

# SUSTAINABILITY REPORT

## Message from Mick McCormack

It is a great pleasure to deliver our first sustainability report to all APA stakeholders. This report communicates a number of initiatives we have put in place to continue the success that APA has delivered during the past decade.

APA is a relatively young organisation and three years ago we strategically shifted to an internally-operated business. This change involved integrating over 1,000 employees into the business and establishing management and operations processes designed to deliver continuous improvement and sustainable growth.

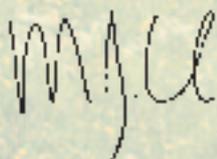
Customers, communities and employees will always be the central part of APA's culture. Working together with our customers, APA has delivered infrastructure solutions that provide the nation with energy security, industrial and mining operations with a clean reliable fuel, and Australian homes with hot showers on a cold morning.

Our success has been delivered by our people having industry-leading knowledge and understanding of the Australian gas infrastructure sector. Much of APA's success can also be attributed to our focus on building a sustainable business through strategic investment in attractive long-term assets.

APA has successfully differentiated itself from the market with an internally-operated model, generating value from efficiencies and rewarding its investors with growth in distributions year-on-year. The strength of our business was evident during the global financial crisis when we were able to refinance debt and source additional capital to grow, while a number of similar organisations were forced to scale-back their growth plans.

Our assets and employees are located across the country and we continue to work closely with our surrounding communities through charities and local programs to add value.

We are continually evaluating the future design of the Australian energy landscape and assessing the medium-term value of our assets and potential growth opportunities. We have begun to implement carbon systems and reporting to manage the business in the new carbon-constrained economy. APA is also supporting a carbon policy that provides an economic incentive for large energy users to adopt cleaner fuels such as gas, which has roughly half the carbon intensity of coal. Over the next decade, APA is well positioned to play a major role in providing supporting gas infrastructure to facilitate Australia's transition to cleaner fuels.



Mick McCormack  
**Managing Director APA Group**

# SUSTAINABILITY REPORT

## APA sustainability performance

### OUR PURPOSE

To be Australia's number one energy infrastructure business. Our success will be founded upon the strengthening and diversification of our asset footprint.

CUSTOMERS	EMPLOYEES	ENVIRONMENT	COMMUNITY	INVESTORS
Delivering value to our customers and creating responsive solutions to their needs.	Providing a safe, stimulating and rewarding workplace where our employees can learn and grow.	Continuing to deliver an environmentally responsible, safe and essential service.	Positively engaging the communities within which we operate.	Continuing to be a reliable and attractive investment which delivers superior returns for securityholders.

### Our objectives, performance and key actions for next year

Stakeholder strategic objectives	2010 performance	Actions for 2011
<b>Customers</b>		
<ol style="list-style-type: none"> <li>1. Provide our customers a <b>market-leading service</b>, including responding to critical events when our customers are negatively impacted.</li> <li>2. Deliver value to customers by <b>utilising the capacity of APA's assets</b>.</li> <li>3. Work with customers to provide optimal investment and <b>energy market solutions</b> to maintain a pipeline of growth projects.</li> </ol>	<ul style="list-style-type: none"> <li>• Continued development of the Australian east coast pipeline grid and pipeline services for the short-term gas trading market.</li> <li>• Provided gas storage solutions for customers, Origin Energy and Victoria Electricity.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement new customer management system.</li> <li>• Respond to customer needs and continue to develop optimal energy solutions with customers.</li> <li>• Provide new gas storage products.</li> </ul>
<b>Employees</b>		
<ol style="list-style-type: none"> <li>1. Committed to a long-term LTI rate<sup>1</sup> target of <b>'Zero Harm'</b> by continually improving safety in the workplace.</li> <li>2. Provide employees a stimulating and rewarding environment so that they would recommend APA as a <b>great place to work</b>. Achieve an engagement survey score greater than 70%.</li> <li>3. Provide learning and development programs to <b>attract, retain and develop</b> employees.</li> </ol>	<ul style="list-style-type: none"> <li>• Reduced LTI rate of 4.9 compared with 2009 LTI rate of 7.3.</li> <li>• Achieved 71% employee engagement score.</li> <li>• 290 senior and front line leaders commenced leadership and development programs.</li> <li>• Sponsored employee teams to participate in health focused activities such as the Global Corporate Challenge.</li> <li>• The scope of the technical training department was expanded to continue delivering improved training across all operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce LTI rate to 4.0.</li> <li>• Maintain an employee engagement score above 70%.</li> <li>• Continue to deliver technical, learning and development courses to employees.</li> </ul>
<p><small>1. Lost time injury rate is measured as the number of lost time claims per million hours</small></p>		

