

Sustainability

performance scorecard

Our purpose: To be Australia's number one energy infrastructure business. Our success will be founded upon the strengthening of our asset footprint. We are committed to working closely with our stakeholders – customers, employees, the environment, community and investors – to deliver continuous improvement and sustainable growth.

Stakeholder strategic objectives	2012 performance	Actions for 2013
<p>Customers</p> <p>We will deliver value to our customers and create responsive solutions to their needs by:</p> <ul style="list-style-type: none"> — Providing our customers a market-leading service, including responding to critical events when our customers are negatively impacted. — Delivering value to customers by utilising the capacity of APA's assets. — Working with customers to provide optimal investment and energy market solutions to maintain a pipeline of growth projects. 	<p>APA is jointly constructing, with AGL Energy, the 242 megawatt Diamantina Gas Power Station. The power station will supply electricity to Xstrata and Ergon Energy and APA will provide gas transportation services on the Carpentaria Gas Pipeline.</p> <p>Launched the integrated customer management system, streamlining the way services are provided to customers. The new system provides customers with better information and improved service.</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>Employees</p> <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"> — Committing to a long-term LTI⁶ target of Zero Harm by continually improving safety in the workplace. — Providing employees with a stimulating and rewarding environment such that they would recommend APA as a great place to work. — Providing learning and development programs to attract, retain and develop employees. — Promoting diversity as a core policy supported by initiatives which foster inclusion. 	<p>An LTIFR performance measure of 2.2 against a target of 3.2 for employees.</p> <p>Ongoing deployment of our Safety Management System (Safeguard).</p> <p>Continued sponsorship of health focused activities for employees including the Global Corporate Challenge</p> <p>Employees participated in 356 APA Leadership Development Programs and 189 APA Skill Based Development Programs.</p>	<p>Maintain our goal of continuous improvement and reduce the LTIFR target to 1.3.</p> <p>Development of a safety management system (technology platform)</p> <p>Expanded technical, learning and development program to all employees.</p> <p>Development of a business skills program.</p> <p>Continue development of APA's diversity policy and initiatives.</p>

⁶ Lost Time Injury rate is measured as the number of lost time claims per million hours worked.

Stakeholder strategic objectives	2012 performance	Actions for 2013
<p>Environment</p> <p>We will continue to deliver an environmentally responsible, safe and essential service by:</p> <ul style="list-style-type: none"> 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. 	<p>Contributed to the federal government's Clean Energy Act 2011 regulation design and consultation process.</p> <p>Successful Implementation of carbon compliance reporting and carbon permit liability management systems, including the cost recovery of APA's carbon liability contractually or through the access arrangement tariff review process.</p> <p>Engaged with government at federal and state levels to promote the role of gas in the carbon-constrained economy, directly and via industry associations. This included a submission to the federal government's Draft Energy White Paper outlining the importance of gas in the clean energy mix.</p> <p>Successful integration of the Emu Downs wind farm operations and Badgingarra wind development project into APA Power Generation Group.</p>	<p>Participate in policy discussions and promote the role of gas as an important contribution to reducing Australia's emissions.</p> <p>Include a price on carbon and water efficiency in investment decisions and procurement activities.</p> <p>Evaluate energy project opportunities arising from the shift to renewable energy, particularly projects that enhance APA's current assets.</p>

Stakeholder strategic objectives	2012 performance	Actions for 2013
<p>Community</p> <p>We will positively engage the communities within which we operate by:</p> <ul style="list-style-type: none"> Building long-term strategic community relationships to maintain support and goodwill for APA's activities. Increasing employee connection with local communities through sponsorships, employee volunteering and giving programs targeting our vulnerable communities. 	<p>Continued APA's "Building Brighter Futures" community program including a commitment to support NAPCAN, Exodus Foundation, Clontarf Foundation and Beyond Empathy.</p> <p>Employees participating in community fund-raising events together with APA matching funds raised up to a \$4,000 limit per event.</p> <p>Total community investment for the 2012 financial year was \$250,000.</p>	<p>Continue to support our Community Investment Program and expanding its reach.</p> <p>Ongoing and extended support for Brighter Futures Community program.</p> <p>Expanded financial support for local volunteer services such as the volunteer fire brigades.</p>

