ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

snowy hydro

Snowy Hydro Limited and its Controlled Entities

ABN 17 090 574 431

ANNUAL REPORT

For the financial period ended 30 June 2020

Contents

CORPORATE DIRECTORY

Directors

David Knox, Chair (appointed 1 January 2020)
BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD

Paul Broad, Managing Director
BEcon (Hons), MEcon

Joycelyn Morton
BEc, FCPA, FCA, FIPA, FGIA, FAICD

Richard Sheppard
BEc (Hons), FAICD

Leeanne Bond
BE (Chem), MBA, HonFIEAust, FTSE, FAICD, RPEQ

Scott Mitchell
GAICD

Karen Moses (appointed 1 July 2019)
BEcon, Dip Ed, FAICD

Sandra Dodds (appointed 1 July 2019)
BCom, FCA, GAICD

Noel Cornish AM, Chair (retired 31 December 2019)
BSc (Met), MEngSc, FAICD

The Hon. Helen Coonan (retired 30 June 2020)
BA, LLB

Anthony Shepherd AO (appointed 17 August 2020)
BCom, FAICD

Principal registered office

Monaro Highway
Cooma NSW 2630
Australia

Auditor

Under Section 98 of the Public Governance, Accountability and Performance Act 2013 (PGPA Act), the Auditor-General is responsible for auditing the financial statements of Commonwealth companies. The Australian National Audit Office has contracted Deloitte Touche Tohmatsu to audit Snowy Hydro Limited and its Controlled Entities on behalf of the Auditor-General.

The Auditor-General is able to conduct a performance audit of a Commonwealth company, in the circumstances outlined in the Auditor-General Act 1997.

Website address

www.snowyhydro.com.au

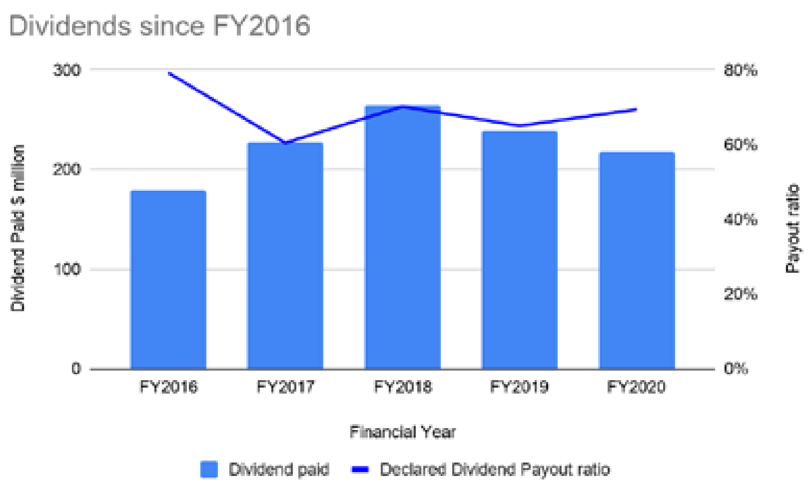
CHAIR AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Over the past year, Snowy Hydro has performed strongly in highly challenging circumstances, continuing to keep the lights on and underpin Australia's renewable energy future at lowest cost. The Snowy Mountains region was hard-hit by both drought and bushfire, and the Australian energy sector has been impacted by the collapse in global oil prices and the impact of COVID-19 on the demand for energy.

Despite these challenges, Snowy Hydro has delivered $537.2 million in consolidated underlying EBITDA and paid dividends totalling $217.8 million, while always doing the right thing by our team, our customers and the community. Our flagship infrastructure project, Snowy 2.0, remains within budget and on track for first power in H1 Calendar 2025.

Over the year, Snowy Hydro achieved a Consolidated Underlying EBITDA of $537.2 million. Statutory profit after tax was $84.2 million[1]. Despite lower generation levels resulting from three consecutive years of low water inflows, the Group optimised its contracting strategy and resource use and maintained a company-wide focus on cost control. The result included $9.5 million of costs being incurred in direct financial support and higher provisioning for an expected increase in bad debts for Retail customers following the summer bushfires and later the COVID-19 pandemic.

Our strong financial performance enabled us to pay dividends totalling $217.8 million in FY2020. Over the past five years we have now paid more than $1.1 billion in dividends to our shareholders. The goal of maintaining a credit rating of BBB+ or better was also achieved, with Standard & Poor's (S&P) reaffirming Snowy Hydro's credit rating at A-, noting that S&P now assesses the Company's rating on the expectation that the Snowy 2.0 project will proceed and significantly alter the debt profile of the Company. The average declared dividend payout ratio over the past five years is 67.8%, consistent with the Statement of Corporate Intent target.



The Snowy 2.0 project remains within budget and on track for first power in H1 Calendar 2025. Over the year, we reached a number of major milestones, including environmental approvals, completing the manufacturing of the first of three tunnel boring machines, completing access roads to the main construction site area and commencing construction of the concrete segment factory in Cooma. From a financing perspective, we raised a corporate debt package of $3.5 billion. The level of interest in our corporate debt stands testament to the strength of the project's business case.

[1] A reconciliation of Statutory Profit to Underlying Profit is provided in the Operating and Financial Review

Snowy 2.0 Progress Highlights
• Secured NSW & Commonwealth Environmental Approvals • Commenced construction on the Polo Flat Segment Factory • Secured $3.5 billion in corporate debt funding • Completed construction of access roads • Secured Shareholder approval to commence main works

The jobs and economic investment Snowy 2.0 brings to the local area are more important than ever. Over the life of the project, more than 4,000 jobs will be created. There are already more than 500 people in employment and around $35 million has been spent with an estimated 120 local businesses.

We would also take this opportunity to reiterate the importance of timely investment in essential transmission infrastructure, especially Humelink and VNI West. Snowy Hydro supports the implementation of the Australian Energy Market Operator (AEMO)'s recently published 2020 Integrated System Plan (ISP) to enable major new interconnection between New South Wales and Victoria. VNI West would immediately unlock 1,500MW of existing capacity from NSW to be dispatched into Victoria, including the Snowy Scheme, and provide much needed, reliable capacity that is required to maintain system security when the next major power station (Yallourn) retires. It will also provide protection against the deterioration in reliability and eventual retirement of Victoria's thermal assets by providing access to secure supply at a scale that exceeds any alternative.

On the retail front, both Red Energy and Lumo Energy maintained their market-leading positions by continuing to achieve outstanding customer satisfaction. In a competitive market, they grew by 52,500 to 1,140,000 customers, the strongest rate since the purchase of Lumo in 2014. This was underpinned by a solid financial performance. The Net Promoter Score of the retail brands ranked them as the leader among their mass market peers. Red Energy was once again recognised by the Canstar Blue Awards for the 10th successive year and our commercial and industrial business retained 100% customer satisfaction.

Safety is a fundamental value at Snowy Hydro and 2020 was no exception. **We continued to invest in maintaining best practice safety standards and a strong safety culture.** Notably, no injuries were sustained during, or in the aftermath of, the bushfires. However, it was a traumatic experience for many of our employees, their families, the communities in which they live, and our customers. Mental health and wellness programs and resources across the entire Snowy Group have been increased accordingly.

Throughout the year we have not lost sight of the importance of the communities in which we operate. **We have invested more than $2 million in our chosen areas of education, youth health and regional capacity-building** through our partnerships with the Clontarf Foundation, the Country Universities Centres, the PCYC, the Young Driver Training Program and many others.

Snowy Hydro could not have achieved such solid outcomes in these circumstances without a strong team. Our employees, contractors and other service providers have performed superbly during this incredibly challenging period. We would like to put on record our thanks and appreciation.

David Knox

David Knox, Chair

Paul Broad, Managing Director

OUR PURPOSE AND OBJECTIVES

Snowy Hydro is a Government Business Enterprise and public company incorporated under the *Corporations Act* 2001 (Cth) (Corporations Act), wholly owned by the Commonwealth, and subject to the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). Snowy Hydro also remains subject to the *Snowy Hydro Corporatisation Act 1997* (Cth)[2] (Corporatisation Act).

On 29 June 2018, the Commonwealth acquired 100% of the shares in Snowy Hydro and Snowy Hydro became a Commonwealth company under the PGPA Act. On 2 July 2018, the Company was declared to be a Government Business Enterprise (GBE). From 28 August 2018**,** the Company's Shareholder Ministers have been Senator The Hon Mathias Cormann, Minister for Finance, and The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction.

On 15 October 2018, the Shareholder Ministers issued a Statement of Expectations (SOE) to the Company, and amended the Constitution of the Company. On 26 February 2019, having provided Shareholder approval for Snowy 2.0 under the Constitution, the Shareholder Ministers issued an updated SOE. The Company's SOE[3] requires the Company to operate at arm's length from the Government. The SOE confirms that the Board of the Company has ultimate responsibility for the performance of the Company and is accountable to the Commonwealth as its sole Shareholder. In accordance with the SOE, the Company is a commercial entity and is expected to operate on a commercial basis, with flexibility and discretion in its operational and commercial decisions within the bounds of the legislative and governance framework. Under the SOE, the Company is expected to compete in these markets in accordance with the Commonwealth's Competitive Neutrality Policy, and deliver financial returns consistent with commercial operations.

The SOE states that the Commonwealth acquired 100% of the shares in the Company to support the transition of Australia's energy system, and in particular, to support the expansion of pumped-hydro in the Snowy Mountains Hydro-electric Scheme, through Snowy 2.0. Snowy 2.0 is a unique opportunity to build national economic infrastructure with real and lasting benefits for Australia and the generations to come.

The SOE also states that the objectives of the Company (Objectives) are to develop, operate and maintain the Snowy Mountains Hydro-electric Scheme; own and operate other facilities for the generation of electricity; and participate in wholesale and retail markets for the sale and purchase of electricity and gas and markets for related contracts and services.

The Shareholder Ministers have not issued any directions to the Company under its Constitution, an Act or an instrument during the period, and no government policy orders apply in relation to the Company under section 93 of the PGPA Act. The Company is not subject to a community service obligation.

The Company's strengths and future aspirations are captured in its **Purpose**, to "deliver Australia's renewable energy future". This reflects the leading role that the Company is playing in underpinning the reliability and stability of east coast Australia's electricity system as it undergoes a clean energy transformation, from predominantly coal fired generation to predominantly renewable forms of generation.

Delivering the Purpose has as its foundations the existing and future generating and energy storage capabilities of the Snowy Scheme and the industry-leading customer experience delivered by the Company's retail business under the Red Energy and Lumo Energy brands.

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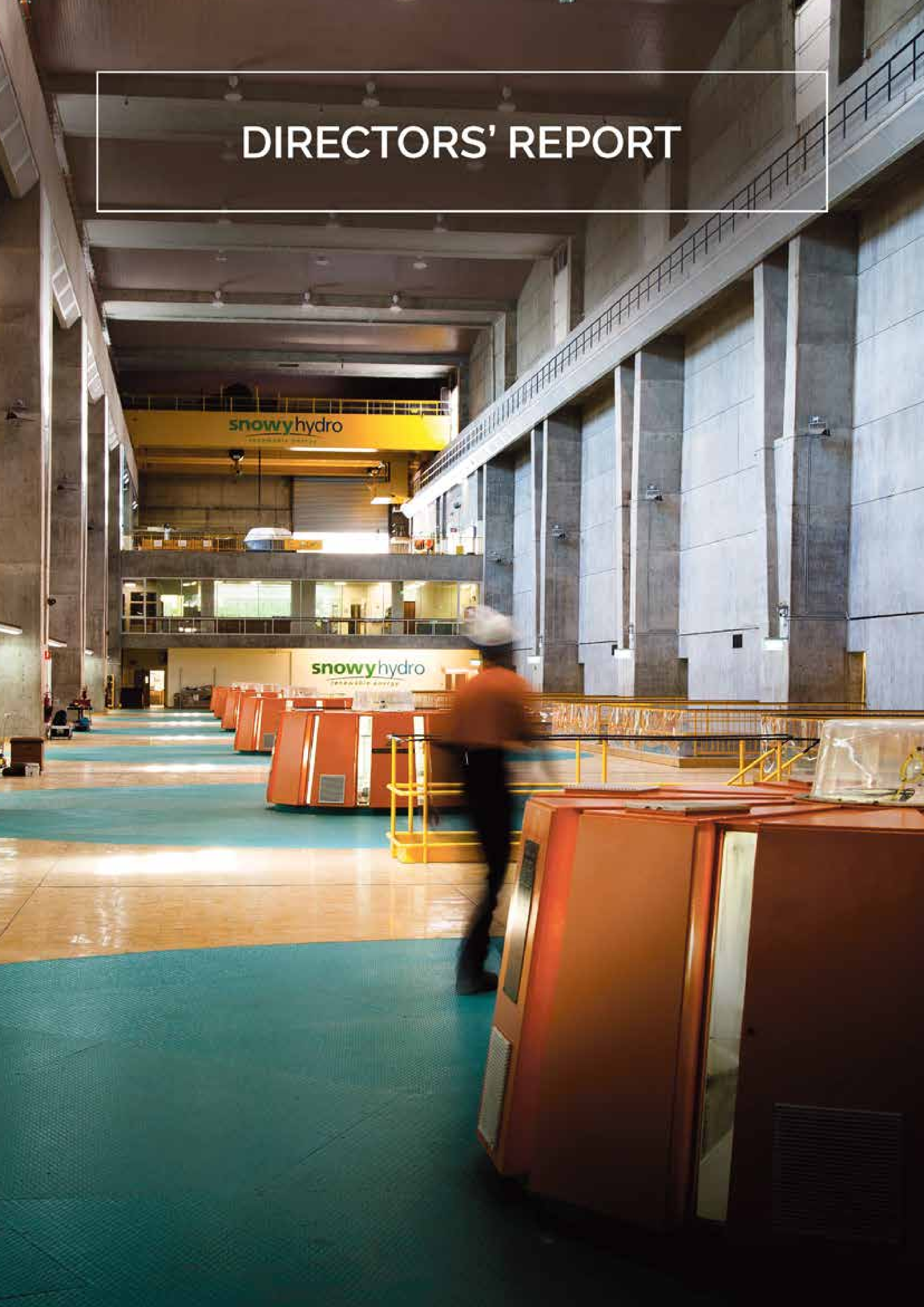
[2] Section 8

[3] 26th February 2019

DIRECTORS' REPORT



DIRECTORS' REPORT

In accordance with the *Corporations Act 2001*, the Directors of Snowy Hydro Limited present their report on the consolidated entity (Snowy Hydro or the Group) consisting of Snowy Hydro Limited (the Company) and its controlled entities, for the period ended 30 June 2020.

Principal Activities

Snowy Hydro is a producer, supplier, trader and retailer of energy in the NEM and a leading provider of risk management financial hedge contracts. In addition, we are a water manager operating under a stringent water licence. Snowy Hydro captures, stores, diverts water and releases it for the use of irrigators, town water supplies and the environment.

Snowy Hydro has more than 5,500 megawatts (MW) of generating capacity across New South Wales, Victoria and South Australia including the iconic 4,100MW Snowy Mountains Hydro-electric Scheme, the 300MW Valley Power gas-fired power station, the 320MW Laverton North gas-fired power station in Victoria; the 667MW gas-fired power station at Colongra in New South Wales and 136MW of diesel generation at Port Stanvac and Angaston in South Australia. Snowy Hydro has also established an offtake agreement with renewable developer Vena for 100MW of large-scale solar generation at Tailem Bend in South Australia, which commenced in April 2019. During 2020 Snowy Hydro procured an additional 68MW offtake with Fotowatio Renewable Ventures' Sebastopol solar farm bringing the total procured offtake agreements as part of the Renewable Energy Procurement Program to 956MW.

Snowy Hydro is the fourth largest retailer in the NEM through two award-winning retail energy companies - Red Energy and Lumo Energy. We bring competitive tension to the NEM which helps achieve the best price outcomes for consumers. Our retail businesses have more than 1.1 million customer accounts in the NEM including households, Small to Medium Enterprises (SMEs) and Commercial and Industrial customers (C&I) across Victoria, New South Wales, South Australia and Queensland. Snowy Hydro also operates the utilities connection business, Direct Connect.

Our people

Snowy Hydro employs 1,782 people, with 93.3% of them working on an ongoing basis. 86.1% are full time employees and 13.9% work part time. 40.1% are female, 59.8% are male and 0.1% are indeterminate, intersex or unspecified.

Most of our employees are based in Victoria (62.3%) and New South Wales (35.1%), with 2.6% based in other locations.

Dividends

Dividends paid during the financial year, consistent with Statement of Corporate Intent expectations, were as follows:

$million	2020	2019
Recognised amounts		
Final dividend		
Final dividend for 2019 of 54.25 cents per share, fully franked at the corporate tax rate of 30%, paid 25 October 2019 (2019: Final dividend for 2018 of 65.00 cents per share, fully franked at the corporate tax rate of 30%, paid 31 October 2018)	**108.5**	130.0
Interim dividend Interim dividend for 2020 of 54.65 cents per share, fully franked at the corporate tax rate of 30%, paid 24 April 2020 (2019: Interim dividend for 2019 of 54.25 cents per share, fully franked at the corporate tax rate of 30%, paid 18 April 2019)	**109.3**	108.5
Total recognised amounts	**217.8**	238.5
Unrecognised amounts Since the end of the financial year, the Directors have determined a final dividend for 2020 of 23.1 cents per share, fully franked at the corporate tax rate of 30%, payable on 23 October 2020. This represents a payout ratio of 69.4% of adjusted NPAT for FY2020, with a five year payout ratio of 67.8%. This is in line with the dividend policy within the Statement of Corporate Intent.	**46.2**	108.5
Dividend franking account balance	**173.3**	177.2

Review of operations and future developments

A review of the operations and results of Snowy Hydro during the period is set out in the Operating and Financial Review, which is attached to and forms part of this Directors' Report. Information about likely developments in the operations of Snowy Hydro and the expected results of those operations in the future has been included in this report except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of Snowy Hydro that occurred during the financial year other than those included in this Directors' Report.

Events subsequent to balance sheet date

On 28 August 2020, the Shareholder announced approval for commencement of the Snowy 2.0 project main works, being the construction of an underground power station, waterways and access tunnels, and other supporting infrastructure.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2020, which have significantly affected, or may significantly affect the operations of Snowy Hydro in future financial years, the results of those operations in future financial years, or the state of affairs of Snowy Hydro in future financial years.

Directors and Company Secretary Information

The Directors of the Company that held office at 30 June 2020 are:

David Knox

Chair and Non-Executive Director since January 2020.

Experience and Expertise
BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD

David has more than 30 years' experience in the global oil and gas industry. He was previously the Chief Executive Officer (CEO) and Managing Director of Australian Naval Infrastructure, CEO and Managing Director of Santos Ltd, and Managing Director for BP Developments in Australasia.

David has held management and engineering positions at BP, ARCO and Shell in the United Kingdom, Pakistan, USA, Netherlands and Norway. David also served as Chair of the Australian Petroleum Production and Exploration Association from 2011 to 2013, and Chair of i3 Energy (UK Ltd) from 2017-2020.

Other Snowy Hydro Responsibilities
Member of the People & Culture Committee and Snowy 2.0 Funding Committee.

Other Directorships
Chair of the Australian Centre for Social Innovation (TACSI) and Knox Anchors. Non-Executive Director of CSIRO, Redflow Ltd, and Micro-X Ltd. Director of the Adelaide Festival and the Migration Council of Australia. Council Member of the Royal Institute of Australia.

Paul Broad

Managing Director and Chief Executive Officer since July 2013.

Experience and Expertise
BEcon (Hons), MEcon

Paul has over 30 years' experience leading some of Australia's largest electricity, telecommunications and water organisations. Prior to joining Snowy Hydro, Paul was Chief Executive Officer of Infrastructure NSW, AAPT, PowerTel, Energy Australia, Sydney Water and Hunter Water.

Paul's prior Directorships include Chair of the Hunter Development Corporation and a Non-Executive Director of iiNet Ltd.

Other Snowy Hydro Responsibilities
Member of the Snowy 2.0 Funding Committee and ex-officio attendee of all other Committees.

Joycelyn Morton

Non-Executive Director since August 2012.

Experience and Expertise
BEc, FCPA, FCA, FIPA, FGIA, FAICD

Joycelyn has extensive business and accounting experience as an executive and non-executive director in infrastructure, energy, manufacturing, retail and financial services. She held global leadership roles in Australia and internationally within the Shell Group of companies, preceded by senior management roles with Woolworths Limited and Coopers & Lybrand (now PwC).

Joycelyn was National President of both CPA Australia and Professionals Australia, and has served on many committees and councils in the private, government and not-for-profit sectors. In 2003, Joycelyn was awarded Life Membership of CPA Australia for her outstanding service to the profession.

Other Snowy Hydro Responsibilities
Chair of the Audit & Compliance Committee and member of the Portfolio Risk Committee.

Other Directorships
Non-Executive Director of Argo Investments Ltd, Argo Global Listed Infrastructure Ltd, Beach Energy Ltd, and ASC Pty Ltd. Chair of the Salvation Army Red Shield Doorknock Appeal for Greater Sydney.

Richard Sheppard

Non-Executive Director since May 2015.

Experience and Expertise
BEcon (Hons), FAICD

Richard is a former Managing Director and Chief Executive Officer of Macquarie Bank Limited and chaired the Boards of a number of Macquarie's listed entities. Prior to joining Macquarie Group's predecessor, Hill Samuel Australia, Richard spent seven years with the Reserve Bank.

Richard has also held the positions of Chair of the Australian Government Financial Sector Advisory Council, Chair of Eraring Energy and Chair of Macquarie Airports.

