



29/11/2017

Risk Management Policy

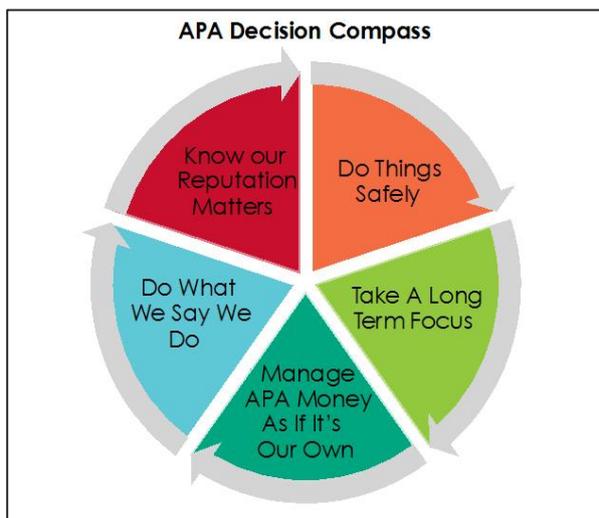
1 Purpose

APA Group (**APA**) is Australia's leading energy infrastructure business delivering smart, reliable and safe solutions through our deep industry knowledge and interconnected infrastructure.

Risk is inherent in all aspects of APA's activities. To provide confidence in our ability to achieve our goals, 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 investors and other stakeholders.

The Risk Management Policy (**Policy**) sets out the principals, key requirements and responsibilities for risk management. It articulates the key elements of the Enterprise Risk Management (ERM) System 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 objectives and plans.

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.

The ERM System sets out the underlying principles and key processes for risk management at APA as a whole. These are used to align with other functional risk systems including IT security, Workplace Health and Safety, Environment Management, Treasury Risk Management, Tax Risk Management and Project Risk Management. These systems apply the ERM principles and processes to ensure consistency, standardisation and apply a common language consistent with those set out in the ERM System.



4 Risk management principles

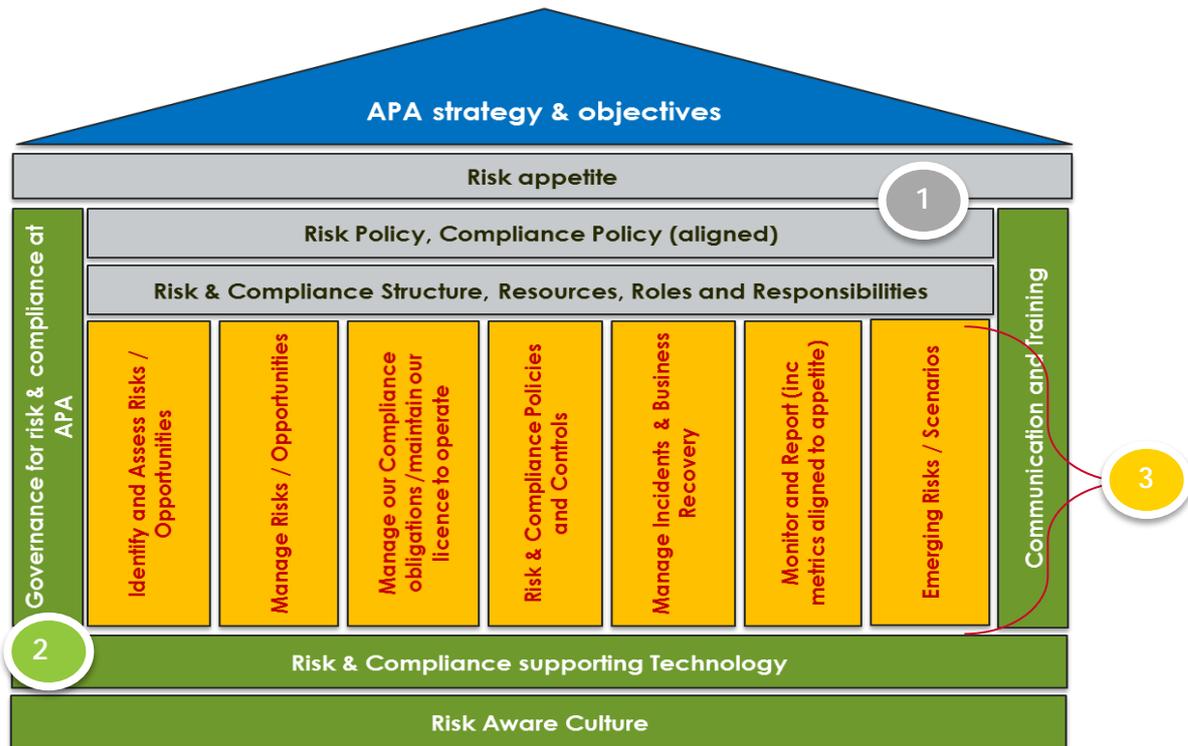
To manage risk effectively we adopt the following risk management principles to ensure uncertain adverse outcomes are minimised and uncertain opportunities are maximised:

