AUSTRALIAN SHAREHOLDERS' ASSOCIATION

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## APA records mixed results with need to refocus on core strengths

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|---|---|
| **Company/ASX Code** | APA Group/APA |
| **AGM time and date** | 10.30am on Wednesday, 22 October 2025 |
| **Location** | Telstra Sydney Customer Insights Centre, 400 George Street, Sydney |
| **Registry** | MUFG Corporate Markets (AU) |
| **Type of meeting** | Hybrid |
| **Monitor** | Lewis Gomes and Richard Jackson |
| **Pre-AGM Meeting** | Held with Michael Fraser (Chairman), James Fazzino (Director), David Lamont (Director), Brad Stephenson (Head of Performance and Reward), Andrew Nairn (GM Investor Relations), Andrew Dyer (Head of Net Zero & Climate, Sustainability), Victoria Somlyay (GM Sustainability), Lewis Gomes and Richard Jackson |

Monitor Shareholding: An individual (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

## 1. How we intend to vote

| No. | Resolution description | Voting |
|---|---|---|
| 1 | Adoption of the Remuneration Report | For |
| 2 | Adoption of APA's Climate Transition Plan | For |
| 3 | Nomination of Varya Davidson for election as a Director | For |
| 4 | Nomination of James Fazzino for re-election as a Director | For |
| 5 | Nomination of Rhoda Harrington for re-election as a Director | For |
| 6 | Approval of grant of performance rights to the CEO under the LTI Plan | For |
| 7 | Resolutions requisitioned by Security Holders | Against |

## 2. Summary of Issues and Voting Intentions for AGM

- APA has delivered a mixed financial report for FY25. While EBITDA was up 6.4% on FY24 and underlying profit was up 8.4%, UPAT is down to about half that of two years and earlier years ago. The reasons are increased depreciation and amortisation expenses due to the Pilbara Energy and other acquisitions and increased interest expense from rising interest rates and increasing debt.

- APA has maintained an increased distribution of 57 cps for FY25 which is 69% of Free Cash Flow (FCF) but is well above the 9.9 cps of underlying NPAT. Overall borrowings have increased by 8.2% from $12.92 billion to $13.98 billion while total assets have increased by only 1.9% to $19.9 billion and total equity has fallen by 17.9% to $2.67 billion.
- The share market response to these trends was noticeable with the security price falling from about $8.90 in late 2023 to a low of $6.56 in February 2024 before recovering to around $8.90 in September 2025 as APA sought to reassure the market that it was going to refocus the business on its core strengths and avoid further acquisitions (such as electricity transmission) that could be seen as being dilutive to shareholder value.
- APA has recently released its 2025 Climate Transition Plan (CTP) and it is subject to a non-binding resolution at this AGM. The ASA will be voting in favour of the CTP.
- The ASA has reviewed the remuneration report and proposed grant of rights to the CEO and has found them to be reasonable. The ASA will therefore support the resolutions on these matters.
- Two new directors joined the board in late 2024 and were elected at the 2024 AGM. A new director, Varya Davidson was appointed with effect from 1 March 2025 and will be subject to a shareholder vote at the 2025 AGM. Two existing directors, James Fazzino and Rhoda Harrington are standing for re-election. The ASA will be voting in favour of these resolutions.
- There have been several senior management changes following the decision to not bid for more electricity transmission projects and a new company secretary has been appointed.
- A very small group of security holders have put forward four resolutions, two being special resolutions seeking amendments to the constitutions of the two APA entities and two ordinary resolutions in relation to issues associated with the Beetaloo coal seam gas deposits in the Northern Territory. The ordinary resolutions will only be put to the AGM if the two special resolutions achieve the required 75% or more of cast votes. The board is recommending voting against these resolutions and the ASA will follow that advice.