Stakeholder strategic objectives	2010 performance	Actions for 2011
<b>Environment</b>		
<ol style="list-style-type: none"> <li>1. Contribute to policy and respond to <b>climate change initiatives</b> to promote the use of gas as essential to a cleaner energy mix.</li> <li>2. Include the environment in all investment and procurement decision-making. Comply with our emissions reporting obligations. <b>Conserve and rehabilitate</b> the natural state of the land we disturb.</li> <li>3. Evaluate complementary <b>clean energy</b> projects.</li> </ol>	<ul style="list-style-type: none"> <li>• Engaged with political parties to promote the role of gas in the carbon-constrained economy, directly and via industry associations.</li> <li>• Through the Australian Pipeline Industry Association (“APIA”), engaged with the Department of Climate Change and Energy Efficiency to refine gas infrastructure emissions and energy measurement methods.</li> <li>• Invested in the North Brown Hill Wind Farm.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to carbon policy discussions and promote the role of gas as a major contributor in achieving meaningful emission reduction targets.</li> <li>• Contribute to the review of the National Greenhouse and Energy Reporting (measurement) Determination methodology.</li> <li>• Continue to evaluate energy project opportunities arising from the shift to renewable energy.</li> <li>• Establish a water management strategy.</li> <li>• Participate in the APIA Carbon and Energy Efficiency Opportunities Program.</li> </ul>
<b>Community</b>		
<ol style="list-style-type: none"> <li>1. Positively <b>engage</b> with the communities within which APA operates.</li> <li>2. Build long-term strategic community relationships to maintain community <b>support and goodwill</b> for APA’s activities.</li> <li>3. <b>Employee connection with local communities</b> through sponsorships, employee volunteering and giving programs targeting our vulnerable communities.</li> </ol>	<ul style="list-style-type: none"> <li>• Sponsored NAPCAN, Exodus Foundation and Beyond Empathy.</li> <li>• Encouraged company wide participation in charity and community events - World’s Greatest Shave, Clean Up Australia, National Breast Cancer Foundation and Movember.</li> <li>• Participated in a Beyond Empathy program, targeting disadvantaged and at risk indigenous girls.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement our Community Investment Program which will include volunteering opportunities for employees, workplace giving and a more structured approach to sponsorships.</li> <li>• Maintain sponsorship of NAPCAN, Exodus Foundation and Beyond Empathy.</li> <li>• Continue participation in company wide charity and community events.</li> </ul>
<b>Investors</b>		
<ol style="list-style-type: none"> <li>1. <b>Reliable and sustainable growth</b> in distributions to investors by focusing on long-term revenue and costs.</li> <li>2. Maintain a strong and <b>robust balance sheet</b>.</li> <li>3. Identify and evaluate additional attractive <b>infrastructure-style investments</b> in related energy businesses.</li> </ol>	<ul style="list-style-type: none"> <li>• Achieved distribution growth of 5.6%.</li> <li>• Maintained investment grade BBB rating and assigned second equivalent credit rating of Baa2.</li> <li>• Commenced or continued capacity expansion and growth projects in response to customers’ requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue long-term growth in distributions to securityholders.</li> <li>• Maintain credit ratings.</li> <li>• Continue to evaluate additional revenue streams in related energy businesses.</li> </ul>

# SUSTAINABILITY REPORT

## Customers

**“APA continues to be a significant provider of AGL Energy’s gas transportation and storage services. As the gas market continues to evolve APA and AGL Energy are working together to explore and develop opportunities to deliver flexible services to meet AGL Energy’s future requirements”**

### **Delivering value to our customers and creating responsive solutions to their needs.**

As Australia’s largest natural gas infrastructure business, APA strives to deliver industry-leading services. We maintain a close relationship with our customers, working with them to provide optimal solutions, and delivering them quality and timely services by fully utilising APA’s assets.

