breaches of Environmental Management Plans (or equivalent), leading to full regulatory compliance. • Initiated and commenced delivery of the 2015-2017 Environment Strategy and Improvement Plan, designed to improve our corporate environmental governance framework. • Engaged with government to promote the role of gas in a carbon - constrained economy, directly and through industry associations. In FY2016 APA joined Clean Energy Council to gain further exposure to renewable energy and carbon markets. • Participated for the sixth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of ranked highest amongst its direct peers. • Continued to develop the wind and solar renewable energy projects at Emu Downs Wind Farm. Emu Downs Solar Farm was shortlisted in the \$100 million ARENA large-scale solar program. 	<ul style="list-style-type: none"> • Continue to apply control measures in line with APA's environmental procedures, leading to compliance with license and regulatory requirements. • Continue to deliver initiatives according to the Plan schedule, leading to continual improvement of our Environmental Management System. • Participate in policy discussions and promote the role of gas as an important contribution to meeting Australia's 26-28% Paris COP21 carbon reduction commitment. • Maintain carbon market expertise and knowledge should energy markets shift to clean fuels such as wind, solar and gas. • Evaluate wind and solar generation opportunities now that there is greater certainty in the federal Renewable Energy Target policy.

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> • Significant damage to the environment and breach of environmental regulatory requirements have the potential to result in significant penalties and affect operational activities. 	<ul style="list-style-type: none"> • The Environment Strategy and Improvement Plan seeks to apply robust controls to manage identified environmental risks and legislative obligations. Controls may include specific procedures, Environmental Management Plans, and training/awareness programs.

4.1 Environmental management at APA

Environment Strategy and Improvement Plan: APA is committed to pursuing a high standard of environmental management. In FY2016 we initiated an Environment Strategy and Improvement Plan, consisting of 12 initiatives for delivery between July 2015 and June 2017. The Plan is designed to improve our corporate governance framework for environmental management across all Australian operations. Key initiatives within the Plan include development of corporate environment procedures across eight work streams, and a training and awareness program.

The key focus for FY2016 was development of environment procedures to address our significant risks and legal obligations. This is now complete and the implementation component is underway. Training and awareness will be delivered to all employees and applicable contractors through various mediums, including video, e-learning and face to face presentations.

Biodiversity and land: Biodiversity preservation is a critical global issue. As an energy company that operates in diverse and ecologically sensitive locations, our activities have the potential to impact on flora, fauna and the habitats they depend on.

We are committed to preserving and restoring the long term health and viability of the natural environments in which we operate. We take care to assess environmental values prior to commencing an activity, manage habitat disturbance and restore areas as soon as practical following completion of construction or maintenance.

Our activities are formally considered by the relevant state authority before any work commences and we conduct all work in accordance with a license specific Environmental Management Plan or equivalent.

Where some activities present more risk, specific strategies and management plans are developed and implemented.

Looking after the Environment:

Throughout 2015, APA completed construction of the 293 km Eastern Goldfields Pipeline (EGP). The pipeline traverses a large section of previously undisturbed Great Victoria Desert, and consequently, potential habitat for several endangered species, including the endangered Sandhill Dunnart (a small, carnivorous marsupial - see below).

In order to minimise impacts to the Dunnart and monitor the projects impact on the species, a Threatened Species Management Plan (TSMP) and a specific Sandhill Dunnart Monitoring Plan was developed.

The TSMP outlined the management measures to be applied during construction to minimise risks to the Dunnart and other endangered species. It was a success, with habitat clearing minimised and no loss of individuals during construction. The Monitoring Plan went above and beyond a basic approach and included radio-tracking to determine habitat preferences, shelter requirements, movements and activity, predation and dietary analysis.

As a result of this comprehensive management program, the Sandhill Dunnart is now known to occur across a much larger area with its range extended well to the north and north-west. New information about habitat selection and utilisation, as well as foraging times and ranges has been discovered and communicated back to relevant stakeholders.



Cultural heritage: APA understands the importance of identifying, recording and managing Aboriginal sites of significance. We have a systematic approach for determining whether significant heritage sites might be affected by projects or works and then protecting them against disturbance. If disturbance is unavoidable, we work with relevant parties (such as indigenous groups, community groups and regulatory authorities) to ascertain how best to plan and undertake activities to manage impacts.

