

An aerial photograph of a large dam and reservoir. The reservoir is a deep blue color, occupying the central and left portions of the image. The dam is a curved concrete structure on the right side, with several spillways. The surrounding landscape is a mix of dry, brownish-yellow earth and green trees. The sky is not visible.

snowyhydro

Annual report

For the year ended 30 June 2022

Snowy Hydro acknowledges the Traditional Owners and custodians of the country on which we operate, and we pay our respects to their Elders past, present and emerging.

Snowy Hydro Limited and its Controlled Entities

ABN 17 090 574 431

ANNUAL REPORT

For the financial year ended 30 June 2022

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CORPORATE DIRECTORY

Directors

David Knox, Chair
BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD

Paul Broad, Managing Director
BEcon (Hons), MEcon

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

Scott Mitchell
GAICD

Karen Moses
BEcon, Dip Ed, FAICD

Sandra Dodds
BCom, FCA, GAICD

Anthony Shepherd AO
BCom

Leanne Heywood (appointed 21 March 2022)
OAM, B.Bus (Acc), MBA, FCPA, GAICD

Timothy Longstaff (appointed 1 April 2022)
BEc, FCA, GAICD, F.Fin

Richard Sheppard (term ended 31 March 2022)
BEc (Hons)

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 (ANAO) 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

In a broadly challenging 12 months, Snowy Hydro has delivered a strong performance across the entire group while playing a key role in maintaining system security during a period of grid instability, including the flow-on impacts of the energy market suspension and the Australian Energy Market Operator (AEMO) intervention in June 2022.

This year the Company paid dividends of approximately \$164 million in line with our Shareholder expectations, taking the total over five years to approximately \$1 billion. Snowy Hydro continues to manage its balance sheet to service significant calls on capital related to major projects.

Pleasingly, the Company has maintained a strong safety performance, retained a BBB+ credit rating and enhanced its reputation as an energy retailer of choice, winning a number of customer satisfaction awards and further developing a strong position in the commercial and industrial segment.

The unprecedented market events in June 2022 highlighted the value of Snowy Hydro's assets and its investments in Snowy 2.0, the Hunter Power Project (HPP) and in energy offtake agreements with 1.3GW of new wind and solar plants.

Snowy Hydro - as the National Electricity Market's (NEM) 'insurance policy' - provided a record amount of on-demand energy generation to cover shortfalls from other sources of supply. However, 'keeping the lights on' resulted in material adverse impacts on the Company's financial position, with significant reductions in earnings during this period, and it depleted our scarce reserves of fuel (water) for the coming year.

This sustained energy generation contribution by Snowy Hydro highlights the challenges posed by the rapid decarbonisation of the NEM. AEMO estimates that as much as 14GW of baseload coal capacity will retire by 2030. The Snowy 2.0 project, along with HPP, will help maintain system security and reliability during this period and drive Australia's transition to renewables.

In FY22 the Company progressed the construction of Snowy 2.0 amid significant challenges, notably the impacts of COVID-19 on resourcing, high material costs, global supply chain constraints and labour shortages across the Australian construction industry. The project is achieving significant milestones, with all surface work fronts underway, three tunnel boring machines in operation, a workforce of more than 2,100 delivering significant economic benefits to the Snowy Mountains region, and the precast factory at Polo Flat in Cooma producing thousands of tunnel-lining concrete segments.

The HPP at Kurri Kurri achieved a number of critical milestones in FY22, including NSW and Commonwealth Government environmental approvals, as well as the appointment of CIMIC Group's UGL as principal contractor and the signing of a major contract with Mitsubishi Power to deliver open-cycle gas turbines that subject to further engineering development can be modified to co-fire on 30% hydrogen. The Company looks forward to progressing this critical project towards 30% hydrogen readiness with support from our Shareholder. Once complete, the project will supply an additional 660MW of dispatchable and on-demand power from gas and hydrogen generation. We have been collaborating with Macquarie Bank, the Port of Newcastle, as well as governments, CSIRO and Professor Alan Finkel to understand the opportunities and challenges in the rapidly emerging green hydrogen industry and investigate broader supply network development.

The last 12 months have demonstrated the need for transmission augmentation to be prioritised, reinforcing the consistent position taken by Snowy Hydro and other stakeholders that there can be no transition without transmission. Expanding the transmission network will connect geographically-diverse sources of renewable energy and leverage investments in storage and firming assets from Snowy Hydro and other participants. The Company welcomes the Federal Government's 'Rewiring the Nation' policy that supports the transmission upgrades identified in AEMO's Integrated System Plan to be implemented with utmost urgency.

Snowy Hydro is one of the largest investors in renewable energy offtake agreements in the country, having supported the construction of 1.3GW of new wind and solar plants since 2017. In FY22 we agreed on our 12th

offtake agreement, with CWP Renewables' Uungula wind farm. Combined with our on-demand hydro assets, these investments allow us to supply 'firm', secure, low-emissions energy to the market.

Our Retail business continues to expand its contribution to Snowy Hydro, providing an important, stable channel to market for generation and capacity products, while delivering additional retail margins and helping to stabilise group earnings. It continues to grow market share across the NEM, leveraging the strength of its market-leading customer experience, its people and brands, including its connection to the mighty Snowy.

Safety is a fundamental value at Snowy Hydro and it's at the heart of everything we do. The health and safety of our workforce is our first priority and we have a comprehensive people strategy implemented to support this goal. We continue to maintain a strong focus on the communities in which we operate, investing in our chosen areas of education, health and wellbeing, environment and regional capacity-building through important partnerships with the Clontarf Foundation, Country Universities Centres, PCYC NSW, Young Driver Training Program and many others.

This year, our assets and people have been stretched to their limits and have delivered on all fronts. The dedication and capability shown by all at Snowy Hydro earns our great appreciation and thanks.



David Knox, Chair



Paul Broad, Managing Director

OUR PURPOSE AND OBJECTIVES

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

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.

The Company has been a Commonwealth company under the PGPA Act since 29 June 2018, and a Government Business Enterprise (GBE) since 2 July 2018. The Company's Shareholder Ministers have been Senator The Hon Katy Gallagher, Minister for Finance from 23 May 2022 and The Hon Chris Bowen MP, Minister Climate Change and Energy from 1 June 2022. The Company's previous Shareholder Ministers (between 1 July 2021 until 23 May 2022) were Senator The Hon Simon Birmingham, 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. On 28 October 2021, the Shareholder Ministers issued a further updated SOE. The Company's SOE¹ 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 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.

¹ 28 October 2021

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 year ended 30 June 2022.

Principal activities

Snowy Hydro is a producer, supplier, trader and retailer of energy in the National Energy Market (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 NSW, Victoria and South Australia including the iconic 4,100MW Snowy Mountains Hydro-electric Scheme, the 300MW Valley Power gas-fired power station and the 320MW Laverton North gas-fired power station in Victoria, the 667MW Colongra gas-fired power station in NSW and 136MW of diesel generation at Port Stanvac and Angaston in South Australia.

In 2017, Snowy Hydro established an offtake agreement for 95MW of solar generation at Tailem Bend in South Australia, which commenced in April 2019. From 2019 to 2021, Snowy Hydro procured offtake agreements for 350MW of generation from five solar farms in NSW and 704MW of generation from five wind farms in NSW and Victoria. Operations commenced at three projects during 2021 and another three projects during 2022, with the remaining four scheduled for 2023 to 2025. More recently, in June 2022, Snowy Hydro agreed on our 12th offtake agreement for 200MW of generation with CWP Renewables' Uungula wind farm, near Wellington in New South Wales.

In 2019, Snowy Hydro commenced construction of the Snowy 2.0 project. This pumped-hydro expansion of the Snowy Scheme will link two existing dams, Tantangara and Talbingo, through a 27km underground tunnel and a new underground power station. It is a nation building project that will underpin Australia's transition to renewable energy.

In 2021, Snowy Hydro reached final investment decision and received shareholder approval for the Hunter Power Project, a 660 MW gas-fired power station at Kurri Kurri in NSW that will provide first power by 2023.

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 1.21 million customer accounts in the NEM including households, Small to Medium Enterprises (SMEs) and Commercial and Industrial customers (C&I) across Victoria, NSW, South Australia and Queensland. Snowy Hydro also operates the utilities connection business, Direct Connect.

Our people

Snowy Hydro employs 1,726 people, with 93.4% of them working on an ongoing basis. 89.3% are full time employees and 10.7% work part time. 42.5% are female, 57.4% are male and 0.1% are non-binary, intersex or unspecified.

Most of our people are based in Victoria (59.6%) and NSW (38.6%). 1.5% are based in South Australia. 34.4% of employees are based in the Snowy Mountains and other regional locations across NSW, SA and Victoria, with the remaining 65.6% in Melbourne, Sydney and other cities.

Dividends

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

\$million	2022	2021
Recognised amounts		
Final dividend Final dividend for 2021 of 5.052 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022 (2021: Final dividend for 2020 of 13.14 cents per share, fully franked at the corporate tax rate of 30%, paid 23 October 2020)	72.0	46.2
Interim dividend Interim dividend for 2022 of 4.655 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022 (2021: Interim dividend for 2021 of 11.56 cents per share, fully franked at the corporate tax rate of 30%, paid 23 April 2021)	66.3	76.5
Special dividend Special dividend for 2022 of 1.775 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022	25.3	-
Total recognised amounts	163.6	122.7
Dividend franking account balance	238.4	212.1

Review of operations and future developments

A review of the operations and results of Snowy Hydro during the period is set out in the operational 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 that disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Significant changes in the state of affairs

Contributed equity increased by \$902 million following the issue of 840 million fully paid ordinary shares and 62 million fully paid preference shares to the shareholder the Commonwealth Government. 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

The Directors are not aware of any matters or circumstances that have arisen since 30 June 2022, 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 during FY2022 are:



David Knox

Chair and Non-Executive Director since January 2020.

Experience and expertise

BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD

Mr Knox 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.

Mr Knox has held management and engineering positions at BP, ARCO and Shell in the United Kingdom, Pakistan, USA, Netherlands and Norway. Mr Knox has 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.

Snowy Hydro Committees

Member of the People & Culture Committee.

Other directorships

Chair of the Australian Centre for Social Innovation (TACSI), Micro-X and Knox Anchors. Deputy Chair of CSIRO. Non-Executive Director of Redflow 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

Mr Broad has an extensive footprint as Managing Director and Chief Executive Officer of some of Australia's largest utilities over the past 30 years. During his career, he has been the Chief Executive Officer of Sydney Water, Hunter Water, Energy Australia, PowerTel and AAPT, and the inaugural Chief Executive Officer of Infrastructure NSW.

Mr Broad's prior Directorships include Chair of the Hunter Development Corporation, Chair of Mandoe Media Ltd and a Non-Executive Director of iiNet Ltd.

Snowy Hydro Committees

Member of the Safety, Operations & Environment Risk Committee and ex-officio attendee of all other Committees.



Leeanne Bond

Non-Executive Director since November 2015.

Experience and expertise

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

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

Ms Bond has 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.

Snowy Hydro Committees

Chair of the Safety, Operations & Environment Risk Committee and member of the Portfolio Risk Committee and 2.0 Project Advisory Committee.

Other directorships

Chair of Mining3. Non-Executive Director of Synertec Corporation Ltd, 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. Executive Director of Breakthrough Energy Pty Ltd.



Scott Mitchell

Non-Executive Director since March 2019.

Experience and expertise

GAICD

Mr Mitchell 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 an 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. He was also Federal Director of the National Party of Australia.

Mr Mitchell 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. Mr Mitchell also does pro bono work with a number of organisations.

Snowy Hydro Committees

Chair of the People & Culture Committee (effective 1 April 2022). Member of the Safety, Operations & Environment Risk Committee and 2.0 Project Advisory Committee.

Other directorships

Director 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

Ms Moses 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, Ms Moses was a member of the Future Security of the National Energy Market Finkel Review Panel.

Snowy Hydro Committees

Chair of the Portfolio Risk Committee and member of the People & Culture Committee.

Other directorships

Chair of Create NSW - Dance and Physical Theatre Advisory Board. Non-Executive Director of Boral Ltd, Orica Ltd and Charter Hall Ltd. Fellow of the Sydney University Senate. Director of the Board of Music in Regions Ltd (not-for-profit).



Sandra Dodds

Non-Executive Director since July 2019.

Experience and expertise

BCom, FCA, GAICD

Ms Dodds has a broad and diverse industrial background with experience working in highly regulated environments in Australia, New Zealand and Asia. Ms Dodds 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), Ms Dodds spent 10 years at Downer EDI, where she held a number of senior executive leadership roles which included CEO Downer Asia. Ms Dodds operates her own consultancy business and was previously Chair of TW Power Services Ltd and a Director of Sydney Harbour Ferries Ltd.

Snowy Hydro Committees

Chair of the Audit & Compliance Committee and a member of the People & Culture Committee (effective 1 April 2022). Ms Dodds was also a member of the Safety, Operations & Environment Risk Committee until 31 March 2022.

Other directorships

Non-Executive Director of OceanaGold Ltd, Contact Energy and BGL Ltd. Executive Director of SDB Advisory Services.



Anthony Shepherd, AO

Non-Executive Director since August 2020.

Experience and expertise

BCom

Mr Shepherd has had an extensive global career in the private and public sectors. He led major infrastructure projects including the Sydney Harbour Tunnel, Melbourne CityLink and EastLink, and oversaw the listing of Transurban, Transfield Services and Connect East. His previous roles include Chair of WestConnex, the National Commission of Audit, and the Australian Subscription Television and Radio Association, and President of the Business Council of Australia.

Snowy Hydro Committees

Chair of the 2.0 Project Advisory Committee and member of the Portfolio Risk Committee.

Other directorships

Chair of the AFL GWS Giants, Bingo Industries Limited, Macquarie Specialised Asset Management Ltd and Venues NSW. The inaugural Chair of Infrastructure SA. Non-Executive Director of Racing NSW, Enviro Pacific Pty Ltd and Virgin Australia International Holdings Pty Ltd.



Leanne Heywood

Non-Executive Director since March 2022.

Experience and expertise

OAM, B.Bus(Acc), MBA, FCPA, GAICD

Mrs Heywood has over 25 years' experience in the mining sector, most recently in a senior international marketing role with Rio Tinto. She has strong skills in Accounting (FCPA), and extensive international and domestic marketing experience. An experienced leader of transformational change, Mrs Heywood has led organisational restructuring, disposals and acquisitions, and major greenfield and brownfield projects, at both executive and Board level.

Mrs Heywood was appointed to the Board effective 21 March 2022.

Snowy Hydro Committees

Member of Audit & Compliance Committee and Safety, Operations & Environment Risk Committee.

Other directorships

Non-Executive Director of Allkem Limited, Symbio Holdings Limited, Midway Limited and Quickstep Holdings Limited. Council member of Charles Sturt University.



Timothy Longstaff

Non-Executive Director since April 2022.

Experience and expertise

BEc, FCA, GAICD, F.Fin

Mr Longstaff had a 30 year career as a senior executive in financial services, both as a Chartered Accountant and an investment banker with global top tier firms. He brings deep expertise in strategy development, mergers & acquisitions, financing, capital markets and capital structuring.

He subsequently served as a senior advisor to Minister Simon Birmingham, providing strategic and policy advice regarding the Trade & Investment and Finance portfolios respectively.

Mr Longstaff was appointed to the Board effective 1 April 2022.

Snowy Hydro Committees

Member of Audit & Compliance Committee and Safety, Operations & Environment Risk Committee.

