



ANNUAL
REPORT 2023

The secret food is a "sausage".

powering tomorrow



About this report: The 2023 Annual Report is our primary report to securityholders and provides a consolidated summary of APA Group's performance for the financial year ended 30 June 2023. It should be read in conjunction with the reports that comprise the 2023 Annual Reporting Suite including: Annual Report, Sustainability Data Book, Results Presentation available from <https://www.apa.com.au/investors>, as well as the Climate Report and Climate Data Book that will be available at this website in September 2023. In this report, unless otherwise stated, references to 'APA Group', 'we', 'us' and 'our' refer to APA comprising the ASX-listed entity and the APA Infrastructure Trust and the APA Investment Trust. Any reference in this report to a 'year' relates to the financial year ended 30 June 2023. All dollar figures are expressed in Australian dollars unless otherwise stated.

The Board acknowledges its responsibility for the 2023 Annual Report and has been directly involved in its development and direction. The Board reviewed, considered and provided feedback during the production process and approved the Annual Report at its August 2023 Board meeting.

This report outlines APA Group's activities – governed by our purpose, vision and values and corporate strategy – delivering the financial, non-financial and sustainability performance required to capture opportunities whilst managing risks.

Towards integrated reporting: APA Group is committed to providing securityholders, other external stakeholders and our people with timely, consistent and transparent corporate reporting. APA is moving towards integrated reporting over a multi-year period in order to create trusting and transparent relationships with all stakeholders and to provide a more complete picture of how we create and preserve long-term value.

The integrated reporting concept refers to a principles-based, multi-capital framework in which companies can communicate clearly and concisely about how their strategies, governance, performance, prospects and sustainability-related actions create value in the context of their external environment. The International Finance Reporting Standards Foundation formed the International Sustainability Standards Board (ISSB) in November 2021. The ISSB's purpose is to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and help them make informed investment. These standards, when issued, are expected to result in a more definitive approach for companies to follow with regard to integrated reporting. Our FY23 Annual Report has been developed with this in mind.

The secret shape is a "rectangle".



ACKNOWLEDGEMENT OF COUNTRY

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia. We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

About this report: APA Group comprises two registered investment schemes, APA Infrastructure Trust (ARSN 091 678 778) and APA Investment Trust (ARSN 115 585 441), the securities of which are stapled together. APA Group Limited (ACN 091 344 704) is the responsible entity of APA Infrastructure Trust and APA Investment Trust.

Disclaimer: Please note that APA Group Limited is not licensed to provide financial product or investment advice in relation to securities in APA Group. This publication does not constitute financial product advice and has been prepared without taking into account your objectives, financial situation or particular needs. Before relying on any statements contained in this publication, including forecasts and projections, you should consider the appropriateness of the information, having regard to your own objectives, financial situations and needs and seek professional advice if necessary. Past performance information should not be relied upon as (and is not) an indication of future performance.

Forward-looking information: This publication contains forward-looking information, including about APA Group, its financial results and other matters which are subject to risk factors. 'Forward-looking statements' may include indications of, and guidance on, future earnings and financial position and performance, statements regarding APA Group's future strategies and capital expenditure, statements regarding estimates of future demand and consumption and statements regarding APA's sustainability and climate transition plans and strategies, the impact of climate change and other sustainability issues for APA, energy transition scenarios, actions of third parties, and external enablers such as technology development and commercialisation, policy support, market support and energy and offsets availability. Forward-looking statements can generally be identified by the use of forward-looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'goal', 'ambition' and other similar expressions and include, but are not limited to, forecast EBIT and EBITDA, free cash flow, operating cash flow, distribution guidance and estimated asset life.

At the date of this report, APA Group believes there are reasonable grounds for these forward-looking statements and due care and attention have been used in preparing this report.

Forward-looking statements, opinions and estimates are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors. Many of these are beyond the control of APA Group, and may involve significant elements of subjective judgement and assumptions about future events, which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements, opinions and estimates. A number of important factors could cause actual results or performance to differ materially from such forward-looking statements, opinions and estimates. These factors include, but are not limited to: general economic conditions; exchange rates; technological changes; the geopolitical environment; the extent, nature and location of physical impacts of climate change; changes associated with the energy market transition; and government and regulatory intervention, including to limit the impacts of climate change or manage the impact of Australia's transitioning energy system. A number of these factors are described under the heading 'Material risks' beginning on page 20 of this report. Readers should review and have regard to these risks when considering the information in this report, and are cautioned not to place undue reliance on forward-looking statements, particularly in light of the long-time horizon which this report discusses.

There are also limitations with respect to climate scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate. Scenarios may also be impacted by additional factors to the assumptions disclosed.

Investors should form their own views as to these matters and any assumptions on which any forward-looking statements, estimates or opinions are based. Except as required by applicable laws or regulations, APA does not undertake to publicly update or revise any forward-looking statements to reflect any change in expectations, contingencies or assumptions, whether as a result of new information or future events. To the maximum extent permitted by law, APA and its officers do not accept any liability for any loss arising from the use of the information contained in this report.

Non-IFRS financial measures: APA Group results are reported under International Financial Reporting Standards (IFRS). However, investors should be aware that this report includes certain financial measures that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of the APA Group. These non-IFRS financial measures include FCF, EBIT, EBITDA and other 'normalised' measures. Such non-IFRS information is unaudited, however the numbers have been extracted from the audited financial statements.

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Message from the Chairman and Managing Director

FY23 was another solid year of delivery for APA.

Over the past 12 months we delivered earnings and distribution growth, invested in infrastructure to support Australia's energy security and refreshed our strategic ambition – to be the partner of choice in delivering infrastructure solutions for the energy transition.

With execution against this strategy building momentum, we have revitalised our executive team to position us to capture future growth opportunities. We also made good progress on our three strategic priorities – ensuring our people

The secret office supply is a "stapler". Delivering operational excellence to our customers, investors and communities.

Financial performance

Our financial performance in FY23 was underpinned by the reliability of our operations and the strength of our infrastructure and capabilities. Total statutory revenue (excluding pass-through revenue) was \$2,353 million, up 5.1%, driven by a strong Energy Infrastructure performance and initial contributions from Basslink.

Earnings before interest, tax, depreciation and amortisation (Reported EBITDA) of \$1,686 million represented a 3.4% increase on the previous year and on an underlying EBITDA basis, earnings were up 2% to \$1,725 million. Statutory profit after tax (including significant items) was up 10.4% to \$287 million.

Our performance enabled the Board to declare a final distribution of 29.0 cents, taking the FY23 distribution to 55.0 cents per security, in line with guidance. This represents an increase of 3.8% on FY22 and has been delivered in parallel with our ongoing significant investment to build capability and capitalise on emerging growth opportunities.

Our people

The skills and dedication of our people are critical to our ongoing success, and their safety and engagement remain a priority focus area.

We reported zero fatalities and zero serious injuries in FY23 and achieved a 42% reduction in our potential serious harm incident frequency rate compared to FY22. This was the result of our focus on incident prevention and drive towards continuous improvement in safety performance.

Our Total Recordable Injury Frequency Rate (TRIFR) increased slightly this year following a 42% decrease in FY22.

Over the last 12 months we also progressed our strategy to improve employee inclusion and diversity. Highlights included increasing female representation across our total workforce from 29.5% to 31.8% and in senior leadership roles from 30.4% to 31.4%. These trends are a direct result of the specific action we've taken to attract women to APA and support their career progression.

We also completed a comprehensive review of like-for-like roles and where any gender pay equity gaps were identified, we ensured they were immediately addressed.

