



30/11/2019

Risk Management Policy

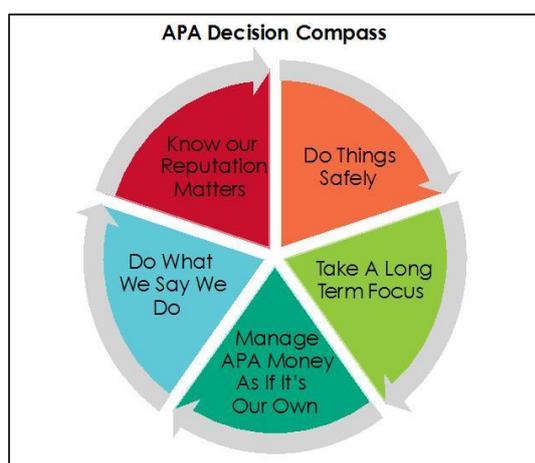
1 Purpose

APA Group (APA) is Australia's leading energy infrastructure business. Our purpose is to strengthen communities through 'responsible energy' and our vision is to be 'world class' in energy solutions.

Risk is inherent in all aspects of APA's activities and key to our decision making, providing confidence in our ability to achieve our strategic priorities and goals underpinning our vision and purpose. We maintain risk management practices focussed on cost effective management of risk which is aligned to our risk appetite. This allows APA to both protect and enhance value for our stakeholders.

The Risk Management Policy (**Policy**) sets out the principals, key requirements and responsibilities for risk management. It articulates the key elements of the Risk Management System (RMS) which is aligned to the international risk standard ISO 31000.

2 Decision Compass



Effective application of the Policy helps APA maintain appropriate risk exposures to manage uncertainty in its business and support achievement of APA's strategic priorities and goals in line with its risk appetite.

The Policy supports all **segments** of the Decision Compass.

3 Scope

This Policy applies to all risks and all risk management activities, APA directors, subsidiaries, controlled entities, employees, consultants, contractors and all other people when they represent APA. Application of the RMS ensures consistency and a common language for risk management across APA.

The Risk Management System (RMS) sets out the underlying principles and key processes for risk management at APA as a whole. These are used to align with other specialist risk capabilities including engineering risk, IT security, process safety, workplace health and safety, environment risk, treasury risk, tax risk and project risk.

4 Risk management principles

To manage risk effectively we adopt the following risk management principles to ensure uncertain adverse outcomes are minimised and uncertain opportunities are maximised:

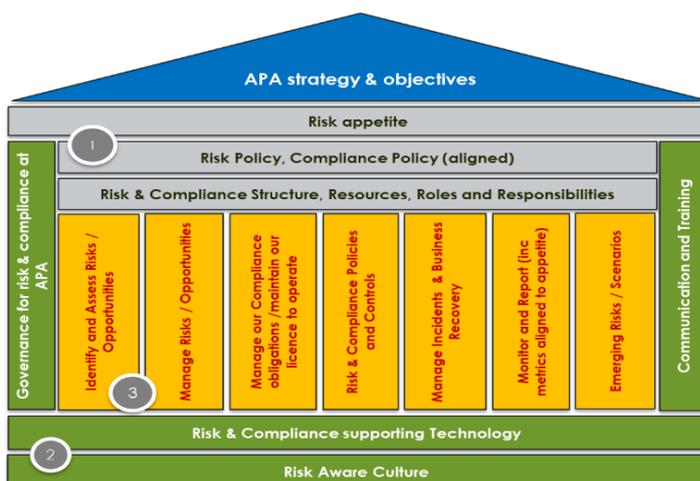
- **Consistent, structured and embedded:** We maintain a single, structured, embedded and fit for purpose risk management system, focussed on identifying and managing the uncertainties impacting value.
- **Integrated in key decisions:** We consider risk as an integral part of APA decision making, with application across strategic planning, our growth or change projects and operations, providing for informed risk taking consistent with our Decision Compass and risk appetite.
- **Risk aware culture:** We promote risk awareness in all aspects of our business, driven by a strong "tone at the top", which encourages issue escalation and transparency.
- **Ownership:** We are accountable for our actions and empower management to take ownership of risk to ensure it is managed and regularly monitored, with an assurance capability to check critical controls in place.
- **Resourcing:** We act responsibly in the conduct of our business and will allocate sufficient resources for effective risk management.
- **Continual improvement:** We continually improve our risk management system to ensure our practices remain appropriate and effective.