Stakeholder strategic objectives	2012 performance	Actions for 2013
<p>Investors</p> <p>We will continue to be a reliable and attractive investment which delivers superior returns for securityholders by:</p> <ul style="list-style-type: none"> 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. 	<p>Total securityholder return of 32.6 per cent for 2012.</p> <p>Maintained investment grade credit ratings (BBB/Baa2).</p> <p>Successful debt raising of \$1.9 billion bank facilities and \$415 million Medium Term Notes to refinance debt maturing in 2012, repay more expensive debt and fund growth.</p> <p>Successful equity capital raising of \$45 million, through operation of the Distribution Reinvestment Plan.</p> <p>\$271 million of organic growth capital expenditure, acquisitions and investments.</p>	<p>Maintain credit rating levels.</p> <p>Continue to seek appropriately priced opportunities to issue into the global debt capital markets in order to extend the average tenor of our debt portfolio.</p> <p>Continue to evaluate additional revenue streams in related energy businesses.</p>

Building brighter futures

COMMUNITY

APA is committed to investing in communities where we have assets and interests. A strong community investment program engages and adds value to the community and increases goodwill to APA activities. We have continued, and expanded our program this year and for the year ahead. Once again, we are pleased to place the majority of our community investment where it will, in our view, best benefit those most in need or will support causes where we believe we can make a material difference.

As an organisation, we continue to build on our long-term strategic community partnerships. We have continued our support of the arts with our sponsorship of the Darwin Symphony and Brandenburg Orchestras. We have also continued our support of the Taronga Zoo.

Understanding the importance of building strong local community relationships, this year we supported a number of Victorian Rural Fire Services organisations. Last year, we launched the "Building Brighter Futures" community investment program which connects our business and our people to the communities in which we work and live by supporting initiatives to improve the future work and life prospects of less fortunate Australians.

Our community partnerships with four indigenous organisations reflect our commitment to help build brighter futures for indigenous Australians. APA supports:

- NAPCAN Aboriginal Girls Circle (AGC): a residential camp

- program to build resilience, self-esteem, social connections and confidence for Aboriginal girls in regional and remote areas
- Clontarf Foundation: a program based around Aboriginal boys' passion for football, to improve the education, self-esteem and employment prospects of young Aboriginal men
- Exodus Foundation Literacy Program: an intensive learning sessions to teach functional literacy to children with severely compromised reading abilities, including indigenous Australians
- Beyond Empathy: a community arts and cultural development organisation that creates art projects with people living on the margins of their communities to tell stories and engage with new futures.

This year, APA donated almost \$150,000 to these causes.

Building Brighter Futures also supports a number of causes close to the hearts of APA people through our annual employee community event calendar, by capped matching of funds raised by APA employees. Supported events included Cancer Council's Australia's Biggest Morning Tea and Pink Ribbon Day, Movember Foundation's Movember event, Starlight Children's Foundation's Starlight Day and Make a Wish Foundation's Laugh for Kids on Wish Day. Employees collectively donated more than \$30,000 to these causes, donations which were matched to \$18,000 by APA.

Our total community investment and sponsorship for the 2012 financial year was \$250,000.



1. Students from the Clontarf Foundation's Roebourne Academy (Western Australia), enjoying time with staff member Rodney Corbett.

2. One of the 48 wind turbine generator's (1.65 megawatt each) at APA's Emu Downs wind farm in Western Australia.

ENVIRONMENT

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.