APA has long-term relationships with large, creditworthy customers, such as AGL Energy, Origin Energy, TRUenergy and Santos. APA also operates in the mineral provinces in Western Australia and Queensland providing services to BHP Billiton, Newmont, Xstrata and Rio Tinto. While we also deal with some smaller companies in the mining sector, we seek appropriate security arrangements to cover payment obligations.

APA is continuing to enhance the east coast gas grid which has evolved from a number of point-to-point pipelines to an interconnected pipeline grid. With customers moving and storing gas across multiple pipelines, APA is

developing commercial arrangements and internal systems to provide a seamless service interface – a “one-stop-shop” for customers. In preparation for the new east coast short-term gas trading market, APA is developing new pipeline services to assist customers to manage their requirements.

### **Delivering value and energy solutions**

#### **AGL Energy**

APA provides gas transportation and storage services to AGL Energy. AGL Energy and APA have a long history together and continue to work closely to develop infrastructure and service solutions to meet AGL Energy’s growth in gas production, power generation and retail markets.

Joe Mediati from AGL Energy said: *“APA continues to be a significant provider of AGL Energy gas transportation and storage services. As the gas market continues to evolve APA and AGL Energy are working together to explore and develop opportunities to deliver flexible services to meet AGL Energy future requirements”.*

#### **Victoria Electricity**

Victoria Electricity (Infratil Energy Australia) recently entered into a new innovative five year agreement with APA which allows it to use APA’s Moomba Sydney Pipeline system for both gas storage and gas transportation. Chief Executive Officer, Infratil Energy Australia, Darryl Flukes, said: *“The new contract with APA gives Victoria Electricity the flexibility to move gas between the Victorian market carriage system and the New South Wales contract carriage systems. This enables us to better manage our gas portfolio, with the aim of delivering gas to our customers by the most cost effective means”.*

Joe Mediati, Manager  
Commercial Wholesale Gas  
at AGL Energy Limited





APA infrastructure delivering gas solutions to Origin Energy's power station at Uranquinty, New South Wales

### Origin Energy

In response to customer demand, APA has largely completed a \$90 million expansion project of its Victorian and New South Wales pipeline systems providing increased capacity to transport and store gas within and between the two states. As part of this expansion, Origin Energy is contracting additional gas transportation and storage services to increase the available run time of its Uranquinty Power Station located near Wagga Wagga.

Dennis Barnes, General Manager, Energy Risk Management from Origin Energy, said: *"APA and Origin Energy have been working very closely to develop new flexible gas transportation services to better manage our gas portfolio. Origin Energy has entered into a suite of new gas transportation and storage arrangements with APA that allow*

*Origin to bring in gas from a number of different sources to a central hub and then deliver gas with a high degree of flexibility to meet our demand requirements."*

### Promoting gas to end users

APA and Envestra delivers gas to more than one million homes and businesses in east Australia through the gas distribution networks that APA operates. APA, together with industry associations, is promoting the use of gas appliances that are generally cheaper to run and more environmentally friendly than electric systems that source electricity from grids supplied predominately by coal-fired generators. Initiatives promoting the continued use of gas appliances include state-based regulatory phase-outs of conventional electric hot water systems, state-based gas

appliance rebates, gas air conditioning and embedded gas generation.



Reliable and environmentally efficient gas hot water system

Key APA customer risks	Risk mitigation
<b>Reduced gas volumes</b>	The bulk of APA's revenue is relatively insensitive to fluctuations in gas volumes with contracts based on pipeline capacity reservations and regulatory revenue based on asset values.  Revenue growth potential exists for additional pipeline and storage capacity services to meet growth in gas-fired generation.
<b>Increases in operating costs</b>	APA's integrated portfolio of gas pipeline assets provides revenue and operating synergies keeping down ward pressure on operating costs.
<b>Responding to customer needs</b>	APA has an unrivalled gas asset footprint and the internal capability and industry know-how to develop and deliver customer solutions.
<b>Changes to regulation impacting revenue</b>	The regulatory regime is well understood, encapsulated in national law. The process for determining regulatory tariffs is transparent with the right to appeal decisions. The reset dates of APA's price regulated assets are staggered, with on average one review per year.