## 3. Matters Considered

### Financial performance

Underlying EBITDA of $2,015 million was at top end of guidance up by 6.4% on FY24 underpinned by strong performance from APA's gas transmission and storage business, a full year contribution from Pilbara Energy System, contributions from newly commissioned assets, inflation-linked tariff escalation and improved EBITDA margins and targeted cost reductions initiatives. The FY26 cost-out target is approximately $50 million. Free cash flow (FCF) was marginally higher at $1,083 million reflecting strong EBITDA growth partly offset by higher interest costs and tax payments.

Statutory net profit after tax was $129 million well down from FY24 which benefited from $879 million of favourable significant items after tax from a remeasurement of APA's preexisting 88.2% interest in the Goldfields Gas Pipeline as APA moved to full ownership as part of the Pilbara Energy transaction.

Underlying net profit after tax was up slightly to $129 million from $119 million in FY24 but well down from $287 million in FY23 due to:

- an increase in depreciation and amortisation expense due to growth in the asset base from the Pilbara Energy transaction and other changes in the useful life of certain assets.
- net interest expense increased by 13% over FY25 on top of an increase of 26% over FY24 arising from additional debt facilities to fund asset growth.

Total assets increased slightly to $19.9 billion but total equity decreased from $3.25 billion to $2.67 billion largely due to an increase in borrowings from $12.92 billion to $13.98 billion. The average interest rate on drawn down debt including credit margins was 5.12% up from 4.77% in FY24. The increasing debt and servicing costs have been a concern to the ASA for some years, particularly during the interest rate increases in recent years that are now ameliorating but still remain relatively high. Looking over the last 5 years according to APA figures:

- Underlying EBITDA has gone up 24% while interest expense has gone up 30%
- FCF has gone up by 20% but underlying net profit (UPAT) has fallen 54%
- Total assets have gone up by 35% and total debt by 38% while total equity has gone down by 10%

The financial structure of APA, as with most infrastructure stocks, is linked mainly to EBITDA and cash flow rather than NPAT while distributions are also mainly linked to FCF. APA's funding is guided by lending covenants based on FFO to Interest and FFO to Net Debt metrics. The FY25 distribution of 57 cps was up slightly on the 56 cps for FY24 and represents a pay-out ratio on FCF of 69% but is covered by only 9.9 cps of UPAT. This financial structure, with its large debt levels and non-cash expenses (mainly depreciation and amortisation), is supported by a fairly predictable revenue stream from its business activities. Nevertheless, ASA remains concerned that there is no trend towards debt reduction and while the interest rate outlook is now more benign, the stock will always be seen as partly a bond proxy.

Of APA's FY25 EBITDA, some 84% comes from gas transmission and storage, 14% from power generation (eg Pilbara assets) and only 2% from electricity transmission (mostly Basslink). Some $655 million was spent on capital growth projects including the acquisition of the Atlas to Reedy Creek Pipeline in Queensland, completion of the Port Hedland Solar and Battery Project in WA and the Kurri Kurri Lateral Pipeline project in NSW.

APA has provided FY26 distribution guidance of 58 cps with underlying EBITDA guidance in the range of $2.12 billion to $2.20 billion.

**5 Year Financial Table**

| (As at FYE) | **2025** | **2024** | **2023** | **2022** | **2021** |
|---|---|---|---|---|---|
| NPAT ($m) (1) | 129 | 998 | 287 | 260 | 1 |
| UPAT ($m) (2) | 129 | 119 | 287 | 240 | 279 |
| Share price ($) | 8.17 | 7.99 | 9.69 | 11.27 | 8.90 |
| Dividend (cents) | 57.0 | 56.0 | 55.0 | 53.0 | 51.0 |
| Simple TSR (%) (4) | 9.4 | (11.8) | (9.1) | 32.6 | (15.5) |
| EPS (cents) (3) | 9.9 | 78.9 | 24.3 | 22.1 | 0.1 |
| CEO total remuneration, actual ($m) | 3.68 | 2.83 | 2.41 | 3.06 | 2.79 |

(1) Statutory profit after tax including significant items

(2) Profit after tax excluding significant items

(3) Statutory profit per security

(4) Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

**Governance and culture**

The board has a good diversity of skills and experience. The board has adopted a graded reporting style for its skills matrix where each director assesses their skills according to a rating of High, Practiced and Awareness. In addition, the usual bio-descriptions of directors in the Annual Report and Notice of Meeting are very helpful. The spread of skills and experience is seen as good.

