

2023 Tax Contribution Report

For the year ended 31 December 2022



EnergyAustralia

LIGHT THE WAY

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Hamish Irving
Chief Financial Officer

1. Message from the Chief Financial Officer

We are pleased to present EnergyAustralia's 2023 Tax Contribution Report, our seventh under the Australian government's tax transparency code.

We were proud to be the first energy utility in Australia to commit to the tax transparency code. We have published our tax contribution report on all taxes paid and collected by EnergyAustralia for our operations in Australia since 2017. Sharing what we do and the tax that we pay – and encouraging other businesses to do the same – is one important way we can help to build Australia's confidence in business.

As part of our purpose to lead and accelerate the clean energy transformation for all, this year we released our first Climate Transition Action Plan (CTAP) which sets out our plan to reach Net Zero emissions by 2050. The CTAP outlines how we will manage the retirement of our coal fired generation, with Yallourn power station and brown coal mines to close in 2028, and our ambition for the Mount Piper power station to operate flexibly in the mid-2030s once there is enough renewable generation in the grid. It also announced our intention to expand our renewable portfolio to be up to 3GW by 2030, as well as \$5 billion investment into renewables firming.

EnergyAustralia is committed to achieving Net Zero greenhouse gas emissions across Scopes 1 and 2 by 2050, and it is our ambition for this commitment to extend to Scope 3.

In 2022, the energy sector faced significant challenges due to an exceptional energy crisis. This crisis stemmed from soaring wholesale prices, coal supply shortages, and disruptions in our power generation facilities. In June 2022, the Australian Energy Market Operator took the unusual step of suspending spot trading in the National Electricity Market. EnergyAustralia's reported earnings have been adversely affected by these challenges and extreme market conditions during 2022.

As a result of the financial losses, EnergyAustralia reported a net tax loss position which aligns with the economic loss but has made payments over \$49.5m in other indirect taxes. This document details the tax loss position as at 31 December 2022, payments made for other taxes, includes information about our approach to tax and explains why we paid the tax we did.

We continue to focus on strengthening operational and financial performance, while we build out a diversified generation portfolio of renewable and firming assets, as well as behind the meter solutions, to unlock our participation in Australia's low-carbon future.

Thank you for your interest in EnergyAustralia.

2. Overview of EnergyAustralia

EnergyAustralia provides reliable and affordable power to 2.46 million customer accounts (as at 31 December 2022) across New South Wales, Victoria, South Australia, Queensland and the Australian Capital Territory. Our retail business is backed by a 5,932-megawatt (MW) generation portfolio comprising coal, gas and wind assets as well as power purchase agreements for renewable energy. We operate one of the largest commercial-scale battery trading portfolios in the National Electricity Market. We employ over 2,700 people in Australia, with our headquarters in Melbourne. EnergyAustralia is a wholly-owned subsidiary of the CLP Group of Hong Kong, one of the oldest and largest integrated power businesses in the Asia Pacific.

EnergyAustralia's income is derived solely from the supply of energy and energy services in Australia. Our core business is providing reliable, affordable energy for our customers. We are helping our customers to reduce their own emissions with innovative and affordable products and services that blend customer assets with the grid. We are transforming our generation portfolio, investing in cleaner forms of energy as we build the new power system, while reducing the emissions from existing assets that are needed to keep the lights on. We are proud of the contribution our assets and our workforce make to the economic prosperity of our local communities and our nation. We contribute to the community through wages to employees, doing business with local suppliers, community investments and sponsorships and payments of taxes and royalties to federal and state governments. We undertake this transition with our people and our communities respectfully and responsibly, with planning, consultation, and support.

For income tax purposes, EnergyAustralia is a tax consolidated group comprising EnergyAustralia Holdings Limited (as head company) and its wholly owned Australian resident subsidiaries. This tax consolidated group is treated as a "single taxpayer", i.e., EnergyAustralia lodges a single Australian income tax return for its operations.

3. Basis of Preparation

The Tax Transparency Report is based on the income tax expense analysis contained in EnergyAustralia's audited Financial Statements for the year ended 31 December 2022, updated to reflect final income tax payable / (refund) for 2022 in accordance with the lodged Income Tax Return for the year ended 31 December 2022.