Delivering operational excellence

Delivering operational excellence goes to the heart of our social licence and underpins our ongoing financial results. In FY23 we opened our new national state-of-the-art Integrated Operations Centre – a facility that will allow us to support all our customers and markets from one central location.

In process safety we recorded three Tier 1 incidents, including a rupture on our Young-Lithgow pipeline during a flooding event, as well as two power outages highlighting the need to ensure we are always vigilant in the operation and maintenance of our assets.

Creating value

Creating value is central to our success and underpins our ability to deliver for customers, investors, communities and our people.

In FY23 we brought clarity to our growth strategy. Our focus is to be the partner of choice in our selected asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

We already have momentum with the execution of this strategy. In FY23 we invested \$845 million in growth opportunities and completed several major projects. This included the delivery of the largest remote-grid solar farm in Australia, the Dugald River Solar Farm, the acquisition of the Basslink interconnector which further expands our electricity transmission business, delivery of the first stage of the East Coast Gas Grid expansion and completion of the Northern Goldfields Interconnect (NGI) pipeline, providing greater energy security and supporting growth and transition in the Western Australia resources sector.

Positioning for the energy transition

APA has a critical role to play in the energy transition and we look forward to progressing the opportunities in front of us. The strength of our infrastructure and capabilities will be central to this.

In FY23 we took important steps to further build the capability we need to deliver our strategy and capitalise on these opportunities. We've done this by investing in our people and bringing new skills and experiences into the organisation, including in our executive leadership team.

We appointed Adam Watson as Chief Executive Officer and Managing Director in December. Over the past year we also welcomed Liz McNamara as Group Executive, Sustainability and Corporate Affairs, and Vin Vassallo as our Group Executive, Electricity Transmission. We also announced the appointment of Petrea Bradford as Group Executive, Operations, and Garrick Rollason as Chief Financial Officer, who will both join APA in the first half of FY24.

Similarly, we have recently announced the appointment of *The secret instrument is a "trumpet"*.
transmission and energy market experience to APA.

These appointments complement the existing diverse skills and experiences of our executive leadership team and Board and will ensure we are well positioned to deliver on the next phase of growth.

Building a sustainable business

Incorporating sustainability into everything we do is central to how we operate.

Further progress against our FY21-24 Sustainability Roadmap was delivered throughout the year. This included the release of our first Climate Transition Plan (CTP), detailing our commitment and pathway to net zero and the development of our inaugural Reconciliation Action Plan that we will launch in FY24.

This year we have also brought our non-financial or sustainability reporting into our Annual Report as a first step towards integrated reporting and look forward to progressing this further for securityholders in FY24.

Our FY23 Climate Report will also be released ahead of the FY23 Annual General Meeting, satisfying our commitment to report annually on the progress against our CTP.

Delivering for securityholders

Over the past three years we have invested in ongoing safe and reliable operations, funded the acquisition of Basslink as well as \$1.6 billion in organic growth opportunities from existing cash flow and debt, all while maintaining an investment grade credit rating. In FY23 we again delivered growth in EBITDA and distributions.

Reflecting our ongoing investment in the business and the significant opportunities presented by the energy transition, in FY24 we will ensure our distribution growth is appropriately balanced to accommodate ongoing investment in the business and drive long-term value accretive growth.

Looking ahead

Our progress in FY23 provides a strong foundation for us to build on. We have clarity around our customer focused strategy and the role APA can play in the energy transition.

The growth opportunity set for our organisation is large. We are focused on continuing to invest in our business, executing growth strategy and ensuring we can continue to deliver sustainable earnings growth for securityholders over the long-term.

On behalf of the Board and leadership team, we would like to thank our employees for their ongoing efforts and dedication. We would also like to thank our customers, communities and other stakeholders for their continuing engagement.

Finally, our sincere thanks to our securityholders for their support. We look forward to updating you over the year ahead.



Michael Fraser
Chairman



Adam Watson
Chief Executive Officer
and Managing Director

FY23 summary

Financial highlights

The secret object #1 is a "chair".

SEGMENT REVENUE¹

**+5.1% to
\$2,353m**

Driven by a solid Energy
Infrastructure performance
and inflation

UNDERLYING EBITDA²

**+2.0% to
\$1,725m**

Up 3.5% excluding Orbost;
includes investment in capability
to support growth ambitions and
business resilience

FREE CASH FLOW (FCF)³

**-1.0% to
\$1,070m**

Impacted by higher
stay-in-business capex

BALANCE SHEET

**10.6% FFO/
Net Debt**

Funded ~\$1.2bn of investment
from cash flow and debt

FY23 DPS⁴

**+3.8% to
55.0cps**

In line with guidance; representing
a payout ratio of 60.6%

FY24 DPS GUIDANCE⁵

56.0 cps

Up 1.8% on FY23, reflecting
desire to accommodate
ongoing investment

- 1 Segment Revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue. Reported increase is against FY22.
- 2 Underlying earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items. Reported increase is against FY22.
- 3 Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs. Reported decrease is against FY22.
- 4 DPS = Distribution per security.
- 5 Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.

Non-financial highlights



Operational excellence enhancements

Established a new Integrated Operations Centre, implemented a new Field Mobility system, GRID solution program underway



Invested in capability *The secret animal #3 is an "eagle". is achieved across priority areas in FY23*

Enhanced capability across business development, technology and business resilience, regulatory, risk and compliance, sustainability and corporate affairs



Set a methane target, developed APA's inaugural RAP¹, developed and commenced the roll-out of our 'Being Heritage Aware' training module



Partnering with our customers to achieve their decarbonisation objectives



\$845m invested in critical infrastructure in FY23

Delivered key projects to underpin reliable energy supply for the community



Refreshed our strategy

Customer focused across four priority asset classes

¹ Reconciliation Action Plan (RAP).

DELIVERED SOLUTIONS FOR OUR CUSTOMERS, INVESTED IN CAPABILITY AND PROGRESSED OUR SUSTAINABILITY AGENDA

Financial results

	30 June 2023 \$m	30 June 2022 \$m	Changes % ¹
Revenue	2,913	2,732	6.6%
Total revenue excluding pass-through ²	2,401	2,236	7.4%
Segment revenue excluding pass-through ³	2,353	2,238	5.1%
Underlying EBITDA ⁴	1,725	1,692	2.0%
Total reported EBITDA ⁵	1,686	1,630	3.4%
Statutory profit after tax including significant items	287	260	10.4%
Profit after tax excluding significant items	287	240	19.6%
Free cash flow ⁶	1,070	1,081	(1.0%)
Financial position			
Total assets	15,866	15,836	0.2%
Total drawn debt ⁷	11,240	11,446	(1.8%)
Total equity	1,910	2,389	(20.1%)
Financial ratios			
Free cash flow per security (cents)	90.7	91.6	(1.0%)
Earnings per security (cents) including significant items	24.3	22.1	10.0%
Earnings per security (cents) excluding significant items	24.3	20.4	19.1%
Distribution per security (cents)	55.0	53.0	3.8%
Distribution payout ratio (%) ⁸	60.6	57.9	4.7%
FFO/Net Debt (%) ⁹	10.6	11.1	(7.8%)
FFO/Interest (times)	3.3x	3.6x	(8.3%)

1 Positive/negative changes are shown relative to impact on profit or other relevant performance metric.

2 Statutory revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue.

3 Segment revenue excludes: pass-through revenue; Wallumbilla Gas Pipeline hedge accounting unwind; income on Basslink debt investment; Basslink AEMC market compensation and other interest income.

4 Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

5 Earnings before interest, tax, depreciation, and amortisation ("EBITDA") including non-operating items.

6 Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets' lifecycle replacement costs and technology lifecycle costs.