APA takes care to prepare, implement and comply with all Aboriginal cultural heritage documentation as required by law. This may include Cultural Heritage Management Plans, Strategies or equivalent. APA also has a new Aboriginal Cultural Heritage Management Procedure which outlines the minimum management measures to be applied in the absence of site specific documentation. This procedure is being implemented across all applicable business areas in FY2017.

4.2 National greenhouse and energy reporting

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

APA's emissions are mainly the result of power generation activities, the combustion of natural gas in compressor stations and from fugitive emissions. In financial year 2016, APA reported 350,922 tonnes of carbon dioxide equivalent (scope 1 emissions).

4.3 Carbon Disclosure Project

APA participated for the sixth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's score of 86 is ranked in the highest band for disclosure (>70), which states that "a company provided comprehensive information about the measurement and management of its carbon footprint, its climate change strategy and risk management processes and outcomes." APA's performance score of D ranked consistently with the rest of the utilities sector. APA could improve its performance score by setting and achieving carbon emission reduction targets. However, because APA's reduction activities rely on a strong carbon price, management will wait for further certainty on carbon legislation before committing resources to these activities. APA's overall score of 86D ranked second in the utilities sector and highest amongst its direct peers.

4.4 Clean energy policy

APA continues to support reducing carbon emissions as a responsible risk mitigation response to climate change. APA supports technology agnostic domestic carbon abatement policies to meet Australia's 26-28% Paris COP21 carbon reduction commitment.

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

4.5 Expanding our low emission generation portfolio

APA continues to progress the development of the 130 megawatt Badgingarra Wind Development Project adjacent to APA's Emu Downs Wind Farm, as well as the 20 megawatt Emu Downs Solar Project, a small expansion to the wind farm. Both projects are contingent on entering into a long-term off-take agreement and meeting APA's investment hurdles. The Emu Downs Solar Project was shortlisted by ARENA for the competitive \$100 million large scale solar funding program.

4.6 APA joins the Clean Energy Council

In FY2016 APA joined the Clean Energy Council. The Clean Energy Council is the peak body for the clean energy industry in Australia. APA through its Corporate Membership will gain access to extensive renewable energy industry knowledge, including market and technology developments, as well as input into the Clean Energy Council's policy advocacy groups.



In APA's view, gas-fired generation and renewable energy, predominately wind-powered generation and increasingly solar generation, are technologies that can meet significant emission reduction targets for Australia.

5 Community

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

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

FY2016 Performance	Actions for FY2017
<ul style="list-style-type: none"> Continued APA's Building Brighter Futures community investment program supporting the Fred Hollows Foundation, Rev Bill Crews Foundation (for Darwin Literacy Centre), and Clontarf Foundation. Built on APA employee involvement in Clontarf Foundation events. Employees across APA participated in four community fundraising events including Cancer Council (Australia's Biggest Morning Tea and Pink Ribbon Day), Black Dog Institute and Movember. 	<ul style="list-style-type: none"> Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships. Employee involvement will also be continued to further support our partners' objectives. Continue financial support for community events. Increase community Investment program activities to extend the reach of APA support to include employee volunteering, and support diversity and inclusion strategies.

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> Community relations – Maintaining community support and goodwill for APA's activities. Encroachment – Urban encroachment around existing pipeline easements can increase the potential for damage. A change in pipeline location class may also increase compliance costs. 	<ul style="list-style-type: none"> Remain in touch with community interests and issues. APA actively engages with its communities through sponsorships. Construct and operate infrastructure using industry recognised standards or better. Education and communication around APA's activities. Landowner liaison and community education and support of "Dial Before You Dig" (DBYD) service. Increasing awareness of DBYD through APA presentations. Pipeline easement monitoring and surveillance. Liaise with council and planning authorities to effectively manage potential encroachment issues. APA 2020 to roll out a new Infrastructure Protection and Planning department with dedicated work streams for processes and assurance; urban planning; asset protection; and, access and approvals.

In FY2016 APA continued its 'Building Brighter Futures' community investment program, including staff involvement in one of the program's headline partners' events. 'Building Brighter Futures' supports initiatives to improve the future prospects of vulnerable Australians. Established in late 2010, the program seeks to strengthen our company and employment brand and connect the APA business and people to the communities in which we live and work. The program includes corporate partnerships with three selected charities and an employee community event calendar.