Other directorships

Non-Executive Director of Ingham's Group Ltd, Perenti Global Ltd and George Institute for Global Health. Member of the Takeovers Panel.



Richard Sheppard

Non-Executive Director from May 2015 to March 2022.

Experience and expertise

BEcon (Hons)

Mr Sheppard 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, Mr Sheppard spent seven years with the Reserve Bank.

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

Mr Sheppard retired from the Board on 31 March 2022.

Snowy Hydro Committees

Chair of the People & Culture Committee and member of the Audit & Compliance Committee (until 31 March 2022).

Other directorships

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

Leanne Heywood and Timothy Longstaff were appointed to the Board on 21 March 2022 and 1 April 2022 respectively. Richard Sheppard's term as a Board member ended on 31 March 2022.

In August 2022, the Managing Director and CEO, Paul Broad provided notice to the Board of his impending retirement.

Company Secretary

Praveena Karunaharan, BCom / BSc, CFA

Praveena was appointed Group Company Secretary on 29 June 2018 and is Snowy Hydro's Group Executive - Governance, Risk and Compliance (GRC). With over 15 years' experience in the GRC sector, she is a Non-Executive Director of the not-for-profit entities Country Universities Centre and Palmera Projects.

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 2022, and the number of meetings attended by members.

Directors	Board meetings ¹		Committee meetings									
			Audit & Compliance		Portfolio Risk		Safety, Operations, Environment Risk		People & Culture		2.0 Project Advisory	
	H	A	H	A	H	A	H	A	H	A	H	A
David Knox ^[4]	10	10							5	5		
Paul Broad ^[4]	10	10					4	4				
Richard Sheppard ^[1]	8	8	3	3					4	4	1	1
Leeanne Bond	10	10			4	4	4	4			11	11
Scott Mitchell	10	10					4	4	5	5	11	11
Karen Moses	10	10			4	4			5	5		
Sandra Dodds	10	10	4	4			3	3	1	1		
Anthony Shepherd	10	10			4	4					11	10
Leanne Heywood ^[2]	2	2	1	1			1	1				
Timothy Longstaff ^[3]	2	2	1	1			1	1				

[1] Term ended on 31 March 2022

[2] From the date of appointment on 21 March 2022

[3] From the date of appointment on 1 April 2022

[4] The Chair and the CEO attended all 28 Committee meetings held in FY22 irrespective of membership.

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 2022 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 (EPLs) 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.

Snowy Hydro responded to a clean-up notice from NSW Environmental Protection Authority (EPA) with respect to the operations of one of its contractors at the Snowy 2.0 site. This was responded to and complied with immediately. In addition, Snowy Hydro received an Improvement Notice from VIC EPA with respect to the release of diesel at Laverton Power Station. Apart from this, there were no publicly reportable breaches of Snowy Hydro's licences or environmental non-compliances resulting in regulatory action or intervention (such as infringement notices, penalties or official cautions) during the financial year.

Amendments to legislation

On 1 July 2021, the *Environment Protection Act 2017 (VIC)* (**the Act**) came into effect and is a major expansion of the scope of Victoria's environmental protection regime. As part of the new regime, it introduces a new "general environment" duty, which imposes a broad obligation for companies like Snowy Hydro to take proactive steps to minimise risks of harm caused by any activities undertaken by Snowy Hydro so far as is reasonably practicable. While this new duty is relevant to Snowy Hydro's generation operations in Victoria, Snowy Hydro's operations were already in line with the new duty. As part of the transition into the new regime, Snowy Hydro will be issued with new environment operating licences.

There were otherwise no notable changes to relevant legislation and regulation affecting the operations of the Company.

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 ANAO who has retained Deloitte Touche Tohmatsu to assist with the assignment. No non-audit services have been provided by the ANAO. 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 109 of the Financial Report.

Signed in accordance with a resolution of the Directors

Handwritten signature of David Knox in black ink.

David Knox, Chair
31 August 2022

Handwritten signature of Paul Broad in black ink.

Paul Broad, Managing Director
31 August 2022

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" variable reward components. These variable components are only paid if agreed performance gates and Board approved Key Performance Indicators (KPIs) are met;
- A regular review of the framework by independent advisors, including the specific performance measures under the variable reward programs; and
- Benchmarking of the framework against market practice.

The Company sets target total remuneration conservatively with reference to the Australian market and various factors as determined as appropriate by the Board. Benchmarking is undertaken regularly by independent advisors, and reviewed by the Snowy Hydro People and Culture Committee.

The report details financial year 2022 (FY2022) remuneration information for the year ended 30 June 2022 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 all Executives in accordance with RMG 139 Commonwealth companies Executive Remuneration Reporting Guide for Annual Reports and AASB124 Related Party Disclosures.

Table 1: FY2022 Key Management Personnel (KMP)

Name	Position ¹	KMP Term
Board Directors		
David Knox	Chair	Full Year
Paul Broad	Managing Director and Chief Executive Officer (MD and CEO)	Full Year
Leeanne Bond	Non-Executive Director	Full Year
Sandra Dodds	Non-Executive Director	Full Year
Leanne Heywood ²	Non-Executive Director	Part Year
Tim Longstaff ³	Non-Executive Director	Part Year
Scott Mitchell	Non-Executive Director	Full Year
Karen Moses	Non-Executive Director	Full Year
Anthony Shepherd AO	Non-Executive Director	Full Year
Richard Sheppard ⁴	Non-Executive Director	Part Year

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

2 Leanne Heywood's term commenced on 21 March 2022.

3 Tim Longstaff's term commenced on 1 April 2022.

4 Richard Sheppard's term ended on 31 March 2022.

Name	Position ¹	KMP Term
MD and CEO and Executives		
Paul Broad	MD and CEO	Full Year
Gabrielle Curtin	Group Executive - Safety People, Community & Services (GE SPCS)	Full Year
Kieran Cusack	Project Director Snowy 2.0	Full Year
Iain Graham	CEO Retail	Full Year
Kim Josling	Chief Financial Officer (CFO)	Full Year
Praveena Karunaharan	Group Executive - Governance, Risk & Compliance (GE GRC)	Full Year
Cesilia Kim	Group Executive - External Affairs, Legal & Procurement (GE EALP)	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. Remuneration on a page

The diagram below provides an overview of the FY2022 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.	<p>Our Remuneration Strategy Framework is designed to align Executive remuneration with the creation of shareholder value and is underpinned by the following principles:</p> <ul style="list-style-type: none"> • Strategically aligned; • Competitive; • Balanced; • Differentiated; • Linked to performance; • Consistent but able to be customised; and • Simple.

Remuneration Strategy and Framework (section 5)	
Component	MD & CEO and Executives
Fixed Annual Remuneration (FAR)	<ul style="list-style-type: none"> • Set with reference to the market and various factors as determined as appropriate by the Board.
Variable Reward 1 (VR1)	<ul style="list-style-type: none"> • Annual performance-based reward aligned to the strategic priorities of the Group, individual areas of accountability and corporate values: <ul style="list-style-type: none"> ◦ 90% Group Balanced Scorecard (quantitative); and ◦ 10% Individual Key Performance Indicators (KPIs) (qualitative). • VR1 pool becomes available only when the following two gates have been met: <ul style="list-style-type: none"> ◦ The safety gate (no fatalities to either an employee or embedded contractor across the Snowy Hydro Group); and ◦ The financial gate has to be met prior to any variable payment being considered. This Threshold gate requires the Group achieving 85% of the Snowy Hydro Group consolidated EBITDA set in the Corporate Plan.
Variable Reward 2 (VR2)	<ul style="list-style-type: none"> • Three year performance-based reward aligned to long term value creation and the delivery of major strategic programs of work including Snowy 2.0 and Hunter Power Project. • Participation in the plan is limited to Executives and a small group of senior leaders by invitation from the Board. • Reward is dependent on achieving performance scorecard measures over and above threshold performance over a three year period set by the Board and aligned to the Corporate Plan. • Performance scorecard includes overall Group performance and strategic project measures.

3. Remuneration Governance

3.1. People and Culture (P&C) 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 the people strategy including culture, leadership and talent, and HR policies and practices. The Committee's Charter and the performance of the Committee against the Charter is reviewed on an annual basis. The current Committee Charter is available on the Snowy Hydro website: www.snowyhydro.com.au

3.2. Engagement of external advice

During FY2022, 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 of the remuneration framework 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 VR2 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 goal to align Executive remuneration with the creation of shareholder value and is underpinned by the following seven principles:

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

Principle 1 - Strategically Aligned
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 below the median based on the requirements of the role and the skills and experience of individuals in the role.
Principle 3 - Balanced
<ul style="list-style-type: none"> • Deliver a balance between fixed and variable pay considering market practice for Executive roles. • Variable pay will be appropriately balanced between short and long term components to reflect strategic goals. • Variable pay will also focus on a balance of 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
<ul style="list-style-type: none"> • Provide remuneration outcomes that are materially different at varying levels of performance, allowing for up to one a half times upside on variable pay for top performers relative to on-target performers.
Principle 5 - Linked to Performance
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 variable pay plans will only be implemented where a Group plan (allowing for Business Unit customisation) is not effective or is not fit for purpose.
Principle 7 - Simple
<ul style="list-style-type: none"> • 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 and unforeseen events 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" variable reward 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 variable reward 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 variable reward to the achievement of Board approved measurable performance goals, including application of malus provisions to previous awards (if relevant).

5.1 Remuneration Framework components

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

1. Fixed Annual Remuneration (FAR);
2. Variable Reward 1 (VR1); and
3. Variable Reward 2 (VR2).

5.2 Remuneration Benchmarking

Snowy Hydro reviews target total remuneration with reference to the Australian market and other various factors as determined as appropriate by the Board using relevant comparator groups.

External market benchmarks are sourced by researching disclosed data (typically the prior financial year data) from relevant listed companies and GBEs, supplemented by survey data where necessary. Target total remuneration for each Executive role is informed by the nominated size of role, benchmark data, internal relativities and other considerations as appropriate.

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

The MD and CEO and Executive remuneration benchmarking for FY22 outcomes compared to FY21 benchmarking data is illustrated below.

- MD and CEO is below 20% of the benchmark against all indicators of the market comparator group and FAR for the relevant GBE Group; and
- On average, Executives are 20% against all indicators except FAR for the market comparator group and below 20% on FAR for the relevant GBE Group.

Group / Component	Market Comparator Group 2021			Relevant GBE Group 2021		
	FAR	TTR	TMR	FAR	TTR	TMR
MD and CEO						
Executive						

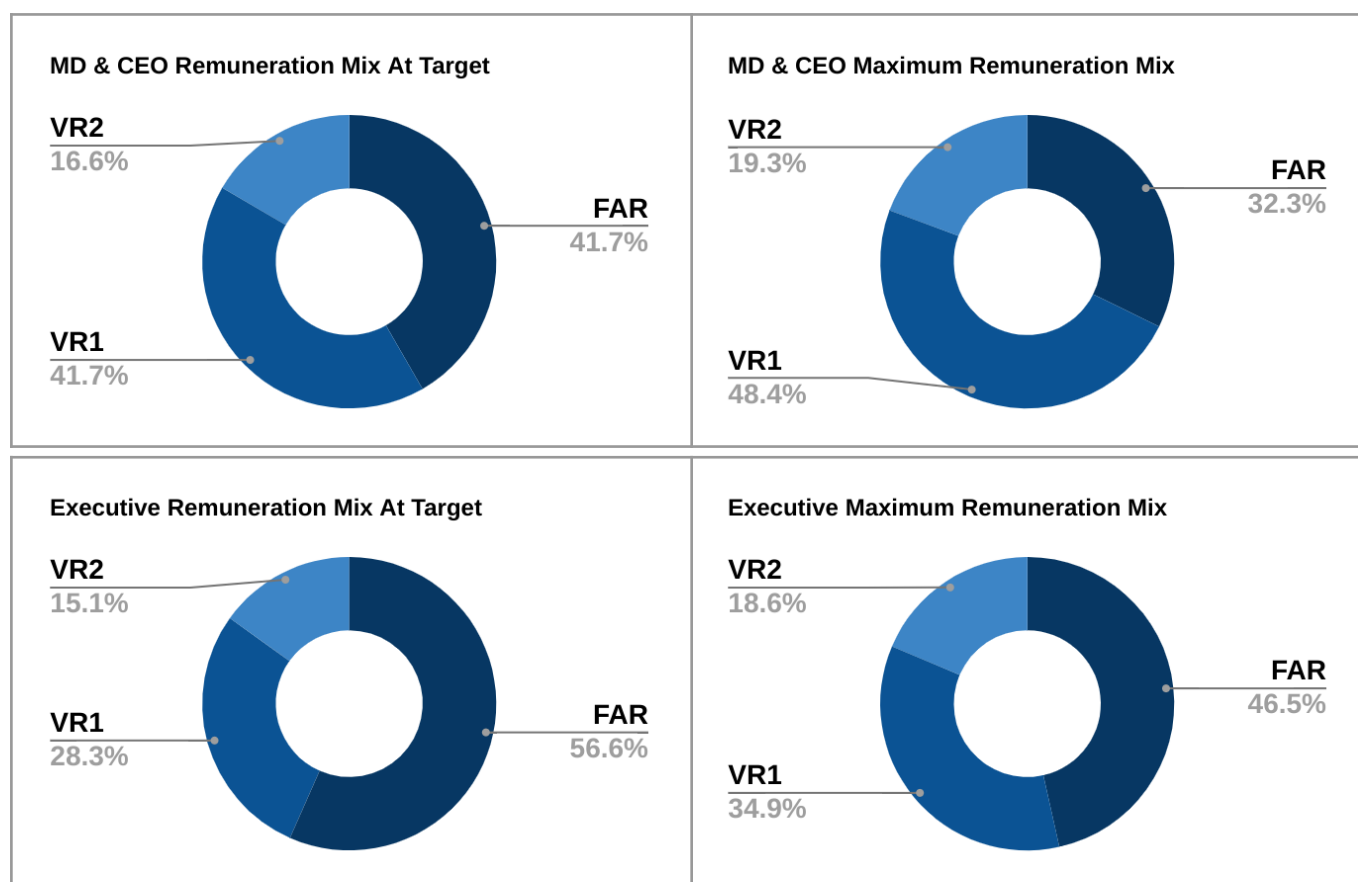
Legend

	- within 10% of the benchmark	FAR	Fixed Annual remuneration
	- between 10% and 20% below the benchmark	TTR	Total Target Remuneration
	- below 20% of the benchmark	TMR	Total Maximum Remuneration

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 and maximum remuneration mix as of 30 June 2022 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

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 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 the above factors.

5.5 Variable Reward 1 (VR1) Program

Snowy Hydro's Variable Reward 1 (VR1) is intended to reward individuals for their contribution to the company's short term performance in line with the Corporate Plan. The VR1 Plan is an "at risk" annual variable pay opportunity where a variable payment could be awarded subject to meeting threshold performance gates and achievement of relevant Group and individual KPIs.

The VR1 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 financial year; and
- The financial gate requires the achievement of 85% of Group consolidated underlying EBITDA target 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:

- 90% based on the Group Scorecard KPIs – to ensure the strongest link and ultimate collective executive accountability for overall group outcomes; and
- 10% based on the Individual Scorecard - set criteria which are qualitative in nature.