Other Snowy Hydro Responsibilities
Chair of the People & Culture Committee and the Snowy 2.0 Funding Committee.

Other Directorships
Chair of Dexus Property Group. Non-Executive Director of the Star Entertainment Group. Honorary Treasurer of the Bradman Foundation.

Leeanne Bond

Non-Executive Director since November 2015.

Experience and Expertise
BE (Chem), MBA, HonFIEAust, FTSE, FAICD, RPEQ

Leeanne is a professional engineer with over 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

Leeanne held a variety of senior management positions at Worley and has previously held Directorships with water and energy businesses including Territory Generation, Tarong Energy, Seqwater and Brisbane Water. She was awarded Australian Professional Engineer of the Year in 2007.

Other Snowy Hydro Responsibilities
Chair of the Safety, Operations & Environment Risk Committee and member of the Portfolio Risk Committee.

Other Directorships
Chair of Synertec Corporation Ltd and Mining3. Non-Executive Director of Aurecon Group Pty Ltd, Qado Services Pty Ltd, and the Clean Energy Finance Corporation. Advisory Board Member for the ANU Battery Storage and Grid Integration Program and the UQ Master of Sustainable Energy Program. Executive Director of Breakthrough Energy Pty Ltd.

Scott Mitchell

Non-Executive Director since March 2019.

Experience and Expertise
GAICD

Scott brings a deep knowledge of Federal and State government and a range of skills including public policy, budget management, strategic development and implementation, and stakeholder relations. He was previously Adviser to former Trade Minister, the Hon Mark Vaile AO, Policy Manager at the National Farmers' Federation, and Chief of Staff to the Hon Terry Redman MP, former WA Minister for Agriculture and Food, Forestry and Corrective Services. He was also Federal Director of the National Party of Australia.

Scott has been running his own consultancy since February 2017, advising major Australian companies across a range of sectors on government relations strategies, communications and regulatory issues. Scott also does pro bono work with a number of organisations.

Other Snowy Hydro Responsibilities
Member of the Safety, Operations & Environment Risk Committee, Audit & Compliance Committee, and People & Culture Committee.

Other Directorships
Vice-Chair of Field and Game Australia.
Executive Director of Scott Mitchell and Partners.

Karen Moses

Non-Executive Director since July 2019.

Experience and Expertise
BEcon, Dip Ed, FAICD

Karen previously spent over 30 years in the energy industry covering upstream production, generation, supply and retail with Origin Energy, Exxon and BP. She has held senior executive positions including as the Finance Strategy Director and Chief Operating Officer for Origin Energy.

In 2017, Karen was a member of the Future Security of the National Energy Market Finkel Review Panel.

Other Snowy Hydro Responsibilities
Chair of the Portfolio Risk Committee and member of the Safety, Operations & Environment Risk Committee and People & Culture Committee.

Other Directorships
Chair of Create NSW - Dance and Physical Theatre Advisory Board. Non-Executive Director of Boral Ltd, Orica Ltd, Charter Hall Ltd and Sydney Symphony Orchestra. Fellow of the Sydney University Senate.

Sandra Dodds

Non-Executive Director since July 2019.

Experience and Expertise
BCom, FCA, GAICD

Sandra has a broad and diverse industrial background with experience working in highly regulated environments in Australia, New Zealand and Asia. Sandra began her career as a Chartered Accountant at KPMG in New Zealand before transitioning to operational roles.

Prior to her last role as CEO Urban Infrastructure ANZ at Broadspectrum (formerly known as Transfield Services Ltd), Sandra spent ten years at Downer EDI, where she held a number of senior executive leadership roles which included CEO Downer Asia. Sandra operates her own consultancy business and was previously Chair of TW Power Services Ltd and a Director of Sydney Harbour Ferries Ltd.

Other Snowy Hydro Responsibilities
Member of the Audit & Compliance Committee and Safety, Operations & Environment Risk Committee.

Other Directorships
Non-Executive Director of Infrastructure Partnerships Australia. Director of SBD Advisory.

Noel Cornish AM and The Hon. Helen Coonan held office during the financial year and retired from the Board on 31 December 2019 and 30 June 2020 respectively. Anthony Shepherd AO was appointed to the Board on 17 August 2020.

Company Secretary

Praveena Karunaharan, BCom / BSc, CFA
Praveena was appointed Company Secretary on 29 June 2018. She has over 15 years' experience in senior governance, risk and compliance roles, including current Non-Executive Directorships in the not-for-profit sector.

Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 30 June 2020, and the number of meetings attended by each Director were:

Directors	Board meetings[1]		Committee meetings									
			Audit & Compliance		Portfolio Risk		Safety, Operations, Environment Risk		People & Culture		Snowy 2.0 Funding	
	H	A	H	A	H	A	H	A	H	A	H	A
David Knox[2]	9	9							3	3	1	1
Paul Broad	14	14									8	8
The Hon. Helen Coonan	14	11							5	5	8	7
W Richard Sheppard	14	14			1	1			5	5	8	8
Joycelyn Morton	14	14	4	4	5	5						
Leeanne Bond	14	14			5	5	4	4				
Scott Mitchell	14	14	4	4			3	3	1	1		
Sandra Dodds	14	13	4	4			4	4				
Karen Moses	14	13			5	4	4	3	1	1		
Noel Cornish AM[3]	5	5					3	3	2	2		

[1] Effective 1 January 2020, Snowy 2.0 matters were considered at Board meetings and the 2.0 Committee was retired. Prior to its retirement, the Committee comprised all nine Directors.
[2] From the date of appointment on 1 January 2020
[3] Retired on 31 December 2019

H Number of meetings held during the time the Director held office or was a member of the committee during the year
A Number of meetings attended

In addition to scheduled meetings, Directors conducted visits of Company operations at various sites and met with operational management during the year.

Indemnities and insurance for Directors and Officers

Under its Constitution, the Company must indemnify current and past Directors and Officers for any liability incurred by them as a Director or Officer of the Company or its related bodies corporate to the extent allowed under law. The Constitution also permits the Company to purchase and maintain a Directors and Officers' insurance policy.

The Company has entered into agreements with current Directors and certain former Directors where they are indemnified from any loss, expense or damage in accordance with the terms and subject to the limits set by the Constitution.

The agreements stipulate that the Company will meet the full amount of any such loss, expense or damage, allowed under the law. The Company is not aware of any liability having arisen, and no claim has been made against the Company during or since the period ended 30 June 2020 under these agreements.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company, or any related body corporate.

During the year, the Company has paid premiums in respect of a contract insuring Directors, Company Secretary and other Officers against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity. The contract prohibits disclosure of the nature of the liabilities and the amount of the premium.

Environmental regulation

Snowy Hydro's operations are subject to environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at the Federal, State and Local Government levels. These include the Kosciuszko National Park Plan of Management and the Snowy Management Plan for operations within Kosciuszko National Park; Environmental Protection Licences and Authorisations applicable to each of Snowy Hydro's generation facilities; and the Snowy Water Licence which prescribes rights and obligations with respect to the collection, diversion, storage, use and release of water within the Snowy Scheme and the release of environmental flows.

There were no environmental non-compliances resulting in regulatory action or intervention (such as infringement notices, penalties or official cautions) during the financial year. Snowy Hydro had some minor non-conformances that were not subject to regulatory action, and these were reported to the relevant regulator in line with Snowy Hydro's licence conditions and internal processes.

Amendments to Legislation

Notable changes to relevant legislation and regulation affecting the Company are set out below.

Wholesale Electricity Market - Important changes announced or implemented in FY2020 affecting the operation of the National Electricity Market include rule changes relating to the provision of primary frequency control, demand response and MT PASA, and the *Treasury Laws Amendment (Prohibited Energy Market Misconduct) Act 2019* (the 'Big Stick' reforms). A number of other reforms are currently being considered by rule-makers. These include rules relating to essential system services and those forming part of the ESB's post 2025 reform process, including access reform, two-sided markets and ahead markets.

Judicial and Administrative Decisions

There were no significant judicial or administrative decisions affecting the operations of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. Snowy Hydro was not a party to any such proceedings during the year.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the Financial Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise indicated.

Non-audit services

The Company's auditor is the Australian National Audit Office who has retained Deloitte Touche Tohmatsu to assist with the assignment. No non-audit services have been provided by the Australian National Audit Office. Non-audit services provided by the contract auditor, Deloitte Touche Tohmatsu, are detailed in Note 28 to the consolidated financial statements.

The Board of Directors has considered the position, and in accordance with advice received from the Board Audit & Compliance Committee, is satisfied that the provision of the non-audit services during the year by Deloitte Touche Tohmatsu:

- is compatible with the general standard of independence for auditors imposed by the Corporations Act; and
- did not compromise the auditor independence requirements of the Corporations Act in view of the materiality of the amounts, the nature of the services and the processes established to monitor the independence of the auditors.

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 101 of the Financial Report.

Signed in accordance with a resolution of the Directors

David Knox, Chair
31 August 2020

Paul Broad, Managing Director
31 August 2020

REMUNERATION REPORT

REMUNERATION REPORT

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1. Our organisation and key management personnel

The purpose of the Remuneration Report is to set out the principles, strategy and framework Snowy Hydro applies to remunerate key management personnel (KMP). The report demonstrates how the remuneration strategy aligns to Snowy Hydro's goals and strategic priorities, enabling performance-based reward and supporting the attraction and retention of high calibre Executives.

The framework is designed to attract, motivate and retain high calibre executives with the experience and skills to lead a large complex organisation. This framework is robust and consistent with contemporary market practice. Core to the Company's remuneration strategy is a clear and direct link between pay, and both the organisation and the individual's performance. This is achieved by:

- A remuneration framework which has a fixed component, as well as "at risk" components with short term (STI) and long term incentives (LTI). These incentives are only paid if agreed performance gates and Board approved stretch Key Performance Indicators (KPIs) are met;
- A regular review of the framework by independent advisors, including the specific performance measures under the STI and LTI programs; and
- Benchmarking of the framework against market practice.

The Company positions target total remuneration competitively against comparable organisations in the Australian market. Benchmarking is undertaken regularly by independent advisors, and reviewed by the Snowy Hydro People and Culture Committee.

The report details financial year 2020 (FY2020) remuneration information for the year ended 30 June 2020 as it applies to KMP who are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Snowy Hydro has assessed KMP to include Board Directors, the Managing Director and Chief Executive Officer (MD and CEO) and selected Executives in accordance with RMG 139 Commonwealth companies Executive Remuneration Reporting Guide for Annual Reports and AASB124 Related Party Disclosures.

Table 1: FY2020 Key Management Personnel (KMP)

Name	Position[1]	KMP Term
Board Directors[1]		
David Knox[2]	Chair	Part Year
Paul Broad	Managing Director and Chief Executive Officer (MD and CEO)	Full Year
Leeanne Bond	Non-Executive Director	Full Year
The Hon. Helen Coonan[3]	Non-Executive Director	Full Year
Scott Mitchell	Non-Executive Director	Full Year
Joycelyn Morton	Non-Executive Director	Full Year
Richard Sheppard	Non-Executive Director	Full Year
Karen Moses	Non-Executive Director	Full Year
Sandra Dodds	Non-Executive Director	Full Year
Former Directors		
Noel Cornish AM[4]	Chair	Part Year

Name	Position[1]	KMP Term
MD and CEO and Executives		
Paul Broad	MD and CEO	Full Year
Gabrielle Curtin	Group Executive - Safety People & Services (GE SPS)	Full Year
Kieran Cusack [5]	Project Director Snowy 2.0	Full Year
Iain Graham	CEO Retail	Full Year
Kim Josling	Chief Financial Officer (CFO)	Full Year
Cesilia Kim	Group Executive - External Affairs, Procurement & Legal (GE EAPL)	Full Year
Roger Whitby	Chief Operating Officer (COO)	Full Year
Gordon Wymer	Chief Commercial Officer (CCO)	Full Year

1 Position reflects position title at end of financial year or at employment cessation date.

2 David Knox was appointed 1 January 2020

3 The Hon. Helen Coonan ceased to be KMP on 30 June 2020.

4 Noel Cornish AM ceased to be KMP on 31 December 2019.

5 Kieran Cusack was included within KMP from 1 July 2019.

2. Remuneration on a page

The diagram below provides an overview of the FY2019 approach to Executive remuneration (with numbers indicating the relevant section of the report where further information can be found).

Remuneration Governance (section 3)	Remuneration Principles (section 4)
The People & Culture Committee makes recommendations to the Board on Snowy Hydro's remuneration policies and practices. The Committee seeks advice/feedback regularly from external independent remuneration advisors and from the MD and CEO, and Group Executive People as required.	Our Remuneration Strategy Framework is designed to align Executive remuneration with the creation of value for shareholders and is underpinned by the following principles: • Strategically aligned; • Competitive; • Balanced; • Differentiated; • Linked to performance; • Consistent but able to be customised; and • Simple and fair.

Remuneration Strategy and Framework (section 5)

Component	MD and CEO and Executives
Fixed Annual Remuneration (FAR)	• Set with reference to the market and various factors determined as appropriate by the Board.

Short Term Incentive (STI)	• Annual performance based reward aligned to the strategic priorities of the Group, individual areas of accountability and corporate values:
	  ○ 80% Group Scorecard; and
	  ○ 20% Individual Key Performance Indicators (KPIs).
	• STI pool becomes available only when the following two gates have been met:
	  ○ The safety gate (no fatalities to either an employee or embedded contractor across the Snowy Hydro Group); and
	  ○ The financial gate requires the achievement of 90% of the Snowy Hydro Group consolidated EBITDA set in the Corporate Plan.

Long Term Incentive (LTI)	• Three year performance-based reward delivered through a Profit Share Plan (PSP). • Aligned to long term value creation, with participation to the plan limited to Executives and a small group of senior leaders by invitation from the Board. • Participants are eligible to receive a share of the Company profit (EBITDA) generated over and above threshold performance over a three year period. • No pool is generated unless the three year average actual EBITDA exceeds the financial gate performance level set by the Board as per the Corporate Plan.

3. Remuneration Governance

3.1. People and Culture Committee role

The role of the P&C Committee (Committee) is to assist the Board in carrying out its responsibilities under the Commonwealth Government Business Enterprises Governance and Oversight Guidelines. In particular, the Committee is responsible for ensuring Snowy Hydro has coherent policies and practices that fairly and responsibly manage the performance, remuneration and succession arrangements for the MD and CEO and Executives.

The Committee reviews and makes recommendations to the Board on the performance outcomes and remuneration arrangements for the MD and CEO and Executives. In addition to its remuneration responsibilities, the Committee's duties entail overseeing people strategy including leadership development and succession arrangements. The Committee's Charter is reviewed on an annual basis and the current Committee Charter is available on the Snowy Hydro website: www.snowyhydro.com.au

3.2. Engagement of external advice

During FY2020, Snowy Hydro received external remuneration advice from PricewaterhouseCoopers. The advice included market practice and remuneration information used as input to current and emerging Executive remuneration trends, design and relevant legislative and regulatory developments. None of the advice provided by the above mentioned consultants included a remuneration recommendation as defined by the Corporations Act 2001.

3.3. MD and CEO and Executive contract terms

The MD and CEO and other Executives are on rolling contracts until notice of termination is given by either Snowy Hydro or the Executive. The notice period for the MD and CEO and other Executives is twelve and three to six months, respectively. In appropriate circumstances, payment may be made in lieu of notice. Where Snowy Hydro initiates termination, including mutually agreed resignation, the Executive may receive a termination payment of up to twelve months' FAR (including applicable notice).

Where the termination occurs as a result of misconduct or a serious or persistent breach of contract (termination for cause), Snowy Hydro may terminate employment immediately without notice, payment in lieu of notice or any other termination payment.

In cases of termination for cause or resignation / retirement with less than six (6) months notice, all unvested LTI allocations lapse. In other circumstances, the Board has the discretion to adjust the vesting conditions. Typically, this discretion is applied as outlined below.

Death or Total and Permanent Disablement	Full vesting of any unvested LTI awards.
For termination other than for cause or resignation	Unvested LTI allocations are vested prorated based on service to the date of termination. Any applicable prorated allocations remain subject to the applicable performance conditions over the full performance period.

4. Remuneration Principles

Our Remuneration Strategy Framework is founded on the desire to align Executive remuneration with the creation of value for shareholders and is underpinned by the following seven principles:

- Strategically aligned;
- Competitive;
- Balanced;
- Differentiated;
- Linked to performance;
- Consistent but able to be customised; and
- Simple and fair.

Principle 1 - Strategically aligned
• Performance measures are aligned to the Corporate Plan through a set of short and long term KPIs. • Performance measures are consistently and meaningfully cascaded through Business Unit strategies to individual KPIs, goals and objectives, in a timely and transparent manner.

Principle 2 - Competitive
• Reward positioned to provide a competitive remuneration package to attract, motivate and retain quality staff. • Targeting the median of a defined and consistently applied peer group consisting of comparable companies for Total Aggregate Remuneration, but with flexibility to position 15% above and 10% below the median based on the requirements of the role and the skills and experience of individuals in the role.

Principle 3 - Balanced
• Deliver a balance between fixed and variable pay considering market practice for each role and job level. • Variable pay will be appropriately balanced between short and long term incentives to reflect strategic goals. • Incentives will also balance a focus on financial and non-financial metrics. Any non-financial metrics will be strongly tied to sustainable value creation including reputation for the organisation.

Principle 4 - Differentiated
• Provide remuneration outcomes that are materially different at varying levels of performance, allowing for up to two times upside on variable pay for top performers relative to on-target performers.

Principle 5 - Linked to performance
• Create a clear link between variable pay and performance, aligning variable pay outcomes to a combination of corporate, business and individual objectives. • Ensure the combination and weighting of measures reflects the relative importance of each measure.

Principle 6 - Consistent but able to be customised
• A consistent framework is used across the Group - to support equitable outcomes, but to also drive collaboration across the business - with the ability to customise based on business unit needs and talent market considerations. • Reward systems should drive a shared view and language of high performance across the Group with aligned performance rating systems, and calibration processes across the organisation. • Additional incentive plans will only be implemented where a Group plan (allowing for BU customisation) is not effective or is not fit for purpose.

Principle 7 - Simple and fair
• The remuneration structure and mechanics should be simple, transparent, and easy to communicate. • Some level of discretion is considered fair, given potential changes to priorities over a performance period. • Remuneration arrangements should be applied in an equitable (though not necessarily equal) manner and be non-discriminatory.

5. Remuneration Strategy and Framework

Snowy Hydro's Executive remuneration is designed to attract, motivate and retain high calibre Executives who have the requisite experience and skills to lead a large complex organisation. Core to Snowy Hydro's Executive remuneration strategy is providing a clear and direct link between pay and organisation and individual performance. This is achieved through:

- A remuneration framework which has a fixed and a short and long term "at risk" remuneration component which are only paid if agreed performance gates and Board approved KPIs are met;
- A regular review of the Executive remuneration framework, including the performance measures under the STI and LTI programs;
- Consideration and benchmarking of market remuneration practices to determine any proposed changes to Executive remuneration;
- A balance of corporate and individual KPIs to determine performance outcomes after the minimum performance gates are met; and
- Linking each Executive's STI and LTI award to the achievement of Board approved stretched and measurable performance goals.

5.1 Remuneration Framework components

MD and CEO and Executive annual remuneration arrangements comprise of three components:

1. Fixed Annual Remuneration (FAR);

2. Short Term Incentives (STI); and

3. Long Term Incentives (LTI).

5.2 Remuneration Benchmarking

Snowy Hydro aims to position target total remuneration competitively against comparable organisations. Independent remuneration advisors directly benchmark Executive roles to comparable roles in the Australian market. External market benchmarks are determined by researching disclosed data from relevant Australian listed companies, private companies and Government Business Enterprises, supplemented by survey data where necessary. Target total remuneration for each Executive role is informed by the benchmark data and internal relativities.

In alignment with the Committee Charter, remuneration levels for each Executive is reviewed and approved annually by the Board on the recommendation from the People and Culture Committee.

5.3 Remuneration Mix

A significant portion of the MD and CEO and Executive remuneration is set 'at risk' to ensure alignment with Snowy Hydro's strategic objectives. The MD and CEO and Executives are only rewarded for delivering performance outcomes consistent with Snowy Hydro's Budget and Corporate Plan.

The MD and CEO and Executive target remuneration mix as of 30 June 2020 is illustrated below.

As 'at risk' remuneration is tied to the achievement of Snowy Hydro and individual performance objectives, actual remuneration received may vary from the target remuneration from year to year.

5.4 Fixed Annual Remuneration

FAR aims to reward the MD and CEO and Executives for delivering on the core requirements of their role. Base salary, superannuation contributions and non-cash benefits comprise an Executive's Fixed Annual Remuneration (FAR). Factors taken into account when setting the appropriate FAR for all Executives include:

- Market data for comparable roles;
- Complexity of the role;
- Internal relativities;
- An individual's skills and experience; and
- Individual performance assessments.

Once hired, Executives have no guarantee of FAR increases as per the terms in their Executive contracts. The FAR of all Executives is reviewed annually by the Board, to ensure alignment with market practice.

5.5 Short-Term Incentive Program

Snowy Hydro's Short-Term Incentive (STI) is intended to reward individuals for their contribution to company performance in line with the Corporate Plan. The STI Plan is an "at risk" annual incentive opportunity where an STI payment could be awarded subject to meeting threshold performance gates and achievement of relevant Group and individual KPIs.

The STI program only becomes available when the following two gates have been met:

- The safety gate requires that there be no fatalities to either an employee or embedded contractor across Snowy Hydro in the given year; and
- The financial gate requires the achievement of 90% of Group consolidated EBITDA which is set in the Budget and approved by the Board each year.