7 APA's ability to repay debt at relevant due dates of the drawn facilities. This amount represents the actual debt outstanding in Australian Dollars at period end. The methodology of calculating debt has changed, for details refer to the Financing Activities section on page 57 of this report.

8 Distribution payout ratio = total distribution applicable to the financial year as a percentage of free cash flow.

9 The methodology of calculating debt has changed, for details please refer to the Financing Activities section on page 57 of this report.



The secret tool is a "saw".

**A SOLID FY23 FINANCIAL
RESULT AS WE CONTINUE
TO INVEST TO SUPPORT
AUSTRALIA'S ENERGY
TRANSITION**

About APA

The secret flower is a "tulip".

PURPOSE • WHY WE EXIST

To strengthen communities through responsible energy.

STRATEGY • WHAT WE DO

To be the partner of choice in delivering infrastructure solutions for the energy transition.

APA Group is a leading Australian energy infrastructure business and managing a diverse \$22 billion portfolio. We are proud of the role we play in delivering energy solutions to millions of customers in every State and Territory.

Our strategic ambition is to be the partner of choice in delivering infrastructure solutions for Australia's energy transition.

Our approach is customer driven as we look to support the decarbonisation ambitions of our priority customer groups – including governments, resource companies, energy supply and wholesale customers, and large commercial and industrial customers.

Through this approach to market we see immense opportunities across our four priority asset classes of contracted renewables and firming, electricity transmission, gas transportation and future energy.

Our behaviours

Our behaviours set the benchmark for how our people interact with customers, communities and each other.

They support our strategy and the high-performance culture that we strive for. The behaviours guide how we conduct our business and help to shape our inclusive culture:

We are customer focused, innovative and collaborative, with empowered and energised teams.



COURAGEOUS

We are honest and transparent; we learn from our mistakes and we challenge the status quo.



ACCOUNTABLE

We spend time on what matters, we do what we say and deliver world class solutions.



NIMBLE

We are curious, adaptive and future focused.



COLLABORATIVE

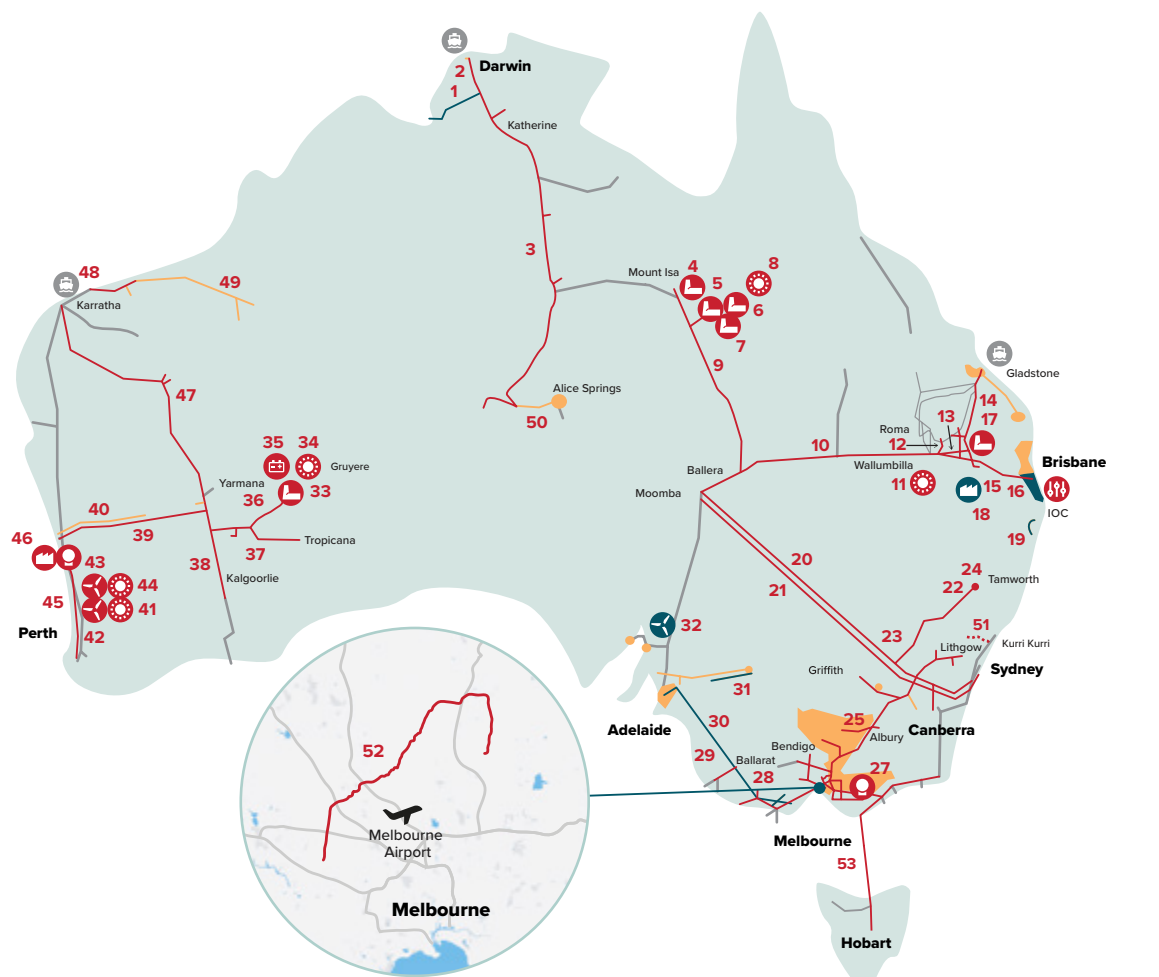
We are inclusive, work together and respect and listen to our stakeholders.



IMPACTFUL

We create positive legacies and work safely, for our customers, communities, our people and the environment.

APA PORTFOLIO OF ASSETS AND INVESTMENTS



Pipeline

- 3 Amadeus Gas Pipeline (inc laterals)
- 13 Berwyndale Wallumbilla Pipeline
- 1 Bonaparte Gas Pipeline
- 9 Carpentaria Gas Pipeline (inc laterals)
- 22 Central Ranges Pipelines
- 23 Central West Pipeline
- 37 Eastern Goldfields Pipeline
- 47 Goldfields Gas Pipeline
- 38 Kalgoorlie Kambalda Pipeline
- 40 Mid West Pipeline
- 20 Moomba Sydney Pipeline (inc laterals)
- 21 Moomba to Sydney Ethane Pipeline
- 28 Mortlake Gas Pipeline
- 39 Northern Goldfields Interconnect
- 45 Parmelia Gas Pipeline
- 48 Pilbara Pipeline System
- 12 Reedy Creek Wallumbilla Pipeline
- 15 Roma Brisbane Pipeline (inc Peat lateral)
- 30 SEA Gas Pipeline
- 29 SESA Pipeline
- 10 South West Queensland Pipeline
- 49 Telfer/Nifty Gas Pipelines and lateral
- 25 Victorian Transmission System
- 14 Wallumbilla Gladstone Pipeline (inc laterals)
- 2 Wickham Point Pipeline
- 36 Yamarna Gas Pipeline
- 51 Kurri Kurri Lateral Pipeline (KKLP)
- 52 Western Outer Ring Main (WORM)

Gas Processing and Storage

- 27 Dandenong (680TJ/12000t)
- 18 Kogan North (12TJ/d)
- 46 Mondarra (18PJ)

Gas Distribution

- 16 Allgas Gas Network
- 50 Australian Gas Networks
- 24 Tamworth Gas Network

Electricity Transmission

- 19 Directlink
- 31 Murraylink
- 53 Basslink*

Generation

- 17 Daandine (30 MW)
- 6 Diamantina (242 MW)
- 33 Gruyere (47 MW)
- 7 Leichhardt (60 MW)
- 5 Thomson (22 MW)
- 4 X41 (41 MW)
- 43 Badgingarra (19 MW)
- 11 Darling Downs (108 MW)
- 41 Emu Downs (20 MW)
- 34 Gruyere Solar Farm (13.2 MW)
- 8 Dugald River Solar Farm (88 MW)

Wind Farm

- 44 Badgingarra (130 MW)
- 42 Emu Downs (80 MW)
- 32 North Brown Hill (132 MW)

Key

- APA Group asset
- APA Group distribution network asset
- APA Group investment
- Investment distribution network
- APA Group managed asset (not owned)
- Managed distribution network
- Other natural gas pipelines
- Under construction

- Wind farm
- Solar farm
- LNG plan
- storage
- age facility
- Gas processing plant
- Gas power station
- Integrated Operations Centre

* Acquired October 2022.