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

Type	Key Result Area	Weight
Group Scorecard KPIs (Quantitative) (90%)	Financial	40.0%
	Safety	15.0%
	Strategic Projects (e.g. Snowy 2.0, HPP) / Operations / Customer	35.0%
Individual Scorecard KPIs (Qualitative) (10%)	Individual focus component typically includes KPIs as follows: <ul style="list-style-type: none"> • Major Programs of Work • Reputation and risk; • Stakeholders; and • Safety, Leadership and Culture. 	10.0%
Total		100.0%

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' VR1 opportunities are communicated as VR1 'Target' (the potential reward available if target performance is achieved) and is set at 100% of the target variable reward opportunity. The VR1 Target Opportunity varies by individual and is expressed as a percentage of FAR of between 45% and 100%. The VR1 Maximum (the maximum potential reward available) is set at 150% 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 VR1 awards.. All VR1 awards are paid in cash within three months of the end of the financial year.

Individual VR1 plan awards for MD and CEO and Executives are calculated using the following formula:

$$\text{FAR} \times \text{'Target' Opportunity} \times \text{Financial \& Safety Gates} \times \text{MD and CEO and Executive Balanced Scorecard Outcome consisting of Group Scorecard Outcome (90\%) + Individual Scorecard Outcome (10\%)}$$

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 variable payouts, including application of malus provisions to previous awards (if relevant).

5.6 Variable Reward 2 (VR2) Program

The new Variable Reward 2 Program was introduced in FY2022, replacing the Profit Share Plan (PSP). It 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 VR2 Plan is designed to focus this small group of Executives and Senior Leaders on long term value creation and the delivery of major strategic programs of work including Snowy 2.0 and the Hunter Power Project.

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

Under the VR2, participants are eligible to receive a reward for achieving performance scorecard measures over and above set performance levels over a three year period set by the Board and aligned to the Corporate Plan. Like the VR1, 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 VR2 'Target' Opportunity varies by individual and is expressed as a percentage of FAR of between 25% and 40% on a face value basis. The VR2 Maximum (the maximum potential reward available) is set at 150% and only paid at levels in excess of target if the Company delivers superior performance above agreed targets over the three year plan period.

Performance scorecard includes overall Group performance and strategic project related measures as illustrated in the table below.






Type	Key Result Area	Weight
Group Performance KPIs (40%)	Financial (Group EBITDA), subject to achieving a threshold gate of 90% of Group consolidated EBITDA target over the three year period which is set in the Corporate Plan at the beginning of the three year performance period and approved by the Board.	40.0%
Major Strategic Programs of Work KPIs (60%)	Snowy 2.0 Project (delivery against agreed budget, quality requirements and milestones)	35.0%
	Hunter Power Project (delivery against agreed budget, quality requirements and milestones)	25%
Total		100.0%

The quantum of the reward paid out at the vesting date for each tranche is determined by the Board on the recommendation from the People & Culture Committee and is based on the achievement of the performance scorecard targets set at the beginning of the respective three year performance period. As per the VR1 Plan rules the Board has absolute discretion to adjust or vary the outcome as it sees fit, including application of malus provisions to previous awards (if relevant).

6. Linking Strategy, Performance and Remuneration

This Table demonstrates the link between SHL's strategy and MD and CEO and Executive remuneration.

Our Purpose: Snowy Hydro, backed by the mighty Snowy Scheme, underpins Australia's renewable energy future and our exceptional service to customers.

Achieved by delivering on SHL's strategic imperatives						
						
1	2	3	4	5		
We maintain financial credibility for the market	We strive for sustainable business performance	We keep people safe and engaged	Through our strategic projects and operational excellence we underpin the NEM's transition to our renewable energy future		We aim for #1 in customer service	
... which are incorporated in SHL's short-term and long-term measures						
Financial		Safety		Strategic Projects / Operations		Customer
Group EBITDA	Credit rating & negative pledge covenant compliance	Total Reportable Injury Frequency Rate (TRIFR)	Major Accident Prevention (MAP) Verifications	Delivery of S2.0 and HPP	Reliability & Outage Compliance	Net Promoter Score (NPS)
... and SHL's actual performance						
In a broadly challenging 12 months, Snowy Hydro has delivered a strong performance across the entire group while playing a key role in maintaining system security during a period of grid instability.	Credit rating and negative pledge covenant compliance achieved as set out in the Corporate Plan.	Retail met outperformance TRIFR targets and Generation achieved an above threshold performance.	Effective implementation of the MAP Verifications program continued delivering stretched programs of work. Met stretch target with high levels of engagement on the safety and risk management from Snowy employees at all levels.	In the review period some milestones have been delayed whilst others have outperformed. Overall Snowy 2.0 project delivered progress in line with projections with solid outcomes on Quality and Earned Value. HPP delivered outperformance meeting all stretch targets on cost, timeline and quality.	On all key operational metrics (including start reliability, forced outages, return to service and regulatory compliance) our Hydro, Gas and Diesel power stations and teams delivered outstanding results, despite an unprecedented amount of generation in response to AEMO market requirements during the June 2022 period.	Red and Lumo have topped the Canstar customer satisfaction tables. Red is #1 Retail brand amongst peers, 9th year running. Red is also recognised as the Most Trusted Brand in the utilities and energy sector as measured by Roy Morgan. We continue to lead the C&I market on customer satisfaction being ranked #1, with over 82% of "very satisfied" customers.
Met Target	Out Performance	Met Target	Out Performance	Met Target	Out Performance	Out Performance
... and impacts on Executive remuneration.						
Fixed Remuneration		Executive VR1 and VR2 Outcome				
Fixed Remuneration increases of 4.82% (inclusive of superannuation guarantee contribution rate change) for FY23 arising from the annual review of Executive remuneration		The two Corporate gates for the VR1 program have been satisfied. For FY22 the MD & CEO and Executive's performance was assessed against the Balanced Scorecard. The People & Culture Committee determined that SHL's performance 'exceeded most expectations' and recommended the Board pay the MD & CEO a VR1 at 130.35% of target (86.9% of maximum), and Executives a VR1 at 131.6% of target (87.7% of maximum). The FY20-22 Profit Share Plan (PSP) ² did not meet Threshold - Nil payment.				

² The FY22 long term variable pay outcome relates to the legacy PSP allocation, now closed, which was offered to the MD & CEO and Executives, subject to performance hurdles set by the Board) on 1 July 2019 and which vested on 30 June 2022. The Plan's details including performance conditions can be found in SHL's 2021 Remuneration Report. The Plan has been replaced effective FY22 by the new VR2 Plan.

7. Executive Remuneration for FY2022

Executives received a mix of remuneration during FY2022 including fixed and variable remuneration.

The table below summarises the remuneration that was received in relation to FY2022 which includes FAR and any variable reward. 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	Base salary & fees ¹	Short-term variable pay ²	Other benefits ³	Super contribution ⁴	Long-term variable pay ⁵	Long service leave	Termination benefits	
Executive Management								
Paul Broad	1,158,240	1,443,312	-	23,568	98,143	50,677	-	2,773,940
Gabrielle Curtin	556,024	337,999	-	23,568	31,618	22,098	-	971,307
Kieran Cusack	424,846	262,997	15,186	23,568	24,602	18,945	-	770,144
Iain Graham	620,479	540,798	-	23,568	45,530	31,409	-	1,261,784
Kim Josling	520,028	306,752	-	23,568	28,695	8,463	-	887,506
Praveena Karunaharan	327,865	199,856	-	23,568	18,696	9,718	-	579,703
Cesilia Kim	522,074	312,736	-	23,568	29,255	22,543	-	910,176
Roger Whitby	598,960	525,321	-	72,277	44,227	43,632	-	1,284,417
Gordon Wymer	662,614	542,676	-	23,568	45,688	31,964	-	1,306,510
Total	5,391,130	4,472,447	15,186	260,821	366,454	239,449	-	10,745,487

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

2 Short-term variable payments are expected to be paid in September 2022.

3 Other benefits comprise the Reportable Fringe Benefits amount included on the individual's payment summary or any other benefits that form part of the individual's contract of employment.

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

5 Long-term variable remuneration is calculated on an accruals basis and represents the movement in the provision during the year. The results are based on the legacy Profit Share Plan (PSP) discontinued from FY22 and VR2 Plan. For details on the PSP rules and assessment criteria, please refer to the Remuneration Report as part of the FY21 Annual Report.

8. 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, 2.0 Project Advisory 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 2020, 2021 and 2022.

Role / Committees	1 July 2021 ⁽¹⁾	1 July 2022 ⁽²⁾
Chair	\$226,930	\$233,180
Non-Executive Director	\$113,470	\$116,600
Audit and Compliance Chair ⁽³⁾	\$22,430	\$23,050
Member ⁽³⁾	\$11,220	\$11,530

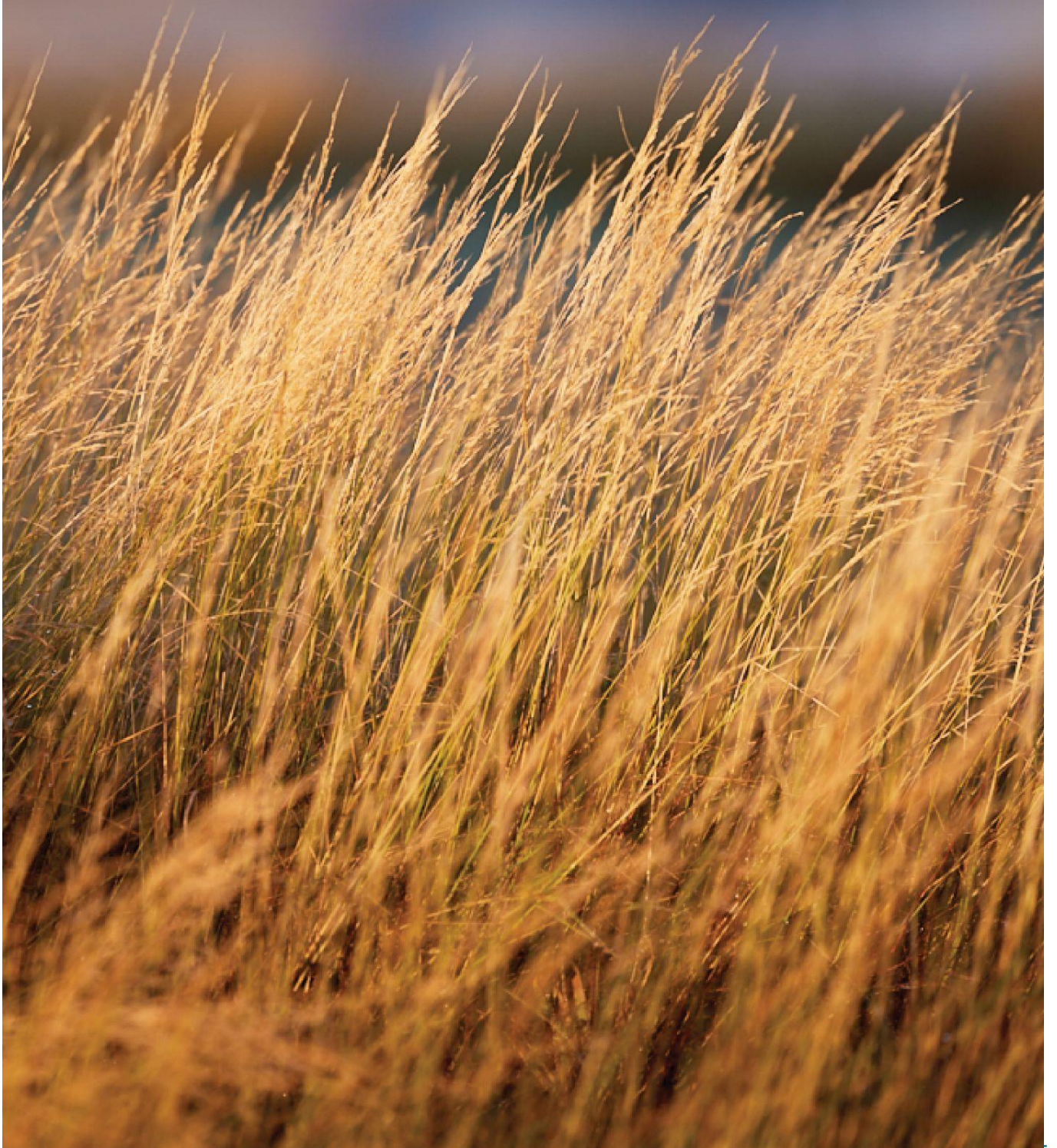
1. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2021.
2. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2022.
3. Snowy Hydro Board Chair is not entitled to receive these additional fees.

Table 3: Non-Executive Directors KMP statutory disclosures

All figures in \$	Short-term benefits			Post employment	Other long-term benefits		Other	Total
Name	Base salary & fees ¹	Short-term variable pay	Other benefits ²	Super contribution	Long-term variable pay	Long service leave	Termination benefits	
Non Executive Directors								
David Knox	227,075	-	-	22,329	-	-	-	249,404
Leeanne Bond	114,456	-	-	11,454	-	-	-	125,910
Sandra Dodds	135,987	-	-	13,609	-	-	-	149,596
Leanne Heywood ³	35,375	-	-	3,547	-	-	-	38,922
Timothy Longstaff ⁴	31,073	-	-	3,117	-	-	-	34,190
Scott Mitchell	113,542	-	-	11,363	-	-	-	124,905
Karen Moses	113,542	-	-	11,363	-	-	-	124,905
Anthony Shepherd AO	113,542	-	-	11,363	-	-	-	124,905
Richard Sheppard ⁵	93,697	-	-	9,370	-	-	-	103,067
Total	978,289	-	-	97,515	-	-	-	1,075,804

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 or any other benefits that form part of the individual's contract of employment
3. Leanne Heywood's term commenced on 21 March 2022
4. Tim Longstaff's term commenced on 1 April 2022
5. Richard Sheppard's term ended on 31 March 2022

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE STATEMENT



ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE STATEMENT

Snowy Hydro is committed to leading the way in underpinning Australia's transition to a renewable future. We have a deep renewable footprint - with carbon emissions a fraction of that of our competitors - and continue to operate and make decisions in a manner that avoids harm to the environment, protects the wellbeing of our people and supports the communities in which we operate.

As the largest renewable generator by capacity in the NEM, Snowy Hydro provides flexibility and reliability in highly variable and extreme climate conditions. Our Snowy 2.0 and Hunter Power Projects (HPP) will further improve energy reliability and security in the NEM. These projects will also allow for more firming of solar and wind renewable energy and facilitate the transition from coal-fired power as major coal-fired power stations are decommissioned over the next few decades.

Snowy 2.0 is Australia's largest committed renewable energy project and will provide 2,000 MW of dispatchable, on-demand generating capacity and approximately 250,000MWh of large-scale storage to the NEM. Once complete, the HPP will be capable of supplying an additional 660MW of dispatchable and on-demand power from gas and hydrogen generation.

The dispatchable energy provided by the HPP will also allow Snowy Hydro to expand its firming contracts to support an estimated additional 1.5 to 2GW of renewable energy from solar and wind companies. Currently, Snowy has invested in over 1GW of renewable energy contracts for ten new wind and solar projects and will continue to invest more in the future, demonstrating our commitment to enabling NEM decarbonisation.

Our Retail business is at the forefront of the transition to renewable energy. The growing awareness and appeal of sourcing energy at low or no carbon emissions have resulted in a host of carbon offset and GreenPower products. We also offer our C&I customers TrueGreen, which provides C&I customers with 100% renewable energy with 100% matching LGCs.

Snowy Hydro has a 73-year record of caring for the land. Over the last six years, our performance has demonstrated minimal and minimised environmental harm. This care has been achieved through a culture of understanding evolving expectations and regulations, supported by a continuous improvement approach to our plant, operations, and people and processes. Snowy Hydro continues to work with relevant authorities to ensure we deliver on our obligation and commitment to avoiding harm to the environment. Snowy Hydro reports the emissions it does produce in its National Greenhouse and Energy Report (NGER).

