

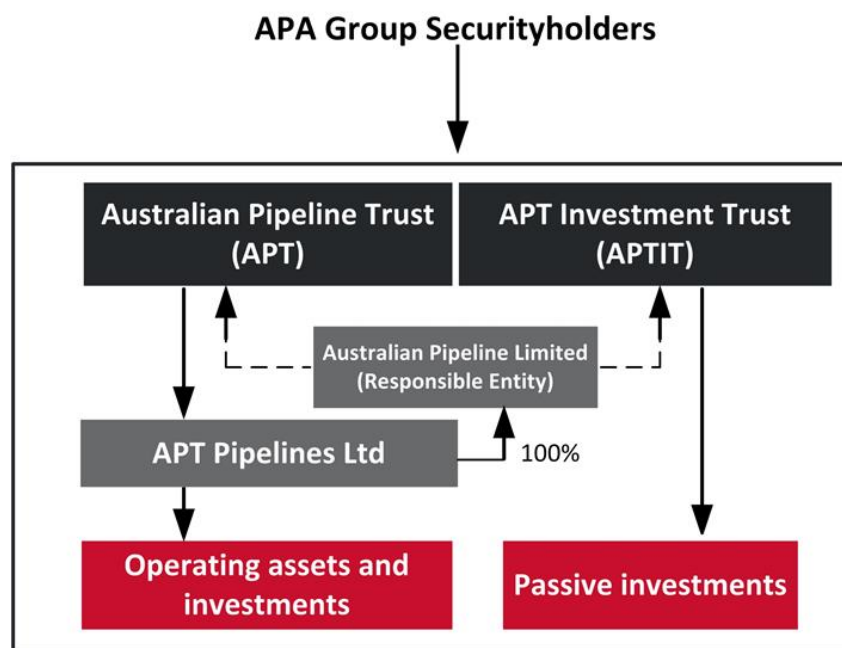
ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors has set out the following benchmark and disclosure principle requirements for infrastructure entities. A full copy of the ASIC guide can be found on the ASIC website. APA Group’s disclosure against those benchmarks and principles is set out below.

By way of background, APA Group comprises of two trusts, Australian Pipeline Trust (ARSN 091 678 778) (“**Trust**” or “**APT**”) and APT Investment Trust (ARSN 115 585 441) (“**APTIT**”) which are registered managed investment schemes regulated by the *Corporations Act 2001*. APT units are “stapled” to APTIT units on a one-to-one basis for that APT unit and one APTIT unit form a single stapled security which trades on the Australian Securities Exchange (“**ASX**”) under the code “**APA**”. Australian Pipeline Limited is the responsible entity of those trusts.

In addition to the management of APA Group, entities within APA Group also hold a number of interests and positions in various infrastructure vehicles. These relationships are fully disclosed in the [Directors’ Report and APA Group’s financial statements](#) available on APA Group’s website, www.apa.com.au.

A diagram summarising APA Group’s structure follows:



ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Benchmark Disclosure Requirement	2017 Statement
<p>1. Corporate structure and management</p> <p>Corporate governance policies and practices should conform with the principles and recommendations in ASX Listing Rules Guidance Note 9A “<i>Corporate governance – ASX Corporate Governance Council – Revised corporate governance principles and recommendations</i>”.</p>	<p>This benchmark is met. APA Group publishes a corporate governance statement available on the APA Group website, www.apa.com.au. Appendix 4G of the APA Group Corporate Governance Statement sets out detailed disclosures in respect of compliance with Corporate Governance Principles and Recommendations 3rd Edition, which has superseded ASX Listing Rules Guidance Notes 9 and 9A.</p> <p>In December 2015, the Board established a Nomination Committee. Its charter is available on the APA Group website, www.apa.com.au. Further, effective 1 July 2017, the Board adopted a new Corporate Governance Framework which gives additional entitlements to securityholders – a summary of this framework is also available on the APA Group website.</p>
<p>2. Remuneration of management</p> <p>Incentive-based remuneration paid to management for the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.</p>	<p>The benchmark is met.</p> <p>APA Group publishes a remuneration report in the APA Group Annual Report available on the APA Group website, www.apa.com.au</p>
<p>3. Classes of units and shares</p> <p>All units or shares are fully paid and have the same rights.</p>	<p>This benchmark is met.</p>
<p>4. Substantial related party transactions</p> <p>Compliance with ASX Listing Rule 10.1 for substantial related party transactions.</p>	<p>The benchmark is met for substantial related party transactions between APA Group and entities outside APA Group. Securityholder approval would be sought as required under ASX Listing Rule 10.1.</p> <p>The benchmark is not met for related party transactions between the Trust and APTIT. APA Group has obtained ASIC relief and an ASX waiver to permit transactions (without the need to comply with the related party transaction requirements of the ASX listing rules or the Corporations Act) between APA Group stapled entities and their controlled entities given that they are part of a group with the same securityholders.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Benchmark Disclosure Requirement	2017 Statement
<p>5. Cash flow forecast</p> <p>The infrastructure entity has, for the current financial year, prepared and had approved by its directors:</p>	
<p>(a) a 12-month cash flow forecast for the infrastructure entity and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards:</p> <ul style="list-style-type: none"> (i) negative assurance on the reasonableness of the assumptions used in the forecast; and (ii) positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; and 	<p>(a) The benchmark is met.</p>
<p>(b) an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.</p>	<p>(b) This benchmark is not currently applicable as APA Group has not acquired any new significant infrastructure assets in the last 12 month period.</p>
<p>6. Base-case financial model</p> <p>Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that:</p>	<p>The benchmark is met.</p>
<p>(a) checks the mathematical accuracy of the model, including that:</p> <ul style="list-style-type: none"> (i) the calculations and functions in the model are in all material respects arithmetically correct; and (ii) the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and 	
<p>(b) includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.</p>	

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Benchmark Disclosure Requirement	2017 Statement
<p>7. Performance and forecast</p> <p>For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of that asset.</p>	<p>The benchmark is not currently applicable. APA Group does not publicly disclose forecasts to justify the acquisition or development of infrastructure assets.</p>
<p>8. Distributions</p> <p>If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.</p>	<p>The benchmark is met.</p>