Snowy Hydro uses a balanced scorecard approach when setting key result areas for the MD and CEO and Executives. The key result areas and the KPIs are aligned to the Corporate Plan's long term goals whilst also providing focus on the key strategic deliverables for the performance year.

The following key result areas are included in the MD and CEO and Executive Scorecard:

- 80% based on the Group Scorecard KPIs – to ensure strong link and ultimate accountability for overall group outcomes; and
- 20% based on the Individual Scorecard - set criteria although they are qualitative in nature.

The MD and CEO and Executive corporate and individual scorecard is illustrated in the table below:

<table>
<tr><th>Type</th><th>Key Result Area</th><th></th><th>Weight</th></tr>
<tr><td rowspan="3">Group Scorecard KPIs

(80%)</td><td colspan="2">Financial (EBITDA Consolidated)</td><td>30.0%</td></tr>
<tr><td colspan="2">Safety / Environment / Compliance</td><td>20.0%</td></tr>
<tr><td colspan="2">Operations / Customer</td><td>30.0%</td></tr>
<tr><td rowspan="2">Individual Scorecard KPIs

(20%)</td><td>MD and CEO</td><td>Executive</td><td rowspan="2">20.0%</td></tr>
<tr><td>Individual focus component typically includes KPIs as follows:
• Major Programs of Work (e.g. Snowy 2.0)
• Reputation and risk;
• Stakeholders; and
• Safety, Leadership and Culture.</td><td>Individual focus component typically includes Strategic KPIs linked to individual areas of responsibility.</td></tr>
<tr><td colspan="3" align="right">Total</td><td>100.0%</td></tr>
</table>

The individual focus component also allows for adjustment of quantitative performance outcomes up or down depending on the circumstances in the external environment, changes in priorities not foreseen at the beginning of the performance period and demonstration of company values and behaviours.

MD and CEO and Executives' STI opportunities are communicated as STI 'Target' (the potential award available if target performance is achieved) and is set at 100% of the target incentive opportunity. The STI Target Opportunity varies by individual and is expressed as a percentage of FAR of between 30% and 60%. The STI Maximum (the maximum potential award available) is set at 200% and only paid at levels in excess of target if the Company delivers superior performance above agreed targets.

At the end of the financial year the People & Culture Committee reviews the performance of the MD and CEO and each Executive. The Committee then recommends to the Board individual STI awards. All STI awards are paid in cash within three months of the end of the financial year.

Individual STI plan awards for MD and CEO and Executives are calculated using the following formula:

FAR **x** 'Target' Opportunity **x** Financial & Safety Gates **x** MD and CEO and Executive STI Scorecard Outcome consisting of Group Scorecard Outcome (80%) + Individual Scorecard Outcome (20%)

Notwithstanding the achievement of the agreed Key Results Areas (KRAs), the Board has absolute discretion to make the final determination of the MD and CEO and Executive incentive payouts.

5.6 Profit Share Plan

The Profit Share Plan (PSP) was introduced in FY2017 and is Snowy Hydro's long-term (three year) performance-based reward and retention scheme for the MD and CEO, Executives and a small number of senior managers. The PSP is designed to focus this small group of Executives and Senior Leaders on long term value creation.

Participation in the plan in any given year is by invitation from the Board. An invitation in one year does not guarantee an invitation in subsequent years.

Under the PSP, participants are eligible to receive a share of the Company profit generated over and above target performance over a three year period. Like the STI, it is payable in the form of cash to participants who are still employed by the entity at the time of vesting.

For KMP, the PSP 'Target' Opportunity varies by individual and is expressed as a percentage of FAR of between 23% and 50% on a face value basis.

The quantum of the profit share paid out at the vesting date for each tranche is determined based on the past three years' average actual EBITDA performance as a baseline. The following principles apply:

- No pool will be generated unless the three year average actual EBITDA exceeds the threshold performance level set by the Board as per the Corporate Plan;
- The profit sharing percentage is tiered (Tier One and Tier Two) with a higher sharing percentage for the higher tier (Tier Two) representing financial out-performance;
- The Board on the recommendation from the People & Culture Committee determines the EBITDA required for Tier One and Tier Two payments three years in advance at the same time as the Corporate Plan is approved. Currently it is set as follows:
    - Profit share starts being earned at 90% (financial gate consistent with the STI financial gate) of the three year rolling average Corporate Plan target. In the plan this is referred to as Tier One gate;
    - Profit share above 100% of the three year rolling average Corporate Plan target is distributed at a higher profit share funding rate. In the plan this is referred to as Tier Two;
- As per the STI Plan rules the Board has absolute discretion to adjust or vary the EBITDA outcome as it sees fit.

6. Executive Remuneration for FY2020

Executives received a mix of remuneration during FY2020 including FAR, STI and LTI.

The table below summarises the remuneration that was received in relation to FY2020 which includes FAR and any incentives. It is calculated under an accrual basis in accordance with statutory rules and applicable Accounting Standards.

Table 2: Executive KMP statutory disclosures

All figures in $		Short-term benefits			Post employment	Other long-term benefits		Other	Total
Name	**Year**	**Base salary & fees[1]**	**Bonuses[2]**	**Other benefits[3]**	**Super contribution[4]**	**Long-term incentives[5]**	**Long service leave**	**Termination benefits**	
Executive Management									
Paul Broad	2020	1,116,004	934,485	7,764	21,003	(53,134)	52,340	-	2,078,462
	2019	1,045,706	804,686	-	20,514	688,261	31,548	-	2,590,715
Gabrielle Curtin	2020	548,410	231,155	-	21,003	(12,599)	13,911	-	801,880
	2019	512,569	194,786	-	20,514	195,113	10,353	-	933,335
Kieran Cusack[6]	2020	382,409	135,885	-	21,003	(5,197)	20,611	-	554,711
	2019	-	-	-	-	-	-	-	-
Iain Graham	2020	680,907	369,847	-	21,003	(19,720)	20,849	-	1,072,886
	2019	658,487	301,571	6,664	20,514	348,245	19,991	-	1,355,472
Kim Josling	2020	490,241	209,785	-	21,003	(11,434)	5,809	-	715,404
	2019	469,230	176,778	-	20,514	115,467	4,311	-	786,300
Cesilia Kim	2020	500,309	219,855	-	21,003	(11,657)	15,348	-	744,858
	2019	480,655	191,892	-	20,514	117,201	14,707	-	824,969
Roger Whitby	2020	559,275	374,326	-	69,779	(19,155)	24,656	-	1,008,881
	2019	524,559	322,333	-	67,551	338,277	23,757	-	1,276,477
Gordon Wymer	2020	618,053	308,913	-	21,003	(19,422)	20,696	-	949,243
	2019	581,616	261,427	-	20,514	174,541	17,554	-	1,055,652
Total	**2020**	**4,895,608**	**2,784,251**	**7,764**	**216,800**	**(152,318)**	**174,220**	**-**	**7,926,325**
	2019	**4,272,822**	**2,253,473**	**6,664**	**190,635**	**1,977,105**	**122,221**	**-**	**8,822,920**

1 Base salary and fees includes accrued annual leave entitlements and allowances paid in cash.

2 Short-term bonuses are non-superable and are expected to be paid in September 2020.

3 Other benefits comprise the Reportable Fringe Benefits amount included on the individual's payment summary.

4 For defined benefit superannuation plan members, this amount represents the notional employer contribution rate, plus the productivity component.

5 Long-term incentives are calculated on an accruals basis and represent the movement in the provision during the year.

6 Kieran Cusack was included within KMP from 1 July 2019.

7. Board Directors Fees

All Snowy Hydro Board Directors are appointed by the Commonwealth Government by the Shareholder Ministers. Non-Executive Directors' annual fees are set by the Remuneration Tribunal. Snowy Hydro has no role in determining the level of Board Director fees.

The Remuneration Tribunal regularly reviews and sets Board director fees for the roles of Chair and other Non-Executive Directors (excluding statutory superannuation contributions which are paid in addition to the fees set by the Remuneration Tribunal). Non-Executive Director fees cover all activities including Board membership and participation except in the case of the Audit and Compliance Committee where the Chair and members receive additional fees. Snowy Hydro has five additional Committees, namely the Safety, Operations and Environment Risk, Portfolio Risk, People & Culture, Snowy 2.0 and Snowy 2.0 Funding none of which are paid additional fees.

The following table sets out the Non-Executive Directors' fees (excluding superannuation) as determined by the Tribunal and covers the financial years 2018, 2019 and 2020.

Role / Committees		1 July 2018	22 October 2018 [1]	1 July 2019 [2]	1 July 2020 [3]
Chair		$220,000	$222,480	$226,930	$226,930
Non-Executive Director		$110,000	$111,240	$113,470	$113,470
Audit and Compliance	Chair [4]	n/a	$21,990	$22,430	$22,430
	Member [4]	n/a	$11,000	$11,220	$11,220

1. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2018.
2. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2019.
3. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2020.
4. Snowy Hydro Board Chair is not entitled to receive these additional fees.

Table 3: Non-Executive Directors KMP statutory disclosures

All figures in $		Short-term benefits			Post employment	Other long-term benefits		Other	Total
Name	**Year**	**Base salary & fees[1]**	**Bonuses**	**Other benefits[2]**	**Super contribution**	**Long-term incentives**	**Long service leave**	**Termination benefits**	
Non Executive Directors									
Noel Cornish AM[3]	2020	114,843	-	-	10,684	-	-	-	125,527
	2019	221,008	-	12,169	20,514	-	-	-	253,691
David Knox[4]	2020	113,102	-	-	10,591	-	-	-	123,693
	2019	-	-	-	-	-	-	-	-
Leeanne Bond	2020	113,977	-	-	10,828	-	-	-	124,805
	2019	110,504	-	-	10,498	-	-	-	121,002
Nigel Clark[5]	2020	-	-	-	-	-	-	-	-
	2019	110,504	-	-	10,498	-	-	-	121,002
The Hon. Helen Coonan[6]	2020	113,977	-	-	10,828	-	-	-	124,805
	2019	110,504	-	-	10,498	-	-	-	121,002
Sandra Dodds[7]	2020	125,248	-	-	11,898	-	-	-	137,146
	2019	-	-	-	-	-	-	-	-
Michael Ihlein[5]	2020	-	-	-	-	-	-	-	-
	2019	118,095	-	-	11,216	-	-	-	129,311
Scott Mitchell	2020	125,248	-	-	11,898	-	-	-	137,146
	2019	29,427	-	-	2,796	-	-	-	32,223
Joycelyn Morton	2020	140,220	-	-	9,256	-	-	-	149,476
	2019	125,679	-	-	11,940	-	-	-	137,619
Karen Moses[7]	2020	113,977	-	-	10,828	-	-	-	124,805
	2019	-	-	-	-	-	-	-	-
Richard Sheppard	2020	113,977	-	-	10,828	-	-	-	124,805
	2019	118,095	-	-	11,219	-	-	-	129,314
Total	**2020**	**1,074,569**	**-**	**-**	**97,639**	**-**	**-**	**-**	**1,172,208**
	2019	**943,816**	**-**	**12,169**	**89,179**	**-**	**-**	**-**	**1,045,164**

1 Base salary and fees includes accrued annual leave entitlements and allowances paid in cash.

2 Other benefits comprise the Reportable Fringe Benefits amount included on the individual's payment summary.

3 Noel Cornish AM ceased to be KMP on 31 December 2019.

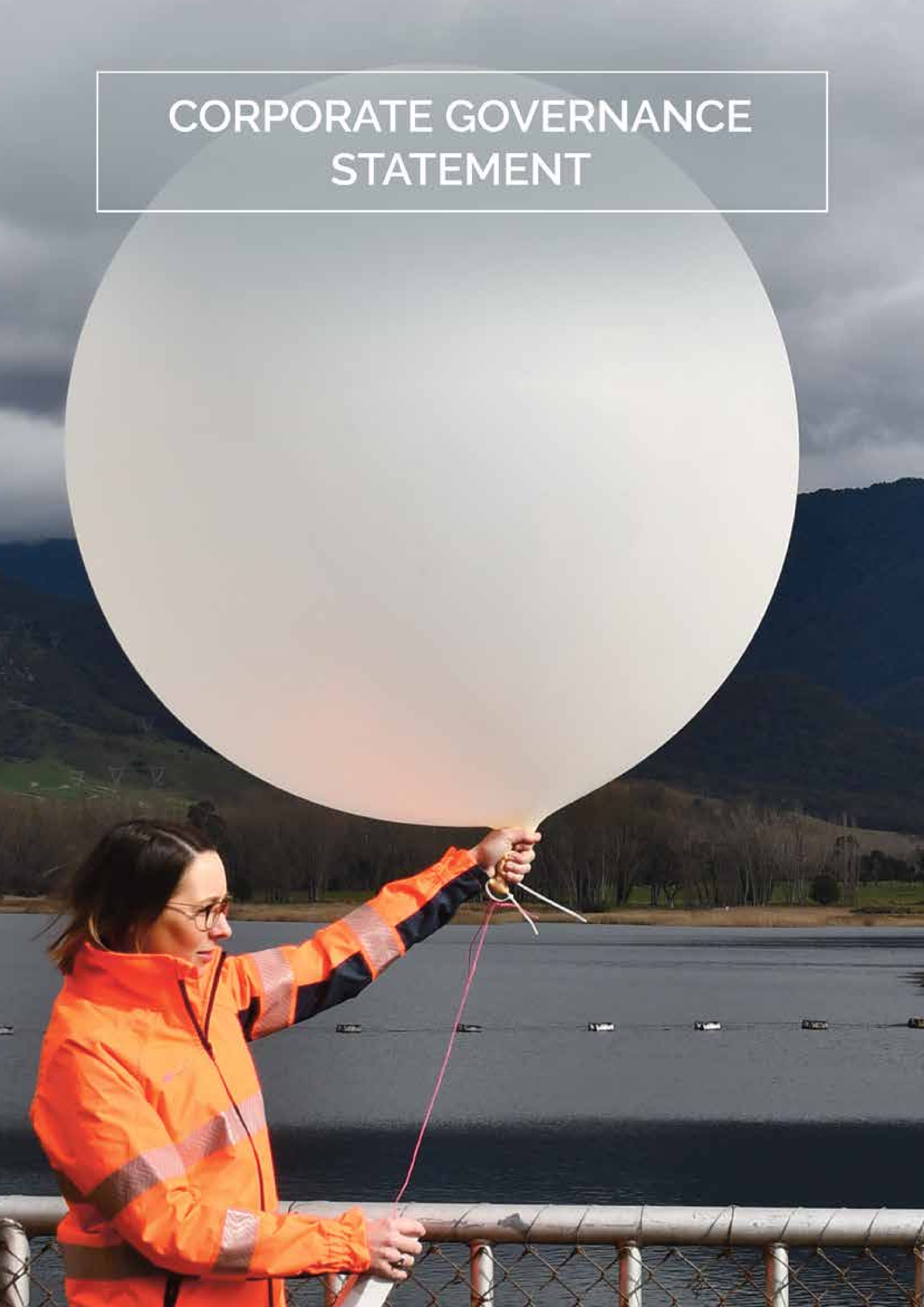
4 David Knox was appointed as a Non-Executive Director and Chair on 1 January 2020.

5 Nigel Clark and Michael Ihlein ceased to be KMP on 30 June 2019.

6 The Hon. Helen Coonan ceased to be KMP on 30 June 2020.

7 Sandra Dodds and Karen Moses were appointed as Non-Executive Directors on 1 July 2019.

CORPORATE GOVERNANCE STATEMENT



CORPORATE GOVERNANCE STATEMENT

Snowy Hydro is committed to achieving best practice corporate governance. Snowy Hydro's corporate governance framework and practices have been developed with regard to the provisions of the *Corporations Act*, the *PGPA Act* and the GBE Guidelines. Our framework is also guided by the ASX Corporate Governance Council's "Principles and Recommendations - 4th Edition".

The Board of Snowy Hydro is responsible for the corporate governance of Snowy Hydro and its controlled entities (Snowy Hydro Group), including the adoption of appropriate policies and procedures to ensure the Snowy Hydro Group is managed and controlled to protect and enhance Shareholder value.

The Board monitors the operational and financial position of Snowy Hydro and agrees its business strategy, including considering and approving a strategic corporate plan and annual budget. The Board is committed to maximising performance, generating Shareholder value, and sustaining the growth and success of Snowy Hydro. The Board maintains, and requires that Snowy Hydro management maintain, the highest level of corporate ethics.

Snowy Hydro is led by an independent, highly experienced, skills-based Board supported by dedicated Board Committees who assist the Board in discharging their governance responsibilities. Snowy Hydro's corporate governance framework is outlined in the diagram below. Our corporate governance documentation, including this statement and the charters referenced therein, are available on our website at: https://www.snowyhydro.com.au/our-business/who-we-are/corporate-governance/.

This corporate governance statement was approved by the Board on 31 August 2020.

Corporate Governance Framework

Principle 1: Lay solid foundations for management and oversight

Responsibilities of the Board: The Snowy Hydro Board is principally responsible for strategic oversight of Snowy Hydro, guiding its strategies and policies to optimise performance and create shareholder value, and ensuring that its business objectives are aligned with shareholder expectations. Snowy Hydro's Board Charter sets out the role and responsibilities of the Board. The Charter is reviewed regularly by the Board and is available on Snowy Hydro's website.

In carrying out this principal function, the Board is responsible for:

- providing strategic direction, including approving the Corporate Plan and annual budget;
- oversight of effective management and control of Snowy Hydro, including the composition, performance and remuneration of the Executive team and the appropriateness of people management systems;
- the appointment and removal of the CEO;
- oversight of adequacy of people resources to ensure sufficient depth of resources and appropriate succession planning;
- approving the overall treasury policy of Snowy Hydro, including dividend payout ratio and payments pursuant to that policy;
- approving any capital expenditure exceeding $10 million;
- approving and monitoring the management of Snowy Hydro's base case assumptions pertaining to new investments and capital, including the progress of any major capital expenditures, acquisitions or divestitures; establishing processes and controls to maintain the integrity of financial accounting and reporting;
- oversight and review of the principal risks facing Snowy Hydro, including ensuring that appropriate standards of accountability, risk management and corporate governance are in place;
- monitoring the implementation of strategy, and the operational and financial position and performance of Snowy Hydro;
- reporting to the Shareholder on their stewardship of Snowy Hydro on a regular and timely basis; and
- reviewing and, to the extent necessary, amending the Board and Committee Charters regularly.

The Board currently comprises eight Directors, with seven Non-Executive Directors and one Executive Director being the Managing Director and CEO. A brief summary of the qualifications and experience of each Director is set out in the "Directors Report" section of the Annual Report. The Board meets at least ten times a year, and more frequently when required, to consider and provide management with guidance on strategic matters and issues. The Board met fourteen times in FY2020.

Delegations to Standing Committees: While the Board retains ultimate responsibility for strategy and oversight of effective management of Snowy Hydro, it may delegate certain powers to standing Committees or the CEO and Managing Director as it considers appropriate. The Board has established six Committees, as set out in the diagram above, to assist the Board in discharging its responsibilities:

- the Audit and Compliance Committee provides advice to the Board on risks relating to audit, financial reporting, financial and business risk management, corporate management frameworks and certain compliance matters;
- the Portfolio Risk Committee provides advice to the Board on risks pertaining to the Company's energy trading activities (including credit risk management), treasury functions, trading operations and corporate and strategic activities;
- the Safety, Operations and Environment Risk Committee provides advice to the Board on risks pertaining to the operations of the generation, hydraulic and communication assets of the Company, workplace health and safety and environmental practices, including water release obligations;
- the People and Culture Committee provides advice to the Board on risks pertaining to the Company's human resources. In particular, the Committee will advise the Board on the remuneration and performance measurement policy, organisational development practices, Board performance, and succession planning and remuneration of the Chief Executive Officer and Managing Director;
- the 2.0 Committee provides advice to the Board on risks pertaining to the delivery of the Snowy 2.0 Project including project management, environmental, technical design and construction, procurement, legal and stakeholder related risks; and
- the 2.0 Funding Committee provides advice to the Board on risks pertaining to the development and execution of the funding strategy for the Snowy 2.0 Project.

Each standing Committee has a documented and Board approved charter setting out its role and responsibilities, membership requirements and the powers delegated to it by the Board. All Committee charters are reviewed regularly, with changes subject to Board approval.

The Chair of each Committee reports to the Board at the Board's next meeting on any matters arising from the Committee's duties and responsibilities. The Board also receives copies of the minutes of all Committee meetings. This ensures that all Directors have oversight of, as well as the opportunity to discuss matters being considered by the Committees.

Delegations to Management: The Board has delegated authority over the day to day management of Snowy

Hydro's operations to the Managing Director and CEO (MD and CEO). Specific limits on the authority delegated to the MD and CEO are set out governed by a Delegations of Authority framework that has been approved and is reviewed regularly by the Board.

The MD and CEO together with the Executive management team is responsible to the Board for the development and implementation of strategy and the overall management and performance of the Group. The MD and CEO reports at least monthly to the Board on the progress being made by the Group in all aspects of the business.

Board Appointments: In accordance with Snowy Hydro's Constitution, Directors are appointed by the Commonwealth (in its capacity as sole shareholder), with the terms of office determined at the time of appointment. A Director is eligible for reappointment at the time of expiry of his or her term of office. The Board assesses forecast vacancies, recruitment needs and continuity as part of its annual Board review, and makes skills-based recommendations to the shareholder on reappointments and/or new appointments, taking into account the current skills mix and experience of the Board and the strategic needs of the Company.