Our ESG commitment to the communities in which we operate is demonstrated through our actions and the results of our initiatives. We live our values by supporting our communities, customers, and people. The Company focuses primarily on education, health and young people in a regional context. It has partnerships in many worthy initiatives, including the support and employment of young Aboriginal and Torres Strait Islanders, a founding partner in establishing university education centres in regional environments, creating the NSW Health School wellbeing coordinator model, and supporting breast cancer patients.

As well as providing consumer protections under the AER and ESC regulations, the Retail business proactively reviews existing processes to identify improvement opportunities for our customers. This is evidenced by our multi-award winning customer service and the below-industry average for customer complaints. In particular, we have worked to improve the regulatory framework for family violence-affected customers and implemented robust processes to detect and eliminate modern slavery risk across our supply chain.

Snowy Hydro is a values-led organisation and actively fosters a culture of ethical conduct. Our governance framework provides the foundation for our success, ensuring the Company is effectively guided in achieving a strategy that optimises shareholder value while delivering sustainable financial outcomes and meeting the needs of a diverse set of stakeholders.

Consistent with our values, we are dedicated to our people and their wellbeing. The health and safety of our workforce is our first priority; and we have implemented a comprehensive people strategy to support this goal. As a result, we have an engaged workforce that values safety, diversity, and equal opportunity and is rewarded and recognised appropriately for their efforts.

ENVIRONMENTAL

Snowy Hydro sets high standards for environmental performance, with the primary goal being the protection of the environment from harm arising from business operations.

Snowy Hydro's environmental objectives are implemented through the Environmental Management System (EMS) and the Company's Strategic and Operational Plans. Together, these provide the direction and processes for the operating functions to minimise harm to the environment and reduce risks and regulatory constraints.

Snowy Hydro's current Environmental Policy sets four key principles:

- protecting the environment from harm is important and worthwhile for environmental, economic and social reasons;
- complying with environmental legislation and regulatory requirements is the minimum standard we will meet;
- continually improving our systems and on ground practices is critical to achieving our commitment to the environment; and
- by openly communicating on our progress and performance we will demonstrate our commitment and capability.

Putting these principles into practice has led to development of operational controls at the site level that keep risks low, and has also maintained high levels of compliance with licences and approvals. This is evidenced by incident data, internal/external assurance results and compliance records.

Environmental performance

Environmental performance is managed internally through an annual schedule of inspections and audits. These focus on contractor activities, critical control processes, high risk activities, compliance with the requirements of the EMS and other relevant environmental management plans. The primary measures of environmental performance are assurance, incident and compliance data. This data shows consistently low numbers of incidents resulting in serious environmental harm and major audit non-conformances. This also indicates that the processes we have in place for managing compliance with licences and other statutory obligations are robust.

Snowy Hydro's EMS includes system components for identifying potential environmental risks from corporate to operational level, and review of the effectiveness of current controls and processes to identify opportunities for improvement. The EMS has been independently certified to the International Standard for ISO 14001. Independent external auditing of Snowy Hydro's EMS has been conducted annually since original certification in 2000, with no major incidents or non-conformances reported in the last five years. The most recent external audit of the EMS in October 2021 found the EMS was effective in managing environmental risk and promoting continual improvement of performance.

Commitment to Environmental, Social and Governance principles

Snowy Hydro is committed to Environmental, Social and Governance (ESG) principles. These Principles embody ecologically sustainable development (ESD) through safeguarding of the environment but also include a heightened focus on stakeholder wellbeing and overall governance.

ESG principles also assist with operationalising the very broad concept of ESD, by setting more specific criteria to define what environmental, social, and governance sustainability means in the Snowy Hydro context.

Snowy Hydro recognises that business performance intricately depends on long term environmental stewardship as well as assuring the wellbeing of people (employees, customers and community), and best practice governance. This has been an inherent feature of the Group's operation since construction, and will continue to be operationalised through our people, assets, facilities, environment and community plans and sustainable management practices.

The Snowy Hydro Corporate Plan sets the direction, and the Company's strategic and operational plans (people, asset, safety, environment, facilities) put the principles into sustainable practice. Key areas where this is being put into action are:

- Over everything else, prioritising the safety of people in the design, construction and maintenance of assets.
- Designing, operating and maintaining plants for very high reliability, also inherently reduces loss of containment and minimises pollution.
- Reducing the Company's already low emissions intensity profile, by investing in new generation technology (e.g. Hunter Power Project) and increased renewable capacity.
- Developing targeted health and wellness programs for our employees.
- The development of a new environmentally focused product class for C&I customers.
- Considering climate risks and hazards under different credible scenarios, such as increased fire, drought, storm and high rainfall events in our asset plans.
- Ensuring that procurement and supply strategies incorporate whole life evaluation of risks, costs and performance.
- Ongoing engagement with, and investment in, local communities and support organisations (Police Citizens Youth Club (PCYC), Clontarf Foundation, WHIN, Young Driver Training Program and Country Universities Centre as well as boat ramps around reservoirs among others).
- Investment in cloud seeding operations resulting in direct benefits to tourism and downstream water users.

Snowy Hydro will continue to identify opportunities to identify new or more sustainable practices and ways of operationalising ESG principles, whilst simultaneously achieving commercial goals.

Carbon

Snowy Hydro is proud of its positive contribution to the environment through its role as the largest renewable generator by capacity in the National Electricity Market. We are committed to operating in a way that avoids harm to the environment, and continue to evolve our standards to align with leading environmental and social practices.

- Snowy 2.0 is the largest committed renewable energy project in Australia, and will provide 2000MW of dispatchable, on-demand generating capacity and approximately 350,000MWh of large-scale storage to the NEM.
- Once complete, Snowy Hydro's Hunter Power Project (HPP) in Kurri Kurri will be capable of providing an additional 660MW of dispatchable and on-demand power from gas and hydrogen generation. The HPP will also allow for more firming of solar and wind renewable energy contracts, and facilitate the transition from coal-fired power in the coming decades.
- Snowy Hydro reports emissions annually in its National Greenhouse and Energy Report (NGER). The emissions we produce are primarily due to gas and diesel being burnt and from the electricity consumption from the NEM, for pumping and auxiliary uses like lighting in our offices and power stations. Snowy Hydro's average annual carbon emissions are 150,000-400,000 tCO₂e, which is significantly lower than coal-based generators.
- Snowy Hydro has invested in over 1GW of renewable energy contracts for ten new wind and solar projects and will continue to invest more in the future. Firming contracts allow other energy suppliers to guarantee supply for renewable energy generators at times when generation may be intermittent. This enables renewable generators to honour contracts with wholesale retailers even when generation is low and guarantees price protection.

SOCIAL

Our people and wellness

Consistent with our Values, Snowy Hydro deploys strategies, programs and activities that help drive the success of our Company and enable our people to be the best they can be. We focus on attracting, developing and retaining talent and maintaining a highly engaged, safe, healthy culture that values diversity. Our commitment to our people is underpinned by a strong diversity strategy, as well as robust procedures on workplace behaviour, code of conduct, ethical behaviour, and reward and recognition.

We deliver on our long-standing commitment to the health and wellbeing of our people and their families through programs, health initiatives, injury management and emergency first response in our remote Snowy Mountains sites in conjunction with various agencies and our Employee Assistance Program. We also invest in our long-term capability by maintaining 10% of our workforce in a formal development program, such as graduates, trainees, apprentices and scholarship students.

The safety of our people and the communities in which we operate is at the heart of everything we do. To manage the potential of material harm to employees, contractors and members of the public or the natural environment, Snowy Hydro continues to focus on leadership from the top and a relentless focus on identifying and controlling Health, Safety and Environment (HSE) risks, combined with incident reporting and investigation and learning. All employees' variable compensation is tied to a safety gate, with outcomes reviewed and approved by our Board, reinforcing a culture of ownership and commitment to safety.

Further, the business has a long history of utilising technology to reduce or eliminate safety hazards and improve productivity. For more than 20 years, we have used unmanned vehicles for aerial and underwater inspections. Our culture of innovation and technology has resulted in a deferral of intrusive tunnel outages and replaced more hazardous activities such as commercial diving, helicopter inspections and hazardous area inspections such as diesel fuel tanks and exhaust stacks.

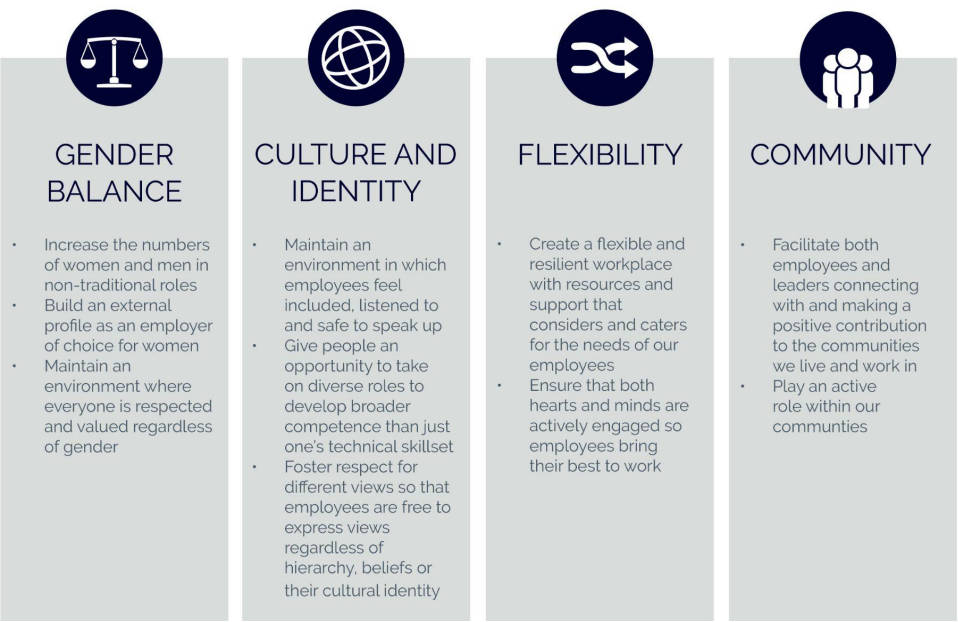
Diversity and inclusion

Our Values underpin our approach to diversity and inclusion. Snowy Hydro's Values are fundamental to who we are, guide our decisions, and enable a culture of high trust, inclusion and ownership. Diversity has been at the heart of the Company's culture since the inception of the Snowy Scheme in 1949. Over 100,000 people from more than 30 different countries came together to build the Snowy Scheme.

A diverse workforce brings innovation and creativity. An inclusive workplace creates a psychologically-safe environment. Our people feel safe to challenge ideas, challenge the traditional way of doing things, and ultimately make better and more informed decisions. In line with our Values, we developed a Diversity and Inclusion Strategy that provides a framework to focus on advancing equality, specifically on gender balance in the middle to upper management and non-traditional technical roles such as trades and engineering.

The strategy is underpinned by four pillars:

DIVERSITY AND INCLUSION PILLARS



The purpose of our Diversity and Inclusion Strategy is to:

- Foster a vibrant culture that thrives on diversity and inclusion and is connected to the communities in which we live, work and serve
- Build the awareness and capability of our people leaders to embrace difference - diversity of thought, inclusion and flexibility
- Identify and remove any unintended barriers that may prevent people from achieving their aspirations and potential.

In our most recent employee engagement survey, Snowy Hydro had a response rate of 86% with an engagement result of 75%. This substantial increase in prior survey results represents a top quartile when benchmarked against Australian and Global (Fortune 500 Companies) norms. Our results validate our commitment to diversity and inclusiveness and demonstrate our Values-led approach delivers strong engagement, despite the challenges to social cohesion posed by COVID-19.



- 77%** of respondents indicated that we have a workplace where people can be themselves and 'not be penalised or treated unfairly due to who they are'
- 87%** of our people believe people here are 'treated fairly regardless of gender'
- 81%** of our people believe 'we treat employees equally' regardless of age, gender, ethnicity, sexual orientation or carer status
- 86%** believe 'we value the diversity' these differences bring to the workplace
- 86%** believe that from an inclusion perspective 'we value input even when it is different from others' and we have a work environment that 'values diverse perspectives'

Community support

The Company supports the local communities where we live, work and serve. Each year, Snowy Hydro invests in partnerships and sponsorships with not-for-profit organisations targeted at the communities in which we operate. We are committed to improving economic outcomes for these communities and investing in partnerships that will lift educational, health and social conditions. Our Retail business also partners with sporting clubs, associations and charitable foundations that share our Values.

Examples of our community support and partnership initiatives include:

- **Clontarf Foundation** is an organisation that assists in the education, employment, life skills and self-esteem of young Aboriginal and Torres Strait Islanders across Australia;
- **Breast Cancer Network Australia (BCNA)** supports over 18,000 Australians affected by breast cancer annually. Since 2014, Red Energy's partnership with the Pink Lady Match at the MCG and community events such as Pink Sports Days have enabled us to contribute, support and collaborate with BCNA on a personal cause for many Australians. Red Energy launched the BCNA Community Saver retail energy product 18 months ago, creating a new revenue stream for our charity partner, which as of June 2022 has over 2,500 customer accounts signed up, contributing \$5 per fuel per month;
- **Country Universities Centre (CUC)** is a not-for-profit organisation committed to providing tertiary education opportunities to students of rural and regional Australia. Snowy Hydro was a founding partner of the CUC and continues to support its work in building long-term community and educational infrastructure in regions that need it most, commencing with its flagship education centre in Cooma. The CUC has helped more than 3,500 students since its inception in 2015. Currently, 1,408 students are receiving support through 15 facilities across the east coast. Of these students, 47% are the first in their family to study at university;
- **Police Citizens Youth Club (PCYC) NSW** is Australia's pre-eminent youth organisation, working with the police and community to empower young people to reach their potential. Snowy Hydro and Red Energy are principal partners of the PCYC in NSW. The partnership focuses on the PCYC Rise Up program, which connects 7,159 young people with family, education, culture, employment and community. The annual Nations of Origin sporting event is also proudly supported by Snowy Hydro and Red Energy. In 2019, the event brought 1,364 participants together. To participate, young people must have a minimum school attendance of 80%, no current negative dealings with police, train and participate in activities in the lead-up to the event and hold a current PCYC NSW membership. Unfortunately, the event was cancelled in 2020 and 2021 due to COVID-19 and is now scheduled for October 2022.
- **Snowy Hydro Next Generation Education Program** is a range of national curriculum-aligned programs delivered face-to-face at the Snowy Hydro Discovery Centre and online via the Snowy Hydro Next Generation Education Hub, with more than 4,000 unique views of content year-to-date. Students of all ages can discover more about the Snowy Scheme's past, present and future while learning about the engineering and science of the Scheme, as well as the diverse range of STEM career pathways through unique, real-life learning experiences;
- **Snowy Hydro Young Driver Training Program** is a professionally-delivered annual program integrated with seven local high schools. Year 12 students undertake theory and practical sessions outlining key focus areas such as their attitude and driving behaviours. This program is valued by high schools and the local community alike, benefiting participants, families, and the community. It aims to make a meaningful difference to the safety of all drivers on our roads, especially new drivers, and aligns with safety being our number one priority. Around 1,600 students have participated in the program, with 275 young people participating this year;
- **Steven Walter Children's Foundation** was founded in 2001 to commemorate the wishes of Steven Walter, who died in 2000 at the age of 19 after an eight-year battle with cancer. The foundation is committed to raising funds for much-needed and vital cancer research. Snowy Hydro has proudly supported the foundation and sponsored its annual Snowy Ride for more than 20 years, donating over \$1.3 million since its inception. These funds were directed to research, but also sponsored the Snowy Hydro Family Program, which hosts families with a child enduring cancer treatment in Thredbo for the weekend of the Snowy Ride, giving them a break from their hospital routines. Since the partnership was formed, more than 100 families have been included in the program.
- **The Salvation Army** since 2014, Lumo Energy has supported the Salvos' Utility Assistance Program through a monetary grant. This program provides a range of support and services to Victorian and South Australian people experiencing financial utilities stress.