# SUSTAINABILITY REPORT

## Employees



Andries Buys, Simon Heath and Elizabeth Voss, Canberra, Australian Capital Territory.

### Providing a safe, stimulating and rewarding workplace where our employees can learn and grow.

APA employs more than 1,100 skilled and experienced people to manage its assets and investments. As our business continues to grow, we want our people to grow with it. APA offers a work environment conducive to high performance and a culture where the safety of our people is paramount.

### Health and safety

APA recognises that safety is central to our culture and is an integral part in the delivery of excellent business performance. Through continuous improvement, APA aspires to a long-term employee goal of 'Zero Harm'. This year APA reduced its lost time injuries ("LTI") from 7.3 to 4.9 claims per million hours worked. APA is committed to progressively reduce its LTI, with a target of 4.0 for next year.

APA's Health, Safety and Environment Board Committee oversees the commitment to ensuring that the health, safety and wellbeing of our people, contractors, customers and the general public have strong foundations embedded within all levels of the business.

APA is achieving continuous improvement with the integration of best practice Health, Safety and Environment ("HSE") standards in all of our activities across the business, including:

- HSE management systems for all controlled activities and controlled sites based on the accreditation standards of ISO 14001, AS/NZS 13000:2009 and AS/NZS 4801
- ongoing identification of the potential exposures to health and safety hazards of all employees and contractors
- fatigue management programs to minimise the risks of fatigue related incidents and injuries

- drug and alcohol programs at sites
- HSE requirements for all suppliers, contractors and partners are included in all agreements prior to engagement.

### Learning and development

APA invests in training and development programs to provide its employees with career opportunities and to encourage them to accept greater challenges and responsibility along their career path.

During the past 12 months, 150 senior leaders completed the first of three modules of the APA Leadership Development Program. We also began the rollout of the Front Line Leaders Program for 140 leaders in the field. Both programs focus on increasing self awareness and leading people.

The scope of the APA technical training department, which has the objective of ensuring that APA employees and contractors are trained to competently perform their duties, was broadened in

late 2009. The department focuses on standardising training and competency-based services to maintain a high level of consistency and excellence across all of APA's operations.

## Employee engagement

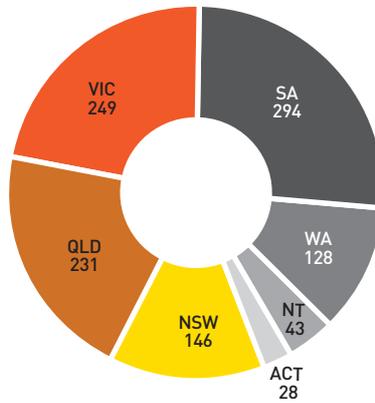
This year employees participated in our third employee satisfaction survey. We achieved an employee satisfaction score of 71%, above our target of 70% which is considered the level for preferred employer status.

## APA workplace initiatives

APA has the following workplace initiatives in place to assist in providing our people the best place to work:

- APA is a silver member of the Australian Employers Network on Disability
- Fair treatment at APA is a range of programs and memberships to ensure equal opportunity for all employees
- an employee assistance program provides access to advice with confidential counselling on work related or personal issues
- health and wellbeing initiatives including flu vaccinations and information on health awareness, preparing for a bushfire and dealing with depression
- other initiatives include our flexible work practices policy, 14 weeks paid parental leave and assisted education program.

## EMPLOYEES BY LOCATION



## Diversity and workforce statistics

In terms of geographic location, gender and age, APA has a relatively diverse workforce.

As at 30 June 2010, APA's workforce consisted of 283 women and 836 men. The majority of APA's workforce are between 35 and 54 years of age (59%) with 21% over 55. APA is cognisant of issues with respect to an ageing workforce and is developing strategies to address these issues.



## Employee stories

Kerryanne Mallitt recently took up the position of Manager Transmission Operations Queensland which consolidates her experience in various roles within finance and operations at APA since joining in 2006. Kerryanne said, "APA has supported my career development through the various programs offered to employees. The favourite part of my job is identifying opportunities to improve things, deliver them and then see how that impacts on people's everyday work life".