<p>9. Updating unit prices</p> <p>If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.</p>	<p>The benchmark is not applicable to APA Group. The benchmark only applies to unlisted unit trusts. APA Group is listed on ASX.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

“ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors” has set out the following disclosure principles for infrastructure entities. An overview of the disclosure principles and APA Group response is set out below.

Disclosure Principle	2017 Statement
<p>1. Key relationships</p> <p>Disclose</p> <p>(a) The important relationships for the entity and any other related party arrangements relevant to an investor’s investment decision, including any controlling arrangements, special voting rights or director appointment rights; and</p>	<p>(a) APA Group’s structure is outlined at the beginning of this document. A further description of the APA Group structure is set out in the Directors’ Report and Corporate Governance Statement in the Annual Report.</p> <p>No party has any special director appointment rights, controlling arrangements or special voting rights in relation to APA Group.</p>
<p>(a) For any significant infrastructure asset under development:</p> <p>(i) Key relationships in the development, including any concessionaire, developer, builder, sponsor, promoter, asset manager, independent expert, financier, joint venture party, issuer or manager; and</p> <p>(ii) Key participants that bear material development related risks, including for timing and cost of delivery of the development, procurement and cost of financing for the development, and guaranteeing the performance of other entities.</p>	<p>(b) This principle is not applicable to APA Group.</p>
<p>2. Management and performance fees</p> <p>Disclose</p> <p>(a) All fees and related costs associated with the management of the entity’s assets paid or payable directly or indirectly out of the money invested in the entity, providing a clear justification for the fees; and</p>	<p>(a) All fees and costs paid or payable in connection with the management of APA Group are set out in the APA Group Annual Report.</p> <p>The constitutions of APTIT and the Trust enable APL to charge fees of up to 0.5% per annum of the value of each of APTIT’s and the Trust’s gross assets. APL has waived the right to receive these fees to the extent that it exceeds APL’s costs as responsible entity. APL does not make a profit.</p>
<p>(b) If performance fees are payable, how these fees will be paid – for example:</p> <ul style="list-style-type: none"> for mature operating infrastructure assets – explain if and how the performance fees will be paid, including whether these fees are payable only from operating cash flow; and 	<p>(b) APL is not paid any performance fees.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p><i>for operating infrastructure assets in a growth phase and development assets</i> – explain how the performance fees will be paid, whether these fees are funded by debt, capital, the issue of securities or otherwise, and the risks to members in paying performance fees in those way.</p>	
<p>3. Related party transactions Disclose details of any related party arrangements relevant to the investment decision, including:</p>	<p>The management of APA Group is fully internalised. Accordingly, there are no relevant related party arrangements to disclose in response to this disclosure principle.</p> <p>In addition to the management of APA Group, entities within APA Group also hold a number of interests and positions in various infrastructure vehicles. These relationships are fully disclosed in the Directors Report and APA Group’s financial statements.</p>
<p>(a) The value of the financial benefit / consideration payable;</p>	
<p>(b) The nature of the relationship;</p>	
<p>(c) Whether the arrangement is on arm’s length terms, the remuneration is reasonable, some other Chapter 2E exception applies or ASIC has granted relief;</p>	
<p>(d) Whether member approval of the transaction has been sought and if so when;</p>	
<p>(e) The risks associated with the related party arrangement;</p>	
<p>(f) The policies and procedures in place for entering into these arrangements and how compliance with those policies and procedures is monitored;</p>	