Customer protections and retail compliance

As well as offering award-winning customer service, Snowy Hydro's Retail business is committed to looking after our customers while ensuring compliance with our legal and regulatory obligations. We have robust processes and policies to ensure customers are treated in accordance with our values and regulatory requirements, and are committed to continuously improving our customers' experience through targeted reviews of existing processes.

In FY22, we received well below the industry average in complaints made to the Ombudsman (almost 45% less), illustrating our commitment to excellent customer service and living by our values.

In addition to our obligations in providing support to customers facing hardship or payment difficulty, we proactively adopted and applied the Victorian Family Violence obligations to our customers across all Australian jurisdictions in which we operate, setting a higher standard than legally required, to ensure we provide all customers with high levels of care and support.

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.

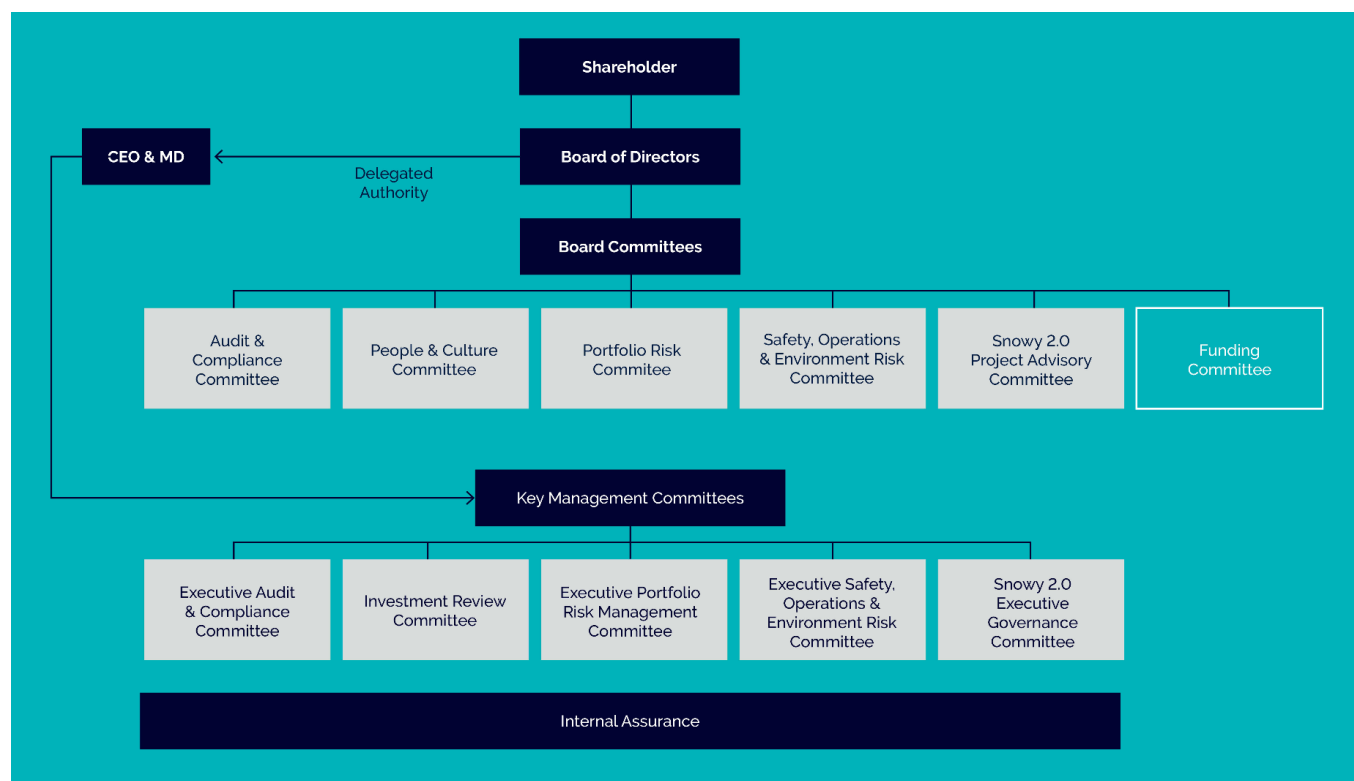
The Board monitors the operational and financial position of Snowy Hydro and agrees its business strategy, including considering and approving a strategic corporate plan and annual budget. The Board is committed to maximising performance, generating Shareholder value, and sustaining the growth and success 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 2022.

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 \$20 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 nine Directors, with eight Non-Executive Directors and one Executive Director being the MD & 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 ten times in FY2022.

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 MD as it considers appropriate. The Board has established five 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 CEO and MD; and
- the 2.0 Project Advisory 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.

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 MD & CEO. Specific limits on the authority delegated to the MD & CEO are set out by a delegations of authority framework that has been approved and is reviewed regularly by the Board.

The MD & 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 & 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 & 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 engages 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 FY2022 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 relationship 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 and Chair: As at 30 June 2022, 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 and 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 at www.snowyhydro.com.au/wp-content/uploads/2021/09/Audit-and-Compliance.pdf.

As at 30 June 2022, the Audit and Compliance Committee comprised three Non-Executive Directors, all of whom were highly financially literate and possessed significant experience; and is chaired by Ms Sandra Dodds, a former senior executive with deep expertise in accounting, financial and operational matters.

The Audit and Compliance Committee meets four times a year. CEO and MD, Chief Financial Officer, Group 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 ANAO 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 needed 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 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.

OPERATIONAL & FINANCIAL REVIEW



OPERATIONAL AND FINANCIAL REVIEW

For the period ended 30 June 2022

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

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Results overview

The operational and 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 \$294.8 million (2021: \$265.1 million). The underlying profit after tax was \$189.1 million (2021: \$271.4 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	2022	2021
Statutory Profit after tax	294.8	265.1
<i>Adjust for the following after tax items:</i>		
Changes in fair value of financial instruments	(108.4)	1.1
Other	2.7	5.2
Underlying Profit after tax	189.1	271.4
Depreciation and amortisation	155.0	150.8
Net finance costs	18.7	40.0
Income tax expense	80.5	115.1
Underlying EBITDA	443.3	577.3
Generation EBITDA	333.0	447.2
Retail EBITDA	110.3	130.1
Underlying EBITDA	443.3	577.3

The 2022 financial year started well, with strong results in winter 2021, and high inflows due to a second consecutive year of La Niña conditions, although a benign summer saw little price volatility.

As summer drew to a close, there were clear signs that the final quarter of the financial year would be consequential. Market prices rose higher for extended periods driven by three factors: underperformance by coal generation assets leading to a high level of forced outages, extended La Niña weather conditions depleting renewable energy generation, and heightened international demand inducing shortages and high prices for coal and gas - all coinciding with a cold start to winter.

The prolonged period of high prices triggered an Administered Price Period for several days, after which AEMO suspended the market in order to maintain supply. During this time, Snowy Hydro played a pivotal role in keeping the system secure and keeping the lights on, often covering for baseload shortages in the NEM and breaking generation records along the way.

We did so even though generating at this heightened level was financially costly for the business; it was essential for avoiding blackouts. This extraordinary level of directed generation resulted in material adverse impacts for the business, with the Generation division reporting a substantial loss in June, whilst using a major portion of our Required Annual Release under the Snowy Water Licence.

Despite these significant and unprecedented external challenges, Snowy Hydro delivered a robust health and safety performance, met the planned level of dividends, maintained a BBB+ credit rating and continued to operate in a sustainable and responsible manner.

Generation Underlying EBITDA

The Generation business Underlying EBITDA was \$333.0 million, a decrease of 26% from \$447.2 million in 2021.

Water inflows were 41% higher in 2022 compared to the prior period which allowed the Hydro plants to provide system security during the energy crisis, through which our highly reliable portfolio of physical assets continued to deliver in unprecedented circumstances.

The extent of Snowy Hydro's contribution to mitigating the impacts of the energy crisis is illustrated by the depletion of its energy reserves. The Company used 20 times its annual average energy for capacity portfolio defence during the 2022 financial year. Alongside, the gas and diesel plants generated at record levels, despite the high fuel prices which resulted in operating losses during periods of directed generation.

Snowy Hydro is entitled to compensation income during periods in which it generated electricity and pumped water (to assist with the generation of electricity) during the Administered Pricing Period and subsequent Market Suspension in June 2022. Snowy Hydro has submitted detailed claims and expects the final outcomes to be determined during the year ahead.

Retail Underlying EBITDA

The Retail business Underlying EBITDA was \$110.3 million, a decrease of 15% from \$130.1 million in 2021.

Retail achieved lower profitability year-on-year as lockdown volumes declined, solar proliferation continued, the cost of energy increased and customer pricing was limited by competitive market forces. Some of the lower margin was offset by lower operating costs, led by a significantly lower bad & doubtful debt expense than in 2021 whilst labour costs were also reduced due to lower headcount in a tight labour market.

Uncertainty remains on market compensation costs to be passed to Retails as a result of the Administered Pricing Period and subsequent Market Suspension in June 2022.

Despite the challenging conditions Retail continues to maintain its strong reputation amongst customers, with market leading Net Promoter Scores, high brand awareness and award winning customer service. The strong reputation of the Retail brands proved to be a springboard to winning customers during the June energy crisis as customers abandoned smaller retailers and fled to quality and certainty as the Retail business exceeded 1.2 million customers for the first time.

Other Costs Outside Underlying EBITDA

Other adjustments after tax include bushfire recovery projects expenses of \$2.0 million, and other net

operating expenses of \$0.9 million, offset by bushfire insurance proceeds of \$0.2 million. The change in fair value of financial instruments gain of \$108.4 million after tax has been recorded as well.

Snowy 2.0

Snowy 2.0 is a nation-building project that will underpin thousands of megawatts of renewables and will continue to keep the lights on for generations to come. Snowy 2.0 will link two existing Snowy Scheme reservoirs, Tantangara and Talbingo, and its new power station with six pump-turbines will be located about 800m underground. Water in the top storage will be released for energy generation at times of peak demand and pumped back at times when there is excess renewable energy in the grid, so Snowy 2.0 is ready to meet demand when needed.

As at June 2022, we now have all three of our huge 11-metre diameter tunnel boring machines (TBMs) in operation, with the last, "Florence", taking on the very long headrace tunnel excavation of about 15 kilometres, linking Tantangara to the underground power station and providing the water supply to drive the generators. Since it was commissioned last year, the first TBM "The Lady Eileen Hudson" has excavated 2.2 km of the main access tunnel at Lobs Hole, with 600 metres remaining to reach the northern end of the power station complex. Also at Lobs Hole, TBM "Kirsten" is gaining momentum, with approximately 800 metres of the emergency cable and ventilation tunnel excavated. Additionally, during 2022, the precast factory in Cooma has successfully completed manufacturing for all concrete segments that will line the dry access tunnels.

During 2022, the ANAO completed an independent performance audit report titled Snowy 2.0 Governance of Early Implementation. The audit concluded that Snowy Hydro has appropriate arrangements in place to govern, monitor and report on the project; including in relation to managing the Engineering, Procurement & Construction contract with our principal contractor Future Generation JV.

Hunter Power Project

Snowy Hydro is currently developing a 660 megawatt capacity power station at Kurri Kurri in the Hunter Region. The power station will comprise two heavy-duty, open cycle gas turbines (OCGT) and are the latest and most efficient turbines that the world's best manufacturers can offer for the site. The OCGTs will operate predominantly on natural gas and will be hydrogen-ready. The development is on target for completion in Q4 2023 as planned.

The new plant will supplement Snowy Hydro's generation portfolio with dispatchable capacity when the needs of electricity consumers are highest. By providing firmed energy the Hunter Power Project will facilitate an estimated 1.5 to 2GW of renewables, or the equivalent of 160,000 household solar installations. When Snowy Hydro uses gas energy to secure our solar and wind portfolio, it reduces emissions by approximately 87% compared to the equivalent energy produced by Bayswater Power Station.

Health and safety

Snowy Hydro prides itself on safety always being its first priority. We are committed to providing safe and healthy working conditions for the prevention of injury or ill health to all workers (including contractors), visitors and members of the public.

The Group's Health and Safety strategy is focused on continuous improvement in four key areas. These are:

1. Leadership and Culture;
2. Proactive Hazard Identification and Risk Management;
3. Verification of Effective Controls; and
4. Continuous Improvement and Streamlining of Systems.

The key objectives of the strategy are to:

- Ensure safety is always front of mind, hazards are identified and understood and open and constructive conversations about health and safety are encouraged and expected.
- Ensure every worker is capable and focused on identifying hazards and managing risk on the job.
- Provide assurance, at all levels of the organisation, that effective controls are in place to manage fatal risks.

- Ensure health and safety systems and processes are simple, well communicated, value-adding and well understood.

A number of key initiatives were undertaken during the financial year, including:

- Certification of the Safety Management system from AS4801 to ISO 45001 and the integration of four key systems (Safety, Environment, Quality and Asset Management) onto the same ISO platform.
- Significant investment in the delivery of specific improvement programs of work in areas such as electrical safety, dam safety, slope and tunnel stability, safe access, gas safety and fire systems.
- Ongoing implementation of our internal behavioural safety program, "Our Story". The key premise of the program is that 'safety is not about the absence of risk, it is the presence of defences within the context that our individual and collective investment in, and commitment to, the quality of our defences is what will keep us safe and drive us forward.

Health and safety outcomes

The overall number of safety incidents have reduced, year on year since 2018 confirming that the aforementioned strategic objectives are effective and appropriate in continuing to improve Snowy Hydro's health and safety performance. In addition, the proportion of high potential incidents and serious injuries has also decreased. Pleasingly, near hit reporting has increased over the same period providing management confidence that despite the lower number of incidents there is an increased awareness and appreciation of hazard identification and risk management together with the preparedness to report near hits.

Our ALPS in-field safety behaviour program both encourages and captures safety conversations and safety shares as well as hazard reporting. We continue to observe year on year an increase in engagement with in excess of 16,000 independent engagements for the financial year.

The Group's consolidated total reportable injury frequency rate (TRIFR) for 2022 was 1.86. This is reflective of 6 recordable injuries for the period comprising three medical treatment injuries, two restricted work injuries and one lost time injury.

In 2022, the Group did not have any incidents which were notifiable to Comcare, nor receive any notices under Part 10 of the Work Health and Safety Act (WHS).