Wendy Oldham, who heads up APA's Northern Territory team as the General Manager of NT Gas, was recently nominated for the 2009 Telstra Business Woman of the Year Award. Wendy won the 2009 Hudson Private and Corporate Sector Award category in the Northern Territory.

Wendy Oldham



Key APA employee risks	Risk mitigation
Maintain high levels of employee engagement	Ongoing employee programs are in place to maintain APA's high performance in employee survey results.
Skill shortages and an ageing workforce	Training, development and knowledge transfer programs are designed to meet any skill shortfalls and also encourage young people to join APA.

# SUSTAINABILITY REPORT

## Environment

Continuing to deliver an environmentally responsible, safe and essential service.

### APA environmental principles

APA adheres to a clear set of environmental principles in carrying out all its activities.

#### Compliance

APA will meet or exceed statutory obligations and relevant codes of conduct and standards. APA is a member of the Australian Pipeline Industry Association ("APIA") Environmental Committee; a copy of the APIA Code of Environmental Practice can be found on the APIA website: [www.apia.net.au/issues/environment](http://www.apia.net.au/issues/environment).

#### Impact minimisation and risk mitigation

APA will minimise impact on the environment from its activities by integrating considerations of environmental sustainability, including site rehabilitation, waste minimisation, efficient water use, energy efficiency and protection of cultural heritage.

APA will include all carbon related costs in its budgeting process and investment decisions.

#### Monitoring and reporting

APA's environmental performance and reporting will be consistent with recognised Australian reporting standards and, if necessary, include assurance and verification.

#### Stakeholder engagement

APA will actively participate in policy debate on energy and environmental matters by engaging with federal and state governments, industry participants, customers, communities and employees.

### APA climate change statement

- We believe that reducing carbon emissions is a responsible risk mitigation response to climate

change. Effective environmental policy is good for future generations and also creates a number of clean energy investment opportunities, particularly for gas infrastructure players, as the world transitions to emerging technologies

- Investor certainty will be achieved by an effective carbon policy designed to enable market participants to work together to deliver optimal gas-fired generation location and plant configurations to replace existing coal-fired generation
- Gas-fired generation and renewables, predominately wind, are the most economic, and currently the only, technologies that can materially reduce Australia's emissions, compared to the current generation mix. Gas-fired peaking generation will play an increasingly important role as back-up generation to intermittent renewables
- APA supports the Large-scale Renewable Energy Target which will make up 41,000 GWh per annum of the total Renewable Energy Target (45,000 GWh per annum) by 2020
- APA supports those government environmental schemes that reduce emissions efficiently. As such, APA supports the proposed removal of heat pumps from the Small-scale Renewable Energy Scheme in gas reticulated areas due to the adverse environmental impact created by these highly carbon intensive systems, in comparison to gas systems.

APA is well positioned to benefit from carbon reduction and renewable energy policies and to play a major role in providing supporting gas infrastructure to facilitate Australia's transition to cleaner fuels. APA will also evaluate further energy infrastructure investment opportunities that may arise due to the shift to renewables.

### National Greenhouse and Energy Reporting Act 2007 ("NGERS")

NGERS introduced a national framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. One of the objectives of NGERS is to underpin the introduction of an emissions trading scheme.

Last year APA reported scope 1 emissions of 298,906 tonnes of CO<sub>2</sub>-e complying with NGERS measurement methodologies. All of these emissions were associated with the transportation of gas through APA's transmission and distribution assets. Through APIA, APA is working closely with the Department of Climate Change and Energy Efficiency to refine emission measurement methods to ensure accuracy and transparency for the gas transmission and distribution sector.

### Carbon cost pass-through

Under a future carbon reduction policy it is expected that, on the whole, emitters will be able to pass through carbon related costs in the price of their goods or services.

For APA's assets which may need to acquire permits the following cost recovery mechanisms are in place:

- price regulated assets have provisions to enable APA to recover the efficient cost of acquiring permits
- non-regulated assets typically have long-term contractual arrangements, which have been reviewed in light of the draft carbon legislation, and APA expects to pass through or recover nearly all carbon related costs.