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>(g) For management agreements with related parties:</p> <ul style="list-style-type: none"> (i) The term of the agreement; (ii) If the fee is payable by the infrastructure entity on termination of the agreement, the method of termination that will incur a fee and details on how that fee is calculated; (iii) Any exclusivity arrangements in the management agreement; (iv) Whether a copy of agreement is available to investors and, if so, how an investor can obtain a copy of the agreement; and (v) any other arrangements that have the potential or actual effect of entrenching the existing management; and 	
<p>(h) For transactions with related parties involving a significant infrastructure asset;</p> <ul style="list-style-type: none"> (i) What steps the infrastructure entity took to evaluate the transaction; and (ii) If not otherwise disclosed, summary of any independent expert opinion obtained for the transaction and whether, and if so how, an investor can obtain a copy of the opinion. 	
<p>4. Financial ratios</p> <p>Disclose</p> <p>(a) If target financial ratios have been publicly disclosed, the respective financial ratios actually achieved for the entity and how those target and actual ratios are calculated; and</p>	<p>APA Group does not disclose target financial ratios.</p>
<p>(b) An explanation of what the financial ratios mean in practical terms and how investors can use the ratios to determine the entity's level of debt-related risk.</p>	

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>5. Capital expenditure and debt maturities</p> <p>Disclose</p> <p>(a) Planned capital expenditure for the next 12 months and how this expenditure is to be funded; and</p>	<p>(a) During FY17, APA Group announced \$1.2 billion worth of committed growth projects. At the FY17 results, APA Group announced when the capital will be spent, including an expectation that approximately \$800 million of the growth project announced during FY17 would be spent in FY18. APA Group discloses committed capital expenditure for major projects when the relevant contracts are entered into.</p>
<p>(a) A breakdown of material debt maturities for the entity, in the intervals set out in the table, on a consolidated contractual basis showing the drawn amount, the undrawn amount, the total drawn and undrawn amount, the percentage of variable interest rate risk, the weighted average interest rate, the percentage of debt that is not limited recourse to a particular asset and whether the debt is fully amortising or requires principal and interest payments.</p>	<p>(b) An analysis of debt maturities in the format prescribed by the guide can be found at the end of this disclosure.</p>
<p>6. Foreign exchange and interest rate hedging</p> <p>Disclose</p> <p>(a) Any current foreign exchange and interest rate hedging policy for the entity; and</p>	<p>(a) Foreign Exchange Hedging Policy: APA Group utilises foreign exchange hedging to manage its exposure to foreign currency exchange rates and to seek to minimise liquidity risk, credit risk and market risk. At the inception of the hedge relationship, APA Group documents the relationship between the hedging instrument and the hedged item along with the risk management objectives and its strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, APA Group documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.</p> <p>Interest Rate Hedging Policy: APA Group has a policy which requires conservative levels of hedging of interest rate exposures to minimise the potential impacts on APA Group from adverse movements in interest rates.</p>
<p>(b) Whether the entity's foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.</p>	<p>(b) APA Group's foreign exchange and interest rate exposures are in compliance with the above policies.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>7. Base case financial model</p> <p>Disclose</p> <p>(a) For acquisitions of a significant infrastructure asset, the following details of an infrastructure entity’s base case financial model:</p> <ul style="list-style-type: none"> (i) Key assumptions and source of those assumptions; (ii) A confirmation by the directors as to whether or not they consider that the assumptions are reasonable; (iii) Any process the directors undertook to satisfy themselves that the assumptions were reasonable, including if an expert provided an opinion on the model, and if so, provide a summary of that expert opinion; (iv) The agreed upon procedures check that the assurance practitioner has performed to review the base-case financial model (as per benchmark 6) and any findings which are materially relevant to the investment decision; and (v) Any conflicts of interest that may arise in either the expert opinion or the agreed-upon procedures check. 	<p>(a) Not applicable.</p>
<p>(b) Up to five of the key assumptions in an infrastructure entity’s base case financial model that are likely to have the most material impact:</p> <ul style="list-style-type: none"> (i) On the operating performance of the entity for at least the next 12 months; or 	<p>(b)</p> <ul style="list-style-type: none"> (i) Key assumptions in APA Group’s base case financial model likely to have the most material impact are: <ul style="list-style-type: none"> • interest rates incurred on corporate debt facilities; • the forecast volume under gas transportation or storage agreements and the various regulatory access arrangements; • forecast inflation rates; and the extent to which revenue contracts with major shippers are renewed as they expire.
<ul style="list-style-type: none"> (ii) In the case of a development asset, in the first year of operation, demonstrating the impact on the infrastructure and investor entity, if any (and separately if all) of the assumptions were materially less favourable than anticipated. 	<p>(ii) Not applicable.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>(c) Also disclose:</p> <p>(i) A reasonable estimate of the operating capacity of the entity’s significant infrastructure assets;</p>	<p>(c)</p> <p>(i) Operating capacity of APA Group’s major assets, including its significant infrastructure assets are outlined in a table format in section 5.3 of APA Group’s FY17 Directors’ Report.</p> <p>APA Group publishes statistics regarding spare capacity (available on APA Group’s website, www.apa.com.au) where its infrastructure assets are not fully contracted.</p>