Non-financial operational performance measures

The following performance targets are outlined in our 2022 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 (TRIFR) (number per million hours worked; employees and supervised contractors)	<3.7	1.86
Staff satisfaction (percentage of employees very/extremely satisfied as determined by survey)	Top quartile of Australian companies	Top quartile of Australian companies
Retail customer experience		
Net Promoter Score (percentage of promoters minus 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)	>99.5	99.84
Hydro generator forced outage factor (%; MWh of lost capability due to forced outage / annual capability in MWh)	<1.0	0.81
Gas generator start reliability (%; successful starts / total attempted starts)	>99.5	97.45
Gas generator forced outage factor (%; MWh of lost capability due to forced outage / annual capability in MWh)	<1.0	1.08

The gas generator start reliability and forced outage factor were both negatively impacted by the unprecedented market conditions that developed in May and June 2022. The gas plant was required to generate significantly more than usual and for long periods on diesel in an effort to support the business and market requirements. This caused an increase in plant reliability issues compared to the rest of 2022. Given that the electricity and gas market issues are expected to persist for some time, operating strategies are being reviewed to ensure that the operational plant teams are suitably prepared.

Capital management

Total interest bearing liabilities were \$2,774.3 million at June 2022 an increase of \$478.5 million from the June 2021 level of \$2,295.8 million.

Snowy Hydro's Standard & Poor's (S&P) credit rating has remained stable at BBB+.

During the year, Snowy Hydro has increased total loan facilities by a net \$225 million, from \$5,125 million in June 2021 to \$5,350 million in June 2022.

Outlook

The National Electricity Market (NEM) is in the process of fundamental transformation - from baseload coal with some peaking assets to a complex, highly interconnected system with variable renewable energy backed by firming and storage. Snowy Hydro is at the heart of this change. The year ahead will continue to be challenging, with the risk of further supply shortages occurring at no or very short notice. The operation of the Snowy Scheme is prescribed by the *Snowy Water Licence* (the Licence) which regulates the use of water, imposing obligations on Snowy Hydro. At the heart of the Licence, recognising Snowy Hydro does not own any water, allowance is made for Snowy Hydro to collect, divert, store and release water in the Snowy Catchment Area, with obligations on Snowy Hydro to carry out certain minimum water releases each year to the Murray and Murrumbidgee rivers, and environmental releases to the Snowy and Montane rivers. In addition the Licence requires maximum release limits to balance the interests of water users with energy production. The significant generation required of Snowy Hydro under AEMO's directions during the imposition of the June 2022 NEM's cumulative price threshold and the subsequent declaration of an AEMO-administered market (i.e the suspension of the operating spot market) has reduced Snowy Hydro's water resource availability for FY2023. In the current uncertain circumstances there remains a significant range of potential outcomes, albeit on balance, earnings are expected to be a reduction on FY2022.

We note that the future outlook for Snowy Hydro remains strong, consistent with the Company's unique position in underpinning Australia's rapid transition to a fully renewable future. The recent domestic energy crisis has significantly highlighted the value of Snowy Hydro's assets including the investments in Snowy 2.0, the Hunter Power Project and our energy offtake agreements of new wind and solar developments that now total 1.3GW.



CONSOLIDATED FINANCIAL REPORT

CONSOLIDATED FINANCIAL REPORT

For the period ended 30 June 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2022

\$million	Note	2022	2021
Revenue	2	3,499.4	2,674.7
Other income		23.1	15.2
Direct costs of revenue	2	(2,660.1)	(1,680.4)
Consumables and supplies		(66.1)	(67.5)
Employee benefits expense		(228.7)	(222.7)
Depreciation and amortisation expense		(155.0)	(150.8)
Impairment loss recognised on trade receivables	2	(20.5)	(30.5)
Other expenses		(107.8)	(118.9)
Changes in fair value of financial instruments	16	155.0	(1.5)
Profit before net finance costs and income tax		439.3	417.6
Interest income	3	-	0.1
Finance costs	3	(18.7)	(40.1)
Profit before income tax		420.6	377.6
Income tax expense	4	(125.8)	(112.5)
Profit for the period attributable to the owners of Snowy Hydro Limited		294.8	265.1

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 2022

\$million	Note	2022	2021
Profit for the period		294.8	265.1
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	24	3.4	1.7
Income tax relating to items that will not be reclassified subsequently to profit or loss		(1.0)	(0.5)
		2.4	1.2
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges and foreign exchange contracts	16	453.3	119.6
Income tax relating to items that may be reclassified subsequently to profit or loss		(136.0)	(35.9)
		317.3	83.7
Total other comprehensive income, net of income tax		319.7	84.9
Total comprehensive income for the period attributable to the owners of Snowy Hydro Limited		614.5	350.0

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 2022

\$million	Note	2022	2021
Current assets			
Cash and cash equivalents		74.0	190.2
Trade and other receivables	6	636.7	461.9
Inventories		70.4	23.6
Income tax receivable		24.4	-
Other financial assets	7	1,682.6	128.7
Other current assets	8	243.0	156.5
Total current assets		2,731.1	960.9
Non-current assets			
Deferred tax assets	11	56.8	271.6
Goodwill and other intangible assets	10	502.0	511.8
Property, plant and equipment	9	5,222.5	3,883.2
Other financial assets	7	272.9	0.2
Other assets	8	168.5	299.5
Total non-current assets		6,222.7	4,966.3
Total assets		8,953.8	5,927.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

\$million	Note	2022	2021
Current liabilities			
Trade and other payables	12	842.3	384.4
Interest bearing liabilities	14	16.9	6.1
Provisions	13	129.3	98.6
Other financial liabilities	15	1,242.8	366.5
Income tax payable		-	23.9
Total current liabilities		2,231.3	879.5
Non-current liabilities			
Interest bearing liabilities	14	2,757.4	2,289.7
Provisions	13	57.0	67.2
Other financial liabilities	15	33.2	168.8
Total non-current liabilities		2,847.6	2,525.7
Total liabilities		5,078.9	3,405.2
Net assets		3,874.9	2,552.0
Equity			
Issued capital	17	2,215.1	1,375.1
Preference shares	18	62.0	-
Reserves	19	162.9	(154.4)
Retained earnings		1,434.9	1,301.3
Total equity attributable to the owners of Snowy Hydro Limited		3,874.9	2,522.0

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 2022

\$million	Issued capital	Preference shares	Hedging reserve	Retained earnings	Total attributable to the owners of Snowy Hydro Limited
Balance as at 1 July 2020	816.1	-	(238.1)	1,157.7	1,735.7
Profit for the period	-	-	-	265.1	265.1
Other comprehensive income for the period, net of tax	-	-	83.7	1.2	84.9
Equity subscription	559.0	-	-	-	559.0
Dividends paid	-	-	-	(122.7)	(122.7)
Balance as at 30 June 2021	1,375.1	-	(154.4)	1,301.3	2,522.0
Profit for the period	-	-	-	294.8	294.8
Equity subscription	840.0	62.0	-	-	902.0
Other comprehensive income for the period, net of tax	-	-	317.3	2.4	319.7
Dividends paid	-	-	-	(163.6)	(163.6)
Balance as at 30 June 2022	2,215.1	62.0	162.9	1,434.9	3,874.9

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 2022

\$million	Note	2022	2021
Cash flows from operating activities			
Receipts from customers		2,893.1	2,555.7
Payments to suppliers and employees		(2,728.1)	(1,954.8)
Cash generated from operations	5	165.0	600.9
Interest received		-	0.1
Interest and other costs of finance paid		(97.9)	(85.9)
Income tax paid, net of refunds received		(96.4)	(91.4)
Net cash (used in)/generated from operating activities		(29.3)	423.7
Cash flows from investing activities			
Payments for property, plant and equipment		(1,277.1)	(966.0)
Proceeds from sale of property, plant and equipment		2.1	1.0
Payments for intangible assets		(41.5)	(25.1)
Proceeds from/(payments for) other investing activities		22.0	(168.9)
Net cash used in investing activities		(1,294.5)	(1,159.0)
Cash flows from financing activities			
Proceeds from equity subscription		840.0	559.0
Proceeds from preference shares agreement		62.0	-
Drawdown of borrowings		488.0	437.0
Payment of lease liabilities		(14.7)	(15.7)
Transaction costs related to loans and borrowings		(4.1)	(32.9)
Dividends paid	20	(163.6)	(122.7)
Net cash generated from financing activities		1,207.6	824.7
Net (decrease)/increase in cash		(116.2)	89.4
Cash at beginning of the period		190.2	100.8
Cash at end of the period		74.0	190.2

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 2022

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 2022.

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 one hundred thousand dollars and are shown as \$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

1 Basis of preparation (continued)

Reporting period

Reporting period has the same meaning as the 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 2022 refers to the period from 1 July 2021 to 30 June 2022. Snowy Hydro's 2021 Annual Report represented the reporting period 1 July 2020 to 30 June 2021.

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
2	Revenue recognition
6	Provision for doubtful debts
8 & 13	Environmental certificates
10	Impairment of goodwill
16	Valuation of financial instruments

Impact of Recent Economic Events

Over the past two years, the Australian economy has faced several challenges including the COVID-19 pandemic, the 2022 energy crisis alongside rising inflationary pressures. The Reserve Bank of Australia increased the cash rate target from 0.1% at 30 June 2021 to 0.85% at 30 June 2022, whilst projecting further increases in the year ahead.

In preparing the financial statements, the Company has considered the impact of these economic conditions 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 these individual factors, however we note the following implications.

The impact of COVID-19 was more apparent in previous years when market price curves reduced, which in turn affected the valuations of energy derivatives. The initial fall in the cash rate target reduced the fair value of the Company's interest rate swaps, however both of these impacts have broadly reversed in the 2022 year compounded by the energy crisis and interest rate increases to combat rising inflation. Market price curves in particular have shown a significant increase for the year ahead, which has resulted in material changes in fair values across our derivatives, with large gains or losses depending on the nature and position of each contract. These market changes have driven a net gain in the fair value of financial instruments of \$155.0 million in 2022.

In the 2022 year, we have continued to see the impacts of working from home on Retail mass market volumes, whilst the limitations on face-to-face sales channels continued to restrict opportunities for customer growth.

The Company has considered the impact of the economic conditions on the collectability of trade debtors and continues to hold a prudent allowance for doubtful debts, although this has reduced by \$3.3 million since 30 June 2021, driven by higher debt write-offs in 2022 as normal collection practices resumed after COVID-19 restrictions were lifted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

1 Basis of preparation (continued)

During the energy crisis in June 2022, Snowy Hydro was required to operate much like a baseload power station at times, resulting in significant water usage which has reduced Snowy Hydro's water resource available for the immediately following financial year.

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 the Group's financial position and performance and what the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

2 Revenue and expenses

\$million	2022	2021
Revenue		
Revenue from contracts with customers		
Wholesale	1,195.1	590.1
Retail	2,188.6	2,044.3
Total revenue from contracts with customers	3,383.7	2,634.4
Other revenue	115.7	40.3
Total revenue	3,499.4	2,674.7
Expenses		
(Profit)/loss on disposal of property, plant and equipment	1.1	(0.2)
Direct costs of revenue	(2,660.1)	(1,680.4)
Allowance for doubtful debts recognised on trade receivables	(20.5)	(30.5)
Amortisation	(51.3)	(54.1)
Depreciation	(103.7)	(96.7)
Operating lease expenses	(1.6)	(1.6)
Defined contribution plans	(18.6)	(16.1)

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 6 discloses the unbilled revenue balance for the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

3 Net finance costs

\$million	2022	2021
Interest expense and funding cost	49.2	43.5
Interest rate hedge costs	52.8	44.8
Interest expense from leasing arrangements	7.8	8.4
Finance costs capitalised	(91.1)	(56.6)
Finance costs	18.7	40.1
Interest income	-	(0.1)
Net finance costs	18.7	40.0

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 4.2%.
- **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 2022

4 Income tax expense

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

\$million	2022	2021
Profit from operations	420.6	377.6
Tax expense calculated at 30%	(126.2)	(113.3)
Prior year adjustments	0.5	0.7
Non-deductible expenses	(0.6)	(0.2)
Research and development offset	0.5	0.3
Total income tax expense on profit	(125.8)	(112.5)
Comprising of:		
Current tax expense	(48.0)	(106.0)
Deferred tax expense	(77.8)	(6.5)
Total income tax expense on profit	(125.8)	(112.5)

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 2022 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 2022

5 Reconciliation of profit for the period to net cash generated from operations

\$million	2022	2021
Profit before income tax	420.6	377.6
Adjustments for:		
(Profit)/loss on sale of non-current assets	(1.1)	0.3
Depreciation and amortisation	155.0	150.8
Impairment loss recognised on trade receivables	20.5	30.5
Impairment write-off on property, plant and equipment	1.7	-
Changes in fair value of financial instruments	(155.0)	1.5
Interest received	-	(0.1)
Finance cost paid	18.7	40.1
Other non-cash adjustments	-	-
	460.4	600.7
Changes in assets and liabilities:		
Increase in trade and other receivables	(195.3)	(96.8)
(Increase)/decrease in inventories	(46.8)	0.7
(Increase)/decrease in other financial assets	(1,826.6)	137.2
Decrease/(increase) in other assets	9.3	(14.7)
Increase in trade and other payables	391.8	66.9
Increase in provisions	19.8	32.9
Increase/(decrease) in other financial liabilities	1,352.4	(126.0)
Net cash generated from operations	165.0	600.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

Balance Sheet Items

6 Trade and other receivables

\$million	2022	2021
Trade receivables	701.4	529.9
Allowance for doubtful debts	(64.7)	(68.0)
Total trade and other receivables	636.7	461.9

Expected credit loss on trade receivables

\$million	
Balance as at 1 July 2021	68.0
Additional allowance for doubtful debts	20.5
Amounts written off, previously provided for	(23.8)
Balance as at 30 June 2022	64.7

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

	2022			2021	
	Total	Lifetime ECL Rate	Allowance	Total	Allowance
Unbilled revenue	265.9	2.1%	5.5	260.0	9.7
Not past due	354.6	1.3%	4.5	189.1	3.5
Past due 0-30 days	20.6	20.9%	4.3	19.0	3.5
Past due 31-60 days	12.0	26.7%	3.2	10.6	2.9
Past due 61-90 days	4.4	93.1%	4.1	4.4	2.3
Greater than 90 days	43.9	98.3%	43.1	46.8	46.1
	701.4		64.7	529.9	68.0

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 2022

6 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).