In FY2017, we intend to extend the program to extend the reach of APA support to include employee volunteering, and support diversity and inclusion strategies.

5.1 **Headline partnerships with three charity partners**

In FY2016 APA continued to support its three charity partners, focused on supporting disadvantaged young Indigenous Australians, under three-year commitments that were renewed or established in March 2014.



Roberto Ferrari, Manager Planning and Integrity (2nd from right), with Clontarf staff and students, and guests, at the Boab Prison Tree, near Derby, at the Clontarf Foundation's Kimberley Experience.

The Clontarf Foundation works to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men, through a network of football academies established in partnership with local schools. APA has been working with the Clontarf Foundation since 2011.

Rev Bill Crews Foundation's Darwin Literacy Program is an accelerated literacy program to support disadvantaged children with severely compromised reading ability. APA has funded three children per annum to participate in the Foundation's Darwin program since 2011.

In Australia, the **Fred Hollows Foundation** provides eye treatment and health programs for Indigenous communities in remote Australia. APA has been working with the Fred Hollows Foundation to deliver its Australian program since 2014.

In addition to direct financial support, APA continued staff involvement in our headline partners' events during FY2016. APA employee representatives participated in the experiences as part of their personal and career development and share them via APA's employee magazine and internal conference. The events attended were:

- Clontarf Foundation's Kimberley Experience: a three-day 'immersion' in the daily lives of West Kimberley Clontarf students and staff from the Broome, Derby and Fitzroy Crossing academies.
- Clontarf Foundation's West Kimberley Academy Leadership Camp: a three-day event including two nights camping and sharing in the lives of Clontarf students and providing advice to senior Academy students as part of the Clontarf Employment Forum.

- Clontarf Foundation's Top End Experience: a three-day event into the heart of Kakadu National Park and including visits to three Clontarf Academies.

In addition, APA hosted Clontarf Academy students' onsite. These visits provided students opportunities to learn about work and workplaces and to interact with and present to groups in a work environment.

All experience received positive feedback from the APA employees involved.

5.2 Calendar of employee events

In FY2016 APA continued to support and promote employee events across multiple company sites and matched the funds raised by employees, to a capped amount of \$10,000 per event. The events were selected based on an earlier survey of employees seeking their nominations of four most worthy causes. The selected events/causes being:

- Pink Ribbon Day (Cancer Council)
- Movember (Movember Foundation)
- Black Dog Institute (Mental Health research)
- Australia's Biggest Morning Tea (Cancer Council)

APA will continue to support and promote these events across all company sites to further engage employees and these charities in FY2017.

5.3 Sponsorship and donations

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

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

Of these, the two major sponsorships in FY2016 were for Taronga Zoo Foundation and the Australian Brandenburg Orchestra.

6 Employees

We will continue with our commitment to provide a stimulating and rewarding working environment that strives and ensures:

- Commitment to a culture of Zero Harm by continually improving our health, safety and environmental performance in the workplace.
- Fit for purpose learning and development programs to attract, retain and develop employees.
- We encourage and foster diversity of thought and inclusion.