5 The Risk Management System (RMS)

The key objectives of the Risk Management System are to:

- Systemically identify and manage all of APA's material risks.
- Provide for considered risk taking consistent with APA's risk appetite.
- Provide for effective internal controls and action planning to manage current or emerging risks.
- Regularly monitor, review and update APA's risk registers and risk profile reflecting new or changed risks in line with business activities.
- Incorporate key strategic emerging risks into APA's strategic planning process.
- Ensure effective systems for recovery in the event of the unexpected occurring and improving controls to prevent or limit impact on reoccurrence.
- Continually educating, communicating and raising awareness of risk management and the RMS to APA personnel.

The RMS sets out the approach for ensuring risk is effectively identified, managed and monitored. It consists of three core components (see overview below):



1. Risk structure and organisation
2. Risk management support
3. Risk management framework processes



Key processes for compliance management and incidents/business recovery, both of which consider our control environment are set in in separate policies and frameworks reflecting their importance and operational nature.

5.1 Risk Categories

Risk categorisation provides for better understanding of the sources giving rise to our risks and shapes management treatment on risks that we can control and ones that we cannot. Risks are considered across four financial and non-financial risk categories:

- **Financial Risk:** Risks arising from the management of APA's financial resources, accounting, treasury, tax and financial disclosure.
- **Strategic Risk:** Risks arising from the industry and geographical environments in which APA operates, including its markets, customers, brand and reputation and regulatory policy.
- **Operational Risk:** Risks arising from inadequate or failed internal processes, people or systems or from external events including construction and corporate projects, technology, environment, and health and safety.
- **Compliance Risk:** Legal or regulatory risks arising from laws, regulations, licences and recognised practising codes including health, safety and environment, asset construction and operation, and other corporate compliance requirements.

6 Risk management system requirements

The minimum requirements of the RMS are set out below:

Risk Management

- Material risks must be assessed and analysed to identify key causes and consequences.
- Material risks must be managed via effective controls and / or agreed control improvement actions to within acceptable risk target levels.
- Action plans to treat or manage a risk must consider options for avoiding, accepting, changing the rating or transferring a risk (eg insurance).
- New or changed material risks (rated Extreme or High) must be reported to the Enterprise Risk Management Committee (ERMC) as they become known.
- Compliance risks rated Priority 1 under APA's Compliance Management System must be managed in accordance with the Risk Management System.
- A risk aware culture that supports protecting and enhancing value for key stakeholders by managing risk effectively.
- Key decisions involving risk taking must be consistent with APA's Risk Appetite.
- APA's delegations of authority must be applied such that material risks, contracts, capital expenditure and other items need to be approved at the appropriate level of management.

Related requirements in other functional/specialist risk frameworks

- Maintenance of an appropriate insurance program for APA's assets, projects and corporate needs.



- Provision of training programs for key risk and compliance matters such as workplace safety, environment, IT security awareness, privacy and fair treatment.
- Maintenance of up to date risk systems including policies, standards, and procedures to manage specific risk areas important for APA including engineering, treasury, projects, IT security, workplace safety and environment.
- Detailed accounting policies and procedures with ongoing monitoring to ensure effective financial control and accurate financial disclosure.

Assurance activity and Internal Audit

- A program of technical and regulatory audits across APA covering workplace safety and infrastructure asset compliance.
- A comprehensive program of IT system security testing.
- An agreed internal audit program designed to review the quality and effectiveness of internal controls and risk management frameworks.

