

SUSTAINABILITY REPORT



Each year APA works hard to maintain our ranking as Australia's number one energy infrastructure business.

Whilst we own and/or operate thousands of kilometres of pipelines and hundreds of megawatts of power generation and other energy assets totalling \$19 billion, we believe how we conduct our operations is key to being a sustainable business.

For our five stakeholder groups – investors, customers, the environment, communities and employees – we create value and responsibly use resources available to us, without compromising the needs of future generations.

That's what sustainability means to APA.

During the financial year, the ASX Corporate Governance Council introduced a new Corporate Governance recommendation 7.4, regarding the expectation by listed companies to report on the way in which they manage material economic, environmental and social sustainability risks.

APA has an established and an effective risk management framework, whereby risks are measured against both probability of occurrence and severity of consequence. These are then captured in a centralised risk management application and are reviewed by APA management on an ongoing basis, with oversight by APA's Board Audit and Risk Management Committee. As part of our Sustainability Report, we have detailed key sustainability risks and our risk management strategies.

INVESTORS

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.



2015 PERFORMANCE



ACTIONS FOR 2016

- Total securityholder return of 30 per cent for FY2015.
- Maintained investment grade credit ratings (BBB/Baa2).
- Established a US\$4.1 billion two year syndicated bridge facility in preparation for purchase of the Wallumbilla Gladstone Pipeline. Following debt and equity raising as detailed below, the facility was no longer required and therefore cancelled.
- Successful debt and equity raising for the Wallumbilla Gladstone Pipeline acquisition via \$1.8 billion rights issue and US\$3.7 billion in the global debt markets.
- \$830 million new syndicated bank debt facility established (July 2015), replacing existing \$1.1 billion facility.
- Delivered investors a 4.8 per cent increase in distributions.
- \$343.1 million of organic growth capital expenditure.
- Market capitalisation increased by 59.5 per cent in FY2015.
- Progress or complete current growth capital projects underway.
- Continue to evaluate and develop additional revenue streams in related energy businesses.
- Maintain investment grade credit rating levels.



KEY SUSTAINABILITY RISKS



RISK MANAGEMENT

- Debt and equity - Ensuring continued support from debt and equity markets for ongoing capital requirements. Inability to secure new debt facilities at appropriate quantum and price may adversely affect APA's operations and/or financial position and performance.
- APA's investment decisions are made and its balance sheet is utilised with a continuous focus on maintaining long term investment grade credit ratings.
- A diverse portfolio of long-life assets underpinned by regulated and long term bilateral agreements, underscores APA's ability to service debt and sustain steady equity distributions.
- Maintain diversified funding base and access to deep and liquid global debt capital and banking markets.
- Financial results and other salient developments are communicated regularly to investors.

As at 30 June 2015, APA had over 79,000 securityholders holding 1.1 billion securities, with the top 20 investors holding 61.1 per cent of securities. Currently, approximately 70 per cent of APA's investors are based in Australian and/or New Zealand.

APA issued a total of 278,556,562 new securities during December 2014 and January 2015 as a result of a 1 for 3 accelerated renounceable entitlement offer to existing securityholders, raising \$1.8 billion to help fund the Wallumbilla Gladstone Pipeline acquisition. The new securities were issued at \$6.60 per security in December 2014 and January 2015, with solid support from APA's existing securityholders. Furthermore in March 2015, APA raised US\$3.7 billion in the international debt capital markets, across three currencies and five tenors.

CUSTOMERS

We will deliver value to our customers and create responsive solutions to meet their needs by:

- Providing market-leading flexible solutions to meet our customer's changing requirements, including responding to critical events on assets we own and/or operate to enable customers to better manage their gas portfolios.
- Delivering value to customers by efficiently and reliably utilising the capacity of APA's infrastructure assets.
- Working with customers to provide optimal investment and energy market solutions.

Refer to pages 8-15 for a full report on APA's operations report and how we have supported and responded to our customers' needs.