FY2016 Performance	Actions for FY2017
<ul style="list-style-type: none"> • 18% increase in the number of incidents reported compared to last year with a large proportion being near miss incidents. • Lost Time Injury Frequency Rate (LTIFR) increased from 0.64 in FY2015 to 1.06 in FY2016 – slightly above our target of <1.0. However, this is still in-line with our overall improving injury trends. Total Recordable Injury Frequency Rate (TRIFR) was 10.41. • We achieved all of our lead Health and Safety performance measure targets. • Final year of APA's three-year Health, Safety and Environment ("HSE") Strategic Improvement Plan, and each initiative has been achieved with the following key highlights: <ul style="list-style-type: none"> - Conducted regular Leading Zero Harm awareness modules for our employees; - Successful implementation of the <i>SafeDrive+</i> campaign that included education and awareness for specific driving risks such as speeding and fatigue, resulting in a reduction of vehicle incidents; and - Further enhancements to the incident reporting platform, <i>Safeguard+</i> that lead to improved quality of data and better understanding of our risk exposures. - Completed an independent Health and Safety audit program across the business achieving a 95% compliance rating with no major non-conformance findings. • As part of <i>SafeDrive+</i> program, installed In Vehicle Monitoring Systems to over 279 vehicles enabling tracking and monitoring of driver safety, and are already realising the benefits of improved driver safety. • Continued sponsorship of health-focused activities for employees including the Global Corporate Challenge in which 351 APA employees participated across 51 teams. • Refreshed the Talent Management framework incorporating a capability framework and encouraging greater business involvement in sponsoring and implementing development plans with employees. • Commenced a program of leadership training and assessment designed to improve leadership climate. • Employee Survey achieved an overall engagement score of 74%. • Launched a new Graduate Program. 	<ul style="list-style-type: none"> • Continue to support a reporting culture in safety to effectively manage our risk profile and take corrective measures in preventing injuries. • Target an LTIFR of less than 1 and a TRIFR target of no more than 9.89. • Lead safety indicators will focus on hazard reporting rates, permit reviews and management interactions. • A new three year HSE Strategic Improvement Plan has been developed building upon the previous plan including a number of new initiatives such as Health and Wellbeing and Fitness for Work. • Launch a Health and Wellbeing platform for all employees supported by targeted initiatives and awareness programs. • Continue development, improvement and promotion of three fundamental programs already established within APA, being: <ul style="list-style-type: none"> - Fatal Risk Protocols; - Contractor Management; and - <i>SafeDrive+</i> Campaign. • Development and implementation of a Drug and Alcohol awareness program targeting 'Fitness for Work' for all employees. • Provide Incident Investigation training to frontline managers to improve the quality of investigations and corrective actions. • Continue with Leadership Climate program and associated training and workshops to improve leadership capability • Commence project to upgrade and improve APA's HR systems. • Further develop and grow the Graduate Program and introduce an Intern Program for undergraduates. • Continue work on diversity and inclusion strategy with key areas of focus being gender, age and diversity of thought.

Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> Safety – Failure to provide a safe workplace resulting in serious or fatal injuries. 	<ul style="list-style-type: none"> APA maintains a comprehensive workplace HSE Management system. It is predicated on the principles of hazard and risk identification, control measures and a robust assurance framework. HSE training, education and awareness is a cornerstone of the HSE management system. As part of our assurance framework, Health and Safety audits are undertaken across all parts of the business to ensure that health and safety risks are effectively controlled.
<ul style="list-style-type: none"> Potential for legal proceedings for failure to comply with Health, Safety and Environmental legislative obligations. 	<ul style="list-style-type: none"> Maintain and monitor compliance to APA's HSE Management System including undertaking regular compliance monitoring through audits and workplace inspections. Provide all necessary Health, Safety and Environment training to managers and employees.
<ul style="list-style-type: none"> Employee capability, recruitment and engagement - Failure to develop, attract and retain talented employees. 	<ul style="list-style-type: none"> APA maintains a number of initiatives to ensure there is a pool of talent and internal capability for now and in the future. These include formal succession and talent management, a diversity and inclusion strategy, as well as technical, functional, business and leadership development. The business has introduced a strong internal recruitment capability to ensure we identify and secure external resources as and when needed.

APA Workforce Gender Profile as at June 2016	Female	Male
Non-Executive Directors	29%	71%
Workforce	26.5%	73.5%
Leadership roles	20%	80%
Technical and trades roles ¹	4%	96%
Leadership roles (CEO and KMP)	25%	75%
Other Executives/General Managers	16%	84%
Senior Managers	16%	84%
Other Managers	24%	76%

6.1 Our people

APA values inclusiveness and encourages a safe, high performance working culture, where the contributions of our people are harnessed and developed to achieve successful outcomes for the business. We are committed to building sustainable organisational capability that enables continued growth and development of our people and supports APA's strategic vision.

Since listing 16 years ago, our workforce has grown from six people to over 1,600 skilled people located across mainland Australia. Throughout FY2016, we continued to challenge our organisation with regards to effective and efficient organisational design and made

¹ Leadership roles are defined in accordance with the Workplace Gender Equality Agency ("WGEA", Australia and New Zealand Standard Classification of Occupations) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles. APA's public report to the WGEA is available at <https://www.apa.com.au/careers/working-at-apa>.

structural and work practice changes through people, processes and systems to enhance our capability.

6.2 Attracting talent

The skilled job market that APA operates in continues to be highly competitive and our ability to attract and retain a diverse range of talent remains critical as our business continues to grow.