Role of the Company Secretary: The Company Secretary holds office on terms and conditions determined by the Board, with his/her appointment or removal to be made or approved by the Board. The Company Secretary is accountable to the Board through the Chair on all matters relating to the proper functioning of the Board and has a management reporting line to the MD and CEO.

Board evaluation: The Board has a formal process for evaluating the performance and effectiveness of the Board, supporting Committees and individual directors. This process is documented in the Snowy Hydro Annual Board Plan. The Board Chair facilitates this process, with support from the People and Culture Committee, on an annual basis with the outcomes used to inform any improvements to charters, processes or performance. In accordance with the GBE Governance and Oversight Guidelines, the Board will engage an external party every two years to conduct this evaluation.

Principle 2: Structure the Board to be effective and add value

The Snowy Hydro Board has in place a robust annual review process to ensure its corporate governance practices remain fit for purpose, effective and aligned with the Company's strategic objectives, and complies with the GBE Guidelines. This process, which is documented in the Annual Board Plan, includes consideration of the ongoing adequacy of the governance structure, an assessment of the effectiveness of Board, Committee and Director performance, and an assessment of Board skills and diversity requirements in the context of Snowy Hydro's strategic objectives.

Establishment of a Nomination Committee: Snowy Hydro has established a Board People and Culture Committee, with responsibility for making recommendations to the Board on performance and remuneration matters, including Board composition, performance and remuneration and management performance and remuneration. The People and Culture Committee assists the Board Chair in the facilitation of the annual review process set out above.

The People and Culture Committee is chaired by a Non-Executive Director and comprises four Non-Executive Directors including the Board Chair. The responsibilities of the People and Culture Committee are formally documented in its Charter, which is available on the Snowy Hydro website. The People and Culture Committee met five times in FY2020 to consider performance and remuneration matters, including Board and Committee performance and Board renewal related matters.

Maintenance of a Board skills matrix: The Snowy Hydro Board is committed to ensuring that it continues to attract and retain highly skilled Directors who bring an appropriate mix of skills, experience, expertise and diversity to Board decision making. The Board has developed a matrix of required Board skills and experience, taking into account the Company's desire to ensure a diverse range of backgrounds, experience, qualifications and gender is maintained and monitored by the Board on a continuous basis. This skills matrix informs succession planning for Board vacancies or reappointments and subsequent recommendations made to the Shareholder in relation to such appointments.

Director independence: Snowy Hydro considers a Director to be independent if he/she is free of any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgment, and is also independent of management. As at the date of this statement, the Board considers all Non-Executive Directors are independent and have remained so throughout the term of their appointment.

The Board Charter sets out the criteria by which the Board assesses the independence of each Director in light of any disclosed interests. An assessment of independence is made at any time a Director discloses any new interest or relationship. The Board, through the Chair, evaluates the materiality of any declared interest or relationship that could be perceived to compromise the independence of a Director on a case-by-case basis having regard to the Director's circumstances. Further, Directors are cognisant of their ongoing obligations to keep the Board and any Committee informed of an interest which could potentially conflict with the interests of the Group.

Where a Director has a declared material personal interest and/or may be presented with a potential material conflict of interest in a matter being presented to the Board or a Committee, the Director does not receive copies of Board/Committee reports relating to the matter and generally recuses himself/herself from the Board or Committee meeting at the time the matter is being considered. Consequently, the Director also does not vote on the matter. Any disclosures made by a Director at a meeting are minuted.

Majority independent Board & Chair: As at 30 June 2020, the Board comprised eight Non-Executive Directors and one Executive Director, being Snowy Hydro's Group Managing Director and CEO, Paul Broad. The Board is chaired by an independent Non-Executive Director, David Knox.

Induction & Ongoing Education: Snowy Hydro maintains a comprehensive induction program for new Directors which includes a program of formal induction sessions with Snowy Hydro's CEO and Executives, site visits of the Company's key operational sites, and extensive reading material via Snowy Hydro's Board portal to allow new Directors to gain an understanding of the Company's corporate plan, financial performance, corporate governance framework and strategic issues. Ongoing education for Directors is delivered through individual briefings and presentations made by Executives, and regular site visits to key operational locations.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Snowy Hydro expects all Directors, employees and contractors to comply with both the letter and the spirit of the law. It promotes and expects high standards of integrity, transparency and professionalism in all of Snowy Hydro's dealings. Above all, it strives to be a safe, ethical and environmentally responsible company.

Values and Code of Conduct: Snowy Hydro actively fosters a culture of ethical conduct. Its corporate values of Safety, Decency, Ownership, Agility, Courage and Teamwork underpin its success and provide guidance on its expectations of its Directors and employees.

Snowy Hydro's Board is committed to the promotion of ethical, honest and responsible decision-making and the observance of their fiduciary duties. Directors are required to act in good faith and in the best interests of Snowy Hydro, having prime regard to the interests of the Shareholder but also considering the interest of employees, customers and other parties with whom Snowy Hydro is engaged; and to abide by Snowy Hydro's Code of Conduct.

Whistleblower / Reportable Conduct Policy: The Code of Conduct is supported by other key policies including the Reportable Conduct Policy which provides mechanisms to raise genuine concerns regarding actual, unethical, unlawful or undesirable conduct, without fear of reprisal and with the support and protection of Snowy Hydro. The Reportable Conduct program includes an independently operated Whistleblower Hotline service to allow for anonymous reporting.

Any breaches of the Code of Conduct or Reportable Conduct Policy are reported to the Board via the Audit and Compliance Committee. In the event that a Director is the subject of a reportable conduct allegation, the Board Chair will engage with remaining Directors to appoint an external party to investigate the allegation.

Principle 4: Safeguard the integrity of corporate reports

Snowy Hydro has robust processes and controls in place to verify and maintain the integrity of its corporate reports. These internal controls cover financial, operational and compliance risk, and take the form of appropriate financial delegations, financial planning and reporting, compliance with appropriate procurement standards, and internal audit practices.

Audit and Compliance Committee: the Board has established an Audit and Compliance Committee, with the primary function of assisting the Board through its oversight and review of financial reporting, financial management, frameworks for risk management, compliance and corporate management, and auditor independence and performance. The role and responsibilities of the Audit and Compliance Committee are documented in its Board approved Charter which is available on the Snowy Hydro website.

As at 30 June 2020, the Audit and Compliance Committee comprised three Non-Executive Directors, all of whom were highly financially literate and possessed significant experience. The Committee is chaired by Ms Joycelyn Morton, a highly experienced Director with over 40 years of experience in finance and taxation.

The Audit and Compliance Committee meets four times a year. Chief Executive Officer and Managing Director, Chief Financial Officer, Financial Controller, Executive Officer - Risk, Head of Internal Audit, the external auditor and other management representatives may attend meetings at the discretion of the Committee. The Committee meets privately with the Australian National Audit Office and the external auditor on general matters concerning external audit and other related matters, including the half-year and full-year financial reports. The Committee also meets privately with the Head of Internal Audit on an as needs basis on matters concerning the internal audit plan and findings.

The Committee provides regular reports to the Board through its minutes and through verbal updates from the Committee Chair following each meeting. Collectively, these reports address all matters relevant to the Committee's responsibilities including:

- an assessment of whether external reporting is consistent with Committee members' information and knowledge, and if this external reporting is adequate for shareholder needs;
- recommendations for changes to management processes supporting external reporting;
- the Committee's policies and procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- recommendations for the appointment or removal of an external auditor; and
- an assessment of the performance and independence of internal and external auditors in relation to matters within the Committee's responsibility.

CEO and CFO Declarations: Prior to the adoption of the financial reports, the Board received and considered a written statement from the Chief Executive Officer and Managing Director and the Chief Financial Officer to the effect that:

- the financial records of the Corporation and the consolidated entity have been properly maintained;
- the statements comply with accounting standards and any other requirements prescribed by the Corporations Act and PGPA Act, and present fairly the entity's financial position, financial performance and cash flows; and
- the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

Snowy Hydro recognises the importance of ensuring its Shareholder is provided with timely and meaningful disclosures of any material information impacting the Company. Accordingly, Snowy Hydro keeps its Shareholder Ministers and their departments informed of any significant developments on an ongoing basis.

Continuous disclosure: Under the PGPA Act, and as a GBE, Snowy Hydro has continuous disclosure obligations to its Shareholder Ministers. Accordingly, on an ongoing basis, the Company discloses performance against the Corporate Plan, financial outcomes, progress of strategic initiatives such as Snowy 2.0, and any significant issues including through quarterly progress reports, the annual report, the annual corporate planning process, correspondence to Shareholder Ministers on out of cycle developments, and regular meetings between the Snowy Hydro Chair and CEO and Shareholder Departments. Snowy Hydro also responds promptly to requests from Shareholder Departments.

Principle 6: Respect the rights of shareholders

As outlined in Principle 5, Snowy Hydro engages regularly with its Shareholder and provides the information requested or required by the Shareholder to exercise its rights.

Governance information: Snowy Hydro's website includes a dedicated corporate governance section setting out the Company's governance structure and providing an overview of the responsibilities of the Board, Committees and Executive management. The governance section also includes links to the Charters for the Board and Board Committees. The website also includes details of Snowy Hydro's leadership, being the Board of Directors and the Executive management team, and recent annual reports.

In addition, Snowy Hydro has published its Statement of Corporate Intent which sets out its corporate purpose, objectives and values, and provides an overview of the Company's operations and key performance metrics. The Statement of Corporate Intent is reviewed and approved annually by the Board prior to submission to the Shareholder and publication on the website.

Shareholder communication: Snowy Hydro's Board, Executive team and senior management communicate regularly with its Shareholder to ensure a 'no surprises' approach. In addition to the formal reporting outlined in Principle 5, this includes frequent engagement with Shareholder offices and Departments, and invitations for Shareholder Ministers and Departments to attend Board meetings.

Principle 7: Recognise and manage risk

Snowy Hydro's Board and management are committed to maintaining a robust and effective risk management framework that proactively identifies and manages risks applicable across the Company. Snowy Hydro's Risk Management Policy sets out its objectives for maintaining and continuously improving a strategic and consistent enterprise-wide approach to risk management that is integrated into organisational processes and underpinned by a risk-aware culture.

Establishment of risk committees: The Board has ultimate accountability for the management of risks affecting Snowy Hydro and ensuring that effective risk management practices are in place across the business. The Board is assisted in fulfilling these duties by the Audit and Compliance Committee, which monitors the effectiveness of Snowy Hydro's risk identification and management framework. All other Board committees (comprising the Safety, Operations and Environmental Risk, Portfolio Risk, People and Culture, Snowy 2.0 and Snowy 2.0 Funding committees) support the Board in the management of key risk areas including regulatory compliance, energy trading, safety, environmental, operational and people-related risks.

Review of risk management framework: Management is accountable for the risk management framework and has implemented internal controls to identify, evaluate and manage significant risks in relation to Snowy Hydro's business. Management provides standing reports to each Committee on the risks pertaining to their Charter, including material movements and/or identification of new significant risks. The risk reports inform activities including the annual internal audit plan, and special reports requested by respective Committees on new or significant sources of risk.

Internal Audit function: The effectiveness of the risk management framework is regularly assessed through self-reviews as well as via independent and objective assurance provided by Snowy Hydro's Internal Audit function. Internal Audit operates in accordance with an annual internal audit plan that is tailored to address key internal and external risks applicable to the business. This plan is reviewed and approved annually by the Audit and Compliance Committee of the Board, and audit results are incorporated into the continuous improvement of the risk management framework and supporting controls.

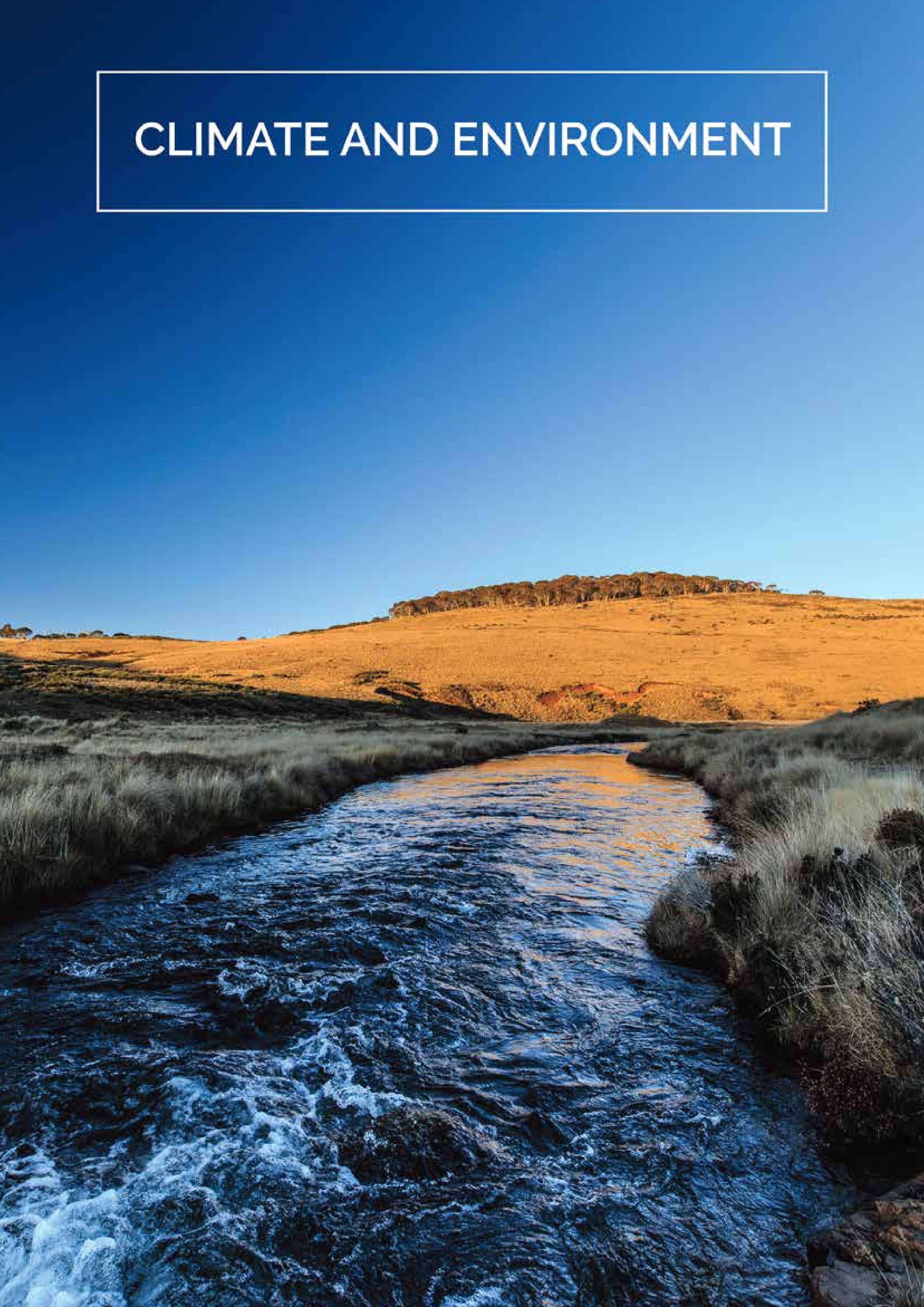
Principle 8: Remunerate fairly and responsibly

Remuneration Committee: The Board has established a People and Culture Committee to assist the Board in discharging its responsibilities in relation to appropriate and responsible remuneration, having regard to the performance of the Company, individual performance, statutory requirements and current market practice. Further details on the People and Culture Committee, including its composition and Charter requirements are set out under Principle 2.

Directors' remuneration: The Remuneration Tribunal determines the remuneration and travel allowances payable to Non-Executive Directors. Full details of Directors' remuneration are included in the Remuneration report.

Executives' remuneration: The remuneration of the Executives is considered by Snowy Hydro's People and Culture Committee and, subject to the Committee's recommendation, reviewed and approved by the Board. Advice is sought every two years from independent specialised remuneration consultants on the structure of remuneration packages applying in the external market; and the quantum of increases that have occurred in comparable Australian companies over the previous 12 months. This assists in ensuring that Executive remuneration is in line with market practice, and that Snowy Hydro is competitively placed to attract and retain the necessary talent for these roles. Full details of Executives' remuneration are included in the Remuneration report.

CLIMATE AND ENVIRONMENT



CLIMATE AND ENVIRONMENT

For almost 70 years Snowy Hydro has responsibly operated the Snowy Scheme in Kosciuszko National Park (KNP). We are committed to avoiding and minimising potential impacts from Snowy 2.0, as we do for our existing business. The park is our backyard and we want to look after it.

In May, Snowy 2.0 received environmental approval from the Australian Government after a rigorous environmental process. The total area temporarily impacted by construction is less than 0.1% of KNP and post-construction, the operational footprint of Snowy 2.0 is less than 0.01% of the total size of the park.

The unavoidable project impacts will be offset and construction areas rehabilitated, in accordance with the approvals for the project. Around $100 million dollars will be spent by Snowy Hydro on the offsets program for KNP. The majority of these funds will go directly to the National Parks and Wildlife Service. These funds are targeted to directly contribute to the ongoing and long-term conservation and recreational use of the park.

Driven by rapid growth globally, the cost of wind and solar generation has progressively declined such that the tipping point of price parity between fossil fuels and renewables in the NEM has been reached and consumer demand for now affordable renewable energy products is growing rapidly. These trends have resulted in a record amount of small and large-scale renewable generation being installed in the NEM. Further, raw solar and wind energy, “firmed” by Snowy Hydro's flexible hydro, pumped hydro energy storage and gas-fired generation, can now be the cheapest and least-risk form of long-term energy purchase for Snowy Hydro.

In 2020 stronger renewable energy targets were passed into law in Victoria and Queensland, requiring a 50% contribution from renewable sources by 2030 in both states, and Tasmania announced an aspirational target of 200% renewable energy by 2040.

As the transition to renewables accelerates, reliable and stable energy supply cannot be achieved without large-scale energy storage and on-demand generation. Snowy 2.0 will provide this large-scale energy storage, along with quick-start electricity generation at critical times of peak demand when energy supply is constrained and at times when intermittent renewable energy output is low.

When the wind blows and the sun shines, and NEM customer demand is low, spot prices will likely be low and Snowy Hydro will pump. When the wind and solar resource is low, and demand is high, the NEM price will likely be higher and Snowy Hydro will generate and displace coal-fired electricity in the process.

In addition to its hydro-electric power plants, Snowy Hydro has contracted for additional capacity of 956 MW through long-term contracts with nine new wind and solar projects through our Renewable Energy Procurement Program.

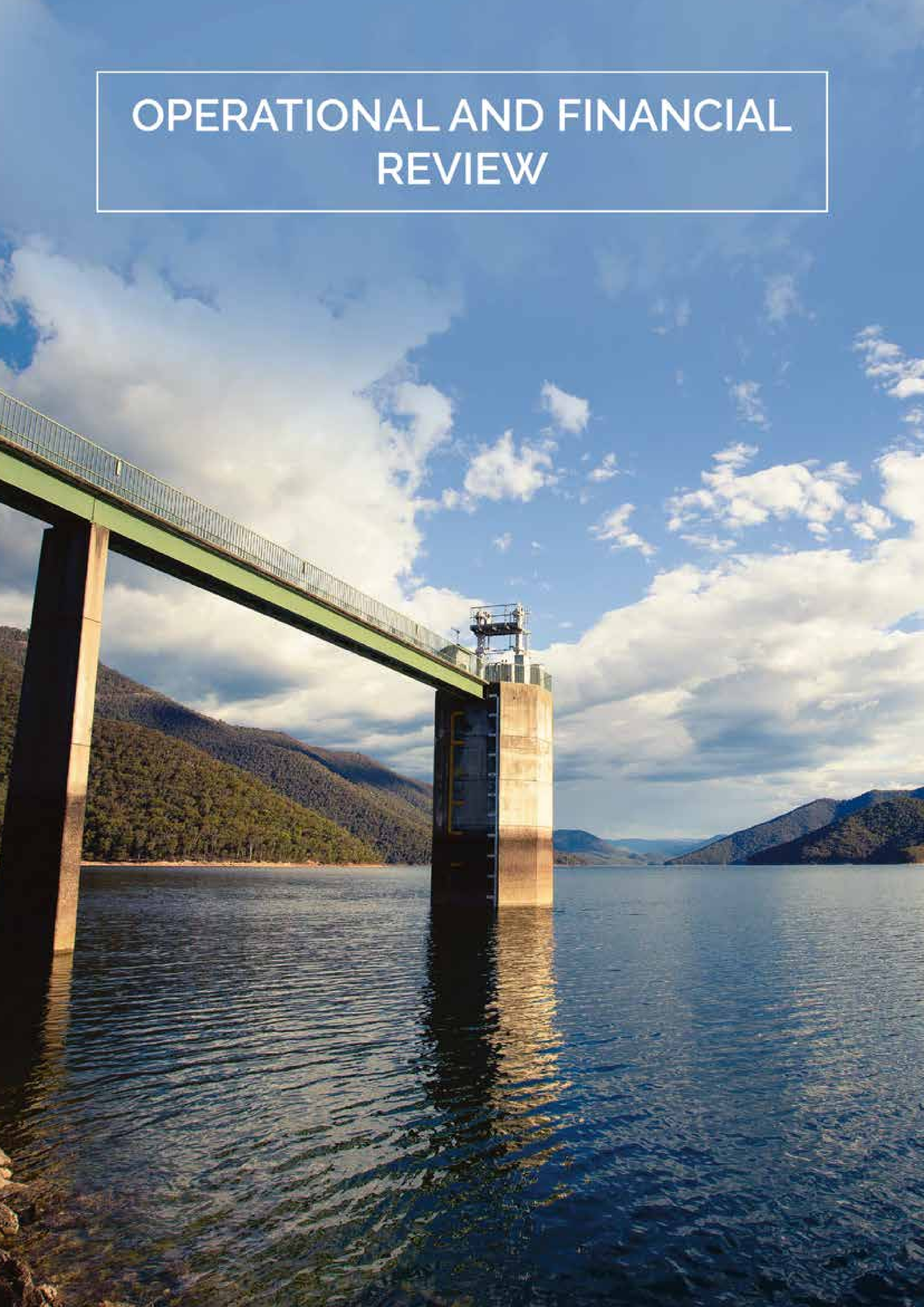
For the 2018-19 year, reported under the National Greenhouse and Energy Reporting Act, Snowy Hydro’s total emissions were 400,897 t CO_2-e.