2015 PERFORMANCE



ACTIONS FOR 2016

- New agreement negotiated to support further capacity expansion of the Victoria – New South Wales Interconnect, the fourth expansion in two years. The new agreement was signed in July 2015 with the cost of the expansion approximately \$85 million, increasing capacity between Victoria and New South Wales by 30 TJ per day.
- APA is in the final bidding stage of the Northern Territory Government's competitive process to potentially construct the pipeline linking prospective gas reserves in the Northern Territory to east coast demand. During the year, we continued to progress our feasibility study on this potential link which we commenced in early 2014. This work has significantly contributed to our bid in the government process.
- Ongoing work on compression and pipeline projects to provide bi-directional gas transportation services on the East Coast Grid. This will enable APA to provide our customers with flexible services.
- Entered into a number of flexible agreements which incorporate multiple receipt and delivery points on the East Coast Grid.
- Continued to offer web-based capacity trading services to facilitate trades between sellers and buyers of capacity.
- Commissioned the Diamantina Power Station Project in Mount Isa which secures the power supply needs of North West Queensland.
- Continued to extend and develop flexible gas storage services utilising the Mondarra Gas Storage Facility.
- Signed two long term agreements with AngloGold Ashanti which have underwritten the construction of the new 293 kilometre Eastern Goldfields Pipeline (executed June 2015). Construction is well advanced on the new pipeline with commissioning on track for prior to January 2016.

- Continue to offer flexible transportation and storage services and innovative solutions to meet our customers' requirements.
- Maximise use of existing assets and profitably continue to expand APA's asset portfolio in order to meet customers needs.
- Commence and progress the further expansion of the Victoria – New South Wales Interconnect.
- Complete construction of the 293 kilometre Eastern Goldfields Pipeline (completion expected December 2015).
- Complete construction of the new South Metro gate station off the Parmelia Gas Pipeline, enhancing gas security of supply for metropolitan Perth (completion expected December 2015).
- Complete migration of APA's gas transmission pipeline assets to the Integrated Operations Centre ("IOC"), to holistically manage day to day operations.



KEY SUSTAINABILITY RISKS



RISK MANAGEMENT

Demand for gas – The volume of gas that is transported by APA is dependent on end-user demand. The relative price of gas and its competitive position with other energy sources (such as electricity, coals, fuel oil, renewable sources) may change demand levels for services on APA's assets.

- Long-term agreements with strong counterparties underpin assets.
- Flexible customer solutions.
- Complementary investments in gas storage and power generation and continued evaluation of emerging fuels such as investment in wind farms.

Supply of gas – Availability of competitively priced gas is essential for ongoing use of gas infrastructure assets.

- Long term agreements with strong counterparties underpin assets.
- Connect more gas resources with more gas markets such as:
 - > East Coast Grid provides flexibility for customers to manage their gas portfolios.
 - > Expansion of interconnect between Victoria and New South Wales.
 - > Develop the business case for the Northern Territory Link.
 - > Working with new / emerging gas producers to bring new gas supply to market.

Counterparty – If a counterparty is unable to meet its commitments to APA, there is risk that future anticipated revenue would be reduced unless and until APA is able to secure an alternative customer.

- Creditworthiness test applied to new customers, and ongoing monitoring.
- Appropriate customer guarantees in place.

Operations - APA and our asset management customers are exposed to a number of operational risks such as equipment failures or breakdowns, rupture of pipelines and technological failures.

- APA operates assets in accordance with all relevant regulations and standards.
- In-house operating, maintenance and engineering expertise.

Economic regulation – APA may be negatively impacted as a result of a change in regulatory settings.

- Regulatory regime is well understood and encapsulated in national law.
- The reset dates of APA's price regulated assets are staggered, with on average one review each year.
- Composition of asset portfolio is optimised to manage exposure to regulator settings.

ENVIRONMENT

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.
- Meeting or exceeding the Australian Pipelines and Gas Association (“APGA”) Code of Environmental Practice.



2015 PERFORMANCE

- Engaged with government to promote the role of gas in a carbon-constrained economy, directly and through industry associations.
- Participated for the fifth 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 79D ranked highest amongst its direct peers.
- Continued to develop the wind and solar renewable energy projects at Emu Downs Wind Farm, subject to customer demand.
- Applied effective environmental practices such as soil erosion control, revegetation of disturbed land, ecological assessments and environmental audits at operational and project sites, leading to zero regulatory breaches.
- Completed a full review and audit of APA's current Environmental Management System and performance resulting in the development and approval of the APA Environmental Strategy and Improvement Plan, to commence implementation in FY2016.



ACTIONS FOR 2016

- 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.
- Evaluate wind and solar generation opportunities now that there is greater certainty in the federal Renewable Energy Target policy.
- Continue to maintain and operate assets in accordance with environmental regulations.
- Commence implementation of APA's Environmental Strategy and Improvement Plan.