Talented and skilled employees are central to creating value for our stakeholders and the more diverse the thinking and skills we apply to our business, the more innovative we can be in creating value and return for them. To this end, in FY2016 we piloted an Intern Program as well as launched our first Graduate Program. Both of these programs are fundamental to APA positioning itself to grow, develop and harness talent from an early entry point and providing wide and varied career paths to enable APA to continue to build sustainable organisational capability.



Cameron Gibb (left) and Callum McLauchlan (right), APA's first Graduate Program recruits, proudly pose in front of APA's new corporate logo.

6.3 Developing potential

We continue to focus on growing and developing our people, as we recognise this is critical to our success. During FY2016, we supported the development and training requirements of our people through a range of compliance, technical, leadership and professional development programs totalling 5,277 attendances.

Our annual succession and talent review process continues to be a successful means of identifying critical role and capability requirements, as well as providing a healthy talent pool.

6.4 Diversity and inclusion

In FY2016, we continued our focus on key initiatives under our Diversity and Inclusion Strategy which was developed in 2014. Our strategy focuses on initiatives aligned to the strategic focus areas of improving diversity of thought, diversity of gender and diversity of age at APA. During the year, we achieved a number of critical initiatives to include promoting awareness and benefits of a diverse and inclusive workforce via our Diversity & Inclusion committee; facilitating career transition workshops; launching our Women In Leadership program; and new entry programs for graduates, interns and apprentices.

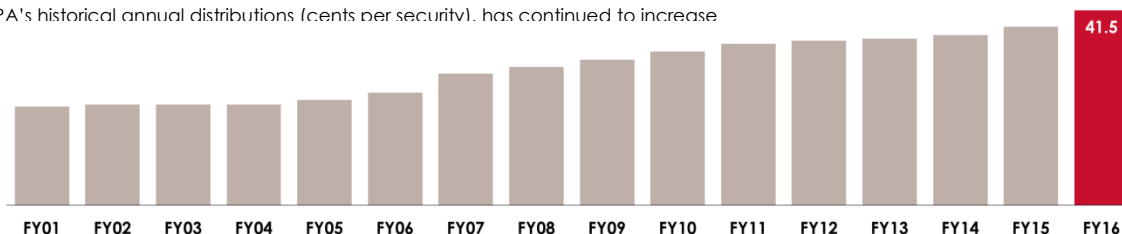
7 Investors

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

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

FY2016 Performance	Actions for FY2017
<ul style="list-style-type: none"> Total securityholder return of 16.7% for FY2016. Delivered investors a 9.2% increase in distributions. Maintained investment grade credit ratings (BBB/Baa2). Extended the term to maturity on its syndicated and bilateral bank facilities by between 12 and 24 month. Entered into five new bilateral bank facilities for terms of between two and five years providing \$350 million of committed debt funding, which replaced maturing US Private Placement notes. Improved corporate costs as a proportion of business metrics, reducing the cost to EBITDA (continuing business) ratio to 6.1% in FY2016 (FY2015 8.2 %). \$673.6 million of capital and investment expenditure. Successfully completed 100% acquisition of Ethane Pipeline Income Fund and Diamantina & Leichhardt Power Stations 	<ul style="list-style-type: none"> Progress or complete current growth capital projects underway. Continue to evaluate and develop additional revenue streams in related energy infrastructure businesses. Maintain investment grade credit rating levels.

APA's historical annual distributions (cents per security), has continued to increase



Key Sustainability Risks	Risk Management
<ul style="list-style-type: none"> Debt and equity - Ensuring continued support from debt and equity markets for ongoing capital requirements. Inability to secure new debt facilities at appropriate quantum and price may adversely affect APA's operations and/or financial position and performance. 	<ul style="list-style-type: none"> APA's investment decisions are made and its balance sheet is utilised with a continuous focus on maintaining long term investment grade credit ratings. A diverse portfolio of long-life assets underpinned by regulated and long term bilateral agreements, underscores APA's ability to service debt and sustain steady equity distributions. Maintain diversified funding base and access to deep and liquid global debt capital and banking markets. APA has a long term sustainable distribution policy having regard for the capital needs of the business and economic conditions. Distributions are fully covered by operating cash flow. Financial results and other salient developments are communicated regularly to investors in a timely manner.

As at 30 June 2016, APA had over 81,000 securityholders holding 1.1 billion securities, with the top 20 investors holding 62.5% of securities. Currently, approximately 74% of APA's investors are based in Australian and/or New Zealand.