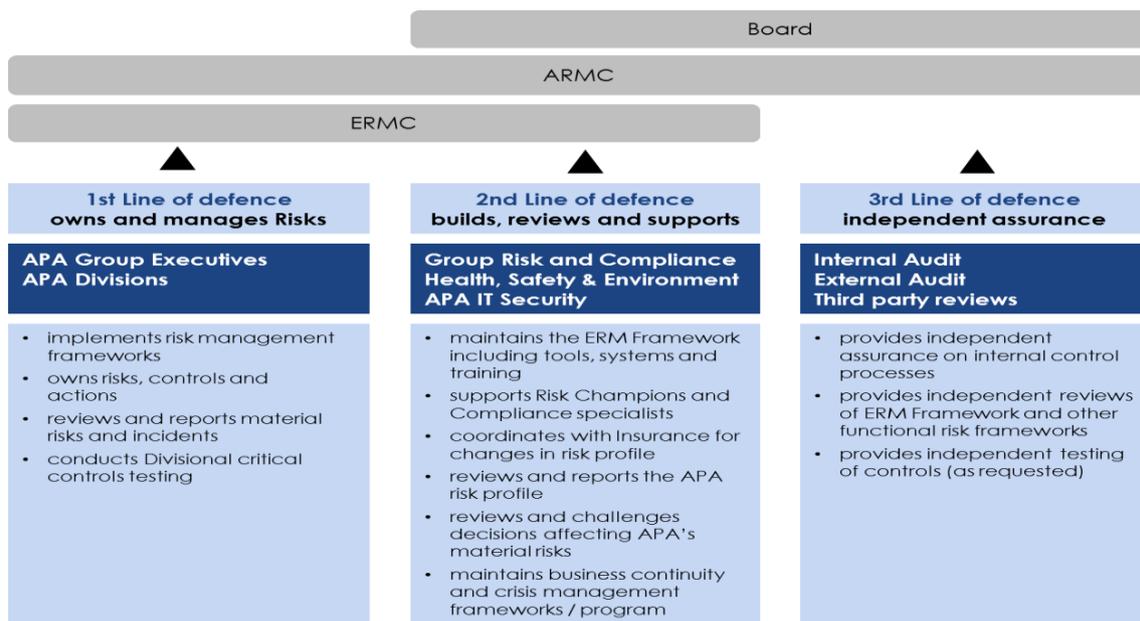
7 Roles and responsibilities

7.1 Three lines of defence

The three Lines of Defence (3LOD) provides an effective way to:

- Clarify the roles and responsibilities for managing risk across APA's business.
- Apply the Risk Management System to other specialist risk related functions.
- Align with specialist risk and compliance knowledge in the business eg technical compliance and asset engineers in respect of asset technical and regulatory compliance risk.
- Provide for the checks and balances to critical controls to confirm the control environment remains effective.

APA defines the 3LOD in the overview below.





7.2 Roles and responsibilities

For the purposes of monitoring and managing risk across APA, the following specific responsibilities apply:

Position	Responsibility
APA Group Board (Board)	<ul style="list-style-type: none"> • Approve APA's Risk Appetite
Audit and Risk Management Committee (ARMC)	<ul style="list-style-type: none"> • Approve the Risk Management Policy and RMS • Approve key risk and compliance policies • Review and monitor current and emerging material risks • Review crisis management plan
Executive Risk Management Committee (ERMC)	<ul style="list-style-type: none"> • Review Risk Management Policy and RMS • Review current and emerging material risks and actions for APA • Apply Risk Appetite in key APA decisions • Promote a risk aware culture across APA • Approve recovery policy and crisis management plan • Review insurance arrangements
Managing Director	<ul style="list-style-type: none"> • Own implementation of the Risk Management Policy and RMS across APA • Promote a risk aware culture across APA • Approval of material / enterprise risks reported to ARMC
Executive Team (ExCom)	<ul style="list-style-type: none"> • Implementation of the Risk Management Policy and RMS in each Division • Ownership of material /enterprise and project risks for APA • Apply Risk Appetite in key decisions.
Group Risk & Compliance	<ul style="list-style-type: none"> • Maintain and monitor the Risk Management Policy and RMS, including processes, IT systems, tools and training • Monitor material/enterprise risks in the APA risk profile • Monitor the control environment for material/enterprise risks • Maintain the Business Continuity Framework and Crisis Management Plan
Risk Owners	<ul style="list-style-type: none"> • Manage their risks via ensuring controls are operational or actions implemented to improve controls • Review and report risk exposures
Functional risk champions	<ul style="list-style-type: none"> • Support implementation of the Risk Management Policy and RMS in the Division • Provide advice and guidance to business on risk and controls within their teams. • Provide basic risk training and communications to leaders
Internal Audit	<ul style="list-style-type: none"> • Provide independent assurance to the ARMC on the effectiveness of internal controls and risk frameworks with recommendations for improvement.
Personnel	<ul style="list-style-type: none"> • All staff and contractors are responsible for ensuring they are aware (to the extent relevant to their roles) of APA's RMS and their role to identify and manage risk and escalate incidents.



8 Non-compliance with this Policy

Incidents of wilful non-compliance will be investigated and may result in disciplinary action, which could include termination of employment.

9 Related policies and procedures

- Risk Management System.
- Likelihood and Consequence tables and 5*5 matrix.
- Group Compliance Policy and Compliance Management System Handbook
- Recovery Policy (Business Continuity, Crisis Management and Emergency Response).
- Treasury Risk Management Policy.
- Tax Policy.
- Project Risk Framework.
- Health Safety and Environment Policy and Safety Management System.
- Insurance Guidelines and Procedures.