<p>(c)</p> <p>(ii) For any operating asset developed by the infrastructure entity or completed immediately before the infrastructure entity’s ownership, any material discrepancies between any publicly disclosed forecasts and the actual performance for the first 2 years of operation; and</p>	<p>(c)</p> <p>(ii) Not applicable.</p>
<p>(iii) Any material discrepancies between the assumptions contained in the infrastructure entity’s base case financial model used to raise any debt and the model used to raise any equity, respectively, within six months of each other in the current financial year.</p>	<p>(iii) Not applicable. APA Group does not provide any forecasts to prospective or existing lenders other than to repeat those statements which are released to the ASX from time to time under continuous disclosure requirements.</p>
<p>8. Valuations</p> <p>Disclose</p> <p>(a) Details on the entity’s valuation policy; and</p> <p>(b) Whether valuations and supporting documentation are available to investors and, if so, how they are made available. If valuations and supporting documentation are not available to investors, the infrastructure entity should provide a summary of the valuations (required for significant infrastructure assets only) containing, at a minimum, the following information:</p> <p>(i) Whether the valuation was prepared internally or externally;</p> <p>(ii) The date of the valuation;</p> <p>(iii) The scope of the valuation and any limitations on the scope;</p> <p>(iv) The purpose of the valuation;</p>	<p>(a), (b) and (c): APA Group does not conduct market-based valuations of its key assets for the purposes of recording those assets in the group’s financial statements.</p> <p>Rather, key assets of APA Group are recorded at historical cost. Further information in relation to the accounting policies which underlie the APA Group consolidated balance sheet can be found in APA Group’s financial statements.</p> <p>APA Group conducts “<i>value in use</i>” calculations for the specific purpose of testing for the impairment of assets at financial year end as required under Australian accounting standards. These specific purpose calculations do not reflect a market-based valuation and may produce different results to the industry practice for “<i>arms-length</i>” market valuations.</p> <p>APA Group believes that to release the internal calculations or any information in respect of those internal calculations would be potentially misleading to investors and would not benefit their decision-making with respect to an investment in APA Group.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>(v) The value assessed and key assumptions used to determine value;</p> <p>(vi) The key risks specific to the infrastructure assets being valued;</p> <p>(vii) The valuation methodology;</p> <p>(viii) The period of any forecast and terminal value assumptions;</p> <p>(ix) The discount rate used and the basis for calculating this rate; and</p> <p>(x) The income capital expenditure and capital growth rates over the forecast period; and</p> <p>(c) Any circumstances that may result in a conflict of interest arising in the preparation of the valuations</p>	
<p>9. Distribution policy</p> <p>Disclose</p> <p>(a) The current distribution policy and any rights that the entity has to change the policy;</p>	<p>(a) APA Group intends to continue to pay distributions from operating cash flow with the view to growing distributions over the longer term. At the time of determining distributions, the Board will have regard to the organic growth and investment opportunities available to APA Group, the ongoing capital markets environment, APA Group’s focus on maintaining its strong investment grade ratings (BBB/Baa2), and its intention to continue enhancing long term securityholder value.</p> <p>APA Group’s distribution policy has been framed in consideration of the need to retain equity in the business to support funding of its significant growth opportunities over the coming years.</p>
<p>(b) On payment of distributions, the portion attributable to, for example, income, capital and debt; and</p>	<p>(b) Payments of distributions are sourced from operating cash flow and are attributed to capital and income in distribution announcements and distribution statements.</p>
<p>(c) The risks associated with distributions being paid from sources other than operating cash flow, including the sustainability of such distributions.</p>	<p>(c) This is not applicable as APA Group only pays distributions out of operating cash flow.</p>
<p>10. Withdrawal policy</p> <p>Disclose</p> <p>Whether there is a withdrawal policy together with the information outlined in Disclosure Principle 10 in relation to the withdrawal arrangements.</p>	<p>Not applicable to APA Group as the disclosure principle only applies to infrastructure entities that are unlisted trusts. APA Group is listed on the ASX.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Disclosure Principle	2017 Statement
<p>11. Portfolio diversification</p> <p>Disclose</p> <p>(a) Details on whether the infrastructure entity has a portfolio diversification policy and, if so, details of that policy;</p> <p>(b) The infrastructure entity’s actual portfolio diversification position compared to its portfolio diversification policy; and</p> <p>(c) If there is a material variance between the entity’s diversification policy and its actual position, an explanation of why the variance exists and the measures being taken to rectify it.</p>	<p>(a) APA Group does not have a portfolio diversification policy.</p> <p>(b) Not applicable.</p> <p>(c) Not applicable.</p>

ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors

Principle 5 – Debt Maturities

30 June 2017

Year	Drawn (\$m)	Undrawn (\$m)	Total (\$m)	% of variable interest rate risk	Weighted average interest rate	% of debt that is not limited recourse to a particular asset ('ring fenced')	Fully amortising or principal and interest payments
Up to 1 year ⁽²⁾	641	100	741	80.5%	5.9%	100%	Principal and interest
Between 1 and 2 years	315	361	676	0%	6.1%	100%	Principal and interest
Between 2 and 5 years	1,929	608	2,537	0%	5.4%	100%	Principal and interest
Greater than 5 years	6,364	-	6,364	0%	5.5%	100%	Principal and interest
Total	9,250	1,069	10,318	5.5%	5.6%	100%	Principal and interest

(2) Includes the 2012 Subordinated Notes - 60 year term with first call date March 2018