Differences between the 2022 income tax expense included in the EnergyAustralia for the year ended 31 December 2022 Financial Statements and that which is disclosed in the Income Tax Return for the year ended 31 December 2022 will be audited as part of the year ended 31 December 2023 financial statements and, consequently, have not been audited separately for the purposes of the 2023 Tax Transparency report for the year ended 31 December 2022.

The EnergyAustralia tax consolidated group has a December year end. The tax return filed for the year ended 31 December 2022 falls within the 2023 Income Year for tax purposes.

4. Tax Policy, Risk Management and Governance

EnergyAustralia is governed by the Value Framework and Code of Conduct of our owner, CLP Group. The framework and the code sets out CLP Group's commitment to all stakeholders, including compliance with all applicable laws and regulations and open and transparent communication about business matters.

EnergyAustralia recognises that sound tax governance and risk management are crucial to running a sustainable and responsible business. Specifically, EnergyAustralia is committed to observing all applicable laws, regulations and rules (together the 'rules') in meeting both tax compliance and reporting obligations and paying all applicable taxes due in accordance with the tax rules.

Our approach to tax risk management is defined under the EnergyAustralia Risk Management Framework.

EnergyAustralia's Audit and Risk Committee (a subcommittee of the EnergyAustralia Board) oversees risk management and internal controls in relation to all risks across the company, including tax and receives regular updates on tax matters. Internal and external auditors provide an additional layer of oversight.

5. Engagement with the Australian Taxation Office

EnergyAustralia is categorised as a Key Taxpayer by the Australian Tax Office (ATO) as it is a Top 100 public and multinational taxpayer. This means EnergyAustralia is under constant review by the ATO.

EnergyAustralia works co-operatively with the ATO in line with the Key Taxpayer Engagement Plan (KTE) on all pre-lodgement compliance reviews, annual compliance arrangements and streamlined assurance reviews. EnergyAustralia interprets the tax law using relevant case law, Tax Authority's rulings and guidance and discusses such interpretations with tax authorities where appropriate, to minimise tax disputes.

Under the ATO's Justified Trust Program, the ATO has issued to EnergyAustralia an overall high level of assurance for income tax for FY 2021. This means the ATO has assurance that EnergyAustralia has paid the correct amount of tax for that period. The ATO has indicated that it is satisfied that EnergyAustralia takes an open, transparent and cooperative approach to its tax obligations and proactively engages with the ATO on a regular basis. The ATO is currently reviewing our FY 2022 tax lodgement at the date of publication of this tax contribution report.

6. Reconciliation of accounting profit to income tax expense to income tax payable

EnergyAustralia's accounting loss before income tax for FY 2022 was \$1,467.7m (FY 2021 was an accounting profit of \$326.2m). A decline in financial performance was driven by realised losses on sold electricity contracts settling at higher than contract prices, coal supply shortages and coal quality issues at the Mount Piper Power Station, and numerous outage and maintenance issues were encountered by the Yallourn Power Station. Other factors such as increased fuel prices due to the war in Ukraine and extreme weather events have also attributed to the accounting loss before income tax.

Reconciliation of accounting profit to income tax expense	
	FY 2022 (\$m)
Total income	7,720.8
Less: Accounting expense	(9,188.6)
Accounting Profit/ (Loss) before income tax (II)	(1,467.7)
Income tax at the Australian Corporate Tax Rate of 30 percent (A)	(440.3)
<i>Tax effect of amounts which are deductible/(assessable)</i>	
(Over)/under provision of income tax from the prior year	10.4
Other permanent differences	(2.2)
Adjustments (B)	8.2
Income Tax Expense / (Benefit) I = (A) + (B)	(432.1)
Effective Tax Rate (I)/(II) – FY 2022	29%
Effective Tax Rate - FY 2021	28%

Total income

EnergyAustralia's total income is derived from our retail energy customers and generation business in Australia. This amount represents gross receipts before any expenses are taken into account and is not an indicator of the overall profitability of EnergyAustralia for either tax or accounting purposes. A large part of our income is made up of revenue received from gas and electricity customer accounts which includes pass-through regulated network charges paid to third party companies who operate and maintain the electricity network.