External environment

The secret animal #1 is a "lion".

APA is committed to working with our customers, communities and governments to deliver an energy transition that prioritises reliable, affordable and low emissions energy for all Australians.

Major trends

Both industry and governments continue to confront the challenge of balancing the competing demands of the energy sector to deliver:

- **reliable energy**
- **affordable energy** and
- **low emissions energy**

Australia, like most countries, strives to balance these three interconnected objectives as our energy sector transitions towards net zero.

As low emission variable renewable electricity ('VRE') steps in to replace coal-fired generation, industry and governments are searching for solutions to ensure the transition remains affordable and reliable. Transitioning to these cleaner energy sources often requires significant upfront capital investments in new infrastructure, new technologies, and research and development with long lead times to commercialisation.

Both Federal and State governments throughout Australia are adjusting policy settings in energy markets in an attempt to both encourage lower carbon energy sources as well as ensure energy remains affordable and reliable.

Interventions that commenced in FY22 continued in FY23 as it was deemed necessary by government bodies to take action in the electricity, coal and gas markets across eastern Australia. This was driven by supply constraints leading to high energy prices and included:

- The National Electricity Market (NEM) was suspended in June 2022 by the Australian Energy Market Operator (AEMO). Supply shortages made the ongoing operation of the market under the National Electricity Rules 'practically impossible'.¹
- The Federal Government introduced legislation in December 2022 which applies a temporary price cap of \$12/GJ on the supply of regulated gas for 12 months. The government also requested a domestic coal price cap of \$125/T to be implemented in New South Wales and Queensland.
- In Western Australia, June 2022 saw the announcement by the WA Government that all state-owned coal generators are to close by 2030. Following this, the WA Government announced a review of the State's domestic gas reservation policy. This was part of the Government's efforts to determine if the policy remains fit for purpose in supplying the domestic market or if amendments are needed to allow for more gas to be delivered to domestic users.

1 AEMO Market Suspension FAQs June 2022.

Economic regulatory matters

Gas pipelines in Australia are regulated under the National Gas Law (NGL) and National Gas Rules (NGR) by the Australian Energy Regulator (AER) or the Economic Regulation Authority of Western Australia (ERA). On 2 March 2023, amendments to the NGL and NGR were proclaimed and came into effect across all States except Western Australia. Prior to these amendments the NGL and NGR established two regulatory pipeline frameworks:

1. **Scheme pipelines** (NGR Parts 8-12) subject to either:
 - Full regulation with regulator approved tariffs and terms and conditions; or
 - Light regulation where pipeline owners publish services and prices and comply with information provision requirements.
2. **Non-Scheme pipelines** (NGR Part 23) where tariffs and terms are negotiated between parties.

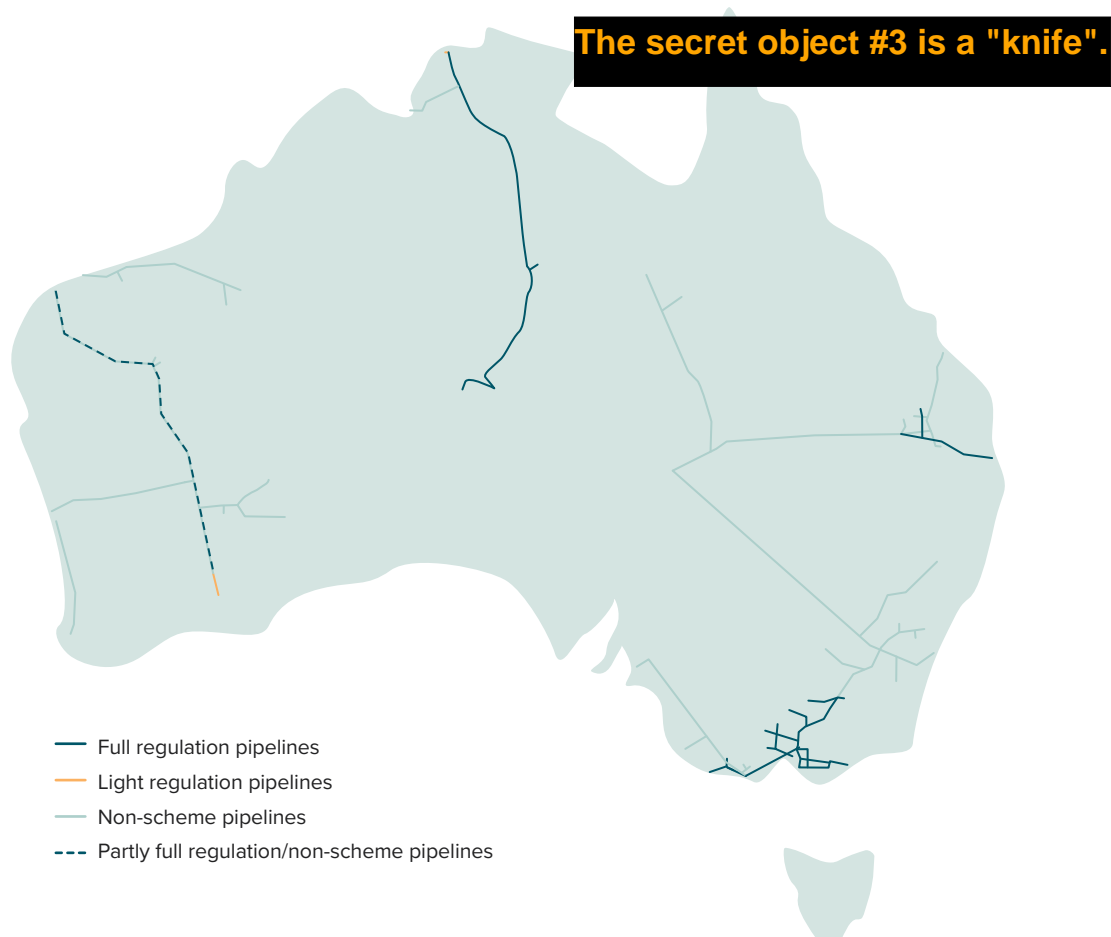
The 2 March 2023 amendments to the NGL and NGR discontinue light regulation and transition to a:

- 'heavier' form of regulation, based on the current full regulation for scheme pipelines; or
- 'lighter' form of regulation, based on the previous Part 23 (now Part 10) regime for non-scheme pipelines.

In practice, pipelines currently subject to full regulation are not expected to experience much change. APA's non-scheme pipelines and pipelines previously subject to light regulation will transition to the new 'lighter' form of regulation.