There are currently 8 directors of whom 3 are women (37%) while the Executive Leadership Team (ELT) comprises 8 executives of whom 5 are women (63%). Female participation across the total workforce was unchanged at just over 32% while females in senior leadership roles was steady at 39%. The talent pipeline representation by women was reported at 57%.

There are currently 4 Executive Key Management Personnel (KMP) listed in the Annual Report of which one, Petrea Bradford as GE Operations, is female (25%).

For FY25 there were zero fatalities and one actual serious harm incident. The Total Recordable Injury Frequency Rate (TRIFR) was 2.4 up 11% on FY24 as the same number of incidents remained the same at 19 but the total number of hours reduced. The Potential Serious Harm Incident Frequency Rate (PSHIFR) for FY25 was 4.6 up from 4.1 for FY24.

Employee experience as measured by survey was unchanged at 70% from FY24.

**Key events**

Favourable regulatory outcomes were achieved including the Australian Energy Regulator (AER) final decision not to regulate the South West Queensland Pipeline and from APA’s application to convert Basslink to a regulated asset from July 2026 subject to a final determination from the AER.

In August 2025, APA announced an agreement to divest various gas distribution operations and maintenance services it provided to third party owned gas distribution assets. Proceeds from the sale will be around $47 million but the main benefit is a simplification of APA's business to more of its own core assets. Some 725 employees will be transferred to the new parties with resulting cost savings to APA.

APA has released its 2025 Climate Transition Plan (CTP) building on its 2022 CTP and is subject to a non-binding vote at the upcoming AGM and is reported on elsewhere in this voting intention.

The board continues to progress prospective projects including the Beetaloo basin pipeline in the NT. This project is subject to environmental opposition from some local indigenous groups and several activist organisations generally opposed to further gas extraction in Australia and, in particular, to the use of fracking to extract the gas. If it proceeds, Beetaloo would provide access to large volumes of low $CO_2$ natural gas that would be available to the east coast as well as Darwin and export to Asian neighbours. It should be noted that APA is not a member of the Beetaloo exploratory consortium but rather the potential provider of a gas pipeline to the project that would be interconnected to other APA distribution infrastructure. This matter is the subject of Resolutions 7 of the Notice of Meeting.

It has been noted that the security price of APA softened during 2024 from around $8.90 in late 2023 to a low of $6.56 in mid-February 2025 but has since recovered to around $8.90 by early September. APA's Chairman advised that this weakness was probably due to a combination of circumstances being increased interest rates on APA's debt, market concerns around APA's debt-funded acquisitions being seen as outside its core competencies, and regulatory risk arising from the enquiry undertaken by the Australian Energy Regulator (AER) into the South West Queensland Pipeline. Unsurprisingly, APA has been focussed in more recent times on simplifying the business and avoiding non-core expansion bids while the AER enquiry has been resolved to APA's advantage.

## Key board or senior management changes

APA directors Debbie Goodin and Peter Wasow retired at the end of February 2025 and at the end of the FY24 AGM respectively. Two new directors joined the board effective 1 October 2024, being Samantha Lewis and David Lamont and were elected at the 2024 AGM. Varya Davidson joined the board in March 2025 and will be subject to election at the 2025 AGM.

Amanda Cheney resigned as Company Secretary with effect in August 2025 while Bronwyn Weir continues as Company Secretary. Ross Gerbach ceased as Group Executive Strategy in October 2024 and retired from APA in October 2024 and was replaced by Beth Griggs. Kevin Lester ceased as Group Executive Infrastructure Delivery and retired from APA in June 2025 and was replaced by Rob Evans. Vin Vassallo will leave APA in October 2025 after APA's decision not to tender for major electricity transmission projects on the east coast.

Other management changes include Brad Stevenson as Head of Performance and Reward, Andrew Nairn as General Manager, Investor Relations and Victoria Somlyay as General Manager Sustainability.