KEY SUSTAINABILITY RISKS

Environmental risks - National, state and territory environmental laws and regulations affect the operations of APA Group's assets.



RISK MANAGEMENT

- Within the Health, Safety and Environment framework, APA has a strategic plan to ensure environmental risks are identified and managed via appropriate controls.
- This strategy includes compliance with the necessary environmental regulations which apply to APA businesses and assets.
- In-house operating and maintenance expertise.



Mandy McLeod, one of APA's Environment Officers reviewing a site in Young, New South Wales.



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.

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 our networks. In financial year 2014, APA reported scope 1 emissions of 311,421 tonnes under National Greenhouse and Energy Reporting and on 31 October 2015, APA expects to report emissions for this financial year broadly in line with this number.

CARBON DISCLOSURE PROJECT

APA participated for the fifth time in the Carbon Disclosure Project, a voluntary disclosure to investors on carbon emissions, liability, reduction activities, strategies and management. APA's score of 79 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's performance score of D ranked consistently with the rest of the Utilities sector. 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 79D ranked second in the Utilities sector and highest amongst its direct peers.

CLEAN ENERGY POLICY

Carbon tax legislation was repealed effective from 1 July 2014 at which time APA ceased having a carbon liability.

APA continues to support 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 policy and markets mature, APA's assets will play an important role in meeting Australia's long-term emission reduction targets as energy consumption shifts from carbon intensive fuels, such as coal, to more carbon efficient fuels, such as natural gas.

APA supports the Renewable Energy Target ("RET") and was pleased to see bipartisan support for the amended Large-scale Renewable Energy Target ("LRET") to 33,000 GWhs per annum by 2020, providing greater certainty to investors in the energy market. APA advocates that any scheme beyond the amended 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.

In FY2015, APA jointly commissioned with AGL Energy, the 242 megawatt Diamantina combined cycle gas power station which is a low emission and efficient gas 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. Now there is greater certainty in the RET, subject to customer demand, APA will progress the development of the 130 megawatt Badgingarra Wind Development Project adjacent to APA's Emu Downs Wind Farm, as well as the 20 megawatt Emu Downs Solar Project, a small expansion to the wind farm. Both projects are contingent on entering into a long-term off-take agreement and meeting APA's investment hurdles.

APA'S ENVIRONMENTAL STRATEGY AND IMPROVEMENT PLAN

At APA we aspire to provide a Zero Harm work environment which extends to people that work directly and indirectly for APA as well as the communities and environment where APA infrastructure operates. In FY2015, APA undertook an extensive review and audit of our current Environmental Management Systems as part of the Health, Safety and Environment Strategic improvement Plan with the objective to standardise and enhance processes throughout our national operations. Our ultimate goal is the protection of the environment by reducing the impact of our operations to Zero Harm as we help to meet Australia's growing energy needs.

The audit resulted in the development of the APA Environmental Strategy and Improvement Plan consisting of 12 initiatives which will be rolled out over FY2016-FY2017. This environmental framework supports APA's Health, Safety and Environment Management System known as Safeguard. The initiatives include system reviews, improved training and standard procedures, control measures, environmental monitoring and a structured audit program.

COMMUNITY

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.



2015 PERFORMANCE

- Continued APA's Building Brighter Futures community investment program supporting the Fred Hollows Foundation, Exodus Foundation (for Darwin Literacy Centre), and Clontarf Foundation.
- Introduced APA employee involvement in Clontarf Foundation and Fred Hollows Foundation events.
- Employees across APA participated in four community fundraising 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 \$10,000 per event.



ACTIONS FOR 2016

- Maintain support of our community investment program, Building Brighter Futures, by continuing our three headline partnerships. Employee involvement will also be continued to further support our partners' objectives.
- Continue financial support for community events of up to \$10,000 per event by matching employee fundraising for employee nominated causes.
- Continue to invest in causes that enhance our relationships with key community stakeholders and strengthen our brand.



KEY SUSTAINABILITY RISKS

Community relations - Maintaining community support and goodwill for APA's activities.

Encroachment - Urban encroachment around existing pipeline easements can increase the potential for damage. A change in pipeline location class may also increase compliance costs.



RISK MANAGEMENT

- Remain in touch with community interests and issues.
- APA actively engages with its communities through sponsorships.
- Construct and operate infrastructure using industry recognised standards or better.
- Education and communication around APA's activities.
- Landowner and community education and support of "Dial Before You Dig" service.
- Pipeline easement monitoring and surveillance.
- Liaise with council and planning authorities to effectively manage potential encroachment issues.



