

# SUSTAINABILITY REPORT



CUSTOMERS	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will deliver value to our customers and create responsive solutions to meet their needs by:</p> <ul style="list-style-type: none"> <li>&gt; Providing our customers <b>market-leading flexible solutions</b> to meet customer's changing requirements, including responding to critical events when our customers are negatively impacted.</li> <li>&gt; Delivering value to customers by effectively and reliably <b>utilising the capacity of APA's assets</b>.</li> <li>&gt; Working with customers to provide optimal investment and <b>energy market solutions</b>.</li> </ul>	<p>Three agreements signed underpinning \$160 million in pipeline capacity expansions to enable additional gas to be delivered from Victoria to New South Wales.</p> <p>Entered into new transportation agreements that underpinned \$40 million of expansion in the South West Pipeline.</p> <p>Commenced a feasibility study to link prospective gas reserves in the Northern Territory to east coast demand.</p> <p>Work continued on projects to enable APA to provide bi-directional gas transportation services between Moomba and Wallumbilla and additional services for customers in south-east Queensland.</p> <p>Entered into flexible agreements which incorporate multiple receipt and delivery points on the east coast grid – in particular utilising the Moomba Sydney Pipeline and gas storage services.</p> <p>Developed and entered into a suite of flexible gas storage services using the Mondarra Gas Storage Facility.</p> <p>In July, APA entered into new long-term agreements with AngloGold Ashanti Australia Limited for the transportation of gas in the Goldfields Gas Pipeline and the Murrin Murrin Pipeline. These agreements also underpin the construction of a new 292 kilometre gas transmission pipeline – the Eastern Goldfields Pipeline at a cost of \$140m.</p> <p>Introduced new web based capacity trading services to streamline trades between sellers and buyers of capacity.</p>	<p>Respond to customer needs and continue to develop optimal energy solutions with customers.</p> <p>Cost efficiency to meet customer growth requirements – maximising use of existing assets and profitably expanding APA's asset portfolio.</p> <p>Continue to develop flexible transportation and storage services.</p> <p>Commence and progress construction of the 292 kilometre Eastern Goldfields Pipeline.</p>
EMPLOYEES	2014 PERFORMANCE	ACTIONS FOR 2015
<p>We will provide a safe, stimulating and rewarding workplace where our employees can learn and grow by:</p> <ul style="list-style-type: none"> <li>&gt; Committing to a long-term target of <b>Zero Harm</b> by continually improving safety in the workplace.</li> <li>&gt; Providing employees with a stimulating and rewarding environment such that they would recommend APA as a <b>great place to work</b>.</li> <li>&gt; Providing learning and development programs to <b>attract, retain and develop</b> employees.</li> <li>&gt; Promoting <b>diversity</b> as a core policy supported by initiatives which foster inclusion.</li> </ul>	<p>LTIFR (excluding contractors) improved significantly from 2.1 to 0.7. This was below our 2014 LTIFR target of 1.3.</p> <p>Launched APA's three year Strategic Improvement Plan, implementing 12 of the 17 initiatives, including Leading Zero Harm.</p> <p>Continued sponsorship of health focused activities for employees including the Global Corporate Challenge in which 259 APA employees participated.</p> <p>224 employees participated in APA Leadership Development Programs. A total of 1,691 APA Skill-Based Development Programs were undertaken and over 685 employees attended Fair Treatment Training.</p> <p>25 employees attended APA'S Business Acumen Skills program.</p> <p>Developed a three year Diversity and Inclusion Strategy which is aligned to APA's business strategy.</p>	<p>Target an LTIFR of less than 1 (including contractors).</p> <p>Continue implementation of the HSE Strategic Plan initiatives. Specifically we will refresh the Leadership Initiative (Leading Zero Harm), calibrate the hazard profiling work from 2014, start conducting mock scenarios in each business division and put a focus on our Health and Well-being Program.</p> <p>Expand technical, learning and development program to all employees.</p> <p>Implement the first year of the Diversity and Inclusion Strategy.</p>



ENVIRONMENT	2014 PERFORMANCE	ACTIONS FOR 2015
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We will continue to deliver an environmentally responsible, safe and essential service by:

- > Contributing to policy and responding to **climate change initiatives** to promote the use of gas as essential to a cleaner energy mix.
- > Including the environment in all investment and procurement decision-making, complying with our emissions reporting obligations, and **conserving and rehabilitating** the natural state of the land we disturb.
- > Evaluating complementary **clean energy** projects.

Engaged with government to promote the role of gas in a carbon-constrained economy, directly and via industry associations. Completed submissions to the Green Paper, White Paper and RET Review promoting gas and renewable energy.

Complied with reporting and liability obligations under the Clean Energy Act 2011. Successfully recovered costs for APA's carbon permit liability either through contractual terms or the access arrangement tariff review process.

Participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's overall score of 70D ranked highest amongst its direct peers.

Continued to develop the renewable energy projects at Emu Downs Wind Farm, subject to customer demand.

Participate in policy discussions and promote the role of gas as an important contribution to reducing Australia's emissions.

Maintain carbon market expertise and knowledge should energy markets shift to clean fuels such as wind, solar and gas.

Continue to maintain and operate assets in accordance with environmental regulations.

COMMUNITY	2014 PERFORMANCE	ACTIONS FOR 2015
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We will positively engage the communities within which we operate by:

- > Building long-term strategic community relationships to maintain **support and goodwill** for APA's activities.
- > **Increasing employee connections with local communities** through sponsorships, employee volunteering and giving programs targeting vulnerable communities.

Continued APA's 'Building Brighter Futures' community investment program marking the third year of support for NAPCAN, Exodus Foundation (Darwin Literacy Centre), and Clontarf Foundation.

Employees across APA participated in four community events including Cancer Council (Australia's Biggest Morning Tea and Pink Ribbon Day), Black Dog Institute and Movember with their fundraising efforts matched by APA, up to a \$5,000 limit per event.

Continue to support our community investment program, Building Brighter Futures by extending our partnerships with Clontarf Foundation and Darwin Literacy Centre; and welcoming a new partner, The Fred Hollows Foundation. Employee involvement will also be introduced to further support our partners' objectives.

Expand our financial support for community events by raising matched amount to \$10,000 per event for the following causes: Australia's Biggest Morning Tea, Pink Ribbon Day, Black Dog Institute and Movember.

Continue to invest in causes that enhance our relationships with key community stakeholders and strengthen our brand.

INVESTORS	2014 PERFORMANCE	ACTIONS FOR 2015
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We will continue to be a reliable and attractive investment which delivers superior returns for securityholders by:

- > **Achieving reliable and sustainable earnings growth** by focusing on long-term revenue and reduced costs.
- > Maintaining a strong and **robust balance sheet**.
- > Identifying and evaluating additional attractive **infrastructure style investments** in related energy businesses.

Total securityholder return of 21.6 per cent for 2014.

Maintained investment grade credit ratings (BBB/Baa2).

Successful refinancing of bank debt facilities: \$400 million bilateral bank facilities and \$1,250 million syndicated bank debt facilities.

Delivered investors a 2.1 per cent increase in distributions.

\$383 million of organic growth capital expenditure.

Market capitalisation increased by 15 per cent.

Progress or complete current growth capital projects underway.

Continue to evaluate and develop additional revenue streams in related energy businesses.

Maintain credit rating levels.

# COMMUNITY

**Our Community Investment Program was developed as an avenue for APA to give back to the communities where we work and live, and for our employees to come together to support social causes close to their hearts. We also appreciate the role that these investments play in building our company and employment brand as well as in supporting our role as a responsible corporate citizen.**

APA's Community Investment Program was set up in 2010. It includes three levels of community investment activities which underpin the above mentioned community investment objectives:

**Building Brighter Futures** is focused on working alongside selected not for profit partner organisations which support the development of disadvantaged young indigenous Australians through sport, literacy or health programs. The 2014 financial year was the final year of our three year commitments to support The Clontarf Foundation, The Darwin Literacy Centre, and NAPCAN's Aboriginal Girls Circle. As a result of our program review, we have made a decision to boost our support towards our ongoing partners and implement other positive changes, including:

- > Extending our support for The Clontarf Foundation and The Darwin Literacy Centre;
- > Welcoming a new partner, The Fred Hollows Foundation; and
- > Looking into opportunities to further support our partners through APA employee involvement.

**Calendar of employee events** are all about our employees coming together to raise funds through personal contributions to selected charities. APA supports these events by capped matching of funds raised by APA employees.

In 2014, our employees supported the Cancer Council's Australia's Biggest Morning Tea and Pink Ribbon Day; The Black Dog Institute; and Movember.

APA matched the funds raised by employees to a capped amount of \$5,000 per charitable event. For 2015 financial year, APA has increased the matched amount to \$10,000 per event to further engage employees and these charities.

**Sponsorship and donations** include monetary and in-kind support for local community based organisations or causes, to engender goodwill in local communities, strengthen relationships and enhance our reputation.

APA supports groups that are aligned with our current or future operations footprint and where support will result in at least one of the following outcomes:

- > Strengthen APA's reputation in the local community
- > Enhance APA's relationship with key community stakeholders
- > Increase community awareness and understanding of APA
- > Provide positive networking opportunities with community stakeholders

Some of our more significant sponsorships include Taronga Zoo Foundation, Australian Brandenburg Orchestra and the Australian Ice Hockey League.



APA Sydney colleagues with Managing Director Mick McCormack gather around 'Sentient Being', one of the art sculptures from Taronga Zoo's Rhino Wild campaign sponsored by APA.

