

environment.

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

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

FY2018 Performance

- APA did not receive any penalty notices relating to environmental compliance in any Australian jurisdictions in FY2018.
- Commenced an Environmental Management Plan (EMP) Improvement Program across the business.
- Registered as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) to demonstrate APA's support for voluntary and consistent climate-related financial risk disclosures and initiated a project to improve disclosures for FY2019.
- Continued to expand APA's renewable generation capacity with the completion of the Emu Downs Wind Farm, ongoing construction of the Darling Downs Solar Farm, Badgingarra Wind Farm, and the announcement of the new greenfield Badgingarra Solar Farm.
- Contributed to the ongoing update of the Australian Standard AS 2885 "Pipelines – Gas and Liquid Petroleum" suite of documents.
- Contributed to the Australian Pipelines and Gas Association (APGA) working group that revised the 'APGA Code of Environmental Practice (2017)'.
- Contributed to climate policy discussions and recommendations contained in the Finkel Report, and in relation to the proposed National Energy Guarantee promoting the role of renewables and gas as important contributors to achieving meaningful emission reduction targets.
- Continued to develop relationships with APA's industry member bodies, the Clean Energy Council and Business Council of Australia, to promote effective climate change policy.
- FY2018 APA Annual Report and Sustainability Report was printed on 100% recycled paper made Carbon Neutral.

Key Sustainability Risks

- Environmental Harm – If not managed appropriately, APA's activity in the operation and construction of our assets, has the potential to cause harm 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.

Actions for FY2019

- 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.



Risk Management

- APA has an HSE Management System called "Safeguard" that provides a framework to manage our Health, Safety and Environment risks.
- 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.
- APA has in place management plans that identify local environmental risks and outline control measures that are applied and integrated into our operational procedures.

Environmental management at APA

Our Health, Safety and Environment (HSE) Policy approved by APA's Board HSE Committee sets out APA's goal to achieve zero harm for all employees, contractors and third party stakeholders operating our assets or working near them. It also applies to community members living near our assets and importantly, avoiding and minimising environmental harm. Every employee, contractor and sub-contractor has an obligation to prevent or minimise any environmental harm arising from APA's operations and activities.

Environmental Social Governance (ESG) Performance

During FY2018, APA engaged an external advisory firm to commence an independent analysis of APA's strategic direction regarding Environmental, Social, Governance (ESG) practices and reporting. This work is intended to provide senior management with recommendations for improvements and inform a transformation program scheduled to commence in FY2019. This will include reviewing all key aspects of ESG such as environmental practices, climate risk management and broader sustainability practices and metrics.

Emissions management

APA's extensive energy infrastructure asset base embeds our operations across Australia's rural and metropolitan communities. As part of this, our obligation to safely operate and maintain our infrastructure includes managing potential emissions from our activities. Hence managing emissions such as noise, light, vibration or odour is part of our commitment to the community and environment.

Consideration of emissions risks is factored into our environmental risk assessments. APA stores environmental information in our Environmental Management Plans, and emissions are a key environment area in our corporate environment framework.

Across our asset footprint and across various emissions types, APA's pipeline assets have a low impact on communities. A very small proportion of our facilities trigger any local, state or territory emissions licencing thresholds. However, APA is committed to respecting the communities where we operate. We maintain lines of contact with the community via our Integrated Operations Centre, which is available 24/7 to receive notification from the community of any issues that may arise.

APA complies with the Commonwealth National Greenhouse and Energy Reporting Act 2007, and reports its annual Scope 1 and 2 emissions (refer to section 11.4 of the FY2018 Directors' Report).

Native Vegetation Management

APA takes a risk-based approach to environmental management. Identification, assessment and management of risks associated with native vegetation is undertaken through our environmental risk assessment process and actioned through environmental management plans.

Soil and Water Management

APA continues to manage our activities and our contractors' operations on land and watercourses in a way that strives to avoid or minimise risk. Some examples include: frequent patrols of our transmission pipeline easements to identify erosion issues early; we factor watercourses into our risk assessment; and avoid interaction with watercourses whenever practicable.

**Reducing emissions
- Moomba and Wallumbilla Compressor Stations**

APA's compressor stations at Moomba and Wallumbilla (station 3) are integral components in the delivery of gas through both our South West Queensland Pipeline (SWQP) and Wallumbilla Gladstone Pipeline (WGP).