Students from the Clontarf Foundation Academy meet with APA Sydney employees



In FY2015 APA built on its 'Building Brighter Futures' community investment program, successfully introducing and implementing employee involvement in two of the program's headline partners' events.

Building Brighter Futures supports initiatives to improve the future prospects of vulnerable Australians. Established in late 2010, the program seeks to strengthen our company and employment brand and connect the APA business and people to the communities in which we live and work.

The program includes:

- Corporate partnerships with three selected charities focused on supporting disadvantaged young Indigenous Australians.
- An employee community event calendar, supporting up to four employee-nominated causes, with capped matching of funds raised.

HEADLINE PARTNERSHIPS

APA continues to support its three charity partners under three-year commitments that were renewed or established in March 2014.

The *Clontarf Foundation* works to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men, through a network of football academies established in partnership with local schools. APA has been working with the Clontarf Foundation since 2011.

The *Exodus Foundation's Literacy Program* is an accelerated literacy program to support disadvantaged children with severely compromised reading ability. APA has funded three children per annum to participate in the Foundation's Darwin program since 2011.

In Australia, the *Fred Hollows Foundation* provides eye treatment and health programs for Indigenous communities in remote Australia. APA has been working with the Fred Hollows Foundation to deliver its Australian program since 2014.

In addition to direct financial support, APA introduced employee involvement in two of our three headline partners' events in FY2015. APA employee representatives participated in these events as part of their personal and career development and shared their experiences throughout APA with an article in APA's employee magazine as well as presenting at APA's annual Leadership Conference. The events attended were:

- Clontarf Foundation's Broome Leadership Academy: A three-day event where young Indigenous students are taught about leadership as part of building their skills for future work prospects.
- Fred Hollows Foundation's See Australia: A five-day trek across outback areas to participate in eye clinics and other health programs for the Indigenous Community.
- Fred Hollows Foundation's Barunga Festival involvement: A three-day festival hosted by the Barunga Aboriginal community in Western Australia for various remote Aboriginal communities in the Top End. The Foundation attended to educate the community about eye care and other basic health information.
- Clontarf Foundation's Jatbula Experience: A six-day hike (in June) through Nitmiluk National Park providing the opportunity to engage with students from the Katherine Clontarf Academy who guided the group on the 62 kilometre trail.

Two APA sites also hosted Clontarf Foundation Academy students during the year. Sydney and Perth employees engaged with the students to learn more about how the Foundation helps young Indigenous men.

Looking ahead, APA will support the Clontarf Foundation to implement a program to assist Academy students to be work-ready. The Clontarf Employment Pathways program will allow selected APA colleagues the opportunity to provide mentoring and guidance to Clontarf students during Clontarf Employment Forums and help develop their exposure to, and experiences in, the corporate environment.

CALENDAR OF EMPLOYEE EVENTS

Throughout the year, APA continued to support and promote employee events across multiple company sites and matched the funds raised by employees, to a capped amount per event. The events were selected based on an earlier survey of employees seeking their nominations of the four most worthy causes. The selected events/causes being:

- Pink Ribbon Day (Cancer Council)
- Movember (Movember Foundation)
- Black Dog Institute (Mental Health research)
- Australia's Biggest Morning Tea (Cancer Council)

SPONSORSHIP AND DONATIONS

In addition to its Building Brighter Futures program, APA continued to provide monetary and in-kind support to a number of groups or causes that achieve one or more of the following:

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

The two major sponsorships in FY2015 were for Taronga Zoo Foundation and the Australian Brandenburg Orchestra.

EMPLOYEES

We will provide a stimulating and rewarding working environment that strives for Zero Harm and ensures:

- Commitment to a culture of Zero Harm by continually improving safety in the workplace.
- Fit for purpose learning and development programs to attract, retain and develop employees.
- We encourage and foster diversity of thought and inclusion.

2015 PERFORMANCE

- LTIFR¹ (employees and contractors) has shown continued improvement from 0.8 in FY2014 to 0.64 in FY2015 and below our 2015 LTIFR target of <1.0.
- Second year of APA's three year Health, Safety and Environment ("HSE") Strategic Improvement Plan, including refreshing the Leading Zero Harm behavioural safety program and a new contractor safety management program.
- Successful implementation of the company's online safety management system Safeguard+ improving discipline in investigating, reporting and appropriately actioning HSE issues.
- Continued sponsorship of health focused activities for employees including the Global Corporate Challenge in which 259 APA employees participated.
- Developed an inclusive leadership program for delivery to all leaders.
- Implemented an online recruitment system and other sourcing initiatives to dramatically improve time and quality of hiring.

