

Board Rotation & Succession Policy

Last approved by the Board of Directors: 19 July 2016

Purpose

This policy applies to the board of directors of Australian Pipeline Limited, the responsible entity of Australian Pipeline Trust and APT Investment Trust.

The purpose of the policy is to provide a process by which the board reviews whether to support for re-election directors who are required to retire by "rotation" each year, but who wish to stand for re-election.

The review process will occur annually and provides an opportunity for the board to reassess not only the contributions of retiring directors, but also the blend of qualifications, experience and knowledge represented on the board, and to plan board succession accordingly.

The board considered whether it is appropriate to determine a fixed, maximum tenure for non-executive directors, but concluded that such a policy is an inflexible approach that fails to recognise that a non-executive director who has served on the board for a period greater than the specified maximum period may still make a valuable contribution, and continue to bring an independent and critical view, to the board. Consequently, the board determined that the process set out in this policy provides a more flexible mechanism to address the issue of how long directors ought to serve on the board.

Background

Paragraphs (g), (h) and (i) of clause 7.1 of the constitution of Australian Pipeline Limited provides as follows:

- (g) *At each annual general meeting one third of the directors for the time being or if their number is not three nor a multiple of three, then the number nearest one third, and any other director not in such one third who has held office for three years or more, must retire from office. In determining the number of directors to retire, no account is to be taken of a director who holds office only until the conclusion of the meeting in accordance with rule 7.1(k) or a Managing Director, all of whom are exempted from retirement by rotation.*
- (h) *The directors to retire at any annual general meeting must be those who have been longest in office since their last election, but, as between persons who became directors on the same day, those to retire must be determined by lot, unless they otherwise agree between themselves.*
- (i) *A director retiring under clause 7.1(g) holds office until the conclusion of the annual general meeting at which that director retires but is eligible for re-election.*

Policy

The board will not automatically support for re-election a director who is required to retire by virtue of clause 7.1(g) of the constitution and who wishes to stand for re-election.

In that circumstance, the board (not including the retiring director) will consider whether to support the retiring director's re-election and in doing so will consider the following:

- the retiring director's performance as a director and his or her qualifications, experience and knowledge;
- the qualifications, experience and knowledge required on the board and the extent to which those qualifications and that experience and knowledge are represented on the board;
- whether the retiring director has served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of APA Group and its securityholders;
- the independence of the retiring director by reference to the board's then current policy on independence; and
- any other matter the board (not including the retiring director) considers appropriate.

Only after considering those matters will the board (not including the retiring director) determine whether to nominate the retiring director for re-election and to recommend that nomination to securityholders.