Snowy Hydro considers the following climate risks within its key risk register.

Adverse hydrological conditions have the potential to negatively impact Snowy Hydro, including the capacity for electricity generation. Snowy Hydro mitigates this risk by maintaining a dynamic approach to its trading position at any point in time and actively optimises across revenue streams (capacity, storage, firming, retail) in response to hydrological or market conditions. This allows Snowy Hydro to significantly minimise its risk position. Snowy Hydro has a diversified portfolio of assets, including gas and diesel, that allows Snowy Hydro mitigation options for adverse hydrological conditions.

Conflicting climate policies and goals and a relatively high level of uncertainty exist in regard to the future targeted emissions trajectory for the NEM. Snowy Hydro mitigates this risk with a well-diversified portfolio of assets which ensures that diverse policy outcomes can be effectively managed. Snowy Hydro’s strengths in reliable and flexible generation and energy storage are well-aligned to creating value from the long-term trend of reducing Australia’s greenhouse gas emissions. Creating flexible energy storage, peaking generation and renewables purchasing options will enable Snowy Hydro to be effective in anticipating and responding in a timely way to emissions policy uncertainty and change.

OPERATIONAL AND FINANCIAL REVIEW



OPERATING AND FINANCIAL REVIEW

For the period ended 30 June 2020

This report is attached to and forms part of the Directors' Report

Contents

Results Overview

The Operating & Financial Review includes a number of non-International Financial Reporting Standards (IFRS) financial measures. Snowy Hydro management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources. Among these non-IFRS financial measures is Underlying Profit/(Loss) after tax. This measure is Statutory Profit/(Loss) after tax adjusted for:

- significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business); and
- changes in the fair value of financial instruments recognised in the consolidated statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

Snowy Hydro believes that Underlying Profit/(Loss) after tax provides a better understanding of its financial performance than Statutory Profit/(Loss) after tax and allows for a more relevant comparison of financial performance between financial periods. These non-IFRS measures have not been subject to audit or review.

The consolidated Statutory Profit after tax attributable to the owners of Snowy Hydro was $81.2 million (FY2019: $332.2 million). The underlying profit after tax was $240.1 million (FY2019: $321.2 million). The following table reconciles Statutory Profit after tax to Underlying Profit after tax, and then to Underlying EBITDA.

Reconciliation of Statutory Profit after tax to Underlying Profit after tax and Underlying EBITDA

$million	2020	2019
Statutory Profit after tax	**81.2**	332.2
Adjust for the following after tax items:		
Changes in fair value of financial instruments	**143.1**	(11.0)
Other	**15.8**	-
Underlying Profit after tax	**240.1**	321.2
Depreciation and amortisation	**150.7**	139.1
Net finance costs	**43.5**	34.1
Income tax expense	**102.9**	139.0
Underlying EBITDA	**537.2**	633.4
Generation EBITDA	**418.7**	522.1
Retail EBITDA	**118.5**	111.3
Underlying EBITDA	**537.2**	633.4

Other adjustments after tax include write-offs of bushfire damaged assets of $5.4 million, bushfire recovery projects $9.4 million and other operating expenses of $1.0 million.

As with many organisations in Australia, FY2020 was a unique year for Snowy Hydro, impacted heavily both by the "Black Summer" bushfires and then the COVID-19 pandemic. Together with significantly lower inflows and a mild NEM environment, the Company's Underlying EBITDA outcome of $537.2 (FY2019: $633.4 million) was delivered with a strong focus on operational management of the portfolio of assets and channels to market.

Generation Underlying EBITDA

The Generation business Underlying EBITDA was $418.7 million, a decrease of 19.8% from $522.1 million in FY2019.

Strong market supply from solar and wind generation resulted in a benign electricity environment with low prices and very few periods of price volatility. Snowy Hydro prepared for a dry outlook and conserved water, managing generation and structuring its portfolio exposures accordingly.

The average electricity flat price was lower than the prior year by 19% for NSW and 32% for Victoria, and generation volumes were down by 100GWh (3%) at 3,336 GWh compared to the prior corresponding period. However our strong portfolio contracting position established early in the year largely offset these factors.

In the previous financial year a significant number of Environmental certificates were sold which has driven a reduction in Underlying EBITDA in FY2020.

Retail Underlying EBITDA

The Retail business Underlying EBITDA was $118.5 million, an increase of 6.5% from $111.3 million in FY2019.

The first half of FY2020 was marked by the effects of sweeping regulatory change and price re-regulation restricting margins. The business navigated these changes well, achieving its strongest six month customer growth on record at 41,433. On the back of market leading customer satisfaction ratings and ongoing low churn rates, customer growth continued to June 2020 to complete the year with customers in excess of 1.14 million, an increase from FY2019 of 52,479.

As the summer bushfires spread across the south and south-east of Australia, our Retail brands responded quickly to offer assistance to affected customers, providing bill credits of $200, agreeing payment plans and completely waiving energy and gas bills for customers who lost their home, property or business to the bushfires. The cost of the direct and indirect support through bill credits and suspension of debt collection and disconnections for customers in communities affected by the bushfires was approximately $4.5 million.

The economic downturn caused by COVID-19 raised further concerns about debt collection and required an additional $5.0 million in forward looking provisioning by the end of FY2020. However, the COVID-19 social restrictions did have the effect of increasing remote working, which resulted in stronger mass market consumption in both electricity and gas during the final quarter of FY2020, although commercial and industrial consumption understandably reduced.

Other Costs Outside Underlying EBITDA

Other after tax adjustments include write-offs of bushfire damaged assets of $5.4 million, bushfire recovery costs of $9.4 million and other operating expenses of $1.0 million, totalling $15.8 million.

There has been a material movement in the fair value of financial instruments with $143.1 million after tax expense recorded, representing an unrealised loss driven by a general fall in energy curves. Whilst the COVID-19 economy is influencing the short-term market curves, the falls are broadly caused by record high renewable generation, lower gas and coal prices throughout the year..

Snowy 2.0

In May, Snowy 2.0, the pumped-hydro energy storage expansion of the existing Snowy Scheme, received environmental approval from the Australian Government.

Snowy 2.0 plays a major role in Australia's transition to renewable energy. It is the least-cost solution to the energy storage problem created by the growing base of wind and solar developments, with the ability to deliver up to 350,000 MWh of energy storage and 2000 megawatts of generation capacity to the National Electricity Market.

Non-financial operational performance measures

The following performance targets are outlined in our FY2020 Statement of Corporate Intent.

Performance Area	Target	Result
Staff and safety		
Fatalities (number of employees and supervised contractors)	0	0
Total reportable injury frequency rate (number per million hours worked; employees and supervised contractors)	<2.8	2.13
Staff satisfaction (percentage of employees very/extremely satisfied as determined by survey)	Top quartile of Australian companies	Not surveyed in FY2020
Retail customer experience		
Net Promoter Score (percentage of promoters minus the percentage of detractors)	Industry Leading	Industry Leading
Customer satisfaction (percentage customers very or quite satisfied)	Industry Leading	Industry Leading
Regulatory compliance		
Ombudsman complaints (number of complaints per mass market customer)	Below industry average	Below industry average
Compliance with the Snowy Water Licence requirements (percentage of requirements met)	100%	100%
Publicly reportable environmental licence breaches (number of)	0	0
Generation reliability		
Hydro generator start reliability (%; successful starts / total attempted starts)	>99.45	99.83
Hydro generator forced outage factor (%; MWh of lost capability due to forced outage / annual capability in MWh)	<0.55	1.67
Gas generator start reliability (%; successful starts / total attempted starts)	>96.5	97.6
Gas generator forced outage factor (%; MWh of lost capability due to forced outage / annual capability in MWh)	<2.0	1.67

The hydro generator forced outage factor was impacted by the continuation of the outage on Murray 1 Unit 2. The unit failed on 28 February and is not expected to return to service until Quarter 2 of FY2021.

Capital Management

Total interest bearing liabilities were $1,898.8 million at June 2020, an increase of $589.4 million from the June 2019 level of $1,309.4 million.

Snowy Hydro's Standard & Poor's (S&P) credit rating has remained at A-. This reflects Snowy Hydro's capacity for future investments, focused on Snowy 2.0.

During the year, Snowy Hydro signed $3,475 million in new loan agreements. This was a significant milestone supporting the capital management of the company and the development of the Snowy 2.0 project.

Outlook

Challenges lay ahead with low starting Scheme storage levels with subdued expectations in relation to inflows and Scheme energy production.

In addition, materially lower NEM prices are expected to persist, due to low gas prices and the impact of COVID-19 related NEM demand destruction on wholesale and retail revenues.

Reflecting deteriorating economic conditions, retail Bad and Doubtful debt provisions are expected to increase by approximately $10 million.

However, Snowy Hydro remains well positioned, with its unique physical asset portfolio and its complementary derivative book (including its wind and solar offtakes), as the largest provider of capacity-type risk management products and firmed renewable energy products in NSW and Victoria. In addition, Snowy Hydro will continue to play a critical role in safeguarding system security. Focus in the coming period remains on operational and portfolio risk management.

CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL REPORT

For the period ended 30 June 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2020

$million	Note	2020	2019
Revenue	3	**2,697.3**	2,848.4
Other income		**12.5**	4.5
Direct costs of revenue	3	**(1,767.7)**	(1,794.2)
Consumables and supplies		**(60.7)**	(70.3)
Employee benefits expense		**(210.1)**	(214.3)
Depreciation and amortisation expense	3	**(150.7)**	(139.1)
Impairment loss recognised on trade receivables	7	**(30.1)**	(22.3)
Other expenses		**(126.6)**	(118.3)
Changes in fair value of financial instruments	17	**(204.4)**	15.7
Profit before net finance costs and income tax		**159.5**	510.1
Interest income	4	**0.5**	0.9
Finance costs	4	**(44.0)**	(35.0)
Profit before income tax		**116.0**	476.0
Income tax expense	5	**(34.8)**	(143.8)
Profit for the period attributable to the owners of Snowy Hydro Limited		**81.2**	332.2

The consolidated statement of profit or loss should be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2020

$million	Note	2020	2019
Profit for the period		**81.2**	332.2
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	24	**0.8**	(2.6)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(0.2)**	0.8
		0.6	(1.8)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges and foreign exchange contracts	17	**(201.3)**	(119.7)
Income tax relating to items that may be reclassified subsequently to profit or loss		**60.4**	35.9
		(140.9)	(83.8)
Total other comprehensive loss, net of income tax		**(140.3)**	(85.6)
Total comprehensive (loss) / income for the period attributable to the owners of Snowy Hydro Limited		**(59.1)**	246.6

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

$million	Note	2020	2019
Current assets			
Cash and cash equivalents		**100.8**	43.0
Trade and other receivables	7	**395.6**	461.2
Inventories		**24.3**	22.8
Other financial assets	8	**266.1**	148.8
Other assets	9	**92.2**	62.4
Total current assets		**879.0**	738.2
Non-current assets			
Deferred tax assets	12	**308.3**	194.8
Goodwill and other intangible assets	11	**561.3**	568.6
Property, plant & equipment	10	**2,974.0**	2,492.0
Other financial assets	8	**-**	3.5
Other assets	9	**190.3**	122.2
Total non-current assets		**4,033.9**	3,381.1
Total assets		**4,912.9**	4,119.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

$million	Note	2020	2019
Current liabilities			
Trade and other payables	13	**341.6**	338.1
Interest bearing liabilities	15	**11.1**	8.9
Provisions	14	**66.8**	64.4
Other financial liabilities	16	**475.2**	184.0
Income tax payable		**9.3**	10.5
Total current liabilities		**904.0**	605.9
Non-current liabilities			
Interest bearing liabilities	15	**1,887.6**	1,300.5
Provisions	14	**65.4**	55.7
Other financial liabilities	16	**305.9**	130.3
Total non-current liabilities		**2,258.9**	1,486.5
Total liabilities		**3,162.9**	2,092.4
Net Assets		**1,750.0**	2,026.9
Equity			
Issued capital	18	**816.1**	816.1
Reserves	19	**(238.1)**	(97.2)
Retained earnings		**1,172.0**	1,308.0
Total equity attributable to the owners of Snowy Hydro Limited		**1,750.0**	2,026.9

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2020

$million	Issued capital	Hedging reserve	Retained earnings	Total attributable to the owners of Snowy Hydro Limited
Opening balance as at 30 June 2019	**816.1**	**(97.2)**	**1,308.0**	**2,026.9**
Profit for the period	**-**	**-**	**81.2**	**81.2**
Other comprehensive income/(loss) for the period, net of tax	**-**	**(140.9)**	**0.6**	**(140.3)**
Dividends paid	**-**	**-**	**(217.8)**	**(217.8)**
Balance as at 30 June 2020	**816.1**	**(238.1)**	**1,172.0**	**1,750.0**
Balance as at 30 June 2018 - restated*	816.1	(13.4)	1,217.5	2,020.2
Adoption of AASB 9	-	-	(1.4)	(1.4)
Balance as at 1 July 2018	816.1	(13.4)	1,216.1	2,018.8
Profit for the period	-	-	332.2	332.2
Other comprehensive income/(loss) for the period, net of tax	-	(83.8)	(1.8)	(85.6)
Dividends paid	-	-	(238.5)	(238.5)
Balance as at 30 June 2019	816.1	(97.2)	1,308.0	2,026.9

*The 30 June 2018 financial information has been restated for a change in accounting policy for environmental certificates.

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2020

$million	Note	2020	2019
Receipts from customers		**2,651.0**	3,069.6
Payments to suppliers & employees		**(2,138.2)**	(2,400.2)
Interest received		**0.5**	0.9
Interest and other costs of finance paid		**(58.9)**	(42.4)
Income tax paid, net of refunds received		**(89.4)**	(192.1)
Net cash generated from operating activities	6	**365.0**	435.8
Cash flows from investing activities			
Payments for property, plant & equipment		**(461.6)**	(547.0)
Proceeds from sale of property, plant & equipment		**4.6**	0.3
Payments for intangible assets		**(46.8)**	(41.8)
Payments for other investing activities		**(68.1)**	(124.9)
Net cash used in investing activities		**(571.9)**	(713.4)
Cash flows from financing activities			
Drawdown / (Repayment) of borrowings		**487.8**	526.9
Payment for debt issues		**(5.3)**	(0.5)
Dividends paid	20	**(217.8)**	(238.5)
Net cash generated from / (used in) financing activities		**264.7**	287.9
Net increase / (decrease) in cash		**57.8**	10.3
Cash at beginning of the period		**43.0**	32.7
Cash at end of the period		**100.8**	43.0

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

1 Basis of preparation

Snowy Hydro Limited (the Company) is a for profit entity limited by shares, incorporated and domiciled in Australia. Its shares are privately held by the Commonwealth Government as a Government Business Enterprise and it operates as a Corporations Act company with an independent Board of Directors.

The consolidated financial statements comprise the Company and its controlled entities (together referred to as Snowy Hydro or the Group).

The nature of the operations and principal activities of Snowy Hydro are described in the Directors' Report.

Statement of compliance

The consolidated financial statements are general purpose financial statements and have been prepared in accordance with the Corporations Act, applicable Accounting Standards and Interpretations, and comply with other requirements of the law.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 31 August 2020.

Basis of preparation

These consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments which have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars.

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million dollars and are shown by $million. Snowy Hydro is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of controlled entities appears in Note 21 to the financial statements. Consistent accounting policies are employed across all controlled entities in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Where the cost of the acquisition exceeded the fair value of the identifiable assets, liabilities and contingent liabilities, acquired goodwill has been recognised in the consolidated statement of financial position. On the acquisition of a business any excess of the fair value of assets and liabilities acquired over the cost of acquisition has been recognised in the consolidated statement of profit or loss as a gain on acquisition.

Deficiency in net current assets

As at 30 June 2020, the Company's current liabilities exceeded its current assets by $25.0 million, largely due to a credit movement of $201.5 million on the net value of current energy and commodity derivatives since 30 June 2019. These derivatives must be classified as current because they are available for trading, however

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

1 Basis of preparation (continued)

management intent is to hold to maturity with $169.3 million of the asset and $325.6 million of the liability expected to mature beyond 12 months. The Company is able to defend its contractual positions by generating electricity. The Company is able to draw on significant non-current debt facilities to ensure that debts can be settled as they fall due.

Reporting Period

Reporting period has the same meaning as financial year for the purposes of the Corporations Act 2001 (Cwlth).

In accordance with the Public Governance, Performance and Accountability Rule 2014 this Annual Report 2020 refers to the period from 1 July 2019 to 30 June 2020. Snowy Hydro's 2019 Annual Report represented the reporting period 29 July 2018 to 30 June 2019.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgement and key assumptions that management has made that have the most significant effect on the amounts recognised in the financial statements are detailed in the notes below:

Note	Judgement/ Estimation
3	Revenue recognition
7	Provision for doubtful debts
9 & 14	Environmental certificates
11	Impairment of goodwill
17	Valuation of financial instruments

Impact of COVID-19

In preparing the financial statements, the Company has considered the impact of the COVID-19 pandemic on the underpinning assumptions and outcomes. There are many operational and economic factors affecting the performance of the business, therefore it is not possible to isolate or quantify the full effects of COVID-19, however we note the following implications.

The economic downturn has reduced market demand, which in turn is reducing market price curves. This is reflected in the valuations of energy derivatives, which have reduced overall compared to 30 June 2019.

In addition, The Reserve Bank of Australia reduced the cash rate target from 1.00% at 30 June 2019, to 0.25% at 30 June 2020, with 0.50% of this reduction occurring in March to support the economy as it responded to the global coronavirus outbreak. Snowy Hydro has entered into forward starting interest rate swaps to hedge the risk of interest rate increases over the term of construction of Snowy 2.0 with the recent fall in interest rates driving the reduction in fair value of cash flow hedges and foreign exchange contracts.

The Company has considered the impact of the economic downturn of the collectability of trade debtors and has increased its forward looking provision by $5.4 million during the financial year.

The Company has revised its corporate plan projections to allow for the changing market conditions and expects a near term decline in profits compared to previous expectations. These new assumptions have been used in valuation modelling to determine that the Company is not at risk of asset impairments.

The revised corporate plan modelling has been used to prepare debt and key debt ratio projections as part of hedge effectiveness testing and to ensure that all banking covenants can be successfully achieved. The Company has developed strategies to ensure that the business complies with all covenants and to confirm that interest rate hedges remain effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

1 Basis of preparation (continued)

Adoption of new and revised accounting standards

Snowy Hydro has adopted all of the new and revised Standard and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes.

Notes to the Financial Report

The notes are organised into the following sections:

Financial performance overview
Provides a breakdown of individual line items in the consolidated statement of financial performance, and other information that is considered most relevant to users of the annual report.

Balance sheet items
Provides a breakdown of individual line items in the consolidated statement of financial position that are considered most relevant to users of the annual report.

Capital structure and risk management
Provides information about the capital management practices of Snowy Hydro and shareholder returns for the year. This section also discusses Snowy Hydro's exposure to various financial risks, explains how these affect Snowy Hydro's financial position and performance and what Snowy Hydro does to manage these risks.

Group structure
Explains aspects of the Snowy Hydro structure and the impact of this structure on the financial position and performance of Snowy Hydro.

Other
Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements; and provides information about items that are not recognised in the financial statements but could potentially have a significant impact on Snowy Hydro's financial position and performance.

2 Changes in accounting policy

Snowy Hydro adopted the new accounting standards AASB 16 *Leases* ("AASB 16") from 1 July 2019.