## Carbon Disclosure Project (“CDP”)

APA is a voluntary participant in the global not-for-profit CDP, a highly regarded and transparent form of disclosure on business exposures to climate change. APA will benefit from participating in the CDP and any recognition that climate change policies present opportunities for gas infrastructure businesses.

## National Pollutant Inventory (“NPI”)

The NPI provides the community, industry and government with free information about substance emissions in Australia. APA complies with its obligations under the NPI and this data is made available on the NPI website [npi.gov.au](http://npi.gov.au)

## Energy efficiency

Through its APIA membership, APA will participate in the Carbon and Energy Efficiency Opportunities Program. Participants will act as a self help group sharing knowledge to identify viable opportunities.

Last year APA undertook an energy efficiency initiative to convert instrument gas systems to compressed air at two compressor stations as a part of the Victorian Environmental and Resource Efficiency Plan. These actions are expected to deliver combined annual savings of 12,678 GJ of natural gas, 5,143 tonnes of CO<sub>2</sub>-e and \$43,000 in costs when fully implemented with a payback period of 1.1 years.

## Water usage

APA is currently developing a water management strategy and usage target. An initiative at APA’s Brooklyn Compressor Station will replace water-cooled heat exchangers with fin-fan coolers, eliminating cooling towers and delivering expected annual water savings of 16,520 kilolitres.



Golden Sun moth

## Waste reduction in offices

There are many ways in which we can reduce our environmental footprint, not just in the things we build, but also in the products we buy and the things we do every day. At APA, we believe even a small change can make a big difference and encourage all employees to minimise waste and save costs.

## Keeping an eye on the environment

### Saving the Golden Sun Moth

In 2008, while scoping out an expansion to the Wollert Compressor Station,

30km north-east of Melbourne CBD, we identified a previously unknown enclave of a critically endangered species, the Golden Sun Moth.

APA commissioned an external environmental consultant to complete a fauna and flora survey. The survey discovered that there were 400 plus Golden Sun Moths located in a rocky knoll near the existing compressor building. As a result of these findings, APA redesigned the station expansion to minimise any impact on the Golden Sun Moth habitat. APA successfully relocated the expansion away from the significant moth colonies while still delivering the project on time.

Key APA environment risks	Risk mitigation
Impact of cost on carbon	Under current carbon policy proposals, APA expects to pass through or recover nearly all carbon related costs. APA continues to evaluate energy efficiency opportunities to reduce its carbon footprint.
Changing energy market due to environmental policy	Environmental policies will drive investment in gas-fired generation and renewables presenting significant growth opportunities in supporting gas infrastructure. APA will continue to evaluate opportunities arising from growth in renewable energy.

# SUSTAINABILITY REPORT

## Community

### Positively engaging the communities within which we operate.

APA respects the rights and interests of the communities in which it operates. We do this by engaging with members of the community, minimising social and environmental impacts and working to ensure the safety of all concerned.

As an organisation, we continue to build long-term strategic community partnerships. Since 2008, we have been working with indigenous communities through groups such as the National Association for Prevention of Child Abuse and Neglect (NAPCAN), Exodus Foundation and Beyond Empathy.

Through NAPCAN, an organisation dedicated to preventing child abuse, APA has sponsored a KIDS CAN program for indigenous girls in Dubbo. The program has been designed to increase social connection, relationship skills and confidence among the girls. APA has committed to provide funding for another program this year.

During the year APA sponsored three indigenous children through the Exodus Foundation literacy program in Darwin.

The Reverend Bill Crews, the founder of Exodus Foundation, had this to say about the support that he has received from APA: *"I would like to thank all at APA for their terrific support and encouragement for our indigenous literacy program in Darwin. Once kids can read, the whole world opens up to them and it is so exciting for us to be there as these children begin to realise their potential. APA has helped us encourage these kids to realise a dream; that is very special."*

Beyond Empathy is a small, not-for-profit organisation that uses



APA supporting the Exodus Foundation Literacy Tutorial Centre

the arts to influence change in the lives of individuals and communities experiencing recurring hardship. Beyond Empathy uses film, digital and mixed media, theatre, music, dance and visual arts to build relationships between intergenerational, disadvantaged young people, local support agency staff and the local community in 13 locations across Australia.