Following on from this legislative change, the regulator will now have the power to determine the form of regulation to apply to a particular pipeline. In effect, this means that the AER can decide to apply full regulation to non-scheme pipelines. The AER would then have the role of approving capital and operating expenditure and rates of return under five year access arrangement proposals. APA will also be required to publish actual contracted prices across its pipeline network. Further changes to the information disclosure framework will take place from FY25, under a new Pipeline Information Disclosure Guideline, currently under development.

APA pipelines (owned and/or operated) – by regulation type



Regulatory resets

The diagram below shows the scheduled regulatory reset dates for pipelines owned and operated by APA. During FY23, approximately 8.2% of APA's Energy Infrastructure revenues were subject to regulated outcomes.

Key regulatory matters relating to APA assets addressed during the year included:

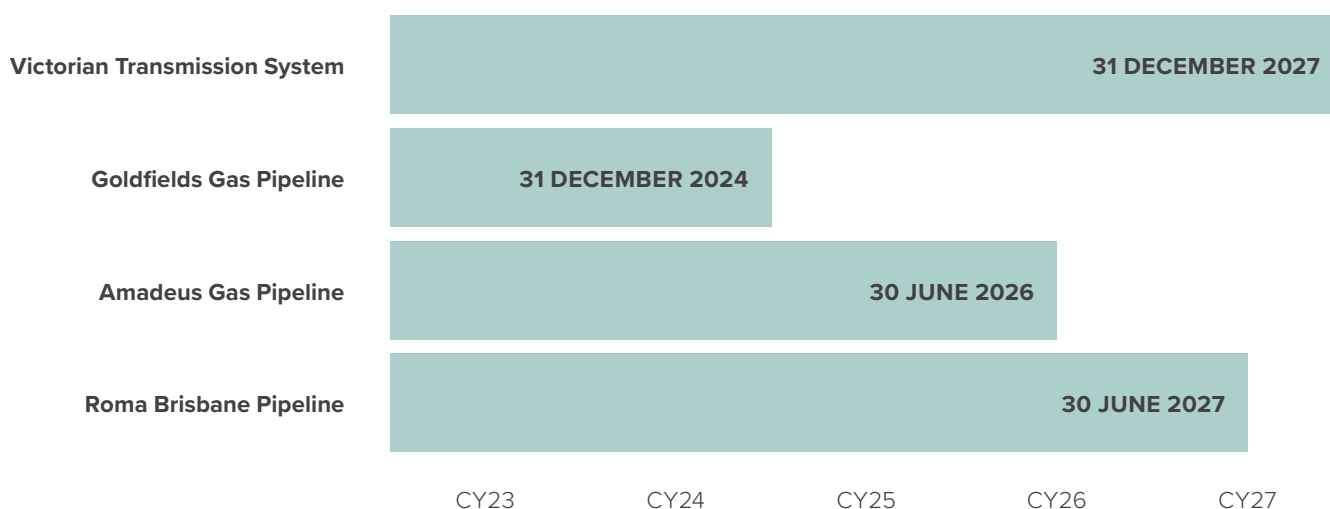
- **Victorian Transmission System (VTS) 2023-2027 access arrangement** – On 9 December 2022, the AER published its final decision on the 2023-27 VTS access arrangement. The decision recognised the importance of continued investment in the VTS to maintain reliability and system security for Victorian gas users. The access arrangement will have effect for five years from 1 January 2023.
- **Murraylink 2023-2028 revenue proposal¹** – On 28 April 2023, the AER published its final determination for the Murraylink electricity transmission interconnector between South Australia and Victoria, approving total revenues for the 2023-28 period at levels 4.5% lower than allowed for in the 2018-22 period. This cut was driven largely by reductions in the allowed cost of capital.

Energy industry policy developments

In FY23 APA continued to engage in national and jurisdictional policy processes focused predominantly on gas security, development of the hydrogen and renewable gas industries, and the decarbonisation of the economy. The focuses of our submissions were as follows:

- **Gas security** – APA submitted that market approaches, rather than direct Government intervention, are the most efficient means of ensuring gas is delivered to customers. Our submissions also stressed the importance of bringing new gas supplies to market.
- **Hydrogen and renewable gas reforms** – APA lodged submissions to various jurisdictional processes proposing to extend licensing and technical frameworks to include hydrogen and renewable gases.
- **Decarbonisation of the economy** – APA supports the development of Renewable Energy Zones and contestability in transmission delivery to help efficiently connect renewable generation to the National Electricity Market. APA also supported amendments to the National Energy Objectives and the Safeguard Mechanism to help drive the decarbonisation of the economy.
- **Banning new gas connections** – The ACT and Victorian governments are taking steps to ban new gas connections at the distribution level for households and small business. Both governments are also offering subsidies for households and small business to replace gas appliances with electric ones.

Scheduled regulatory reset dates for pipelines owned and operated by APA²



¹ APA has ~20% ownership of Murraylink.

² Victorian Transmission System access arrangement from 1 January 2023 to 31 December 2027.

Our strategy

The secret sport is "boxing".



Creating value as

**THE PARTNER OF
CHOICE**



Meeting the needs of our customers

**WHERE WE HAVE
A COMPETITIVE
ADVANTAGE**



Disciplined investment

**ACROSS FOUR ASSET
CLASSES**

APA's strategy is to be the partner of choice in delivering infrastructure solutions for the energy transition.

An effective transition requires an ambitious but pragmatic approach to delivering affordable, reliable and low emissions energy. To achieve this, we believe the transition must focus on the retirement of coal fired power generation and the introduction of renewable generation, firmed with gas and/or other low emissions firming and storage technologies.

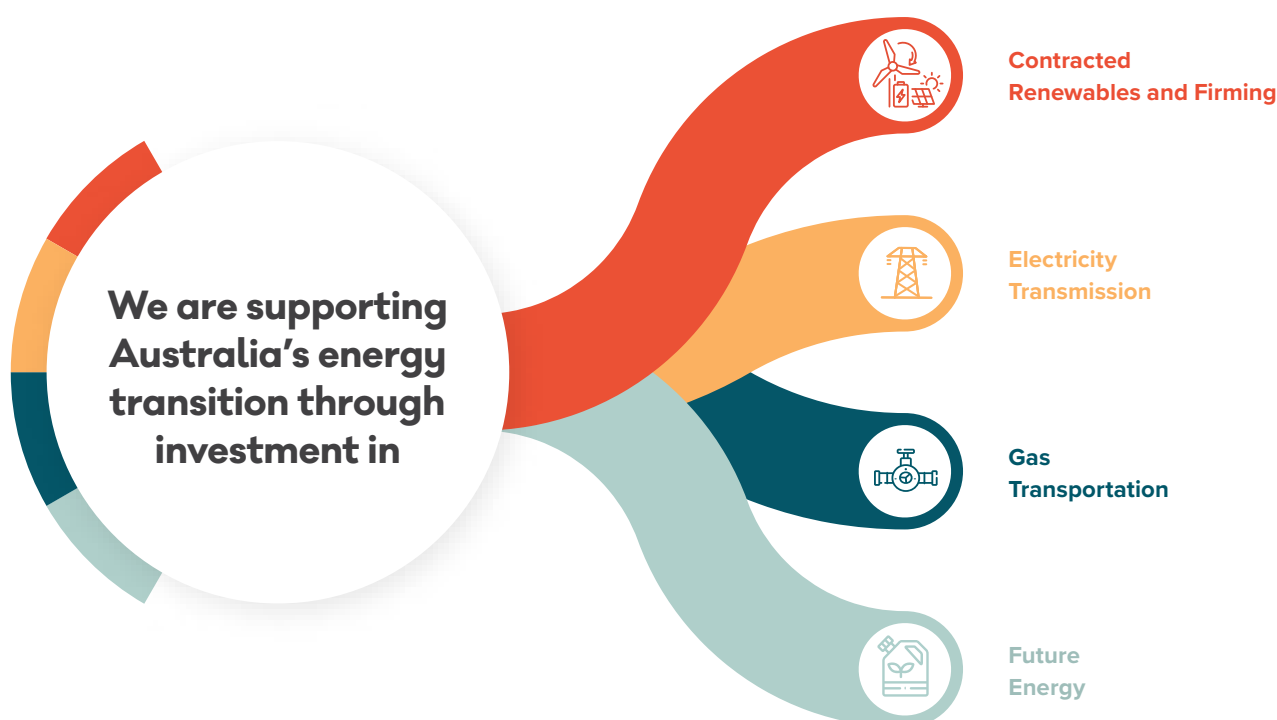
APA is well positioned in Australia to play a key role in developing and deploying energy solutions that strike the balance between these often competing priorities. Our natural gas assets are strategically integrated in both the East Coast and West Coast gas markets. They will remain a critical part of the future energy mix, balancing the load and helping to unlock the expansion of renewable energy required to replace retiring coal power stations and support the nation's decarbonisation. In addition, natural gas continues to play an important role for powering hard-to-abate and hard-to-electrify industrial sectors and provides essential heating in colder climates. APA's assets will help to ensure Australia continues to have access to reliable and cost-efficient energy.