AASB 16 'Leases' replaces AASB 117 'Leases' along with three AASB Interpretations (INT 4 'Determining whether an Arrangement contains a Lease', INT 115 'Operating Leases-Incentives' and INT 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Group recognising a Right of Use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. The value of this adjustment was nil. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and INT 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and INT 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

2 Changes in accounting policy (continued)

The Group has elected not to include initial direct costs in the measurement of the Right of Use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Group has also elected to measure the Right of Use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the Right of Use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the practical expedient to not recognise Right of Use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the Right of Use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 2.8%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16 at 1 July 2019:

$million	Carrying amount at 30 June 2019	Transitional impact	AASB 16 Carrying amount at 1 July 2019
Right of Use assets	61.8	103.3	165.1
Lease liabilities	(72.3)	(106.8)	(179.1)
Provisions	-	3.0	3.0
Net investment in sublease	-	0.5	0.5
Net Asset impact		-	

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

$million	
Total operating lease commitments disclosed at 30 June 2019	**133.5**
Recognition exemption for leases with less than 12 months remaining	(0.2)
Reasonably certain extension options	28.5
Discounted using incremental borrowing rate	(55.0)
Finance lease liabilities	72.3
Total lease liabilities recognised under AASB 16 as at 1 July 2019	**179.1**

3 Revenue and expenses

$million	2020	2019
Revenue		
Revenue from contracts with customers		
Wholesale	**557.4**	681.3
Retail	**2,063.2**	2,004.9
Total revenue from contracts with customers	**2,620.6**	2,686.2
Other revenue	**76.7**	162.2
Total revenue	**2,697.3**	2,848.4
Expenses		
Loss on disposal of property, plant and equipment	**(7.9)**	-
Direct costs of revenue	**(1,767.7)**	(1,794.2)
Impairment loss recognised on trade receivables	**(30.1)**	(22.3)
Amortisation	**(54.1)**	(52.1)
Depreciation	**(96.6)**	(87.0)
Operating lease expenses	**(2.4)**	(11.0)
Defined contribution plans	**(15.4)**	(15.5)

Recognition and measurement

- **Wholesale revenue:** is recognised at a point in time, being when the Group fulfils its performance obligations in generating energy. The transaction price is dictated by spot market prices and control is deemed to have been passed to AEMO when electricity is generated as it is utilised in the NEM to provide energy to retailers.
- **Retail revenue:** is recognised at a point in time - when the Group fulfils its performance obligations in providing electricity to its customers, whereby the electricity is consumed by the customers at the same time it is provided by the Group. The transaction price includes a fixed component (service charge) and a variable component (based on consumption). Control is deemed to have passed to the customer as electricity is consumed by the customer (i.e. as they receive the benefit of this good).
- **Other revenue:** is predominantly revenue from Environmental certificates which is recognised at a point in time, being when the Group fulfils its performance obligations with customers through the supply of electricity or sale of the environmental certificate. It is measured as a component of the transaction price charged to customers for the provision of electricity, and measured at the sale price when sold directly to customers on the wholesale market.

Critical accounting estimate - Unbilled revenue

At the end of each reporting period, the volume of energy supplied since a customer's last bill is estimated in determining unbilled revenue. This estimation requires judgement and is based on historical customer consumption patterns. Related to this are unbilled network expenses of unread electricity and gas meters which are estimated based on historical customer consumption patterns. Note 7 discloses the unbilled revenue balance for the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2020

4 Net finance costs

$million	2020	2019
Interest expense and funding cost	**(36.7)**	(28.3)
Interest rate hedge costs	**(20.6)**	(6.2)
Interest expense from leasing arrangements	**(8.9)**	(6.7)
Finance costs capitalised	**22.2**	6.2
Finance costs	**(44.0)**	(35.0)
Interest income	**0.5**	0.9
Net Finance costs	**(43.5)**	(34.1)

Recognition and measurement

- **Interest income and expense:** are accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates. Interest costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets. The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 3.25%.
- **Leasing arrangements:** Lease liabilities are measured at commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

5 Income tax expense

Reconciliation of income tax expense charged to the consolidated statement of profit or loss:

$million	2020	2019
Profit from operations	**116.0**	476.0
Tax expense calculated at 30%	**(34.8)**	(142.8)
Prior year adjustments	**0.7**	(0.7)
Non-deductible expenses	**(0.9)**	(0.6)
Research and development offset	**0.2**	0.3
Total income tax expense on profit	**(34.8)**	(143.8)
Comprising of:		
Current tax expense	**(88.2)**	(132.6)
Deferred tax income	**53.4**	(11.2)
Total income tax expense on profit	**(34.8)**	(143.8)

The tax rate used in the above reconciliation is the corporate tax of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Snowy Hydro and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes and elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group is Snowy Hydro Ltd. Entities within the tax consolidated group are listed in note 21.

Snowy Hydro Limited is a signatory to the Voluntary Tax Transparency Code, and prepares its Tax Report in accordance with the code. The Tax Report for the 30 June 2020 year is available on the Snowy Hydro Limited website.

Recognition and measurement

Current and deferred tax is recognised as an expense in the consolidated statement of profit or loss, except when it relates to items credited or debited directly to other comprehensive income or directly to equity, in which case the deferred tax is also recognised directly to other comprehensive income or equity, respectively, or where it arises from an initial accounting for a business acquisition, in which case it is taken into account in the determination of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2020

6 Reconciliation of profit for the period to net cash flows from operating activities

$million	2020	2019
Profit for the period	**81.2**	332.2
Adjustments for:		
Net loss on sale of non-current assets	**4.1**	-
Depreciation and amortisation of non-current assets	**128.5**	130.8
Changes in fair value of cash flow hedges and foreign exchange contracts recognised in equity	**(201.3)**	(119.3)
Remeasurement of defined benefit obligations recognised in equity	**0.8**	(2.6)
Other non-cash adjustments	**(0.1)**	-
Change on initial application of AASB 9 recognised in equity	**-**	(2.0)
Income tax expense recognised in equity	**60.2**	37.3
	73.4	376.4
Changes in assets and liabilities:		
(Increase)/ decrease in trade and other receivables	**65.6**	(30.4)
(Increase)/ decrease in inventories	**(1.5)**	(2.8)
(Increase)/ decrease in current other financial assets	**(117.3)**	0.6
(Increase)/ decrease in other current assets	**(29.8)**	(24.4)
(Increase)/ decrease in non-current other financial assets	**4.0**	(2.9)
(Increase)/decrease in other non-current assets	**0.7**	-
(Increase)/ decrease in deferred tax assets	**(113.5)**	(26.2)
Increase/ (decrease) in trade and other payables	**3.3**	21.7
Increase/ (decrease) in current provisions	**4.8**	23.2
Increase/ (decrease) in current other financial liabilities	**291.2**	40.1
Increase/ (decrease) in non-current provisions	**9.7**	5.0
Increase/ (decrease) in non-current other financial liabilities	**175.6**	115.0
Increase/ (decrease) in current tax liabilities	**(1.2)**	(59.5)
Net cash flows from operating activities	**365.0**	435.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

Balance Sheet Items

7 Trade and other receivables

$million	2020	2019
Trade receivables	**433.5**	467.9
Allowance for doubtful debts	**(40.4)**	(28.6)
Goods and services tax receivable	**2.5**	21.9
Total trade and other receivables	**395.6**	461.2

Expected credit loss on trade receivables

$million	
Balance as at 1 July 2019	**28.6**
Additional allowance for doubtful debts	**30.1**
Amounts written off, previously provided for	**(18.3)**
Balance as at 30 June 2020	**40.4**

The ageing analysis of trade receivables and expected credit losses is as follows:

	2020			2019	
	Total	Lifetime ECL Rate	Allowance	Total	Allowance
Unbilled revenue	**247.0**	**2.6%**	**6.3**	246.8	4.5
Not past due	**112.4**	**2.6%**	**2.8**	158.7	2.2
Past due 0-30 days	**27.8**	**10.8%**	**3.0**	29.7	1.9
Past due 31-90 days	**9.2**	**28.3%**	**2.6**	8.8	1.3
Past due 61-90 days	**7.6**	**32.9%**	**2.5**	4.0	1.0
Greater than 90 days	**29.5**	**78.6%**	**23.2**	19.9	17.7
	433.5		**40.4**	467.9	28.6

Recognition and measurement

Trade and other receivables are recognised initially at contractual amounts due and are subsequently stated at amortised cost using the effective interest method, less allowances for lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

7 Trade and other receivables (continued)

Critical accounting estimate - Expected credit loss

In accordance with AASB 9, the Group applies the 'simplified approach' when measuring expected credit losses. This approach requires the calculation of a lifetime expected loss allowance for trade receivables. Expected credit losses on trade receivables are estimated by using a provision matrix with reference to historical credit loss experience and then applying an adjustment for forward-looking estimates. The Group categorises its trade receivables based on ageing. Loss rates are estimated in each customer segment, including by age category, fuel type and customer status and are based on the probability of a receivable progressing through to a write-off. The impact of economic factors is considered in assessing the likelihood of recovery from customers. Economic factors include the direction of conditions both general and specific to the industry (e.g. customer churn).

8 Other financial assets

$million	2020	2019
Current		
Financial assets carried at fair value		
Energy derivatives - economic hedge	**221.3**	152.3
Foreign exchange contracts & interest rate swaps - cash flow hedge	**-**	0.1
Loans and receivables		
Deposits with brokers	**44.8**	(3.6)
Total other current financial assets	**266.1**	148.8
Non-current		
Financial assets carried at fair value		
Foreign exchange contracts & interest rate swaps - cash flow hedge	**-**	3.5
Total other non-current financial assets	**-**	3.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

9 Other assets

$million	2020	2019
Current		
Deposits	**4.1**	3.3
Prepayments	**17.6**	8.9
Environmental certificates	**70.5**	50.2
Total other current assets	**92.2**	62.4
Non-current		
Deposits	**105.3**	47.2
Prepayments	**85.0**	75.0
Total other non-current assets	**190.3**	122.2

Recognition and measurement
Environmental certificates are recognised at the lower of cost and net realisable value in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

10 Property, plant and equipment

$million	Land and Buildings	Leasehold Improvements	Plant and Equipment	Construction in Progress	Total
Gross carrying amount					
2019	86.7	26.1	2,688.0	670.6	3,471.4
Transition to AASB 16	103.3	-	-	-	103.3
Additions	1.1	-	-	484.6	485.7
Capitalised to asset class	16.5	1.5	46.4	(64.4)	-
Disposals	(15.4)	(0.7)	(7.5)	-	(23.6)
2020	**192.2**	**26.9**	**2,726.9**	**1,090.8**	**4,036.8**
2018	85.6	28.0	2,663.1	122.6	2,899.3
Additions	-	-	-	576.3	576.3
Capitalised to asset class	1.1	-	27.2	(28.3)	-
Disposals	-	(1.9)	(2.3)	-	(4.2)
2019	86.7	26.1	2,688.0	670.6	3,471.4
Accumulated depreciation					
2019	(23.4)	(8.6)	(947.4)	-	(979.4)
Disposals	7.6	0.7	6.6	-	14.9
Depreciation expense	(11.5)	(3.1)	(83.7)	-	(98.3)
2020	**(27.3)**	**(11.0)**	**(1,024.5)**	**-**	**(1,062.8)**
2018	(21.4)	(7.7)	(867.2)	-	(896.3)
Disposals	-	1.9	2.0	-	3.9
Depreciation expense	(2.0)	(2.8)	(82.2)	-	(87.0)
2019	(23.4)	(8.6)	(947.4)	-	(979.4)
Net book value					
2020	**164.9**	**15.9**	**1,702.4**	**1,090.8**	**2,974.0**
2019	**63.3**	**17.5**	**1,740.6**	**670.6**	**2,492.0**

10 Property, plant and equipment (continued)

Recognition and measurement

- **Property, plant and equipment:** assets are recorded at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss as incurred. The gain or loss arising on disposal or retirement is recognised in profit or loss. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if an asset's carrying amount is greater than its estimated recoverable amount.
- **Right of Use assets**: Right of Use assets are measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.
  Included within Property, Plant and Equipment are Right of Use assets with a carrying value at 30 June 2020 of $94.9 million (2019: $nil) in the Land and Buildings class, and $55.5 million (2019: $61.8 million) in the Plant and Equipment class. Depreciation charged on these assets for the period was $9.5 million (2019: $nil) in the Land and Buildings class, and $6.3 million (2019: $6.3 million) in the Plant and Equipment class.
- **Depreciation:** assets are depreciated at rates based upon their expected economic life using the straight-line method. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter. Land is not depreciated.
  The following estimated useful lives are used in the calculation of depreciation:

  Buildings: 10-50 years
  Electrical & mechanical equipment: 5-60 years
  Civil works: 30-75 years
  Mobile plant: 3-20 years
  Control systems: 5-8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

11 Goodwill and other intangible assets

$million	Goodwill	Cost of customer acquisition	Computer software	Total
Cost				
2019	383.2	343.9	147.7	874.8
Additions	-	20.3	26.5	46.8
Disposals	-	-	(0.3)	(0.3)
2020	**383.2**	**364.2**	**173.9**	**921.3**
2018	383.2	325.5	126.9	835.6
Additions	-	18.4	23.4	41.8
Disposals	-	-	(2.6)	(2.6)
2019	383.2	343.9	147.7	874.8
Amortisation				
2019	-	(213.2)	(93.0)	(306.2)
Amortisation	-	(40.8)	(13.3)	(54.1)
Disposals	-	-	0.3	0.3
2020	**-**	**(254.0)**	**(106.0)**	**(360.0)**
2018	-	(172.4)	(84.3)	(256.7)
Amortisation	-	(40.8)	(11.3)	(52.1)
Disposals	-	-	2.6	2.6
2019	-	(213.2)	(93.0)	(306.2)
Net book value				
2020	**383.2**	**110.2**	**67.9**	**561.3**
2019	383.2	130.7	54.7	568.6

Recognition and measurement

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not amortised but tested for impairment annually and whenever there is an indicator of impairment.

Customer Acquisition Costs: Customer contracts acquired in a business combination are carried at cost less accumulated amortisation. The costs incurred in acquiring new customers are recognised based on the directly attributable costs of obtaining the customer contract. Amortisation is recognised as an expense on a straight line basis over the period of the expected benefit.

Critical accounting estimate - carrying value assessment

Snowy Hydro tests goodwill for impairment at least annually to ensure it is not carried above its recoverable amount. This determination requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate present value.

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For the period ended 30 June 2020

11 Goodwill and other intangible assets (continued)

There are two CGUs in the consolidated entity comprising a gas and electricity retailer and an electricity generator. Notwithstanding this, the retailer and the generator operate in unison and therefore form one operating segment. Indicators of impairment of goodwill are assessed against this operating segment. During the financial year, the consolidated entity assessed the recoverable amount of the cash generating units and determined that no impairment existed. The recoverable amount of the cash generating units has been determined based on a value in use calculation of an asset with an indefinite life. The corporate valuation model provides for a 10 year projection of revenue, operating and capital expenditure, financing activities and taxation based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. This projection term reflects the perpetual nature of the Snowy Hydro assets and also provides for a realistic pattern of replacement capital expenditure over the projection term.

In accordance with AASB 136 Impairment of Assets, the recoverable amount test discounts pre-tax nominal asset cash flows (including routine maintenance and refurbishment capital expenditure), at a pre-tax nominal WACC of 6.7% (2019: 7.3%). These cash flows do not include any planned development capital expenditure or the revenues that may relate to such expenditure. The valuation includes a terminal value calculated by assuming the final year's cash flow is maintained in perpetuity (in real terms) and discounted to the valuation date using the same pre-tax nominal WACC noted above. The recoverable amount is most sensitive to the changes in the following assumptions:

Sensitivity	Management's approach to determining the value	Growth rate
Forward market price projects for spot, contract and option premium revenue	Spot and contract revenue projections are consistent with Snowy Hydro's recent performance and are based on forward market curves from GFI Group. Capacity pricing (i.e. option premium income and difference payments made under the contracts) is based on a blended combination of GFI and Snowy Hydro's assessment of long-term pricing based on new-entrant modelling.	Zero real growth in prices
Water inflows	The water inflow sequence underlying the projections reflects the expectation that 2021 inflows will be below average and that future average inflows will thereafter trend back towards past experience. The starting water storage levels are also reflected in the projections.	Not applicable
Capital expenditure	Capital expenditure is derived from Snowy Hydro's long-term capital asset planning model and includes all expenditure relating to existing assets.	Zero real growth in prices
Retail Gross Margin	The retail operating cost model is sufficiently flexible to respond to customer growth and is modelled as such; customer growth targets drive cost to acquire and cost to serve. The most sensitive valuation assumption is what gross margin the retail businesses charge mass-market customers. This valuation sensitivity exercise is performed in isolation of a corporate response that might ensue (such as reducing customer targets).	Retail gross margin is materially maintained

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

12 Net deferred income tax assets

$million	Opening balance	Charged to income	Charged to equity	Other/ transfer	Closing balance
2020					
Deferred tax assets					
Property, plant and equipment	163.7	(18.9)	-	0.9	145.7
Derivative financial instruments	35.8	61.4	60.4	-	157.6
Provisions	32.8	4.8	(0.2)	(0.7)	36.7
Non derivative financial instruments	1.7	0.4	-	-	2.1
Total deferred tax assets	**234.0**	**47.7**	**60.2**	**0.2**	**342.1**
Deferred tax liabilities					
Other	39.2	(5.6)	-	0.2	33.8
Total deferred tax liabilities	**39.2**	**(5.6)**	**-**	**0.2**	**33.8**
Net deferred tax asset					**308.3**
2019					
Deferred tax assets					
Property, plant and equipment	179.3	(15.6)	-	-	163.7
Derivative financial instruments	4.4	(4.5)	35.9	-	35.8
Provisions	31.1	0.3	1.4	-	32.8
Non derivative financial instruments	-	1.7	-	-	1.7
Total deferred tax assets	214.8	(18.1)	37.3	-	234.0
Deferred tax liabilities					
Other	46.2	(7.0)	-	-	39.2
Total deferred tax liabilities	46.2	(7.0)	-	-	39.2
Net deferred tax asset					194.8

Recognition and measurement

Current tax: The Income Tax Payable/Income Tax Receivable in the Statement of Financial Position represents the amount expected to be paid (or refunded) in relation to taxable income for the financial year measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current, and prior periods, is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle the tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

13 Current trade and other payables

$million	2020	2019
Trade payables	**320.3**	326.7
Other payables	**21.3**	11.4
Total current trade and other payables	**341.6**	338.1

Recognition and measurement

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

14 Provisions

$million	2019	Recognised/ remeasured	Settled/ transferred	2020
Current				
Employee benefits	33.6	32.0	(31.5)	34.1
Environmental liability	29.5	110.7	(108.5)	31.7
Other provisions	1.3	-	(0.3)	1.0
Total current provisions	**64.4**	**142.7**	**(140.3)**	**66.8**
Non-current				
Employee benefits	33.4	(0.6)	-	32.8
Site rehabilitation	14.7	0.4	-	15.1
Environmental liability	7.4	9.9	-	17.3
Other provisions	0.2	-	-	0.2
Total non-current provisions	**55.7**	**9.7**	**-**	**65.4**

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably estimated. Provisions which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group.

14 Provisions (continued)

- **Employee benefits:** provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the current remuneration rate. Employee provisions expected to be settled after 12 months are measured at their projected remuneration rate, discounted to their present values.
- **Environmental scheme obligation**: is recognised when electricity is purchased from the NEM and simultaneously supplied to customers. Regulatory bodies impose a percentage on the volume of electricity purchased to determine the number of environmental certificates the purchaser is obliged to surrender. The provision is measured at the present value of cost of certificates required to meet this obligation.
- **Site rehabilitation:** provision is initially recognised at the best estimate of the costs to be incurred in settling the obligation. Where restoration activities are expected to occur more than 12 months from the reporting period the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised in each period as interest expense.

15 Interest bearing liabilities and credit facilities

i) Interest bearing liabilities - unsecured

$million	2020	2019
Current		
Bank loans	**-**	5.0
Borrowing costs	**(2.5)**	(1.0)
Lease liability	**13.6**	4.9
Total current interest bearing liabilities	**11.1**	8.9
Non-current		
Bank loans	**1,740.0**	1,237.0
Borrowing costs	**(5.8)**	(3.8)
Lease liability	**153.4**	67.3
Total non-current interest bearing liabilities	**1,887.6**	1,300.5

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For the period ended 30 June 2020

15 Interest bearing liabilities and credit facilities (continued)

ii) Credit facilities - unsecured

$million	2020	2019
Financing facilities		
Amounts used	**1,740.0**	1,237.0
Amounts unused	**960.0**	663.0
Total financing facilities	**2,700.0**	1,900.0

These facilities have fixed maturity dates as follows: $500.0 million in 2021, $425.0 million in 2022, $575.0 million in 2023, $300.0 million in 2024, $650 million in 2025 and $250.0 million in 2027.

Uncommitted short term money market facilities		
Amounts used	**-**	5.0
Amounts unused	**45.0**	40.0
Total short term money market facilities	**45.0**	45.0

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the consolidated statement of profit or loss over the period of the borrowing, using the effective interest rate method.

- **Lease liability:** The balance now includes additional lease liabilities recognised upon adoption of AASB 16. Refer to Note 2. Total cash outflows for leases for the year ended 30 June 2020 were $22.3m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

16 Other financial liabilities

$million	2020	2019
Current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	**34.2**	12.5
Energy derivatives - economic hedge	**440.9**	170.4
Other		
Escrow account liability	**-**	1.0
Unearned income	**0.1**	0.1
Total current other financial liabilities	**475.2**	184.0
Non-current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	**305.9**	130.3
Total non-current other financial liabilities	**305.9**	130.3

Capital Structure and Risk Management

17 Financial Instruments

1. Capital Management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern by maintaining sufficient liquidity so that it can continue to provide returns for shareholders, and to maintain a capital structure commensurate to targeting a strong investment grade corporate credit rating (Standard & Poor's), to minimise the cost of capital and to provide credit transparency to trading and lending counterparties. The Group's overall capital management strategy remains unchanged from 2019.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 15 offset by cash and cash equivalents) and equity (comprising issued capital, reserves, and retained earnings). The Group's capital structure is reviewed annually by the Board Audit and Compliance Committee which considers the Group's expected operating cash flows, capital expenditure plans, maturity profile of debt facilities, dividend policy and the ability to access funding from banks and other sources.

The Group monitors its capital management objectives by continuously assessing several benchmarks related to debt, cash flows and financial performance.