APA regularly monitors its carbon exposure and complies with National Greenhouse and Energy Reporting System (NGERS) obligations for reporting emissions data. In financial year 2011 APA reported emissions of 297,099 tonnes under NGERS, slightly down from the previous year, and on 31 October APA expects to report a similar emissions number for financial year 2012. Under the Clean Energy Act 2011, we expect our emissions will rise over the longer term as demand for gas transportation and storage services increases in line with energy users switching from coal to gas.

APA expects to recover all carbon related costs from its regulated assets under the access arrangement review process. For non-regulated assets, APA has implemented changes to its contracts with carbon pass-through clauses included in all new contracts. APA has also implemented changes to systems and processes across the business to meet the requirements of the new legislation.

This financial year APA continued its participation in the Carbon Disclosure Project (CDP). In 2012 it was the first year that Australian company disclosure scores were made public. APA's score of 66 for disclosure and C for performance was higher than gas infrastructure peers and consistent with energy industry peers.

Clean Energy Act 2011

APA supports reducing carbon emissions as a responsible risk mitigation response to climate change. 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.

On 1 July 2012 the Clean Energy Act 2011 imposed a price on carbon emissions. APA has long supported the introduction of a price on carbon and certainty on carbon policy, however unfortunately the Clean Energy Act is unlikely to provide the required certainty to shift large-scale coal generation to more carbon efficient gas-fired generation this decade. These uncertainties include the lack of international binding carbon reduction agreements and the price of carbon permits after the fixed price period. In the longer term, as international carbon markets mature, APA will benefit from stronger carbon price signals for consumers to shift to low emissions technologies, such as gas.

Whilst new base-load low emission gas-fired generation is pending a stronger carbon signal, gas-fired peaking generation will continue to play a major role in meeting peak demand and provide opportunities for gas infrastructure growth.

As previously stated, in APA's view, gas-fired generation and renewable energy, predominately wind-powered generation, are the most economic and currently the only technologies that can materially reduce Australia's emissions compared to the current generation mix. APA also views gas-fired peaking generation as playing an increasingly important role as back-up generation to intermittent renewables, such as wind and solar, and for network support to meet an increasing peak demand. Combined-cycle gas turbine (CCGT)



generation is a mature technology that can utilise Australia's substantial gas reserves to produce electricity that has one-third the emissions intensity of brown coal and one-half that of black coal.

It should also be noted that if emerging technologies fail to meet the desirable forecasted share of the 2050 generation mix to reduce emissions by the federal government's target of 80 per cent, gas generation, which is a mature and low emission base-load technology, would be preferred to additional coal generation to fill any renewable technology shortfalls. APA considers that Australia will have more than adequate gas resources available for domestic consumption in the medium to long term to underpin any investments in gas generation.

APA believes that policy initiatives complementary to the Clean Energy Future policy package should be considered to ensure that Australia can develop a low carbon electricity generation sector while international policy and carbon markets mature. APA continues to work with gas industry participants to deliver policy initiatives to be considered as part of the government's current suite of low emissions policies. Any low emission policy initiative would focus on delivering material emission reductions from domestic abatement activities, complement the Clean Energy Future package, create jobs, and provide a deliverable path to decarbonising the Australian electricity market.

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 emissions in the Australian economy.

The 132 megawatt North Brown Hill wind farm is expected to save 355,000 tonnes of carbon emissions each year for 25 years, a total of 8,875,000 tonnes. The 79 megawatt Emu Downs wind farm is expected to save 232,000 tonnes of carbon emissions each year for 25 years, a total of 5,800,000 tonnes.⁷ The 242 megawatt Diamantina Combined Cycle Gas Power Station is a low emission asset and is expected to save 840,000 tonnes of carbon emissions each year for 25 years, a total of 21,000,000 tonnes.⁸

⁷ These emission savings estimations are based on the wind generation output, which is carbon emission free, displacing fossil fuel generation calculated at the average electricity market carbon intensity.

⁸ We have assumed that the carbon-intensity for gas generation is half that of the average electricity market intensity.