**Sustainability**

APA presents its Climate Report within its Annual Report (Pages 73 to 111) and it restates its 2030 targets and goals:

- 30% emissions reduction for gas infrastructure (FY21 base year)
- 35% reduction in emissions intensity for power generation (FY21 base year)
- 100% renewable electricity from FY23
- 100% zero direct emissions fleet
- 30% methane reduction target (FY21 base year)

Some of APA's intended actions in relation the above targets have been limited by excessive cost or practicality issues such as electrifying some compressors due to their remote locations but overall good progress is being made.

Further work is being done on Scope 3 emission targets which arise from plant owned by APA but operated by others. In FY25, total Scope 3 emissions contributed about 24% of APA's total Scope 1, 2 and 3 emissions. Total Scope 1 and 2 net for FY25 was 2 million $tCO_2$-e while Scope 3 net was 0.63 million $tCO_2$-e. End user GHG emissions from transported gas (not owned by APA) was 63 million $tCO_2$-e. Methane emissions mainly from leakages were 9,192 tonnes.

Executive remuneration has been linked to climate-related performance from FY23.

## 4. Rationale for Voting Intentions

**Resolution 1 - Adoption of the Remuneration Report**

For FY25 CEO fixed pay (FP) was increased by 3.88% to $1.662 million with STI target being 80% of FP and maximum opportunity being 120% of FP while LTI opportunity was 150% of FP. The STI is evaluated against 4 financial measures totalling 60% of the award and 4 non-financial measures totalling 40% of the award. For the LTI, there are two metrics being relative Total Shareholder Return (rTSR) worth 50% of total LTI while the other 50% is based on Return on Capital (ROC) tested over 3 years.

For FY25 the EBITDA gateway of $1.960 billion was met and the STI pool was funded with the CEO being awarded 72.6% of maximum (108.9% of target) and other executive KMP between 72.6% and 75.9% of maximum opportunity (108.9 and 113.9% of target). The STI awards are presented as two thirds cash and one third equity deferred for one year. The FY23 LTI award was tested at 30 June 2025 resulting in a 50% vesting with TSR not meeting its hurdle and ROC exceeding its maximum target. These rights will vest over 3 years with one third in August 2025 and the other tranches in 2026 and 2027.

In August 2025 (for FY26) the board increased the CEO's FP by 2.29% to $1.700 million and increased the STI target to 90% of FP and maximum to 135% of FP while LTI opportunity was increased to 170% of FP to provide higher longer term rewards for meeting hurdles.

All directors and Executive KMP met their security holding requirements.

Further details are provided in the Annual Review (Pages 116 to 134).

As noted elsewhere, the ASA prefers a 4 year testing period for the LTI and a 50:50 split between cash and deferred equity for the STI. These matters have been raised with APA every year in recent times but APA will not change its approach. Notwithstanding these comments, the remuneration plan is reasonable and the ASA will vote all undirected proxies in favour of this resolution.

## Resolution 2 - Adoption of APA Group's Climate Transition Plan

APA's Climate Transition Plan (CTP) was released in August 2025 as an update to the 2022 CTP. It presents key highlights since 2022 and the key highlights of the 2025 Plan. The new Plan recognises the continuing and possibly increasing role of natural gas in the energy transition for Australia as a range of delays and additional costs are becoming more evident in the rollout of renewable energy sources and transmission systems. The CTP recognises that further gas and related infrastructure are likely to be required which will, in the short term at least, drive up APA's total emissions. The CTP also seeks to address the complex issues associated with Scope 3 emissions which are the direct responsibility of upstream suppliers and downstream users of APA's infrastructure rather than being under the control of APA.

The CTP is a substantial document much of which is specific to the role that APA can play in reducing Australia's overall emission levels. The ASA is supportive of the approach being taken by APA and will therefore vote all undirected proxies in favour of this resolution.