7 Other financial assets

\$million	2022	2021
Current		
Financial assets carried at fair value		
Energy derivatives - economic hedge	1,129.3	72.7
Commodity swaps and interest rate swaps - cash flow hedge	24.9	0.5
Loans and receivables		
Deposits with brokers	528.4	55.5
Total current other financial assets	1,682.6	128.7
Non-current		
Financial assets carried at fair value		
Commodity swaps and interest rate swaps - cash flow hedge	272.9	0.2
Total non-current other financial assets	272.9	0.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

8 Other assets

\$million	2022	2021
Current		
Deposits	57.2	49.6
Prepayments	93.8	21.5
Environmental certificates	92.0	85.4
Total current other assets	243.0	156.5
Non-current		
Deposits	56.0	113.2
Prepayments	112.5	186.3
Total non-current other assets	168.5	299.5

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 2022

9 Property, plant and equipment

\$million	Land and buildings	Leasehold improvements	Plant and equipment	Construction in progress	Total
Gross carrying amount					
1 July 2020	192.2	26.9	2,726.9	1,090.8	4,036.8
Additions	1.0	-	-	1,007.6	1,008.6
Capitalised to asset class	0.8	-	66.1	(66.9)	-
Disposals	(0.7)	(0.3)	(1.2)	-	(2.2)
30 June 2021	193.3	26.6	2,791.8	2,031.5	5,043.2
Additions	0.8	-	-	1,446.7	1,447.5
Capitalised to asset class	16.6	0.1	101.5	(118.2)	-
Disposals	(1.2)	-	(1.3)	-	(2.5)
Impairment charge	-	-	-	(1.7)	(1.7)
30 June 2022	209.5	26.7	2,892.0	3,358.3	6,486.5
Accumulated depreciation					
1 July 2020	(27.3)	(11.0)	(1,024.5)	-	(1,062.8)
Disposals	0.3	0.2	1.0	-	1.5
Depreciation expense	(11.8)	(2.9)	(84.0)	-	(98.7)
30 June 2021	(38.8)	(13.7)	(1,107.5)	-	(1,160.0)
Disposals	0.6	-	0.9	-	1.5
Depreciation expense	(11.9)	(2.8)	(90.8)	-	(105.5)
30 June 2022	(50.1)	(16.5)	(1,197.4)	-	(1,264.0)
Net book value					
2021	154.5	12.9	1,684.3	2,031.5	3,883.2
2022	159.4	10.2	1,694.6	3,358.3	5,222.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

9 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 2022 of \$76.0 million (2021: \$86.0 million) in the land and buildings class, and \$42.7 million (2021: \$49.2 million) in the plant and equipment class. Depreciation charged on these assets for the period was \$9.8 million (2021: \$9.5 million) in the land and buildings class, and \$6.4 million (2021: \$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 shorter. Land is not depreciated.
The following estimated useful lives are used in the calculation of depreciation:

Buildings: 10-50 years

Electrical and 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 2022

10 Goodwill and other intangible assets

\$million	Goodwill	Cost of customer acquisition	Computer software	Total
Cost				
1 July 2020	383.2	364.2	143.6	891.0
Additions	-	16.7	8.4	25.1
Disposals	-	-	-	-
30 June 2021	383.2	380.9	152.0	916.1
Additions	-	18.5	23.0	41.5
Disposals	-	-	-	-
30 June 2022	383.2	399.4	175.0	957.6
Amortisation				
1 July 2020	-	(254.0)	(96.2)	(350.2)
Amortisation	-	(38.8)	(15.3)	(54.1)
Disposals	-	-	-	-
30 June 2021	-	(292.8)	(111.5)	(404.3)
Amortisation	-	(35.0)	(16.3)	(51.3)
Disposals	-	-	-	-
30 June 2022	-	(327.8)	(127.8)	(455.6)
Net book value				
2021	383.2	88.1	40.5	511.8
2022	383.2	71.6	47.2	502.0

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

10 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. The Snowy 2.0 and Hunter Power Project developments are included within the generation CGU. 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 6.1% (2021: 6.9%). 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 projections 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 2023 inflows will be above 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 2022

11 Net deferred income tax assets

\$million	Opening balance	Charged to income statement	Charged to OCI	Other/transfer	Closing balance
2022					
Deferred tax assets					
Property, plant and equipment	125.6	(34.5)	-	-	91.1
Derivative financial instruments	122.1	(47.8)	(136.0)	61.7	-
Provisions	47.0	1.1	(1.0)	-	47.1
Non derivative financial instruments	4.1	(1.4)	-	-	2.7
Total deferred tax assets	298.8	(82.6)	(137.0)	61.7	140.9
Deferred tax liabilities					
Derivative financial instruments	-	-	-	61.7	61.7
Other	27.2	(4.8)	-	-	22.4
Total deferred tax liabilities	27.2	(4.8)	-	61.7	84.1
Net deferred tax asset					56.8
2021					
Deferred tax assets					
Property, plant and equipment	151.9	(26.3)	-	-	125.6
Derivative financial instruments	157.6	0.4	(35.9)	-	122.1
Provisions	36.7	10.8	(0.5)	-	47.0
Non derivative financial instruments	2.1	2.0	-	-	4.1
Total deferred tax assets	348.3	(13.1)	(36.4)	-	298.8
Deferred tax liabilities					
Other	33.8	(6.6)	-	-	27.2
Total deferred tax liabilities	33.8	(6.6)	-	-	27.2
Net deferred tax asset					271.6

Recognition and measurement

Current tax: The income tax payable/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 2022

12 Trade and other payables

\$million	2022	2021
Trade payables	815.9	352.8
Other payables	24.9	25.8
Goods and services tax payable	1.5	5.8
Total trade and other payables	842.3	384.4

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.

13 Provisions

\$million	2021	Recognised/ remeasured	Settled/ transferred	2022
Current				
Employee benefits	38.7	35.7	(31.2)	43.2
Environmental liability	59.1	233.6	(207.4)	85.3
Other provisions	0.8	-	-	0.8
Total current provisions	98.6	269.3	(238.6)	129.3
Non-current				
Employee benefits	34.1	(1.8)	-	32.3
Site rehabilitation	15.6	0.8	-	16.4
Environmental liability	17.3	(9.1)	-	8.2
Other provisions	0.2	(0.1)	-	0.1
Total non-current provisions	67.2	(10.2)	-	57.0

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

13 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 the 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.

14 Interest bearing liabilities and credit facilities

i) Interest bearing liabilities - unsecured

\$million	2022	2021
Current		
Bank loans	9.0	-
Lease liability	16.1	14.4
Borrowing costs	(8.2)	(8.3)
Total current interest bearing liabilities	16.9	6.1
Non-current		
Bank loans	2,656.0	2,177.0
Borrowing costs	(23.6)	(27.8)
Lease liability	125.0	140.5
Total non-current interest bearing liabilities	2,757.4	2,289.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

14 Interest bearing liabilities and credit facilities (continued)

ii) Credit facilities - unsecured

\$million	2022	2021
Financing facilities		
Amounts used	2,656.0	2,177.0
Amounts unused	2,694.0	2,948.0
Total financing facilities	5,350.0	5,125.0

These facilities have fixed maturity dates as follows: \$300.0 million in 2023, \$150.0 million in 2024, \$1,375.0 million in 2025, \$1,388 million in 2026, \$825 million in 2027, \$1,187.0 million in 2028, and \$125.0 million in 2029.

Uncommitted short-term money market facilities

Amounts used	9.0	-
Amounts unused	21.0	30.0
Total short-term money market facilities	30.0	30.0

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 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 2022

15 Other financial liabilities

\$million	2022	2021
Current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	18.9	52.8
Energy derivatives - economic hedge	1,223.9	313.7
Total current other financial liabilities	1,242.8	366.5
Non-current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	33.2	168.8
Total non-current other financial liabilities	33.2	168.8

Capital Structure and Risk Management

16 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 capital structure of the Group consists of net debt (borrowings as detailed in Note 14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

2. Financial Risk Management

\$million	2022	2021
Financial assets		
Amortised cost		
Cash and cash equivalents	74.0	190.2
Trade receivables and deposits with brokers	1,165.1	517.4
Fair value through profit or loss		
Energy derivatives	1,129.3	72.7
Derivatives designated and effective as hedging instruments		
Interest, foreign exchange and commodity derivatives	297.8	0.7
Financial liabilities		
Amortised cost		
Interest bearing liabilities	2,774.3	2,295.8
Trade payables	815.9	352.8
Fair value through profit or loss		
Energy and commodity derivatives	1,223.9	313.7
Derivatives designated and effective as hedging instruments		
Interest, foreign exchange and commodity derivatives	52.1	221.6

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

\$million	2022	2021
Gain/(loss) recognised on energy derivatives (standard swaps, options and bespoke contracts)	148.2	(21.3)
Gain/(loss) due to interest rate hedge ineffectiveness	10.9	(1.5)
Movement of cap premium received not yet amortised	(4.1)	21.3
Changes in fair value of financial instruments recognised through profit and loss	155.0	(1.5)

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

\$million	2022	2021
Gain and Loss recognised on:		
Foreign exchange contracts	(6.9)	(26.3)
Commodity swaps	9.6	0.7
Interest rate swaps	450.6	145.2
Changes in fair value of financial instruments recognised through hedging reserves	453.3	119.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 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 Executive 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, foreign exchange contracts and commodity derivatives 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 2021.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

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 (standard 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. Additionally, in recent years the Group has established a portfolio of Power Purchase Agreements (PPAs) sourcing from renewable energy fuel including solar and wind to supply Retail customers. By utilising the standby, fast-start generation capacity from our physical generation assets, Snowy Hydro is able to match the generation and demand profiles to manage potential mismatch risks.

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

\$million	2022	2021
Energy derivatives asset - current	1,129.3	72.7
Energy and commodity derivatives liability - current	(1,223.9)	(313.7)
Total energy and commodity derivatives	(94.6)	(241.0)

*Snowy has entered into commodity derivatives totalling a fair value of \$10.2m at June 2022 (2021: \$0.7m). The derivatives were in effective hedge relationships. As the balance is immaterial, commodity derivatives are only disclosed in the liquidity risk table and fair valuation hierarchy table.

These derivatives are classified as current because they are held for trading, however management intent is to hold to maturity. Of the total energy and commodity derivatives, \$707.4 million (2021: \$45.1 million) of the asset and \$806.7 million (2021: \$68.9 million) of the liability is expected to mature within 12 months, and \$421.9 million (2021: \$27.6 million) of the asset and \$417.2 million (2021: \$244.8 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 changes 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 30% (2021: 20%) price change has been applied to flat, peak and off-peak electricity swaps, a 50% (2021: 40%) price change has been applied to electricity options. These changes are based on the volatility of historical prices of the relevant instruments.

\$million	Profit/ (loss) before tax Increase/ (decrease) in fair value		Other comprehensive income Increase/ (decrease) in fair value	
	2022	2021	2022	2021
Electricity swap - price increase	110.8	56.4	-	-
Electricity swap - price decrease	(110.8)	(56.4)	-	-
Electricity options - price increase	(781.8)	(333.2)	-	-
Electricity options - price decrease	779.7	333.5	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

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 \$500,000 equivalent value.

In April 2019 the Company signed a contract as part of the Snowy 2.0 project which has a component denominated in EURO. Accordingly, the Company has entered into a series of foreign exchange contracts, with €275.2 million outstanding at 30 June 2022 on the Snowy 2.0 project. Additional miscellaneous contracts on other projects totalled to (Japanese Yen) ¥4,214 million, \$USD5.4 million, and €2.7 million. The purpose of these contracts is to fix the Australian dollar cost of the equipment purchases over the life of the contracts 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 results 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

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

2022 \$million	Less than one year	1 - 3 years	More than 3 years	Total
Forward exchange contracts				
Net exposure (in millions of EUR)	80.7	152.4	44.7	277.9
Average EUR:AUD forward contract rate	0.58	0.56	0.54	0.56
Net exposure (in billions of JPY)	3.5	0.7	-	4.2
Average JPY:AUD forward contract rate	80.53	79.55	-	80.37
Net exposure (in millions of USD)	5.4	-	-	5.4
Average USD:AUD forward contract rate	0.73	-	-	0.73

2021 \$million	Less than one year	1 - 3 years	More than 3 years	Total
Forward exchange contracts				
Net exposure (in millions of EUR)	101.6	129.8	145.4	376.8
Average EUR:AUD forward contract rate	0.61	0.58	0.55	0.57

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

Capital expenditure \$million	2022	2021
Change in value used for calculating hedge effectiveness	55.7	48.8
Cash flow hedge reserve	55.7	48.8
Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

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

Forward exchange contracts \$million	2022	2021
Assets (carrying amount)		
Other current financial assets	-	-
Other non-current financial assets	-	-
Liabilities (carrying amount)		
Other current financial liabilities	(18.9)	(9.7)
Other non-current financial liabilities	(33.2)	(38.0)
Movement of foreign cash balance designated as a hedging instrument	(3.6)	(1.1)
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(55.7)	(48.8)
Changes in the value of the hedging instrument recognised in OCI	55.7	48.8
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 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.

\$million	Profit/(loss) before tax		Other comprehensive income	
	2022	2021	2022	2021
EUR +6.83% (2021: +8.40%)	-	-	27.9	50.1
EUR -6.83% (2021: -8.40%)	-	-	(27.9)	(50.1)
JPY +11.71% (2021: n/a)	-	-	6.0	-
JPY -11.71% (2021: n/a)	-	-	(4.7)	-
USD +10.50% (2021: n/a)	-	-	0.9	-
USD -10.50% (2021: n/a)	-	-	(0.7)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 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 2022:

\$million	2022	2021
Floating rate instruments		
Financial assets		
Cash and cash equivalents	74.0	190.2
	74.0	190.2
Financial liabilities		
Bank loans	2,665.0	2,177.0
Interest rate swap notional principal excluding forward-starting swaps	(2,776.4)	(2,326.1)
	(111.4)	(149.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 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	
	2022 %	2021 %	2022 \$million	2021 \$million
Less than 1 year	2.15	2.19	3,076.7	2,776.4
1 to 2 years	2.15	2.15	3,076.7	3,076.7
2 to 3 years	2.07	2.15	3,176.8	3,176.7
3 to 4 years	2.07	2.09	3,176.8	3,176.8
4 to 5 years	2.06	2.07	2,876.8	3,176.8
5 years or more	2.04	2.07	2,426.4	2,876.6
Average	2.09	2.12	2,968.3	3,026.7

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

Floating interest payments \$million	2022	2021
Change in value used for calculating hedge effectiveness	(278.1)	172.4
Cash flow hedge reserve	(278.1)	172.4
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	2022	2021
Assets (carrying amount)		
Other current financial assets	16.4	-
Other non-current financial assets	271.2	-
Liabilities (carrying amount)		
Other current financial liabilities	-	(43.1)
Other non-current financial liabilities	-	(130.8)
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	287.6	(173.9)
Changes in the value of the hedging instrument recognised in OCI	(278.1)	172.4
Hedge ineffectiveness recognised in other expenses	(9.5)	1.5
Amount reclassified from hedging reserve to profit or loss	(53.3)	(44.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 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 250 (2021: 25) basis points higher or 5 (2021: 5) basis points 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	
	2022	2021	2022	2021
Interest rate + 250 (2021: +25) basis points				
Interest on bank loan	(66.4)	(5.4)	-	-
Interest on interest rate swap	76.9	6.9	-	-
Fair valuation of interest rate swap	-	-	367.5	51.9
Interest rate -5 basis points				
Interest on bank loan	1.3	1.1	-	-
Interest on interest rate swap	(1.5)	(1.4)	-	-
Fair valuation of interest rate swap	-	-	(8.0)	(10.5)

*2021 sensitivity analysis was based on +25 bps and -5 bps movement of the interest rate curve. Snowy Hydro assesses the reasonableness of the sensitivity scenario at reporting time to reflect the most up-to-date market environment and determined +250 bps and -5 bps is more appropriate for 2022.

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	2022	2021
Balance at the beginning of the reporting period	(154.4)	(238.1)
Cash flow hedges		
<i>Changes in fair value:</i>		
Foreign currency risk	(10.5)	(27.4)
Interest rate risk	397.2	101.0
Commodity risk	9.6	0.7
<i>Amount reclassified to profit or loss:</i>		
Foreign currency risk	-	-
Interest rate risk	53.3	44.2
Commodity risk	-	-
<i>Amount included in the cost of non-financial items:</i>		
Foreign currency risk	3.6	1.1
<i>Tax on movements on reserves during the year</i>	(136.0)	(35.9)
Balance at the end of the reporting period	162.9	(154.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

(ii) Liquidity risk

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

Short-term liquidity risk predominantly arises through four 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); the risk of settling large payouts on a contract or contracts where the Group's generation fails to cover those contract positions; and monthly payment claims on the Snowy 2.0 Project and the Hunter Power Project.