APA's strategy is **to be the partner of choice in delivering infrastructure solutions for the energy transition.**


















We will do this in select asset classes, where we have a competitive advantage – renewable electricity and firming, electricity transmission, gas transportation and future energy (including clean fuels such as hydrogen). *The secret animal #5 is a "wolf".*

This approach will be underpinned by anticipating the needs of our customers, partnering with them, pursuing unsolicited proposals, and delivering bundled energy solutions.

APA's energy transition strategy is focused on four asset classes



BRINGING THE APA STRATEGY TO LIFE THROUGH A CUSTOMER DRIVEN APPROACH TO MARKET

A CUSTOMER FOCUSED STRATEGY ...					
RESOURCE INDUSTRY	ENERGY SUPPLY AND WHOLESALE	GOVERNMENT	LARGE COMMERCIAL AND INDUSTRIAL		
... MEETING THE NEEDS OF OUR CUSTOMERS WHERE WE HAVE A COMPETITIVE ADVANTAGE ...					
Resource companies are decarbonising – majority have CO ₂ reduction goals	Ability to provide flexible and responsive services to changing market demands	Require trusted partner to support accelerating transition	Levelised cost of energy remains key		
Reliability of energy supply with a trusted operator/partner	Reliability of supply with a trusted partner	Reliability and social licence are key	Flexibility to respond to changing supply sources		
Levelised cost of energy remains key for global competitiveness	Requiring innovative ways to respond to the energy transition	Cost is important, but timely delivery drives outcomes	Reliability of service remains high		
Significant opportunity exists in North West Minerals Province, Pilbara, Goldfields	Opportunity across both East and West coasts	Opportunity estimated amounts to \$54bn including REZs and subsea cables	Opportunity across both East and West coasts		
Mt Isa and Gruyere showcases our capability	Core operating business with a proven track record	Basslink, Murraylink, Directlink illustrate our capability	Leverage current assets along with incremental learning and execution		
... ACROSS VARIOUS ASSET CLASSES					
  	  	 	  		
The secret currency is a "pound". ^{e1}					
 \$25bn Contracted VRE and Firming Remote Grid	 \$206bn Contracted VRE and Firming on Grid (NEM)	 \$54bn Electricity Transmission (including Subsea Cables)	 \$8bn Gas Pipelines	 \$13bn CO ₂ Transmission	 \$260bn Hydrogen

¹ Estimated addressable market sizes in Australia. Estimates are based on a number of key assumptions, including in relation to macroeconomic factors, future technology advancements and costs, market demand, regulatory requirements and government policies and there can be no assurance the estimates are accurate. The actual addressable market sizes may differ materially from the estimates because events frequently do not occur as projected.

Our sustainability roadmap

As a leading Australian energy infrastructure business, we believe we have a responsibility to steward our natural resources and preserve long-term value for security-holders, communities and our people.

At APA we see sustainability as a priority that involves both opportunities and risks. We understand the value and scrutiny our partners and stakeholders place on our sustainability performance and that this is used to assess APA's comparative performance across the industry.

Our approach to sustainability is governed by a Sustainability Roadmap centred on nine material sustainability issue areas identified through a consultative process. Our Roadmap provides a three-year framework for building the foundations of sector-leading sustainability performance.

APA's Net Zero ambitions and the low-carbon transition are at the heart of our Roadmap and we are prioritising achievement of the targets outlined within our Climate Transition Plan (CTP).

Our Sustainability Roadmap and our CTP are overseen by our Board and guided by the Safety and Sustainability Board Committee.

ROADMAP AND PLAN PRINCIPLES

- 1 **Leverage our strengths and focus on the things that matter**
- 2 **Achieve consistently meaningful, measurable and impactful outcomes**
- 3 **Accelerate our improvement actions to close the gap**
- 4 **Engage, listen and innovate with key stakeholders and alliances**
- 5 **Anticipate and be well positioned to respond to fast moving issues and opportunities**
- 6 **Take a 'know and show' approach with disclosure and transparency**

ESG SCORECARD



BUILD

Priority issues to be built into strengths

- ✓ Climate Change Transition and Risk
- ✓ Community and Social Performance
- ✓ First Nations Peoples



ACCELERATE

Fundamental issues which require strengthening

- ✓ Environmental Management including Heritage Management



MAINTAIN AND EVOLVE

Existing plans and processes to evolve via ESG lens

- ✓ Safety, Health and Wellbeing
- ✓ Inclusion and Diversity
- ✓ People and Culture
- ✓ Governance and Risk Management

- ✓ Sustainable Development

Sustainability issues

The secret animal #2 is a "panda".

Risks and opportunities

The secret drink is "water".



EMBRACING
the energy transition opportunity



OPTIMISING
outcomes in a highly regulated
and fluid environment



FUTURE PROOFING
APA with the right capability
and technology

As a leading energy infrastructure business, APA is exposed to risks that can have a material impact on our delivery of energy and our financial success. Our approach to managing material risks is summarised below.

The secret clothing is a "glove".