In July 2010, three APA employees participated in Beyond Empathy's Arts Based Intervention Program in Tennant Creek, Northern Territory. Melony Brand, APA Marketing Co-ordinator had this to say about her experience: *"The opportunity to visit APA's community engagement at work was personally rewarding. It was inspiring to see the benefits being delivered by the program which has a lasting impact on the literacy, practical education, social confidence and empowerment of young indigenous people in our remote communities."*

This year, APA made a commitment to support four core charities by encouraging employees to be involved in community and charity activities. These include Clean Up Australia, World's Greatest Shave, National Breast Cancer Foundation and Movember.

At a local level, employees can participate in events within their communities with support from APA, where appropriate. This year, our employees participated in the Variety Club Santa Fun Run, National Walk to Work Day, the Global Corporate Challenge, Anaconda Adventure race, triathlons and fun runs. APA also continues to be a major sponsor of the Darwin Symphony Orchestra.

In 2010, APA will implement a Community Investment Program which will include volunteering opportunities for employees, workplace giving and a more structured approach to sponsorships. This program will align with our business strategy to ensure that we continue to realise our goal to give something back to the communities in which we operate.

Key APA community risks	Risk mitigation
Maintaining community support and goodwill for APA's activities.	APA engages with its communities and follows industry recognised standards or better in the operation of its assets.

# SUSTAINABILITY REPORT

## Investors

**Continuing to be a reliable and attractive investment which delivers superior returns for securityholders.**

### APA investment strategy

APA continues to deliver long-term value to securityholders with a total securityholder return (distributions and security price) since inception of over 300%. Distributions have grown year-on-year at an average of 5%.

APA's expertise lies in the energy infrastructure industry. When considering investments, APA identifies the value it brings in owning an asset, assessed against the following criteria:

- our level of understanding of the commercial drivers of the asset class
- our ability to efficiently manage and operate that asset
- potential synergies with existing assets in APA's portfolio
- ability for the asset category to provide a meaningful contribution to APA
- our ability to manage the risks commensurate with our growth targets.

APA rigorously assesses any potential investment or development opportunity from a strategic, economic, risk and funding viewpoint:

#### Strategic

- focus on gas and complementary infrastructure that enhances APA's portfolio.

#### Economic

- cash flows over the life of a project will positively impact APA's operating cash flow
- project returns will meet appropriate target rates of return with consideration of all risks.

#### Risk

- assess all risks using APA's proven internal capabilities, policies and processes –financial, operational, project delivery, counterparty, regulatory, reputational and business risks
- APA will use external expert advice, where appropriate.

#### Funding

- optimise funding options and maintain our investment grade level credit ratings
- align debt maturity profiles with long-term asset profiles.

### Energy Infrastructure Investments consortium (EII)

With our EII partners, APA has a capital structure option to optimise future asset investments which are underwritten by long-term annuity-style revenue contracts.

In December 2008, APA established EII, selling its annuity-style assets into this vehicle and establishing a long-term relationship with Japanese corporates, Marubeni Corporation and Osaka Gas. APA retains a minority interest of 19.9% in EII and continues to manage, maintain and operate the assets under a long-term agreement with a market-based fee structure.

In October 2009, APA (20.2%), together with Marubeni Corporation and Osaka Gas, established EII2 to acquire the North Brown Hill Wind Farm development at Hallett, South Australia. This is APA's first

investment in renewable energy generation. The 132 MW Wind Farm is currently under construction and due to be completed by June 2011. The investment is secured by a 25 year off-take agreement with AGL, covering both the electricity generated and the Renewable Energy Credits produced.

Shigeru Muto from Marubeni Corporation, and Chairman of EII, said: "Marubeni, Osaka Gas and APA have formed a successful investment relationship built on mutual respect for the value that each party brings to the Energy Infrastructure Investments consortium. Marubeni is particularly pleased with APA's performance in operating these assets".



Shigeru Muto,  
Marubeni,  
Chairman of EII

#### Key APA investor risks

**Attracting equity investors and debt providers to participate in growth opportunities.**

#### Risk mitigation

APA provides investors and debt providers with an attractive growth outlook for investment in new projects and expansion of existing assets.