

2024 Tax Contribution Report

For the year ended 31 December 2023



LIGHT THE WAY
EnergyAustralia

Contents

1. Message from the Chief Financial Officer	3
2. Overview of EnergyAustralia	4
3. Basis of Preparation	4
4. Tax Policy, Risk Management and Governance	5
5. Engagement with the Australian Taxation Office	5
6. Reconciliation of accounting profit to income tax expense to income tax payable	6
7. Australian tax contribution summary	7
8. International related party dealings	8



Chris Opperman - Chief Financial Officer

1. Message from the Chief Financial Officer

We believe it is critical for Australia's business sector to operate with transparency and accountability, with a focus on building consumer trust and confidence. We are therefore pleased to present EnergyAustralia's Income Year 2024 Tax Contribution Report for the financial year ended 31 December 2023.

Our purpose at EnergyAustralia is to lead and accelerate the clean energy transformation for all. This sets the company's long-term direction, guides our decisions and provides our people a clear goal to work towards.

When it comes to delivering our purpose, we're working hard to transform our energy generation portfolio by investing in a range of projects to advance the clean energy transition. At the same time, we're reducing the emissions from our existing assets that Australia needs to keep the lights on.

In the financial year 2024, we have made significant progress, including gaining support for the Wooreen and Hallett battery projects under the Federal Government's Capacity Investment Scheme. We have secured up to 422MW of renewable energy through offtake agreements and agreed a virtual toll agreement with Akaysha Energy's Orana battery in New South Wales. EnergyAustralia's gas-fired peaking plant, Tallawarra B, commenced commercial operation in June 2024, providing Australia additional flexible generation.

The clean energy transition is a significant challenge for our customers, our business, our people and the communities in which we operate in. Our decisions have to balance the needs of all. We're working closely with our people and the community to deliver a transition that's orderly, respectful and responsible.

As the energy transition takes place, we're focused on providing affordable and reliable access to low carbon emission energy for all our customers. We are delivering on our Climate Transition Action Plan (CTAP), first published in 2023, 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. It also outlines our intention to expand our renewable portfolio to be up to 3GW by 2030.

We are committed to continuing to work with customers, industry and governments on changes to accelerate investment in the energy transition and deliver predictability for Australian energy consumers.

Turning to our financial performance, EnergyAustralia reported a net loss after tax of \$829.9 million for the financial year 2023. Due to these losses and those carried forward from previous periods, we have accumulated a tax loss position. Consequently, EnergyAustralia did not pay income tax in 2023. However, we paid over \$58.5 million in indirect taxes during the year. This document details the tax loss position as of 31 December 2023, payments made for other taxes, includes information about our approach to tax and explains why we paid the tax we did.

2. Overview of EnergyAustralia

EnergyAustralia is one of Australia's largest energy retailers and generators, serving more than 2.44 million electricity and gas customer accounts (as of 31 December 2023) across New South Wales, Victoria, South Australia, Queensland, and the Australian Capital Territory. Our retail business is backed by close to 6,000 megawatts (MW) of generation capacity, comprising coal, gas, solar, wind and battery 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 also supply centralised energy, where we provide customers with rooftop solar and battery solutions. EnergyAustralia employs around 2,300 people in Australia, with headquarters in Melbourne. We are proud of the contribution our assets and our workforce continue to make to the economic prosperity of local communities and our nation.

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 region.

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 Contribution Report is based on the income tax expense shown in EnergyAustralia's audited Financial Statements for the year ended 31 December 2023. This has been updated to reflect the final income tax payable or refundable for 2023, as per the Income Tax Return lodged by the statutory due date in July 2024. The audited accounts for the year ended 31 December 2023 were signed off by the company's auditors in February 2024.

Any differences between the income tax expense in the 2023 Financial Statements and the Income Tax Return will be reviewed as part of the external audit for the 2024 financial statements. These differences have not been audited separately for this 2024 Tax Contribution Report.

The EnergyAustralia tax consolidated group has a December year end. The tax return filed for the year ended 31 December 2023 falls within the 2024 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 set 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 Policy, Group Tax Policy and Tax Risk Management Operating Procedures.

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 financial year 2022. 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 EnergyAustralia's financial year 2023 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 financial year 2023 was \$712.7 million, compared to a loss of \$1,467.7 million in financial year 2022.

The loss in financial year 2023 was mainly driven by a non-cash goodwill impairment charge of \$1,103 million, related to the retail business. This impairment reflects the challenging retail energy market, which has put pressure on operating margins due to rising supply costs and increased competition.