- **Consistent, structured and embedded:** We maintain a single, structured, fit for purpose ERM system, focussed on identifying and managing the big uncertainties impacting value, which is embedded in the business.
- **Integrated in key decisions:** Consideration of risk is an integral part of APA decision making, is applied across strategic planning, our growth or change projects and operations and provides for informed risk taking consistent with risk appetite.
- **Risk aware culture:** We promote risk awareness in all aspects of our business, driven by a strong "tone at the top", and encourage 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 monitored on a regular basis, with an integrated assurance capability focussed on our assets and people safety to check critical controls continue to operate effectively.
- **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 ERM System to ensure our practices remain appropriate and effective.

5 The Enterprise Risk Management System

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

1. **Structure and Organisation:** Sets the foundation for risk management across APA including our appetite for risk taking to achieve our strategic goals and plans, application of minimum standards and a risk operating model to provide continued operation of the framework in the business.
2. **Risk Management Enablers:** Effective governance for our material risks, a fully functioning risk aware culture, helpful supporting technology, and ongoing training and communication are all fundamentals to support our risk management capability.
3. **Risk Management Framework Processes:** Key processes for current and emerging risk management, risk policies, controls and action plan management, risk metrics and risk appetite monitoring.



Key processes for compliance management and incidents / business recovery, both of which consider our control environment and are therefore integral to the ERM System 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 at APA are considered across four categories:

- **Strategic Risk:** Risks arising from the industry and geographical environments in which APA operates, including its markets, customers, brand and reputation and regulatory policy.
- **Financial Risk:** Risks arising from the management of APA's financial resources, accounting, treasury, tax and financial disclosure.
- **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 Enterprise risk management system objectives

The key objectives of the ERM System are to:

- Systemically identify and manage all of APA's material risks applying a risk based approach.
- Provide for considered risk taking consistent with APA's risk appetite.
- Provide for effective internal controls and new action planning to manage known or emerging risks.
- Regularly monitor, review and update APA's ERM risk registers and risk profile reflecting any new or changed risks for the introduction of new business activities.
- Incorporate risk management into APA's strategic planning including consideration of key strategic emerging risks.
- Ensure effective systems for recovery in the event of the unexpected occurring and improving controls to prevent or limit impact on reoccurrence. This includes incident response, emergency response, business continuity and crisis management capabilities.
- Continually educating, communicating and raising awareness of risk management and the ERM System to APA personnel.

7 Enterprise risk management system requirements

The minimum requirements of the ERM System are set out below:

Enterprise 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 Enterprise Risk Management System.
- A risk aware culture that supports protecting and enhancing value for investors and other stakeholders by managing risk effectively.
- Key decisions involving risk taking must be consistent with APA's Risk Appetite Statement.

- 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.

Assurance activity in the Divisions 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.

Related requirements in other functional risk management 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, frameworks and procedures to manage specific risk areas important for APA including treasury risk, project risk, IT security, workplace safety risk and environment risk.
- Detailed accounting policies and procedures with ongoing monitoring to ensure effective financial control and accurate financial disclosure.

8 Roles and responsibilities

8.1 Three lines of defence

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

- Clarify the roles and responsibilities for managing risk across the Divisions.
- Apply the Enterprise Risk Management Framework to other specific risk related functions.
- Align with specialist risk and compliance knowledge in the Divisions eg technical compliance specialists and asset specialists in respect of asset risks, compliance, controls and recovery perspective.
- Provide the checks and balances to critical controls to confirm for operating effectiveness.

APA defines the 3LOD in the overview below.