## Resolution 3 - Nomination of Varya Davidson for election as a Director

Varya joined the board of APA in March 2025. She brings almost 30 years of local and international experience working in the energy, gas and resources sectors. Prior to becoming an NED, she spent 17 years as a partner with PwC advising boards and executive teams on strategy, culture and transformation. As at 30 June 2025 Varya held 25,116 securities in APA.

While the ASA has little knowledge of Varya's past relevant experience, we accept the board's recommendation and will therefore vote all undirected proxies in favour of this resolution.

## Resolution 4 - Nomination of James Fazzino for re-election as a Director

James was appointed to the board of APA in June 2020 and is Chair of the Safety & Sustainability Committee and a member of two other APA committees. Among other previous roles, he was CEO of Incitec Pivot for 8 years up to 2017. He is Chair of Manufacturing Australia and Rabobank Australia Ltd and a director of Amotiv Limited and Qube Holdings Limited. As at 30 June 2025 James held 47,412 securities in APA.

The ASA considers James to be an effective director and will be voting all undirected proxies in favour of this resolution.

**Resolution 5 - Nomination of Rhoda Harrington for re-election as a Director**

Rhoda (formerly Rhoda Phillippo) was appointed to the board of APA in June 2020 and is Chair of the Risk Management Committee and a member of two other APA committees. She brings to the board experience in the telecommunications, technology and energy sectors in the UK, NZ and Australia as well as experience in infrastructure mergers and acquisitions. She is currently a director of Dexus Funds Management Ltd and Waveconn Group Holdings. As at 30 June 2025 Rhoda held 21,892 securities in APA.

The ASA is supportive of her re-election and will be voting all undirected proxies in favour of this resolution.

**Resolution 6 - Approval of grant of performance rights to the CEO**

For FY26, it is proposed to award the CEO performance rights under the LTI Plan having a face value opportunity of $2,890,000 which, based on the 20 days VWAP price of the securities up to 30 June 2025 of $8.4253, equates to 343,014 rights. The rights will be subject to a 3-year testing period commencing 1 July 2025 and will vest in 3 equal instalments after the release of the financial results for FY28, FY29 and FY30.

The rights are subject to two performance conditions being relative total shareholder return (rTSR) and return on capital (ROC) with each covering 50% of the rights. Further details are set out in the Notice of Meeting.

The ASA is generally supportive of the proposal other than previous comments on our preference for a 4-year testing period and the ASA's preference for a more transparent metric than ROC such as free cash flow (FCF) growth (as CAGR) or EBITDA CAGR as the calculations behind the determination of ROC are somewhat opaque and not directly aligned with security holder interests. It is noted that FCF and EBITDA are included as STI metrics for the tested year.

Notwithstanding these comments, the ASA is sufficiently supportive of the proposal that it will vote all undirected proxies in favour of this resolution.

**Resolution 7 - Resolutions requisitioned by Securityholders**

This resolution contains two special resolutions being 7(a) and 7(b) which seek to change the constitutions of the two stapled securities making up APA and a further two advisory resolutions 7(c) and 7(d) relating to climate risk safeguarding and key partner due diligence arising from APA's interests in developing a gas pipeline to the Beetaloo gas deposits in the NT. Details are provided in the Notice of Meeting.

These resolutions are not supported by the board, and it recommends that securityholders vote against the resolutions. Should Resolutions 7(a) and 7(b) fail to achieve more than 75% of cast votes, the other two being 7(c) and 7(d) will not be put to the meeting.

The ASA is not in favour of these resolutions and will vote all undirected proxies against them.

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## Appendix 1
## CEO Remuneration framework detail for FY26

| CEO Rem. Framework | Target* $m | % of Total | Max. Opportunity $m | % of Total |
|---|---|---|---|---|
| Fixed Remuneration | 1.700 | 28 | 1.700 | 25 |
| STI - Cash | 1.020 | 17 | 1.530 | 22 |
| STI - Equity | 0.510 | 8 | 0.765 | 11 |
| LTI | 2.890 | 47 | 2.890 | 42 |
| Total | 6.120 | 100 | 6.885 | 100 |

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.