17 Financial Instruments (continued)

2. Financial Risk Management

$million	2020	2019
Financial assets		
Amortised Cost		
Cash and cash equivalents	100.8	43.0
Trade receivables and deposits with brokers	437.9	435.7
Fair value through profit or loss		
Energy derivatives	221.3	152.3
Derivatives designated and effective as hedging instruments	-	3.6
Financial liabilities		
Amortised Cost		
Interest bearing liabilities	1,898.7	1,309.4
Trade payables	320.3	326.7
Fair value through profit or loss		
Energy and commodity derivatives	440.9	170.4
Derivatives designated and effective as hedging instruments	340.1	142.8

The change in fair value of energy derivatives recognised through profit and loss comprises:

$million	2020	2019
Loss recognised on energy derivatives (standard swaps, options and bespoke contracts)	(201.5)	13.4
Movement of cap premium received not yet amortised	(2.9)	2.3
Changes in fair value of financial instruments recognised through profit and loss	**(204.4)**	**15.7**

The change in fair value of derivatives designated and effective as hedging instruments recognised through hedging reserves comprises:

$million	2020	2019
Gain and Loss recognised on:		
Foreign exchange contracts	(25.5)	3.0
Interest rate swaps	(175.4)	(123.1)
	(200.9)	**(120.1)**
Revaluation gain and loss on EUR foreign exchange contracts settled not yet paid out in 2019	(0.4)	0.4
Changes in fair value of financial instruments recognised through hedging reserves	**(201.3)**	**(119.7)**

17 Financial Instruments (continued)

The Group's Treasury and Portfolio management functions provide services to the business to monitor and manage risks relating to NEM outcomes, commodity prices, foreign exchange and interest rates movement, liquidity and credit exposure as they arise in the normal course of operations of the Group.

Risk exposures are assessed and monitored using a variety of methods including stress modelling and ongoing surveillance, with regular risk reporting to both Management and Board risk committees. The Group uses derivative instruments, physical hedges such as generation capacity, and strict liquidity management to mitigate the exposures while aiming to optimise risk-adjusted financial returns within policies approved by the Board of Directors.

Policy compliance is monitored by a segregated compliance management process and reviewed by the Board on a regular basis.

The Group holds and issues financial instruments as an integral part of conducting its revenue generating and financing activities including:

- Funding: to finance the Group's operating activities. The principal types of instruments include revolving bank loans and bank guarantees;
- Operating: the Group's day to day business activities generate financial instruments such as cash, trade and other receivables and payables; and
- Risk management: to reduce the risks to financial performance that would arise if all generation was subject to spot market outcomes. The Group transacts electricity swaps and options to notionally contract a portion of its generation capacity. Interest rate and foreign exchange contracts are transacted to manage cash flow risks associated with financing with floating rate debt instruments, purchasing in foreign currencies, and energy procurement activities.

Key financial risks from utilising the aforementioned financial instruments are explained further in the following sections:

(i) market risk (including electricity and commodity price risk, foreign exchange and interest rate risk)

(ii) liquidity risk

(iii) credit risk

The Group's overall financial risk management strategy remains unchanged from 2019.

(i) Market risk

Electricity and commodity price risk

Fluctuations in electricity and commodity prices will impact the Group's results and cash flows. To manage price risks associated with electricity generation, and sales of electricity and gas to retail customers the Group has established a risk framework that consists of policies on the overall limits of exposure across spot and energy derivatives markets, delegations and transaction limits for trading activity.

The Group utilises a range of energy derivative instruments to manage electricity price risk, both in futures and over-the-counter markets. These derivative instruments are classified into swaps (vanilla swaps, load-following swaps and capped swaps) and options (caps, standard options and average rate options). Some over-the-counter caps and related derivative products include features providing the counterparty with the ability to nominate different strike prices and notional megawatt (MW) volumes (within limits) for different contract periods. Snowy Hydro manages the risk associated with variably nominated contracts by utilising standby, fast-start generation capacity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

The table below sets out the fair value of energy and commodity derivatives at the reporting date.

$million	2020	2019
Energy derivatives asset - current	221.3	152.3
Energy and commodity derivatives liability - current	(440.9)	(170.4)
Total energy and commodity derivatives	**(219.6)**	(18.1)

These derivatives must be classified as current because they are available for trading, however management intent is to hold to maturity. Of the total energy and commodity derivatives, $52.0 million (2019: $133.2 million) of the asset and $115.3 million (2019: $61.4 million) of the liability is expected to mature within 12 months, and $169.3 (2019: $19.1 million) of the asset and $325.6 (2019: $109.0 million) of the liability is expected to mature beyond 12 months.

Energy derivatives - economic hedge

The Group uses energy derivative instruments to economically hedge electricity price risks within the risk management framework. The economic hedges do not meet the requirements of hedge accounting set out in AASB 9 *Financial Instruments*. Therefore these instruments are categorised as held for trading and changes in fair valuation are recognised immediately as Change in fair value of financial instruments in the Consolidated statement of profit or loss.

Energy and Commodity Price Sensitivity Analysis

The table below sets out the impact of changes of prices on profit and loss and equity based solely on the Group's exposures at the reporting date (holding all other variables constant and without any mitigating actions that management might take should the price changes occur). A 20% price change has been applied to flat, peak and off-peak electricity swaps, a 40% price change has been applied to electricity options. These changes are based on the volatility of historical prices of the relevant instruments.

	Profit/ (loss) before tax Increase/ (decrease) in fair value		Other comprehensive income Increase/ (decrease) in fair value	
$million	2020	2019	2020	2019
Electricity swap - price increase	60.3	438.9	-	-
Electricity swap - price decrease	(60.3)	(441.4)	-	-
Electricity options - price increase	(398.4)	(333.3)	-	-
Electricity options - price decrease	393.7	329.3	-	-

Foreign exchange risk

The Group operates wholly within Australia and contracts with suppliers in Australian dollars or other currencies. Contracts in New Zealand dollars are not hedged as historically the New Zealand dollar has maintained a proportional relationship with the Australian dollar, and purchase and contract exposures are immaterial.

Where a purchase or contract is payable in another currency, the Group is exposed to the fluctuation of exchange rates. The Group's Treasury policy is to hedge any aggregate (per contract) foreign exchange exposure which exceeds AUD $250,000 equivalent value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

In April 2019 the Company signed a contract as part of Snowy 2.0 project which has a component denominated in EURO. Accordingly the Company has entered into a series of forward foreign exchange agreements, with €429.4 million outstanding at 30 June 2020. The purpose of these contracts is to fix the Australian dollar cost of the equipment purchase over the life of the contract up to January 2026.

Foreign exchange contracts - cash flow hedge

The Group has entered into foreign exchange contracts to hedge the exchange rate risk arising from purchases or contracts that are denominated in foreign currencies, which are designated as cash flow hedges at inception and tested for effectiveness at each reporting date. The economic relationship between the hedged item and hedging instruments is established based on the currency, amount and timing of the respective cash flows. It is the Group's policy to match the key terms of the foreign exchange contract with the underlying transaction and apply a hedge ratio of 1:1 on the base contract. The entire forward rate of the foreign exchange contracts is designated to hedge the base contract currency risk. As at year end, the underlying purchases are assessed to remain highly probable and the amount accumulated in equity will be reclassified to profit and loss or assets when the underlying transaction affects profit and loss or result in acquisition of non-financial assets.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing and notional amount of the hedge transactions.

The following tables provide an overview of the foreign exchange hedge in place for the reporting period, detailing hedge exposure at different maturity.

2020 $million	Less than one year	1 - 2 years	More than 3 years	Total
Forward exchange contracts				
Net exposure (in millions of EUR)	53.5	154.2	221.7	429.4
Average EUR:AUD forward contract rate	0.61	0.59	0.56	0.57

2019 $million	Less than one year	1 - 2 years	More than 3 years	Total
Forward exchange contracts				
Net exposure (in millions of EUR)	4.6	154.2	275.2	434.0
Average EUR:AUD forward contract rate	0.62	0.60	0.57	0.59

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For the period ended 30 June 2020

17 Financial Instruments (continued)

The amounts at the reporting date relating to items designated as hedged items for foreign currency risk were as follows:

Capital expenditure $million	2020	2019
Change in value used for calculating hedge effectiveness	22.5	(3.0)
Cash flow hedge reserve	22.5	(3.0)
Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	-	-

The amounts relating to items designated as foreign exchange hedging instruments and hedge ineffectiveness were as follows:

Forward Exchange Contracts $million	2020	2019
Assets (carrying amount)		
Other current financial assets	-	0.1
Other non-current financial assets	-	3.5
Liabilities (carrying amount)		
Other current financial liabilities	(0.3)	-
Other non-current financial liabilities	(22.2)	(0.6)
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(22.5)	3.0
Changes in the value of the hedging instrument recognised in OCI	22.5	(3.0)
Hedge ineffectiveness recognised in Other expenses	-	-
Amount from hedging reserve transferred to property, plant and equipment and goodwill and other intangible assets	-	-

Foreign exchange rate sensitivity analysis

The table below sets out the impact on profit and loss and equity, if the foreign exchange forward rate had been 8.72 (2019: 6.45) percent higher or lower, based on the foreign exchange forward curve applicable to the Group's financial instruments denominated in a foreign currency at the reporting date. All other variables have been held constant.

The impact of any mitigating actions that management might take if the exchange rate change had occurred has not been taken into account.

	Profit/(loss) before tax		Other comprehensive income	
$million	2020	2019	2020	2019
EUR +8.72% Movement	-	-	61.5	45.6
EUR -8.72% Movement	-	-	(61.4)	(45.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk from floating rate borrowings (excluding finance lease liabilities). The Group manages interest rate risk by fixing the interest rate for a portion of the borrowings with interest rate swaps. The Group adopts a policy of ensuring that between 50% and 90% of its forecast interest rate risk exposure, at the time of hedge placement, is hedged at a fixed rate.

Interest rate swaps - cash flow hedge

The Group has entered into interest rate swaps to hedge the fluctuation of projected interest payments arising from floating rate borrowings, which are designated as cash flow hedges at inception and tested for effectiveness at each reporting date. The economic relationship between the hedged item and hedging instruments is established based on the reference interest rates, notional amount, repricing dates and maturity of the respective cash flows. It is the Group's policy to match the key terms of the interest rate swaps and projected interest payments and apply a hedge ratio of 1:1. As at year end, the projected interest payments are assessed to remain highly probable and the amount accumulated in equity will be reclassified to profit and loss when the underlying transaction affects profit and loss.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the interest rate swaps and the floating rate borrowings.
- changes in the timing and notional amount of the projected interest payments.

The Group had the following financial assets and liabilities exposed to floating interest rate risk as at 30 June 2020:

$million	2020	2019
Floating rate instruments		
Financial assets		
Cash and cash equivalents	100.8	43.0
	100.8	43.0
Financial liabilities		
Bank loans	1,740.0	1,242.0
Interest rate swap notional principal excluding forward-starting swaps	(1,700.7)	(651.2)
	39.3	590.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

The following table summarises the interest rate hedges in place for the reporting period, detailing the notional principal hedge amounts outstanding, the average fixed rate, and the current fair value:

	Average swap fixed interest rate		Notional principal amount	
	2020	2019	2020	2019
	%	%	$million	$million
Less than 1 year	2.10	2.30	2,326.1	1,751.7
1 to 2 years	2.19	2.20	2,776.4	2,426.1
2 to 3 years	2.15	2.18	3,076.7	2,976.5
3 to 4 years	2.15	2.19	3,076.7	3,276.7
4 to 5 years	2.07	2.15	3,176.8	3,076.7
5 years or more	2.07	2.17	3,176.8	3,376.8
Average	2.12	2.20	**2,934.9**	2,814.1

The amounts at the reporting date relating to items designated as hedged items for interest rate risk were as follows:

Floating interest payments $million	2020	2019
Change in value used for calculating hedge effectiveness	323.3	143.7
Cash flow hedge reserve	317.6	142.2
Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	-	-

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

Interest Rate Swaps $million	2020	2019
Assets (carrying amount)		
Other current financial assets	-	-
Liabilities (carrying amount)		
Other current financial liabilities	(34.0)	(12.5)
Other non-current financial liabilities	(283.7)	(129.7)
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(317.6)	(142.2)
Changes in the value of the hedging instrument recognised in OCI	317.6	142.2
Hedge ineffectiveness recognised in Other expense	-	-
Amount reclassified from hedging reserve to profit or loss	(20.6)	(6.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

Interest rate sensitivity analysis

The table below sets out the impact on profit and loss and equity, if interest rates had been 25 (2019: 75) basis points higher or lower, based on the interest rate yield curve applicable to the Group's interest bearing assets and liabilities at the reporting date. All other variables have been held constant.

The impact of any mitigating actions that management might take if the interest rate change had occurred has not been taken into account.

$million	Profit/ (loss) before tax		Other comprehensive income	
	2020	2019*	2020	2019*
Interest rate + 25 basis points				
Interest on bank loan	(4.4)	(9.3)	-	-
Interest on interest rate swap	5.8	13.1	-	-
Fair valuation of interest rate swap	-	-	59.4	169.8
Interest rate - 25 basis points				
Interest on bank loan	4.4	9.3	-	-
Interest on interest rate swap	(5.8)	(13.1)	-	-
Fair valuation of interest rate swap	-	-	(60.7)	(183.4)

*2019 sensitivity analysis was based on 75 bps movement of the interest rate curve. Snowy assesses the reasonableness of the sensitivity scenario at reporting time to reflect the most up-to-date market environment. and determined 25 bps is more appropriate for 2020.

Cash flow hedge reconciliation

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

$millions	2020	2019
Balance at the beginning of the reporting period	(97.2)	(13.4)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk	(25.9)	3.4
Interest rate risk	(196.0)	(116.9)
Amount reclassified to profit or loss:		
Foreign currency risk	-	-
Interest rate risk	20.6	(6.2)
Commodity risk	-	-
Amount included in the cost of non-financial items:		
Foreign currency risk	-	-
Tax on movements on reserves during the year	60.4	35.9
Balance at the end of the reporting period	**(238.1)**	(97.2)

17 Financial Instruments (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due.

Short term liquidity risk predominantly arises through three sources: the potential for large margin calls on electricity futures contracts in the event of adverse movements in forward electricity prices; prudential calls from the electricity market operator (AEMO); and lastly the risk of settling large payouts on a contract or contracts where the Group's generation fails to cover those contract positions.

The Group manages its liquidity risk by continuously monitoring forecast and actual cash flows and prudential exposures, matching the maturity profiles of financial assets and liabilities and maintaining committed stand-by facilities. The Group holds an Australian Financial Services Licence under which it must continuously monitor its forward liquidity ratios and the amount of surplus liquid funds. Any unremedied breach of these conditions would trigger a cessation of trading.

At the reporting date, the Group had committed, undrawn facilities of $960.0 million (30 June 2019: $663.0 million), as detailed in Note 15 Interest bearing liabilities and credit facilities.

The Group manages its market related liquidity risk by maintaining adequate reserves of generation capacity and high levels of plant reliability and availability which allows for the generation of spot income to match contracted outgoing commitments to various NEM counterparties.

The nature of the Group's exposure to liquidity risk and its objectives and processes to manage this risk remain unchanged from the prior financial year.

The table below details the contractual maturity of the financial liabilities of the Group at the end of the reporting period. The amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group could be required to pay. The table includes both interest and principal cash flows.

To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. For derivative instruments that are required to be net settled, the amounts are based on the undiscounted net cash inflows and outflows; for derivative instruments that are required to be gross settled, the amounts are based on undiscounted gross cash inflows and outflows.

17 Financial Instruments (continued)

2020 $million	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Non derivative instruments					
Trade payables	320.3	-	-	-	320.3
Bank loans*	1,772.2	437.5	1,625.3	278.3	4,113.3
Finance lease liability	13.6	13.9	49.7	89.9	167.1
	2,106.1	**451.4**	**1,675.0**	**368.2**	**4,600.7**
Derivative instruments					
Energy and commodity derivatives	118.0	62.5	170.9	126.5	477.9
Foreign exchange contracts	1.3	5.5	31.5	9.4	47.7
Interest rate swaps	41.1	49.4	148.5	99.0	338.0
	160.4	**117.4**	**350.9**	**234.9**	**863.7**

2019					
Financial liabilities					
Non derivative instruments					
Trade and other payables	338.1	-	-	-	338.1
Bank loans*	1,289.0	285.0	1,076.0	-	2,650.0
Financial lease liability	11.2	11.2	33.7	52.2	108.3
	1,638.3	**296.2**	**1,109.7**	**52.2**	**3,096.4**
Derivative instruments					
Energy and commodity derivatives	61.5	1.2	35.6	143.5	241.8
Foreign exchange contracts				0.6	0.6
Interest rate swaps	14.3	25.9	80.9	30.7	0.6
	75.8	**27.1**	**116.5**	**174.8**	**394.2**

*Bank loans are revolving bank facilities with various maturities. Depending on the business operations, Snowy draws from the facilities and pays back all or part of the outstanding balances periodically. Therefore it is difficult to accurately forecast the contractual cash flows at year end. The estimated cash flows in less than one year are calculated by assuming the outstanding balance at year end is held for one year. For cash flows beyond one year, Snowy assumes the full limits of facilities are drawn until the maturities of the facilities. The estimates are likely to be higher than the eventuated cash flows.

(iii) Credit risk

Credit risk is the risk that a counterparty will not fulfil its financial obligations under a contract or other arrangement that may cause a financial loss to the Group.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed under a Board approved policy which includes the use of credit limits allocated based on the overall financial and competitive strength of the counterparty.

Derivative contract counterparties are generally limited to high-credit-quality financial institutions and organisations operating in the NEM and financial markets. Credit assessment of the counterparty is carried out when the Group deals with it for the first time and reviewed when necessary, at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

The concentration of credit risk arising from energy derivative trading is significant within a few counterparties at the end of the reporting period. The Group manages the concentration risk by continuously monitoring the credit exposure against the individual assigned credit limit and the Group's aggregate limit. The Group also utilises International Swap and Derivative Association (ISDA) agreements to limit its exposure to credit risk through the netting of amounts receivable from and payable to its counterparties.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. The nature of the Group's exposures to credit risk and its objectives and processes to manage this risk remain unchanged from the prior financial year.

Trade and other receivables consist of over 1.14 million residential, small and large commercial and industrial customers, in New South Wales, Victoria, South Australia and Queensland. Refer to Note 7 Trade Receivables for further information.

3. Fair Value of Financial Assets and Financial Liabilities

The following table presents the financial instruments that are measured and recognised at fair value on a recurring basis. Snowy Hydro classifies its financial instruments into the three levels prescribed under the accounting standards. The three levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical financial instruments.
Level 2	Other valuation methods for which all inputs that have a significant impact on fair value are observable, either directly (as prices) or indirectly (derived from prices).
Level 3	One or more key inputs for the instrument are not based on observable market data (unobservable inputs).

There were no material transfers between levels during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

2020 $million	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative financial instruments				
- Energy derivatives	51.9	3.4	166.0	221.3
Total financial assets	**51.9**	**3.4**	**166.0**	**221.3**
Financial liabilities				
Derivative financial instruments				
- Energy and commodity derivatives	67.1	49.3	324.5	440.9
- Foreign exchange contracts	-	22.5	-	22.5
- Interest rate swaps	-	317.6	-	317.6
Total financial liabilities	**67.1**	**389.4**	**324.5**	**781.0**
Net financial assets (liabilities)	**(15.2)**	**(386.0)**	**(158.5)**	**(559.7)**

2019 $million	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative financial instruments				
- Energy derivatives	70.0	37.3	45.0	152.3
- Foreign exchange contracts	-	3.6	-	3.6
Total financial assets	70.0	40.9	45.0	155.9
Financial liabilities				
Derivative financial instruments				
- Energy and commodity derivatives	36.4	5.9	128.1	170.4
- Foreign exchange contracts	-	0.6	-	0.6
- Interest rate swaps	-	142.2	-	142.2
Total financial liabilities	36.4	148.7	128.1	313.2
Net financial assets (liabilities)	**33.6**	**(107.8)**	**(83.1)**	**(157.3)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

Management has assessed the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) is a reasonable approximation of fair value.

The following is a summary of the methods that are used to estimate the fair value of Snowy Hydro's financial instruments:

Instrument	Hierarchy	Fair Value Methodology
Electricity swaps and options regularly traded in active markets	Level 2	Present value of estimated future cash flows relating to the difference between the contract rates and the market forward rate. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable.
Electricity swaps and options not regularly traded in active markets, with no observable inputs.	Level 3	Generally accepted valuation models which reflect the difference between the contract rates and an internal cap curve based on management's assessment of new-entrant pricing which takes into account capital costs, fixed and variable operating costs, efficiency factors and asset lives, as well as premiums for accepting physical risks or a long-term market forward curve provided by external consultants. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable, or the Group's weighted average cost of capital.
Electricity Load Following Swaps	Level 3	Present value of estimated future cash flows relating to the difference between the contract rates and the market forward rate based on forecast energy usage profiles. Market prices are adjusted with a half hourly calibration factor to price the usage profile.
Financial instruments traded in active futures markets	Level 1	Quoted market prices at the end of the reporting period.
Foreign exchange contracts	Level 2	Present value of estimated future cash flows relating to the difference between the contract rates and the quoted forward exchange rates. Cash flows are discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable.
Interest rate swaps	Level 2	Present value of estimated future cash flows. Key variables include market pricing data, discount rates and credit risk of Snowy Hydro or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

4. Level 3 fair value measurement instruments

The following table presents the changes in level 3 instruments for the period ended 30 June 2020:

$million	2020	2019
Opening balance	**(83.1)**	(6.7)
Option premium received in cash during the period	**(166.6)**	(178.8)
Total gains and losses in profit or loss		
- Settlements during the period	**125.2**	139.2
- Changes in fair value of financial instruments	**(34.0)**	(36.8)
Closing balance	**(158.5)**	(83.1)

Gains and losses in profit or loss due to changes in fair value are included within 'Changes in fair value of financial instruments'. All other gains and losses in profit or loss are shown in revenue.