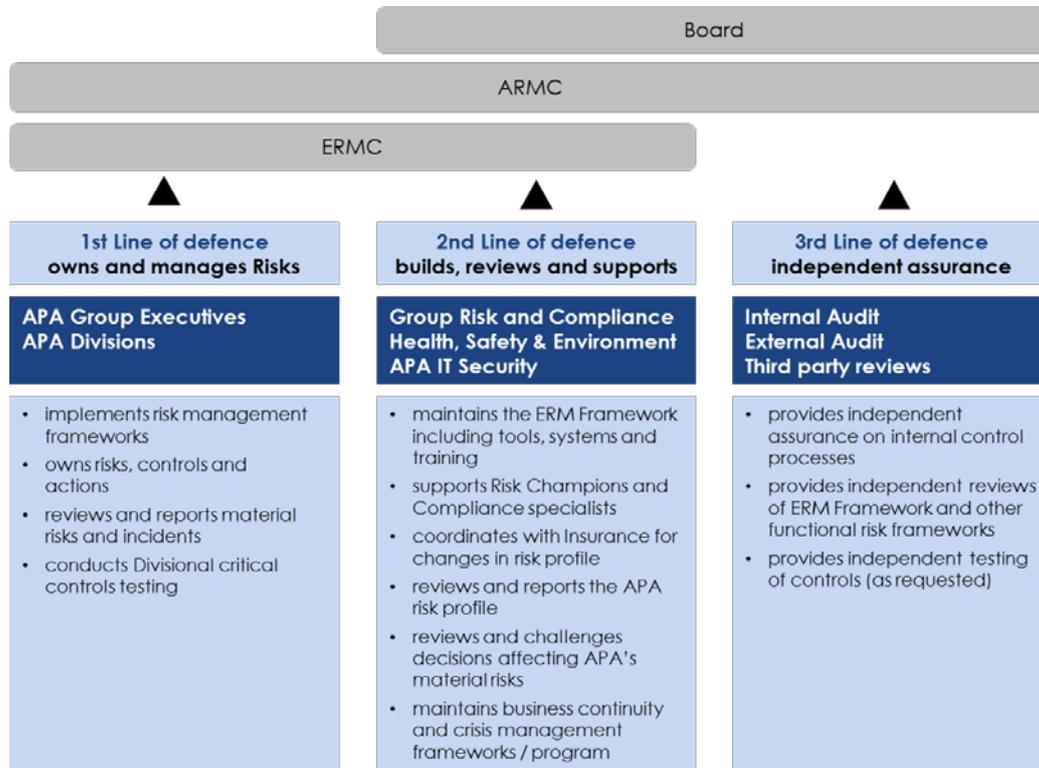


Figure 2: APA three lines of defence model

8.2 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 Risk Appetite
Audit and Risk Management Committee (ARMC)	<ul style="list-style-type: none"> Approve the Risk Management Policy and ERM System 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 ERM System 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 business continuity policy and crisis management plan Review insurance arrangements
Managing Director	<ul style="list-style-type: none"> Own implementation of the Risk Management Policy and ERM System across APA Promote a risk aware culture across APA
Executive Team (ExCom)	<ul style="list-style-type: none"> Implementation of the Risk Management Policy and ERM System in each Division

Position	Responsibility
	<ul style="list-style-type: none"> Ownership of the Consolidated Risk Profile for each Division Apply of Risk Appetite in key Divisional decisions
Group Risk & Compliance	<ul style="list-style-type: none"> Maintain and monitor the ERM System and Risk Management Policy, including processes, IT systems, tools and training Monitor material risks in the APA risk profile 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 Specialists (Champions)	<ul style="list-style-type: none"> Support implementation of the Risk Management Policy and ERM System in the Division Provide advice and guidance to business on risk and controls within their teams. Provide basic risk training and communications to Division leaders
Internal Audit	Provide independent assurance to the ARMC on the effectiveness of internal controls and risk frameworks with recommendations for improvement.
Personnel	All staff and contractors are responsible for ensuring they are aware (to the extent relevant to their roles) of APA's ERM System and their role to identify and manage risk and escalate incidents in accordance with the ERM System.

9 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.

10 Related policies and procedures

- Enterprise Risk Management System
- Likelihood and Consequence / Impact tables
- Group Compliance Policy and Compliance Management System Handbook
- Business Continuity, Crisis Management and Emergency Response Policy
- Treasury Risk Management Policy
- Tax Policy
- Project Risk Framework
- Health Safety and Environment Policy and Safety Management System
- Insurance Guidelines and Procedures