In FY2018, members from both our Integrated Operation Centre and SWQP Reliability Improvement Project teams modified each compressors' operating conditions to assist with their efficiency.

This was achieved by reducing the minimum on-load speed of the engine gas-producers within the compressor units by around 5%.

This modification will help towards reducing the hours a unit is required online. This is the first (and essential) step towards online optimisation of machine usage. It helps APA better align machine utilisation with the continual changes from our customer's gas orders. A win-win all around.

Achieving these kinds of sustainability benefits for the business, both financial and environmental, as well as the potential for scalability of initiatives and resulting benefits to other parts of our transmission operations is one of the key reasons why APA is one of Australia's leading energy infrastructure businesses.



Moomba Compressor Station, South Australia

Respecting indigenous cultures and the environment

The location of APA's latest greenfield gas pipeline construction project, the Yamarna Gas Pipeline (YGP) in remote Western Australia, travels through native title claimant areas and sites of cultural significance. The 198km pipeline is an extension of APA's Eastern Goldfields Pipeline, connecting the Gruyere Gold Project to a reliable gas supply for its mining operations.

From the onset, APA committed to developing the project in collaboration with the local community.

The team engaged with representatives from the Nangaanya language group in Laverton, members of the Council of Tribal Elders and the Yilka claimant group. This ensured all stakeholders were informed and comfortable with APA's plans, as well as guaranteeing that APA had met its environmental compliance obligations.

APA's extensive assessment of the landscape also provided support to multiple ethnographic and archaeological surveys, and contributed substantial data to the regional knowledgebase.

From these surveys, six unregistered culturally significant sites were identified and three previously known sites were accurately positioned. This information was provided to the Department of Land, Planning and Heritage to assist with future management.



Bunting boundary protecting Yamarna cultural heritage site during construction of the Yamarna Gas Pipeline, Western Australia

Managing Climate Change Issues

Carbon Disclosure Project

APA participated in the Carbon Disclosure Project during the reporting period, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of "C", which is in line with the sector peers and ASX200 average.

APA's ESG Improvement Program will recommend initiatives that will positively impact APA's overall score in future years.

Task Force on Climate-related Financial Disclosures

APA expressed support for voluntary and consistent climate-related financial disclosures in FY2018 by registering as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). APA is currently undertaking an extensive review of its Environmental, Social and Governance reporting with the assistance of an independent advisory firm, to determine climate-related opportunities and risks for the business. This includes a detailed assessment of APA's climate risk disclosure against the four TCFD categories of governance, strategy, risk management and metrics and developing an associated plan to improve this disclosure in FY2019.

Clean energy policy

APA continues to support reducing carbon emissions as a risk mitigation response to minimise the effects of climate change. APA supports technology agnostic domestic solutions that integrate energy and climate policies to meet Australia's carbon reduction commitments, while ensuring affordability and reliability. APA continues to encourage the development of bipartisan national energy policy. Certainty, clarity and a commitment to a national energy policy are crucial to maintaining investment confidence. APA's mix of assets will play an important role in meeting these goals through the combination of intermittent renewable generation with reliable, low emissions gas-fuelled generation in Australia's future energy mix.

Investing in renewable energy

In 2018, APA commissioned the 20 MW Emu Downs Solar Farm, which will add to the production and reliability of the Emu Downs Wind Farm. APA also announced the Badgingarra Solar Farm project which is a 17.5 MW tracking array that will be co-located with the 130 MW Badgingarra Wind Farm. It is the same concept that APA deployed at the adjacent Emu Downs Wind and Solar Farm. In this particular location, wind and solar have complementary generation profiles due to the predictable nature of the underlying wind and solar resources. APA's combined solar and wind farm site maximises the collection and generation of renewable energy, 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 project.

During FY2019, APA expects to commission the 110 MW Darling Downs Solar Farm, the 130 MW Badgingarra Wind Farm and the 17.5 MW Badgingarra Solar Farm. APA continues to evaluate further renewable energy opportunities together with stand-alone and integrated low emission gas generation. This combination of intermittent renewable generation with reliable, low emissions gas-fuelled generation is well positioned to help deliver energy to people, businesses and communities that use it, affordably, efficiently and reliably.



Construction of APA's Badgingarra Wind Farm, Western Australia