Sensitivity analysis of level 3 instruments

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, the sensitivity of the valuation to a 40% movement in the price curve for cap instruments, 20% movement in the price curve for peak swap capped instruments and 20% movement in the price curve for flat and off-peak swap capped and load following swap instruments would have the following effects:

2020		Profit/ (loss) before tax	
$million	Fair value	Increase movement	Decrease movement
Energy Derivative assets	166.0	243.9	(243.9)
Energy Derivative liabilities	(324.5)	(231.9)	227.3

2019		Profit/ (loss) before tax	
$million	Fair value	Increase movement	Decrease movement
Energy Derivative assets	45.0	95.6	(91.8)
Energy Derivative liabilities	(128.1)	(50.3)	48.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

17 Financial Instruments (continued)

The sensitivity measure is based on the historical analysis of movement in the annual cap prices over the historical period for short term broker market (less than 100MW and short duration up to 2 years) and applied to non-standard, long term large volume contracts.

18 Issued capital

$million	2020	2019
200,000,000 fully paid ordinary shares	**816.1**	816.1

19 Reserves

$million	2020	2019
Hedging reserves		
Balance at the beginning of the reporting period	**(97.2)**	(13.4)
Gains / (losses) recognised:		
Foreign exchange contracts	**(25.9)**	3.4
Interest rate swaps	**(175.4)**	(123.1)
Deferred tax arising on hedges	**60.4**	35.9
Balance at the end of the reporting period	**(238.1)**	(97.2)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

20 Dividends

$million	2020	2019
Recognised amounts		
Final dividend Final dividend for 2019 of 54.25 cents per share, fully franked at the corporate tax rate of 30%, paid 25 October 2019 (2019: Final dividend for 2018 of 65.00 cents per share, fully franked at the corporate tax rate of 30%, paid 31 October 2018)	**108.5**	130.0
Interim dividend Interim dividend for 2020 of 54.65 cents per share, fully franked at the corporate tax rate of 30%, paid 24 April 2020 (2019: Interim dividend for 2019 of 54.25 cents per share, fully franked at the corporate tax rate of 30%, paid 18 April 2019)	**109.3**	108.5
Total recognised amounts	**217.8**	238.5
Unrecognised amounts Since the end of the financial year, the Directors have determined a final dividend for 2020 of 23.1 cents per share, fully franked at the corporate tax rate of 30%, payable on 23 October 2020	**46.2**	108.5

Dividend franking account balance	**173.3**	177.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

Group Structure

21 Subsidiaries

Name of Entity	Country of Incorporation	% Ownership	
		2020	2019
Parent Entity			
Snowy Hydro Limited (b)	Australia	-	-
Controlled Entities			
Snowy Hydro Trading Pty Ltd (c)	Australia	100	100
Red Energy Pty Ltd (a) (c)	Australia	100	100
Latrobe Valley BV (c)	Netherlands	100	100
Valley Power Pty Ltd (c)	Australia	100	100
Contact Peaker Australia Pty Ltd (c)	Australia	100	100
Lumo Energy Australia Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (NSW) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (Qld) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy (SA) Pty Ltd (a) (c)	Australia	100	100
Lumo Energy Telecommunications Pty Ltd (a) (c)	Australia	100	100
Lumo Generation NSW Pty Ltd (a) (c)	Australia	100	100
Lumo Generation SA Pty Ltd (a) (c)	Australia	100	100
Emagy Pty Ltd (a) (c)	Australia	100	100
TFI Partners Pty Ltd (a) (c)	Australia	100	100
Direct Connect Australia Pty Ltd (a) (c)	Australia	100	100
Connection Media Pty Ltd (a) (c)	Australia	100	100

(a) Entities which have entered into a deed of cross guarantee with Snowy Hydro pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge audited financial reports.
(b) Snowy Hydro Limited is the head entity within the tax consolidated group.
(c) These companies are members of the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

21 Subsidiaries (continued)

The consolidated statement of profit or loss and consolidated statement of financial position of the entities which are party to the deed of cross guarantee are:

Statement of profit or loss

$million	2020	2019
Revenue	**2,677.8**	2,813.0
Interest income	**0.5**	0.9
Other income	**17.1**	9.3
Direct costs of revenue	**(1,766.1)**	(1,792.8)
Consumables and supplies	**(60.7)**	(70.3)
Employee benefits expense	**(210.1)**	(214.3)
Depreciation and amortisation expense	**(141.4)**	(129.8)
Finance costs	**(44.0)**	(35.0)
Impairment loss recognised on trade receivables	**(30.1)**	(22.3)
Other expenses	**(126.6)**	(118.3)
Changes in fair value of financial instruments	**(204.4)**	15.7
Profit before income tax expense	**112.0**	456.1
Income tax expense	**(33.6)**	(137.7)
Profit attributable to the owners of the parent entity	**78.4**	318.4

Statement of financial position

$million	2020	2019
Current assets		
Cash and cash equivalents	**100.8**	43.0
Trade and other receivables	**395.5**	461.2
Inventories	**24.2**	22.8
Other financial assets	**266.1**	148.8
Other assets	**92.3**	62.4
Total current assets	**878.9**	738.2
Non-current assets		
Deferred tax assets	**302.8**	190.4
Goodwill and other intangible assets	**561.3**	568.6
Property, plant and equipment	**2,902.5**	2,411.2
Other financial assets	**87.2**	101.6
Investments in subsidiaries	**95.1**	95.1
Other assets	**190.3**	122.2
Total non-current assets	**4,139.2**	3,489.1
Total assets	**5,018.1**	4,227.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

21 Subsidiaries (continued)

Statement of financial position (continued)

$million	2020	2019
Current liabilities		
Trade and other payables	**341.5**	338.1
Interest bearing liabilities	**11.1**	8.9
Provisions	**66.9**	64.4
Other financial liabilities	**475.2**	184.0
Income tax payable	**9.3**	10.5
Total current liabilities	**904.0**	605.9
Non-current liabilities		
Interest bearing liabilities	**1,887.6**	1,300.5
Provisions	**65.4**	55.7
Other financial liabilities	**305.9**	130.3
Total non-current liabilities	**2,258.9**	1,486.5
Total liabilities	**3,162.9**	2,092.4
Net assets	**1,855.2**	2,134.9
Equity		
Issued capital	**816.1**	816.1
Reserves	**(238.1)**	(97.2)
Retained profits	**1,277.2**	1,416.0
Total equity	**1,855.2**	2,134.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

22 Parent entity disclosures

(a) Summary financial information (Parent)

$million	2020	2019
Assets		
Current assets	**563.4**	360.8
Total assets	**4,405.2**	3,640.6
Liabilities		
Current liabilities	**639.3**	423.3
Total liabilities	**2,865.8**	1,902.3
Equity		
Issued capital	**816.1**	816.1
Reserve	**(239.8)**	(97.2)
Retained earnings	**963.1**	1,019.3

Profit for the period	**161.1**	219.9
Total comprehensive income	**20.8**	134.3

(b) Guarantees entered into by the parent entity in relation to its subsidiaries

$million	2020	2019
Guarantees provided under the deed of cross guarantee as referred to in note 21	**84.3**	71.0

(c) Contingent liabilities of the parent entity

Contingent liabilities detailed in note 26 relate to the parent entity.

(d) Capital commitments

$million	2020	2019
Not longer than 1 year	**1,289.9**	888.9
Later than 1 year but not later than 5 years	**3,063.7**	3,349.4
Later than 5 years	**202.1**	600.9
	4,555.7	4,839.2

23 Related party disclosures

(a) Equity Interests In Related Parties

Detail of the percentage of ordinary shares held in controlled entities is disclosed in Note 21 to the financial statements.

(b) Key Management Remuneration

Key Management Personnel are those people who have authority and responsibility for planning, directing and controlling the activities of Snowy Hydro, including the directors of the parent entity. The aggregate remuneration made to key management personnel is set out below:

$	2020	2019
Short-term employee benefits	**8,762,192**	7,488,944
Post-employment benefits	**314,439**	279,814
Other long-term employee benefits	**21,902**	2,099,326
Total remuneration	**9,098,533**	9,868,084

During the year, Snowy Hydro extended the list of key management personnel. Further details are contained in the Remuneration Report.

(c) Directors' and Specified Executive Loans

No loans were made nor are any outstanding between Snowy Hydro and any director or director related entities.

(d) Directors' Equity Holdings

No shares or options of the consolidated entity are held by any director or director related entities.

(e) Other Transactions With Directors

No other transactions, other than in the ordinary course of business on commercial terms, have been entered into between the consolidated entity and any director or director related entities.

(f) Transactions Within the Wholly-Owned Group

The wholly-owned group includes the ultimate parent entity and sixteen wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Snowy Hydro Limited. During the financial year Snowy Hydro provided management, accounting and administrative services to its controlled entities other than Valley Power and Lumo Generation SA on a cost free basis. Snowy Hydro also provides all personnel, operational and management services to Valley Power and Lumo Generation SA on a cost basis. All intercompany balances are at call, but the Directors have declared that they are not expected to be called in the current period. The balance of intercompany loans owed by the parent entity to the controlled entities as at 30 June 2020 was $129.0 million (30 June 2019: $106.1 million owed by the parent entity).

Other

24 Defined benefit superannuation plan

Employees of Snowy Hydro are members of a variety of superannuation funds covering both defined contribution and defined benefit plans. Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Snowy Hydro's defined benefit plans include:

- Commonwealth Superannuation Scheme ("CSS");
- Public Sector Superannuation Scheme ("PSSS");
- Energy Industries Superannuation Scheme ("EISS");
- State Superannuation Scheme ("SSS"); and
- State Authorities Non-contributory Superannuation Scheme ("SANCS")

CSS and PSSS are accounted for as defined contribution plans on the basis that these are multi-employer plans and insufficient information is available to apply defined benefit accounting.

The SSS and SANCS schemes are part of the same pooled funds and are therefore treated together for the defined benefit scheme financial statement disclosures below.

For the EISS, SSS and SANCS defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurements, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost (including current service cost, past service cost and gains and losses on curtailments and settlement) are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit in Snowy Hydro's defined benefit plans, calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The defined benefit plans are administered by a separate Fund that is legally separated from the entity.

The defined benefit plans require contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plans.

The Energy Industries Superannuation Scheme Pool B ("EISS"), the State Authorities Superannuation Scheme ("SSS") and the State Authorities Non-contributory Superannuation Scheme ("SANCS") provide defined benefits in the form of lump sum or pension benefits on retirement, death, disablement and withdrawal. These schemes are here forth referred to as the 'Schemes'. The Schemes are closed to new members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

24 Defined benefit superannuation plan (continued)

Description of the regulatory framework

The Schemes are primarily regulated by the Superannuation Industry (Supervision) Act 1993 (Cth) ("the SIS legislation").

The Schemes have received an exemption from detailed annual actuarial valuations and therefore detailed actuarial valuations are only required triennially. The last actuarial valuation of the Schemes was performed as at 30 June 2018. The next actuarial investigation is due as at 30 June 2021.

Description of other entities' responsibilities for the governance of the Schemes

The Schemes' Trustees are responsible for the governance of the Scheme according to the Scheme rules and regulations.

Description of the risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk**: The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk**: The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk**: The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk**: The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk**: The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Description of significant events

A settlement gain arose during the year due to the exit of a member of the Energy Industries Superannuation Scheme. There were no other amendments, curtailments or settlements to the schemes during the year due to exits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

24 Defined benefit superannuation plan (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

$million	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Net amount
2019	25.2	(16.9)	**8.3**	-	**8.3**
Current service cost	0.1	-	**0.1**	-	**0.1**
(Gains)/losses arising from settlements	(0.5)	0.4	**(0.1)**	-	**(0.1)**
Interest expense/ (income)	0.7	(0.5)	**0.2**	-	**0.2**
Total amount recognised in profit or loss	0.3	(0.1)	**0.2**	-	**0.2**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/ (income)	-	0.6	**0.6**	-	**0.6**
Loss from changes in demographic and financial assumptions	(1.1)	-	**(1.1)**	-	**(1.1)**
Experience loss	(0.3)	-	**(0.3)**	-	**(0.3)**
Total amount recognised in other comprehensive income	(1.4)	0.6	**(0.8)**	-	**(0.8)**
Contributions:					
Employers	-	(0.9)	**(0.9)**	-	**(0.9)**
Plan participants	0.1	(0.1)	**-**	-	**-**
Payments from plan:					
Benefit payments	(1.5)	1.5	**-**	-	**-**
2020	**22.7**	**(15.9)**	**6.8**	**-**	**6.8**

Fair value of Fund assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the end of the reporting period are as follows:

As at 30 June 2020	EISS	SSS/SANCS
Australian equities	14%	18%
International equities	25%	30%
Property	13%	8%
Private equity	1%	-
Infrastructure	8%	-
Alternatives	8%	26%
Fixed income	18%	8%
Short Term Securities	-	10%
Cash	13%	-
Total	**100%**	**100%**

All plan assets are held within investment funds which do not have a quoted market price in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

24 Defined benefit superannuation plan (continued)

Significant actuarial assumptions at the reporting date

As at 30 June 2020	EISS	SSS/SANCS
Discount rate	2.85%	3.16%
Salary increase rate (excluding promotional increases)	2.5% pa	3.2% pa
Rate of CPI increase	1.9% pa	0.25% - 2.5%
Pensioner mortality	As per the triennial valuation of the Scheme as at 30 June 2018	

The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher/(lower), the defined benefit obligation would decrease by $2.8 million (increase by $3.3 million); and
- If the rate of CPI increase is 0.5% higher/(lower), the defined benefit obligation would increase by $1.5 million (decrease by $1.4 million).

Asset-Liability matching strategies

The asset-liability risk is monitored in setting the investment strategy however no explicit asset-liability matching strategy is used. There has been no change in the process used to manage its risks from prior periods.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer and relevant parties such as the Trustee and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Expected contributions

Expected employer contributions for the financial year ending 30 June 2021 are $0.6 million and $0.2 million for EISS and SANCS/SSS respectively.

Maturity profile of defined benefit obligation

The weighted average duration of Snowy Hydro's defined benefit obligation is 12 years and 15 years for EISS and SANCS/SSS respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

25 Commitments

$million	2020	2019
Capital expenditure commitments - property, plant & equipment		
Not longer than 1 year	**1,289.9**	888.9
Later than 1 year but not later than 5 years	**3,063.7**	3,349.4
Later than 5 years	**202.1**	600.9
Total capital expenditure commitments - property, plant and equipment	**4,555.7**	4,839.2
Lease commitments		
Not longer than 1 year	**0.4**	11.5
Later than 1 year but not later than 5 years	**-**	36.4
Later than 5 years	**-**	85.6
Total lease commitments	**0.4**	133.5
Other commitments		
Not later than 1 year	**11.8**	18.6
Later than 1 year but not later than 5 years	**3.9**	15.1
Total other commitments	**15.7**	33.7

AASB16 was adopted in FY 2020 and so lease commitments now reflect short-term leases only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2020

26 Contingent liabilities and contingent assets

(a) Contingent liabilities

Snowy Hydro is involved in various legal proceedings arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on Snowy Hydro's financial position or results of operations. Contingent liabilities of the consolidated entity as at 30 June 2020 are:

(i) Ongoing contingent liabilities are represented by:

Snowy Hydro has entered into a number of bank guarantees in relation to operating within the national electricity and gas markets, and for rental properties in Sydney and Melbourne, to the value of $93.1 million (2019: $82.2 million).

(ii) Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. These contaminated sites are being rehabilitated as they are identified.

The consolidated entity does not believe that the contingent liability on any sites identified in the future would be material.

(b) Contingent assets

On 4 January 2020, severe fire activity occurred throughout the Snowy Mountains region, both within the Kosciuszko National Park and in townships surrounding the park. In particular, fires impacted Snowy Hydro's sites in Talbingo, Cabramurra and the Snowy 2.0 construction site in Lobs Hole.

Bushfire damaged assets totalling $7.7 million have been written off during the year, with a further $13.4 million of incremental bushfire recovery expenses incurred. These costs are excluded from underlying profit. It is anticipated that further recovery costs will be incurred in the financial year ending 30 June 2021.

Snowy Hydro has submitted an insurance claim and management is confident of a successful resolution, however the expected value of the settlement has not been disclosed to avoid prejudicing the claim process.

27 Subsequent events

On 28 August 2020, the Shareholder announced approval for commencement of the Snowy 2.0 project main works, being the construction of an underground power station, waterways and access tunnels, and other supporting infrastructure.

Except as otherwise disclosed in this report, no item, transaction or event of a material nature has arisen since 30 June 2020 that would significantly affect the operations of Snowy Hydro, the results of those operations, or the state of affairs, in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2020

28 Remuneration of auditors

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of Snowy Hydro Limited and its subsidiaries. In December 2020, the Australian National Audit Office (ANAO) retained Deloitte Touche Tohmatsu to assist with the assignment.

Snowy Hydro Limited has engaged Deloitte Touche Tohmatsu on assignments additional to their contract auditor duties and may decide to continue to do so, where their expertise and experience with the Group is important and no potential conflicts of interest exist. Any such engagement with Deloitte Touche Tohmatsu is subject to prior approval by the ANAO and having regard to their independence policies.

The Directors are satisfied that the provision of advisory services by Deloitte Touche Tohmatsu did not compromise auditor independence requirements, having a specific regard to Deloitte Touche Tohmatsu's role as the contractor to the ANAO.

During the year the following fees were paid or payable for services provided by the auditor and Deloitte Touche Tohmatsu:

$	2020	2019
Audit services		
Audit or review of the financial report	**679,500**	720,000
Other audit services	**14,500**	39,200
Other non-audit services		
Technology services	**74,900**	123,240
Financial due diligence	**-**	137,000
Digital profile assessment	**146,900**	44,600
Total remuneration of auditors	**915,800**	1,064,040

DIRECTORS' DECLARATION

The Directors of Snowy Hydro Limited (the Company) declare that, in their opinion:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act *2001,* including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the financial position as at 30 June 2020 and of the performance for the period ended on that date of Snowy Hydro; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) there are reasonable grounds to believe that the Parent Entity and the subsidiaries identified in Note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Class Order 2016/785.

Signed in accordance with a resolution of the Directors

David Knox, Chair
31 August 2020

Paul Broad, Managing Director
31 August 2020

Australian National
Audit Office

Mr David Knox
Chair
Snowy Hydro Limited
Lot 3, Pier 8/9
23 Hickson Road
Walsh Bay NSW 2000

Dear Mr Knox

SNOWY HYDRO LIMITED FINANCIAL REPORT 2019–20
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of Snowy Hydro Limited for the year ended 30 June 2020, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Carla Jago
Group Executive Director
Delegate of the Auditor-General

Canberra

31 August 2020

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300

INDEPENDENT AUDITOR'S REPORT

To the members of Snowy Hydro Limited

Opinion

In my opinion, the financial report of Snowy Hydro Limited ('the Company') and its subsidiaries (together 'the Group') for the year ended 30 June 2020 is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of the Group, which I have audited, comprises the following statements as at 30 June 2020 and for the year then ended:

- Consolidated Statement of Profit or Loss;
- Consolidated Statement of Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows;
- Notes to the consolidated financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing matters, as applicable, related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Carla Jago

Group Executive Director

Delegate of the Auditor-General

Canberra

31 August 2020

REGULATORY REPORTING REQUIREMENTS INDEX

Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)

For the period ended 30 June 2020

Section	Subject	Location	Pages
28E	**Contents of annual report**		
28E(a)	The purposes of the company as included in the company's corporate plan for the reporting period	Purpose, Objectives and Values	5
28E(aa)	The results of a measurement and assessment of the company's performance during the period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the period	Directors' report Operating and Financial Review	8 39-43
28E(b)	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Purpose, Objectives and Values	5
28E(c)	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period	Purpose, Objectives and Values	5
28E(d)	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act	Purpose, Objectives and Values	5
28E(e)	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act	Not applicable	-
28E(f)	Information on each director of the company during the reporting period	Directors' report	9-11
28E(g)	An outline of the organisational structure of the company (including any subsidiaries of the company)	Notes to the Consolidated Financial Statements	88
28E(ga)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location	Directors' Report	7
28E(h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Directors' Report	7
28E(i)	Information in relation to the main corporate governance practices used by the company during the reporting period	Corporate Governance Statement	28-35
28E(j), 28E(k)	For transactions with a related Commonwealth entity or related company	Not applicable	-

	where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): (a) the decision-making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions		
28E(l)	Any significant activities or changes that affected the operations or structure of the company during the reporting period	Directors' Report	8
28E(m)	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company	Directors' Report	13
28E(n)	Particulars of any reports on the company given by: (a) the Auditor-General, or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission	Not applicable	-
28E(o)	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report	Not applicable	-
28E(oa)	Information about executive remuneration	Remuneration report	15-27
28E(ob)	The following information about the audit committee for the company: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	(a) Corporate Governance Statement (b) - (d) Directors' report (e) Remuneration report	29 9-12 15-27
28F	**Disclosure requirements for government business enterprises**		
28F(1)(a)(i)	An assessment of significant changes in the company's overall financial structure and financial conditions	Not applicable	-

28F(1)(a)(ii)	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition	Not applicable	-
28F(1)(b)	Information on dividends paid or recommended	Directors' Report Notes to the Consolidated Financial Statements	8 87
28F(1)(c)	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	Not applicable	-
28F(2)	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	Directors' Report	8