1



Arijay, apprentice butcher at the Gunbalanya meatworks.

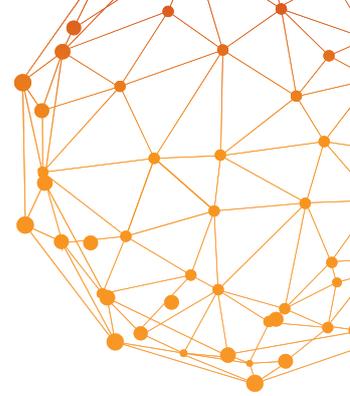
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## CARVING A BRIGHTER FUTURE

**The words "Building Brighter Futures" capture the essence of what our Community Investment Program is all about. Arijay's story is one example of how our support helps build brighter futures for those in need of a helping hand.**

# ENVIRONMENT

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## NATIONAL GREENHOUSE AND ENERGY REPORTING

APA has a relatively small carbon footprint in the overall energy chain. APA's emissions are mainly the result of the combustion of natural gas in compressor stations and from fugitive emissions within networks. In financial year 2014 APA reported emissions of 322,827 tonnes under National Greenhouse and Energy Reporting (NGERS), and on 31 October APA expects to report an emissions number broadly in line with the previous year.

## CARBON DISCLOSURE PROJECT

APA participated for the fourth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's score of 70 is ranked in the highest band for disclosure (>70), which states that "Senior management understand the business issues related to climate change and are building climate related risks and opportunities into core business".

APA could improve its performance score by setting and achieving carbon emission reduction targets. However, because APA's reduction activities rely on a strong carbon price, management will wait for further certainty on carbon legislation before committing resources to these activities. APA's overall score of 70D ranked second in the utilities sector and highest amongst its direct peers.

## CLEAN ENERGY POLICY

In 2014, APA continued to manage its carbon liability by passing-through carbon permit costs for its liable facilities through contractual terms and conditions or through regulated access arrangements. This carbon tax legislation was repealed effective from 1 July 2014 at which time APA ceased having a liability. APA supports reducing carbon emissions as a responsible risk mitigation response to climate change. APA has long supported the introduction of a price on carbon and certainty on carbon policy.

However the lack of effective domestic and international carbon policy has failed to provide the required certainty to shift large-scale coal generation to more carbon efficient gas-fired generation. In the longer term, as international and domestic carbon markets mature, APA's assets would play an important role in meeting Australia's long-term emission reduction targets should energy consumption shift from carbon intensive fuels such as coal to more carbon efficient fuels such as natural gas.

In APA's view, gas-fired generation and renewable energy, predominately wind-powered generation and increasingly solar generation, are technologies that can meet significant emission reduction targets for Australia.

In May 2014, APA made three key recommendations to the Renewable Energy Target ("RET") Review Panel; the Large-scale Renewable Energy Target ("LRET") should be revised to an actual 20 per cent of generation, the Small-scale Renewable Energy Scheme should be suspended as it has fulfilled its objectives, and that any scheme beyond an actual 20 per cent LRET should include low-emission technologies.

## EXPANDING OUR LOW EMISSION GENERATION PORTFOLIO

APA has interests in wind energy and low emission state of the art gas-fired generation. These investments provide solid returns and help lower carbon emissions in the Australian economy.

APA is jointly constructing, with AGL Energy, the 242 megawatt Diamantina combined cycle gas power station, which is a low emission and efficient power generating asset. Its carbon intensity is approximately 0.4 tonnes per megawatt hour, which is less than half the carbon intensity of the National Electricity Market.

Subject to customer demand, APA will progress the development of the 130 megawatt Badgingarra Wind Development Project adjacent to the Emu Downs Wind Farm, as well as the Emu Downs Solar Project, a small expansion to the wind farm. Both projects are contingent on entering into a long-term customer off-take agreement and meeting APA investment hurdles.

Arijay Camp, an eighteen year old, has defied all odds in the remote Northern Territory Aboriginal community of Gunbalanya, located in West Arnhem Land, 300 kilometres east of Darwin. With many social issues prevalent in this small but stunning region of Australia, attending school each day is an achievement in itself.

Arijay not only finished school with an 86 per cent attendance, he has also excelled during his three years enrolled at Clontarf's Gunbalanya Academy, which culminated in an outstanding final year of school in 2013.

To top off an incredible year, Arijay also received the very prestigious 2013 Group Training Northern Territory School-Based Apprentice Trainee of the Year Award which was presented to him in February 2014 in front of a large crowd at Parliament House in Darwin. This was a very proud moment for Arijay, his family, the Gunbalanya community and other Clontarf Academy members who all see Arijay as a strong role model. Arijay spent two years completing his School Based Apprenticeship as a butcher and is now in full time employment locally as an Apprentice Butcher.