Taxable income is calculated as assessable income less allowable deductions. Tax is then applied at the corporate tax rate of 30% on this net amount. Where assessable income is less than allowable deductions, the net amount is a tax loss which can be carried forward to offset future year's taxable income.

Effective tax rate

The prevailing Australian statutory corporate tax rate is 30% for large business. Under the Tax Transparency Code published by the Board of Taxation, EnergyAustralia calculates the effective tax rate as income tax expense (current and deferred) divided by accounting profit/(loss) before tax.

Refer to the Tax Contribution Report 2022 for an explanation of the FY 2021 effective tax rate reconciliation.

Reconciliation of income tax expense to income tax paid/payable

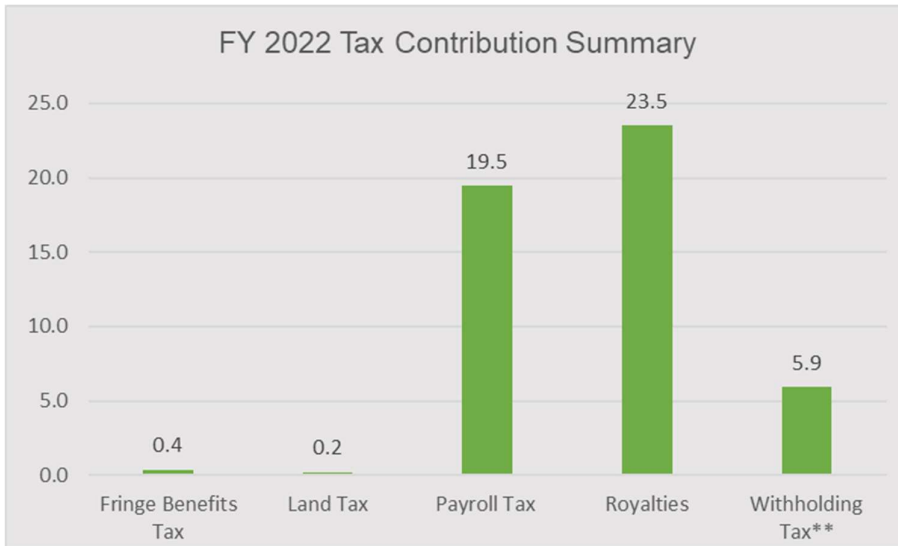
The table below reconciles the accounting income tax benefit of \$432.1m to a nil income tax payable per the income tax return for the year ended 31 December 2022. The nil income tax payable result arose from EnergyAustralia's tax loss for the year which is driven by the financial accounting loss for the year. Tax losses in the FY 2022 income tax return are non-refundable and are carried forward to offset taxable income for future income years (subject to meeting the loss recoupment rules).

Reconciliation of income tax expense to income tax payable for FY 2022	
	2022 (\$m)
Income tax expense / (benefit)	(432.1)
<i>a) Increase/(decrease) in permanent differences</i>	(2.2)
<i>b) Temporary differences</i>	
Depreciation	3.7
Accruals	(10.7)
Other	17.3
Inventories	2.0
Provisions	(9.5)
Derivatives at fair value	<u>272.0</u>
	274.8
<i>c) Non-refundable tax losses</i>	159.5
Income tax payable for FY 2022	<u>Nil</u>

Temporary differences relate to items which are recognised at different points in time for accounting and tax purposes. They include depreciation, provisions, accruals and unrealised gains and losses on derivatives.

7. Australian tax contribution summary

For the year ended 31 December 2022, EnergyAustralia has made the following tax contributions:



**Withholding Tax excludes Pay-As-You-Go (PAYG) from employees' salary and wages.

8. International related-party dealings

EnergyAustralia is a tax resident of Australia and operates entirely within the Australian market. EnergyAustralia does not own any foreign assets.

The primary international related party dealing expense in the year ended 31 December 2022 for EnergyAustralia was interest paid on related party loans. As part of the ATO's early engagement process, EnergyAustralia and the ATO has agreed to the pricing of the related party loan via a Settlement Deed. Australian interest withholding tax was applicable on the interest paid on related party loans.

EnergyAustralia maintains appropriate documentation in relation to its related-party dealings, which are conducted in a manner consistent with Australian and international tax and transfer pricing laws.