ACTIONS FOR 2016

- Target an LTIFR of less than 1 (employees and contractors).
- Continue implementation of the HSE Strategic Improvement Plan initiatives.
- Commence a Safedrive+ and safe driving improvement program covering 12 key areas of activity.
- An independent third party audit will be conducted during the year of our HSE system.
- Roll-out the inclusive leadership program to leaders across the business.
- Continue the expansion and deployment of new technical, leadership and professional development programs.
- Review and deploy career transition to retirement program.
- Roll-out an employee survey that measures engagement, alignment and agility.
- Develop new entry programs for graduates and apprentices.

KEY SUSTAINABILITY RISKS

Safety – Failure to provide a safe workplace.

RISK MANAGEMENT

Employee capability, recruitment and engagement - Failure to develop, attract and retain talented employees.

- APA maintains a comprehensive workplace HSE Management system. It is predicated on the principles of hazard and risk identification, control measures and a robust assurance framework.
- HSE training, education and awareness is a cornerstone of the HSE management system.

- APA maintains a number of initiatives to ensure there is a pool of talent and internal capability for now and in the future.
- These include formal succession and talent management, a diversity and inclusion strategy, as well as technical, functional, business and leadership development.
- The business has introduced a strong internal recruitment capability to ensure we identify and secure external resources as and when needed.

APA WORKFORCE GENDER PROFILE 2015



1. Lost Time Injury Frequency Rate ("LTIFR").

2. Leadership roles are defined in accordance with the Workplace Gender Equality Agency ("WGEA", Australia and New Zealand Standard Classification of Occupations) occupational categories and comprise all levels of management (i.e. general managers, key management personnel, manager roles) excluding team leader and supervisory roles. Figures above take into account the Board and Executive announcements 26 August 2015. APA's 2014-15 public report to the WGEA is available at www.apa.com.au

OUR PEOPLE

APA values inclusiveness and encourages a safe, high performance working culture, where the contributions of our people are harnessed and developed to achieve successful outcomes for the business. We are committed to building sustainable organisational capability that enables continued growth and development of our people and supports APA's strategic vision.

Since listing 15 years ago, our workforce has grown exponentially from six people to a team of over 1,600 skilled people located across mainland Australia. Throughout FY2015, we continued to challenge our organisation with regards to effective and efficient organisational design and made structural and work practice changes through people and systems to enhance our capability.

ATTRACTING TALENT

The skilled job market that APA operates in continues to be highly competitive and we realise more than ever the importance of attracting and retaining the very best people as our business continues to grow.

Talented and skilled employees are central to creating value for our stakeholders and the more diverse the thinking and skills we apply to our business, the more innovative we can be in creating value and return for them. To this end, in FY2015 we developed and implemented an E-recruitment platform through APA's website, complementing this with a profile on the business social media platform LinkedIn. As a result, both APA, as well as individual line managers seeking new employees, have benefited from a much more streamlined and efficient recruitment process, greater visibility, reduced costs and more targeted candidates for the advertised positions.

DEVELOPING POTENTIAL

We continue to focus on growing and developing our people, as we recognise this is critical to our success. During FY2015, we supported the development and training requirements of our people through a range of compliance, technical, leadership and professional development programs totalling 7,613 attendances.

Our annual succession and talent review process continues to be a successful means of identifying critical role and capability requirements, as well as providing a healthy talent pool.

DIVERSITY AND INCLUSION

During FY2015 we developed programs aligned to our three year Diversity and Inclusion Strategy which was developed in FY2014. These initiatives are aligned to the strategic focus areas of improving diversity of thought, diversity of gender and diversity of age at APA and will be rolled out from FY2016 and beyond. The programs cover a diverse range of topics, including acknowledging unconscious bias and establishing inclusive practices; career transition and knowledge transfer; women in leadership; and new entry programs for graduates and apprentices.



Diversity & Inclusion



APA's Kerrynne Mallitt, General Manager of East Coast Field Services Transmission meets with QGC on-site at the Wallumbilla Gladstone Pipeline APA's latest acquisition