

FY2019 Securityholder Questions



2019 annual meeting

APA values feedback and questions from all of our Securityholders and recognises that it is not always possible to answer all of your questions during our Annual Meeting.

We received a number of questions from Securityholders in advance of this year's Annual Meeting on 24 October 2019 and wanted to address some of the more common themes so all Securityholders would benefit from APA's response.

<p>Annual Meeting location</p>	<p>APA holds our Annual Meeting each year in Sydney as NSW continues to have the largest proportion of registered APA Securityholders compared to the other Australian states. APA is open to reviewing this practice should this change. Securityholders unable to attend the meeting are able to view a live webcast (slides and audio of speakers) of the Annual Meeting through APA's website. The webcast remains on APA's website for 1 year to view.</p>
<p>Annual Tax Statements</p>	<p>APA's year-end account preparation and audit processes are completed in mid-August and approved by the Board in the final week of August. At this time, the actual final distribution and the relevant tax components are determined based on the audited Full Year results.</p> <p>Allowing for time taken by the Share Registry to complete the necessary administrative functions, an annual tax statement cannot be made available until the second week of September when the distribution is physically paid. For those Securityholders who have nominated postal delivery of their statements, which adds several days to your receipt time, you can still look your statements up online through the Share Register portal in the Investors section of APA's website (www.apa.com.au) from the day the statements are released.</p> <p>This year to help Securityholders prepare their tax returns in advance of the Tax Statement release, APA made available a Tax Estimator Tool on our website that generated pro forma tax return inputs based on individual Securityholder inputs. The facility was well used by Securityholders and we plan to make it available again from the release of APA's full year results in FY2020 (August 2020). Use of this estimator can save Securityholders around 3 weeks of waiting time for the actual statements.</p>
<p>Asset Management and security</p>	<p>APA maintains its extensive network of Transmission pipelines in accordance with AS2885, the Australian Standard for high pressure Gas and Liquid Petroleum pipelines. This standard relates to the design, construction, testing, risk assessment, operations and maintenance of Gas and Liquid Petroleum pipelines. We have a disciplined Process Safety framework to manage the integrity of assets, operating systems and processes.</p> <p>The design of our assets and the operational controls we implement mean that damage to APA's gas infrastructure assets is mitigated, and usually does not impact operations or services to customers.</p> <p>For the extensive transmission pipeline network, we use a range of assurance processes to ensure the integrity of the pipelines, including intelligent pigging, aerial surveys, pressure testing and in-field survey inspections. APA is leading an industry review of fracture control properties of our existing pipelines, working with historical pipeline manufacturers and the industry association (Australian Pipelines and Gas Association).</p> <p>In the unlikely event of a failure, we have the equipment (spare pipe, welding equipment etc) and trained personnel to be able to respond to make the asset safe and bring it back into service as quickly as possible.</p>



<p>Auditor Fees</p>	<p>The increase in APA’s audit fees overtime has primarily been as a result of the increase in the size and complexity of the business.</p> <p>In addition to the costs of auditing of the financial statements, APA incurs costs for other assurances services required by the business. APA has incurred significant costs (\$3.2 million in FY2019) due to the increase in additional regulatory requirements for the gas market, including an increase in audit fees to meet the requirements of the Australian Energy Regulator (AER) financial reporting guidelines for non-scheme pipelines. These amounts are disclosed as part of the other-assurance services provided by the auditor.</p> <p>In addition to this, APA has in the past and will continue to incur assurance costs for debt and equity raisings in the years that such activities are undertaken.</p> <p>APA’s internal auditor reports to the Audit and Risk Management Committee.</p> <p>Proposed Auditor fees are reviewed and approved on an annual basis.</p>
<p>Board Diversity</p>	<p>APA values and encourages diversity across our entire workplace including the Board, as we believe diversity of thought creates better business decisions, thinking and outcomes. Diversity of thought comes from having people with a range of different backgrounds, experiences, cultures, beliefs and mindsets, and we seek to have a mix of people in our workforce with these different attributes.</p> <p>In 2018, APA established a four year Gender Targets Action Plan (2018-2022) to demonstrate APA’s clear commitment to increasing the role of women across all levels and roles within the business, including at Board level. As at 30 June 2019, two of the six Non-Executive Directors on APA Group’s Board were female. The Board has stated that short-listed candidates for any available Board position must include female candidates. The Board has also signed up to the Australian Institute of Company Directors 30% female Board commitment.</p>
<p>Climate Change</p>	<p>APA believes that climate change is one of the most significant issues facing the energy industry and Australian community in general.</p> <p>In FY2019, APA adopted the recommendations of the Financial Stability Board’s Task Force for Climate Related Financial Disclosure (TCFD) to help our stakeholders understand our approach to managing climate related risks and opportunities. In doing so, we undertook a climate related scenario analysis out to 2030, details of which are included in APA’s FY2019 Sustainability report. Based on this analysis, APA is expected to be resilient to climate related transition and physical impacts for the next ten years. We will continue to monitor and assess emerging risks and opportunities that are related to climate change.</p> <p>Over the past decade, we have supported and invested over \$750 million in renewable energy projects around Australia, providing 490 megawatts of capacity. Renewable energy assets now make up more than 50 percent of our electricity generation capacity. We believe natural gas plays an important role in providing secure and reliable electricity by supporting the integration of renewable energy with flexible, peaking power. When used in power generation, natural gas can be 50% less carbon intensive than coal¹.</p> <p>We will explore, collaborate and actively support the design, testing and commercialisation of cleaner energy sources such as hydrogen and renewable methane where it makes sense to do so. The integration of renewable fuel supplies like renewable methane and hydrogen into existing pipeline distribution systems could make a significant contribution to reducing the carbon content of energy used to heat homes and buildings, and for transportation fuel.</p>

¹ Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future, Commonwealth of Australia 2017

Dividends	The Dividend Reinvestment Plan (DRP) remains suspended (following the Board's decision on 19 June 2013). APA has used the DRP in the past when there has been a need to maintain an appropriate level of equity in support of the ongoing growth of the business. APA's current financial position and outlook is such that there are no immediate plans to reinstate the DRP.
Executive Securityholding	Non-Executive Directors are expected to hold securities to a value which is not less than the annual base Board fee (before tax and excluding fees applicable to membership of Committees). This level of securityholding is to be held throughout their tenure as Directors and is a requirement of their employment appointment. As at 30 June 2019, all Directors met this requirement.
Future offers to buy APA	APA has never been up for sale as a business. However, as a listed business, other entities are free to offer a price to acquire the business from current investors, if the majority of investors agree. In any such instance, the Board would consider whether the offer is in the best interests of Securityholders given the circumstances at the time and would either recommend the offer be considered by Securityholders through a vote, or reject the offer on behalf of Securityholders if it is not in their best interests. APA will advise the market if and when any offer to acquire APA securities is received in accordance with the ASX listing rules and corporate governance requirements.
Measuring Project Performance and Returns	<p>APA is a low risk business that invests in energy infrastructure that is underwritten by long term contracts with highly credit worthy counterparties.</p> <p>When assessing potential projects, we consider a range of commercial, risk and strategic factors. This includes the need to earn appropriate returns on the capital we invest as well as operating costs to maintain and run the infrastructure for the long term.</p> <p>During construction of any energy infrastructure, projects are continuously monitored against a range of measures including safety, performance, schedule and budget.</p>

For further information, please contact APA Groups Investor Relations team on ir@apa.com.au.