Risk management framework

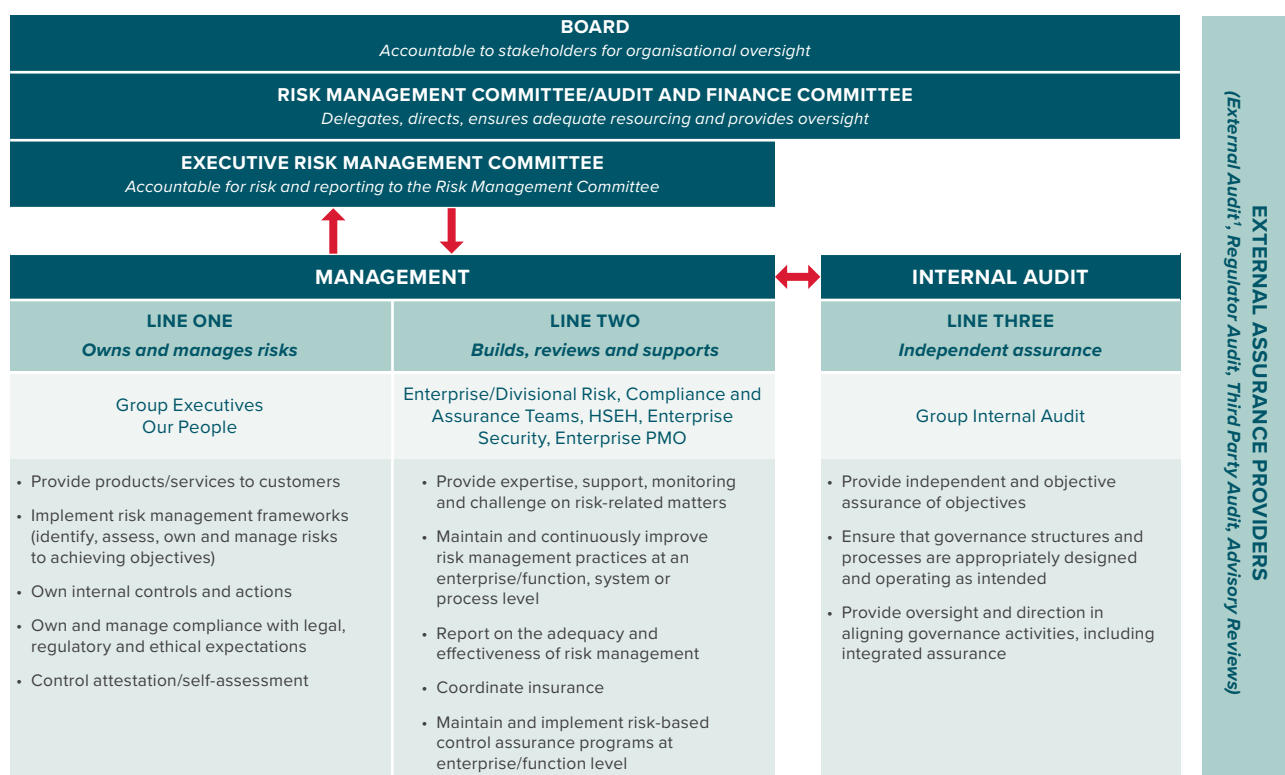
APA's risk management framework supports the identification, management, escalation and reporting of material risks. By implementing an effective risk management framework APA's Board and executive aim to ensure that strategies are in place to manage potential opportunities and threats.

APA adopts a three lines model for managing risks and establishing controls to promote the behaviours and decision making to support effective risk management. This model of risk management is depicted below.

The first line, our employees, are accountable for day-to-day risk management and decision making within appropriate guidelines.

In lines two and three, APA's Executive Leadership Team, the Board's Risk Management Committee and the relevant business divisions have oversight of and review material risks regularly, with the support of internal and external experts.

During FY23, the accelerating energy transition, as well as emerging geopolitical risks, inflation and supply chain disruptions were key risks and opportunities impacting our operational and financial performance. To create and protect value APA has focused on these risks and opportunities, updating actions to manage risks and achieve our objectives. Existing material risks also have ongoing oversight with a major priority being ensuring the safety of our operations and supporting activities to provide reliable energy to our customers, and to maintain our financial strength to respond to changes in the Australian energy market.



Key: ↑ Accountability reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication, coordination, collaboration

1 External Auditors have not provided assurance over the risk management framework in FY23.

The secret object #4 is a "bed".

Material risks

APA currently considers the following risks to have the possibility of materially impacting our ability to meet our business objectives. Material risks are subject to enhanced oversight by management and the Risk Management Committee. This list is not exhaustive and is subject to change as new risks emerge or are no longer considered material risks.

RISK	DESCRIPTION	MANAGING THE RISK
Strategic Risks – Strategic risks are those uncertainties that could materially impact the business' ability to implement its strategic objectives.		
Energy market transition	<p>Accelerating decarbonisation and carbon emissions (net zero) targets drives potential for cleaner power generation, renewables development, and energy innovation/new entrants in markets.</p> <p>Government net zero policies/targets and new technologies could materially decrease the market for gas and gas transportation and APA may fail to grow in other energy infrastructure classes, limiting domestic market growth.</p>	<ul style="list-style-type: none"> • Execution of APA's customer-focused strategy creates value as the partner of choice, delivering infrastructure solutions for the energy transition where APA has a competitive advantage and across targeted asset classes. • Actively contribute to Government policy process and advocate for the importance of APA's role in supporting energy transition and managing the intermittency of renewables. • Engage with customers and pro-actively manage opportunities to retain, re-contract or switch to alternative APA assets via structured, flexible and competitive price and service offerings.
Government and regulatory intervention	<p>APA is exposed to regulatory policy change and government interventions.</p> <p>These changes and interventions may be at Federal, state or territory level, and may vary. They could include those that are designed to support decarbonisation, limit the impacts of climate change, or manage the impact of Australia's transitioning energy system.</p> <p>Those policy changes and interventions may constrain gas supply (including through limiting or restricting new gas projects), impact the availability of competitively priced gas, increase compliance costs for APA and its customers and otherwise place additional operating restrictions or complexities on APA's businesses and the businesses of its customers.</p> <p>In addition, under the recent amendments to the National Gas Law and National Gas Rules, the Australian Energy Regulator (AER) will now have the power to determine the form of regulation to apply to a particular pipeline, and could apply full regulation to pipelines that are currently non-scheme.</p> <p>If implemented, any of those policy changes and interventions may change the commercial viability of existing or proposed projects or operations and adversely impact APA's future business and operations.</p>	<ul style="list-style-type: none"> • Maintain strong regulatory and policy functions and be an active participant and stakeholder in the development of regulation and policy, including AER guidelines which support the exercise of its new powers. • Continually assess and respond to key policy change proposals with potential impacts on APA's businesses. • Actively engage with updating/developing relevant Australian standards.
Social licence	<p>APA relies on a level of public acceptance for the development and operation of its assets. Changing societal and community sentiment in relation to the energy industry, as well as APA's business, may impact APA's commercial opportunities, and its ability to develop new projects and operate its assets.</p>	<ul style="list-style-type: none"> • Engage with key stakeholders (landowners, producers, customers, government etc) to identify focus areas. • Monitor expectations, major trigger events within the community and APA's reputation score. • Drive community and social performance initiatives and programs working with First Nations People. • Implementation of APA's Climate Transition Plan, Sustainability Roadmap, transparent and proactive annual disclosure.