Excluding the goodwill impairment charge, the Group achieved an underlying profit after tax of \$273.1 million in financial year 2023. This marks a significant improvement compared to the \$1,035.6 million loss after tax in financial year 2022. The better result was driven by improved business performance and favourable movements in the value of derivative instruments. The fair value movements in financial year 2023 were favourable largely due to the roll off of energy contracts sold before the energy crisis in financial year 2022.

Reconciliation of accounting profit to income tax expense

	FY 2023 (\$m)
Total income	6,392.3
Less: Accounting expenses	(7,105.0)
Accounting Profit/(Loss) before income tax (II)	(712.7)
Income tax at the Australian Corporate Tax Rate of 30 percent (A)	(213.8)
<i>Tax effect of amounts which are deductible/(not deductible)</i>	
(Over)/under provision of income tax from the prior year	0.5
Permanent difference due to goodwill impairment charge	330.9
Other permanent differences	(0.4)
Adjustments (B)	331.0
Income Tax Expense/(Benefit) I = (A) + (B)	(117.2)
Effective Tax Rate (I)/(II) – FY 2023	(16%)
Effective Tax Rate - FY 2022	29%

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 Voluntary 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 or loss before tax.

The effective tax rate for 2023 is negative 16%, which is lower than the Australian corporate tax rate of 30%. This is primarily due to the company reporting an accounting loss before tax of \$712.7 million. The negative total tax expense of \$117.2 million reflects tax benefit arising from this loss, rather than a tax liability.

In addition to the accounting loss, permanent tax adjustments further impacted the effective tax rate. These adjustments include items like the goodwill impairment charge of \$1,103 million that are not deductible for tax purposes, resulting in a divergence between the accounting tax rate and the statutory tax rate.

Reconciliation of income tax expense to income tax paid/payable

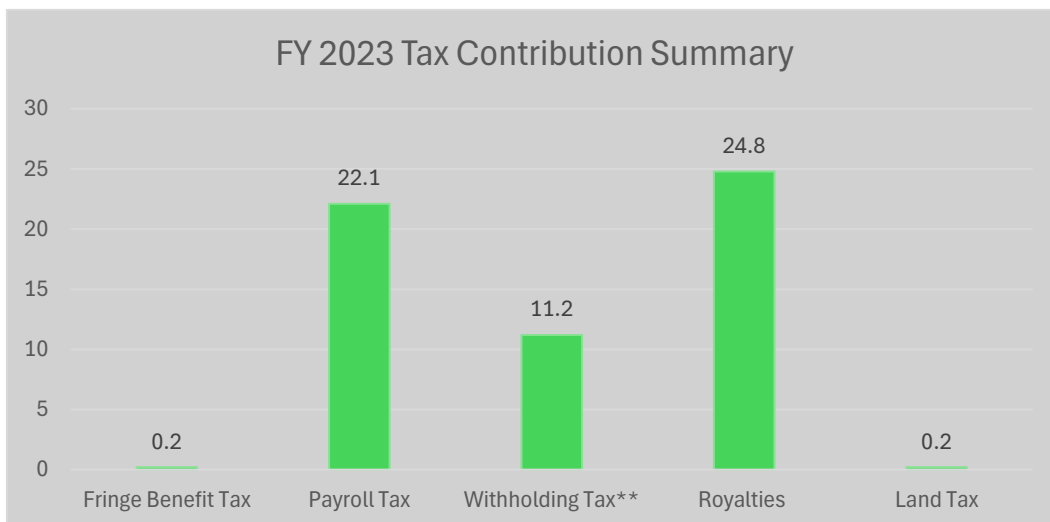
The table below reconciles the accounting income tax benefit of \$213.8m to a nil income tax payable per the income tax return for the year ended 31 December 2023. The nil income tax payable result arose from EnergyAustralia's tax loss for the year which is driven by the financial accounting loss for the year and the use of prior year carry forward tax losses. Tax losses in the FY 2023 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 2023	
	2023 (\$m)
Income tax expense / (benefit)	(213.8)
<i>a) Increase/(decrease) in permanent differences</i>	332.0
<i>b) Temporary differences</i>	
Depreciation	(8.8)
Accruals	7.8
Other	(25.8)
Inventories	(15.0)
Provisions	2.6
Derivatives at fair value	<u>(243.2)</u> (282.4)
<i>c) Non-refundable tax losses</i>	164.2
Income tax payable for FY 2023	<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 2023, EnergyAustralia has made the following tax contributions (\$m):



**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 2023 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.