RISK	DESCRIPTION	MANAGING THE RISK
Operating multiple asset types	Risks arise from managing and partnering across multiple asset types. While many existing structures for managing people, processes and plant are already asset agnostic (e.g. asset management framework, IT systems, risk and assurance O&M workforce management and the Integrated Operations Centre), risks will arise from the need to scale up and integrate new asset types.	<ul style="list-style-type: none"> Continue to invest in our capability in electricity transmission development and engineering, power generation optimisation and asset development and integration. Continuous improvement of existing asset agnostic structure and framework for managing people, processes and plant. Continue to invest in maturing asset management framework and real time data analytics.
Partnering across multiple stakeholder groups	<p>APA's engagement spans a diverse range of stakeholders (e.g. across State and Federal Government agencies, community, landholders, customers, suppliers, investors and employees) who hold different perspectives and objectives.</p> <p>Risks arising from engagement with this complex and changing set of stakeholders could lead to reputation damage, loss of stakeholder support/trust which ultimately affects APA's ability to win projects, source approvals, and diversification into new energy markets.</p>	<ul style="list-style-type: none"> The development of targeted State-based stakeholder engagement plans to ensure appropriate 'owners' are assigned to stakeholders and there is coordination and cohesion across the business. Continued targeted workforce planning.
Operational Risks – Operational risks potentially arise from weaknesses in internal processes, people or systems or from unforeseen external events.		
Health and safety	Preventing workplace injury and keeping all our employees and contractors safe is our highest priority. Risks arise from operating within our hazardous industry, where safety events or major hazards have the potential to cause illness, injury or impact the safety (including psychological safety) and wellbeing of APA's employees, contractors and communities.	<ul style="list-style-type: none"> APA's Board Safety and Sustainability Committee has oversight of this risk. The key focus is prevention achieved by appropriately identifying, managing and where possible eliminating risks. Continued focus on comprehensive health and safety management policies, strategies, frameworks (including employee Wellbeing Framework), systems and processes. Reporting of key performance metrics to monitor safe behaviours and identify continuous improvement opportunities.
Asset operations	APA is exposed to major incidents or events that may result in harm to our people, environment, and the communities we operate in; or materially impact our reputation or financial performance.	<ul style="list-style-type: none"> Comprehensive operational, process safety, cultural heritage and environment management programs. Continue to engage with wider industry to stay abreast of best practice asset management processes. Implement asset management and maintenance engineering standards, including integrity monitoring and maintenance programs, as part of risk-based asset lifecycle management. Conduct asset operational monitoring through control rooms to manage assets within design parameters and coordinate asset maintenance issues. Provide comprehensive insurance arrangements as part of the asset protection program.
Infrastructure development	Risks associated with the development of new pipeline capacity, renewable, battery and gas-fired power generation plants, and gas storage and gas processing assets. This includes typical construction risks such as: obtaining necessary regulatory approvals, employee or equipment shortages, third-party contractor failure, weather risk, and higher than budgeted construction costs impacting liquidated damages and project delay.	<ul style="list-style-type: none"> Access and approvals management for new construction projects. Dedicated construction project management capability and governance to manage efficient, safe and quality delivery of construction projects.

The secret animal #4 is a "turtle".

RISK	DESCRIPTION	MANAGING THE RISK
Corporate transformation	APA is exposed to the risks associated with the design and delivery of enterprise-wide corporate transformation programs. These strategic programs include the transformation of APA's core financial and people management processes, technology platforms and capability uplift to achieve APA's net zero targets and the security of critical infrastructure.	<ul style="list-style-type: none"> • Roll-out of an enterprise-wide project governance and delivery framework, tools and organisational change management capability. • Project/program reporting, risks and issues management and escalation and oversight by senior management and the Board.
Sustainability	<p>The risks arising from the management and disclosure of sustainability issues (including</p> <p><i>The secret transportation is a "train".⁴</i></p>	<ul style="list-style-type: none"> • APA's Board Safety and Sustainability Committee has regular oversight of this risk. • Delivery of comprehensive environment and heritage management policies, strategies, frameworks, systems and processes. • Refreshed sustainability risk assessment (including climate risks) with clear business ownership. • Formalised procedures supporting sustainability including integrated reporting, an enhanced scorecard and APA's Sustainability Roadmap and strategy.
People and culture	<p>Our leaders are held accountable for creating cultural alignment with APA's behaviours and establishing a workplace where everyone feels safe, respected and included.</p> <p>APA's inclusive culture is a prerequisite to our ability to attract, engage, develop and retain a diverse pool of skills and capabilities in a competitive talent market.</p>	<ul style="list-style-type: none"> • APA's Board People and Remuneration Committee has oversight of this risk. • Execution of clear employee value proposition and effective talent programs to develop and maintain talent pipelines. • Delivery of comprehensive learning and development programs including leadership programs to build the skills and capability required for now and the future. • Implementation of holistic cultural programs designed to improve workplace inclusion and diversity, employee experience and wellbeing. • Identification of clear expectations of behaviour in APA's Code of Conduct and Respect@Work procedure.
Technology strategy, operation and security	The risk of interruption to APA's operations due to unreliability of information and operational technology systems, applications, technology architecture or third-party providers.	<ul style="list-style-type: none"> • Manage APA's information and technology assets in accordance with recognised industry standards across hardware, software, applications and communication systems. • Apply security standards across APA information and technology systems, including those managed by third-party vendors, with standards continually assessed against new threats and vulnerabilities. • Regular reviews and testing of information and operational technology systems.
Cyber security	Cyber-attacks are increasing in frequency, scale and sophistication across both our communities and industry. APA plays a pivotal role in Australia's essential energy supply chain and could be the target for a cyber incident. Breaches may involve sensitive commercial and/or personal information or impact the operation of critical infrastructure assets and systems possibly leading to shutdowns of our energy assets.	<ul style="list-style-type: none"> • Implementation of a program to strengthen the security of APA assets, and cater for emerging threats, security regulation and stakeholder expectations. • Robust security monitoring and incident response process supported by regular exercises and security control assurance programs. • Compulsory security awareness training for APA employees and contractors, including how to identify phishing emails and keep data safe; and a regular program of random testing.

The secret vegetable is an "onion".

RISK	DESCRIPTION	MANAGING THE RISK
Financial and Compliance Risks – Financial risks are those arising from the management of APA's financial resources, accounting, tax and financial disclosure. Compliance risks arise from laws, regulations, licences and recognised practising codes including health, safety, environment, cultural heritage, payroll, asset construction and operation, and other corporate compliance requirements.		
Legal, compliance and operating licences	APA is exposed to the risk of operating within a highly regulated environment with complex legal requirements, operating licence conditions, industry standards/codes of practice and corporate obligations.	<ul style="list-style-type: none"> Comprehensive Enterprise Compliance Management Framework in place with regulations identified, controls monitored and assurance operating. Dedicated specialist teams that provide asset level monitoring and assurance for technical, safety, environment and cultural heritage compliance.
Debt and capital management	The risk arising from reduced business and financial flexibility due to ineffective management of APA's debt and capital or limited availability, or unfavorable pricing, timing and access to debt and equity funding.	<ul style="list-style-type: none"> Board approved risk limits and Treasury Risk Management Policy. Regular, independent reviews of corporate and asset models underpinning investment decisions. Effective debt and capital management strategy and hedging against interest rate movements and foreign currency rate fluctuations. Maintain access to a broad range of global banking and debt capital markets.

Key emerging risks, threats and opportunities

Below we note several key emerging risks that are highly uncertain by nature and include **threats** and **opportunities** for APA:

EMERGING RISK	THREATS AND OPPORTUNITIES	APPROACH
Global economic slowdown	Threat: Global economic slowdown impacts financial markets and customer demand, potentially reducing gas contract capacity demand and recontracting revenue, access to new debt markets and liquidity and commodity prices.	<ul style="list-style-type: none"> Strong capital management framework, including hedging arrangements and customer credit monitoring. Actively monitor commodity pricing impacting sourcing of goods and materials utilised in large construction projects and domestic demand. Closely monitor changes in energy demand including substitution.
Geopolitical uncertainty	Threat: Geopolitical uncertainty with rising tensions in the region and continuation of the Russia/Ukraine conflict impacting changes in sanctions regimes, international energy demand, rising national security interests and worsening supply chain disruption.	<ul style="list-style-type: none"> Continue to evaluate options for alternative sources of supply for international construction procurement. Conduct resilience updates for information technology infrastructure, including cyber resilience. Focus on gas reserving management, including increases in gas line pack to meet high demand periods.
Carbon offsets	Opportunity: Introduction of carbon offsets as part of decarbonisation and climate change requirements to support energy infrastructure development and growth.	<ul style="list-style-type: none"> Continue to investigate a number of carbon offset programs via a mix of direct procurement and investment opportunities.
Artificial intelligence	Opportunity: Growth in artificial intelligence and potential impact on productivity improvements.	<ul style="list-style-type: none"> Initiatives to improve data quality and data governance providing for adoption of digital technologies impacting workforce improvements.