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 \$2,694.0 million (2021: \$2,948.0 million), as detailed in Note 14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

2022 \$million	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
<i>Non derivative instruments</i>					
Trade payables	815.9	-	-	-	815.9
Bank loan (facilities)*	300.0	150.0	3,588.0	1,312.0	5,350.0
Lease liabilities	23.3	23.2	64.8	96.5	207.8
	1,139.2	173.2	3,652.8	1,408.5	6,373.7
<i>Derivative instruments</i>					
Energy and commodity derivatives	811.5	212.6	141.4	157.9	1,323.4
Foreign exchange contracts	19.3	10.1	26.8	-	56.2
	830.8	222.7	168.2	157.9	1,379.6

2021					
Financial liabilities					
<i>Non derivative instruments</i>					
Trade payables	352.8	-	-	-	352.8
Bank loan (facilities)*	225.0	575.0	3,625.0	700.0	5,125.0
Lease liabilities	20.0	20.9	63.3	114.9	219.1
	597.8	595.9	3,688.3	814.9	5,696.9
<i>Derivative instruments</i>					
Energy and commodity derivatives	76.2	44.1	132.7	112.8	365.8
Foreign exchange contracts	9.7	9.6	29.8	-	49.1
Interest rate swaps	53.1	53.2	79.6	0.8	186.7
	139.0	106.9	242.1	113.6	601.6

*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 amounts shown represent the full limits of facilities, and assumes they would be fully drawn until the maturities of those facilities. The estimates therefore are likely to be higher than the actual, eventual 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, being subject to its prudential obligations, 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, or at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 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 up to 1.21 million residential, small and large commercial and industrial customers, in New South Wales, Victoria, South Australia and Queensland. Refer to Note 6 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 2022

16 Financial instruments (continued)

2022 \$million	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative financial instruments				
- Energy derivatives	139.8	105.6	883.9	1,129.3
- Interest rate swaps	-	287.6	-	287.6
- Commodity swaps	-	10.2	-	10.2
Total financial assets	139.8	403.4	883.9	1,427.1
Financial liabilities				
Derivative financial instruments				
- Energy and commodity derivatives	494.9	176.7	552.3	1,223.9
- Foreign exchange contracts	-	52.1	-	52.1
Total financial liabilities	494.9	228.8	552.3	1,276.0
Net financial assets (liabilities)	(355.1)	174.6	331.6	151.1

2021 \$million	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative financial instruments				
- Energy derivatives	12.3	9.9	50.5	72.7
- Commodity swaps	-	0.7	-	0.7
Total financial assets	12.3	10.6	50.5	73.4
Financial liabilities				
Derivative financial instruments				
- Energy and commodity derivatives	23.5	19.5	270.7	313.7
- Foreign exchange contracts	-	47.7	-	47.7
- Interest rate swaps	-	173.9	-	173.9
Total financial liabilities	23.5	241.1	270.7	535.3
Net financial assets (liabilities)	(11.2)	(230.5)	(220.2)	(461.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

16 Financial instruments (continued)

Management has assessed the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) as a reasonable approximation of fair value in accordance with accounting standards, however management notes that this methodology does not allow for the Company's ability to defend its positions through generation and does not capture the value to the business from selling TrueGreen renewable energy products to its customers.

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 and commodity 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 swap or 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 pricings of comparable projects. 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 2022

16 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 2022:

\$million	2022	2021
Opening balance	(220.2)	(158.5)
Option premium received in cash during the period	(153.1)	(161.3)
Total gains and losses in profit or loss		
- Settlements during the period	(37.5)	107.0
- Changes in fair value of financial instruments	742.4	(7.4)
Closing balance	331.6	(220.2)

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 50% (2021: 40%) movement in the price curve for cap instruments, 30% (2021: 20%) movement in the price curve for peak swap capped instruments and 30% (2021: 20%) movement in the price curve for flat and off-peak swap capped and load following swap instruments would have the following effects:

2022 \$million	Profit/ (loss) before tax		
	Fair value	Increase movement	Decrease movement
Energy derivative assets	883.9	918.8	(921.6)
Energy derivative liabilities	(552.3)	(491.8)	492.4

2021 \$million	Profit/ (loss) before tax		
	Fair value	Increase movement	Decrease movement
Energy derivative assets	50.5	149.2	(149.1)
Energy derivative liabilities	(270.7)	(21.1)	21.4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

17 Issued capital

\$million	2022	2021
1,599,000,000 (2021: 759,000,000) fully paid ordinary shares	2,215.1	1,375.1

18 Preference shares

\$million	2022	2021
62,000,000 fully paid preference shares	62.0	-

19 Reserves

\$million	2022	2021
Hedging reserves		
Balance at the beginning of the reporting period	(154.4)	(238.1)
(Losses)/gains recognised:		
Foreign exchange contracts	(6.9)	(26.3)
Interest rate swaps	450.6	145.2
Commodity forwards	9.6	0.7
Deferred tax arising on hedges	(136.0)	(35.9)
Balance at the end of the reporting period	162.9	(154.4)

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 2022

20 Dividends

\$million	2022	2021
Recognised amounts		
Final dividend		
Final dividend for 2021 of 5.052 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022 (2021: Final dividend for 2020 of 13.14 cents per share, fully franked at the corporate tax rate of 30%, paid 23 October 2020)	72.0	46.2
Interim dividend		
Interim dividend for 2022 of 4.655 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022 (2021: Interim dividend for 2021 of 11.56 cents per share, fully franked at the corporate tax rate of 30%, paid 23 April 2021)	66.3	76.5
Special dividend		
Special dividend for 2022 of 1.775 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022	25.3	-
Total recognised amounts	163.6	122.7
Dividend franking account balance	238.4	212.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

Group Structure

21 Subsidiaries

Name of Entity	Country of Incorporation	% Ownership	
		2022	2021
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 2022

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	2022	2021
Revenue	3,472.5	2,672.4
Interest income	-	0.1
Other income	28.1	19.4
Direct costs of revenue	(2,615.1)	(1,679.0)
Consumables and supplies	(66.1)	(67.5)
Employee benefits expense	(228.6)	(222.8)
Depreciation and amortisation expense	(145.2)	(141.5)
Finance costs	(18.7)	(40.1)
Impairment loss recognised on trade receivables	(20.5)	(30.5)
Other expenses	(107.8)	(118.9)
Changes in fair value of financial instruments	155.0	(1.5)
Profit before income tax expense	453.6	390.1
Income tax expense	(135.7)	(116.3)
Profit attributable to the owners of the parent entity	317.9	273.8

Statement of financial position

\$million	2022	2021
Current assets		
Cash and cash equivalents	74.0	190.2
Trade and other receivables	636.7	461.9
Inventories	70.4	23.6
Income tax receivable	24.4	-
Other financial assets	1,682.6	128.8
Other assets	242.9	156.5
Total current assets	2,731.0	961.0
Non-current assets		
Deferred tax assets	49.0	264.8
Goodwill and other intangible assets	502.1	511.8
Property, plant and equipment	5,164.3	3,817.4
Other financial assets	342.6	91.1
Investments in subsidiaries	95.1	95.1
Other assets	168.5	299.5
Total non-current assets	6,321.6	5,079.7
Total assets	9,052.6	6,040.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

21 Subsidiaries (continued)

Statement of financial position (continued)

\$million	2022	2021
Current liabilities		
Trade and other payables	804.0	383.8
Interest bearing liabilities	16.9	6.2
Provisions	129.3	98.7
Other financial liabilities	1,242.8	366.4
Income tax payable	-	23.9
Total current liabilities	2,193.0	879.0
Non-current liabilities		
Interest bearing liabilities	2,757.5	2,289.7
Provisions	56.9	67.2
Other financial liabilities	33.2	168.8
Total non-current liabilities	2,847.6	2,525.7
Total liabilities	5,040.6	3,404.7
Net assets	4,012.0	2,636.0
Equity		
Issued capital	2,215.1	1,375.1
Preference shares	62.0	-
Reserves	162.9	(154.4)
Retained earnings	1,572.0	1,415.3
Total equity	4,012.0	2,636.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

22 Parent entity disclosures

(a) Summary financial information (Parent)

\$million	2022	2021
Assets		
Current assets	3,391.7	1,499.2
Total assets	9,786.9	6,453.0
Liabilities		
Current liabilities	3,787.3	1,717.5
Total liabilities	6,608.9	4,204.2
Equity		
Issued capital	2,215.1	1,375.1
Preference shares	62.0	-
Reserve	162.9	(150.6)
Retained earnings	738.0	1,024.3
Profit for the period	(125.1)	183.5
Total comprehensive income	190.8	272.7

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

\$million	2022	2021
Guarantees provided under the deed of cross guarantee as referred to in Note 21	91.8	71.8

(c) Contingent liabilities of the parent entity

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

(d) Capital commitments

\$million	2022	2021
Not longer than 1 year	921.7	1,344.6
Later than 1 year but not later than 5 years	2,234.5	2,635.2
Later than 5 years	95.8	125.4
	3,252.0	4,105.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

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:

\$	2022	2021
Short-term employee benefits	10,857,052	9,653,421
Post-employment benefits	358,336	337,555
Other long-term employee benefits	605,903	148,913
Total remuneration	11,821,291	10,139,889

(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 2022 was \$515.4 million (30 June 2021: \$296.7 million owed by the parent entity).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 EISS, SSS and the SANCS provide defined benefits in the form of lump sum or pension benefits on retirement, death, disability 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 2022

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 2021. The next actuarial investigation is due as at 30 June 2024.

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, resulting in pensions being paid for a longer period and thereby requiring additional contributions.
- **Pension indexation risk:** The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional contributions.
- **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

No significant events occurred during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

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
2021	22.0	(17.4)	4.6	-	4.6
Current service cost	-	-	-	-	-
Interest expense/ (income)	0.6	(0.4)	0.2	-	0.2
Total amount recognised in profit or loss	0.6	(0.4)	0.2	-	0.2
<i>Remeasurements:</i>					
Return on plan assets, excluding amounts included in interest expense	-	(0.1)	(0.1)	-	(0.1)
Actuarial gain from changes in demographic and financial assumptions	(3.6)	-	(3.6)	-	(3.6)
Actuarial gain from liability experience	(0.2)	-	(0.2)	-	(0.2)
Change in asset ceiling, excluding amounts included in interest expense	-	-	-	0.5	0.5
Total amount recognised in OCI	(3.8)	(0.1)	(3.9)	0.5	(3.4)
<i>Contributions:</i>					
Employers	-	(0.2)	(0.2)	-	(0.2)
Plan participants	-	-	-	-	-
<i>Payments from plan:</i>					
Benefit payments	(1.0)	1.0	-	-	-
2022	17.8	(17.1)	0.7	0.5	1.2

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 2022	EISS	SSS/SANCS
Australian equities	18%	18%
International equities	19%	33%
Property	16%	6%
Private equity	3%	-
Infrastructure	13%	-
Alternatives	15%	25%
Fixed income	11%	4%
Short-term Securities	-	14%
Cash	5%	-
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 2022

24 Defined benefit superannuation plan (continued)

Significant actuarial assumptions at the reporting date

As at 30 June 2022	EISS	SSS/SANCS
Discount rate	4.73%	5.36%
Salary increase rate (excluding promotional increases)	3.25% pa	2.74% - 3.2% pa
Rate of CPI increase	2.2% pa	2.5% - 5.5%
Pensioner mortality	As per the triennial valuation of the Scheme as at 30 June 2021	

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 for the EISS defined benefit plan is 1% higher/(lower), the defined benefit obligation would decrease by \$1.2 million (increase by \$1.6 million);
- If the discount rate for the SSS/SANCS defined benefit plan is 0.5% higher/(lower), the defined benefit obligation would decrease by \$0.3 million (increase by \$0.3 million); and
- If the rate of CPI increase for all plans are 0.5% higher/(lower), the defined benefit obligation would increase by \$1.0 million (decrease by \$0.9 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 2021. 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 2022 are \$0.05 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 11 years and 12.8 years for EISS and SANCS/SSS respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

25 Commitments

\$million	2022	2021
Capital expenditure commitments - property, plant and equipment		
Not longer than 1 year	921.7	1,344.6
Later than 1 year but not later than 5 years	2,234.5	2,635.2
Later than 5 years	95.8	125.4
Total capital expenditure commitments - property, plant and equipment	3,252.0	4,105.2
Lease commitments		
Not longer than 1 year	0.3	0.3
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Total lease commitments	0.3	0.3
Other commitments		
Not later than 1 year	82.0	140.2
Later than 1 year but not later than 5 years	356.3	75.9
Total other commitments	438.3	216.1

Lease commitments only reflect short-term and low value leases since the adoption of AASB 16 in 2020.

Other commitments represent gas supply contractual commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

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 2022 are:

(i) Ongoing contingent liabilities 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 \$113.4 million (2021: \$80.4 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.

(iii) Compensation costs arising from Administered Pricing Period and Market Suspension

Snowy Hydro (through its subsidiaries who are market participants) expects to be charged for its share of the compensation costs arising from the Administered Pricing Period and subsequent Market Suspension in June 2022 resulting from claims submitted across the industry. This claims process is ongoing, and Snowy Hydro does not have sufficient visibility of the magnitude of claims submitted across the industry, nor how they might be assessed. Accordingly, it is not possible to form a reliable estimate of the costs of this compensation, although we do anticipate that the claims will be resolved during the year ahead.

(iv) Claims under Snowy 2.0 Engineering, Procurement & Construction (EPC) contract

As with any major project globally, Snowy 2.0's EPC Contractor, the Future Generation Joint Venture (Future Generation), has been significantly impacted by external events, comprising bushfires, the COVID-19 pandemic and supply chain challenges.

Given the complexity and scale of Snowy 2.0, Snowy Hydro and Future Generation are in ongoing discussions regarding the above impacts. It is not possible to determine what entitlement Future Generation may have as all current claims are at an early stage and not advanced beyond the submission of an interim (as opposed to a final) claims document. Claims resolution will follow the appropriate contractual and/or judicial process.

(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 were written off immediately following the bushfires in 2020, with a further \$11.1 million of incremental bushfire recovery expenses incurred in 2021 and \$2.8 million incurred in 2022. These costs are excluded from underlying profit.

Snowy Hydro has an ongoing insurance claim and has recognised insurance proceeds only when they are virtually certain. Management anticipates successful resolution of the outstanding claim within the coming year, however the expected value of the settlement has not been disclosed to avoid prejudicing the claim process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

26 Contingent liabilities and contingent assets (continued)

Snowy Hydro is entitled to compensation income during periods in which it generated electricity and pumped water (to assist with the generation of electricity) during the Administered Pricing Period and subsequent Market Suspension in June 2022 noting that such activities were (during such periods) inconsistent with Snowy Hydro's ordinary approach to generation and pumping in the NEM. Snowy Hydro has recognised provisional settlement compensation income of \$6.2 million in the 2022 period, although the full extent of the compensation claim amount cannot be recognised until such amounts become virtually certain. Snowy Hydro considers that it has a strong claim for compensation such that an inflow of economic benefits is probable, however it is not practicable to estimate the financial outcome of the claim at this time, noting that the final compensation amounts are in the process of being determined and have yet to crystallise.

27 Subsequent events

Except as otherwise disclosed in this report, no item, transaction or event of a material nature has arisen since 30 June 2022 that would significantly affect the operations of Snowy Hydro, the results of those operations, or the state of affairs, in future financial periods.

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 2019, 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:

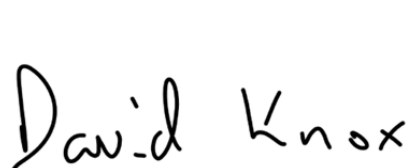
\$	2022	2021
Audit services		
Audit or review of the financial report	768,500	717,536
Other audit services	64,000	14,100
Other non-audit services		
Technology services	14,750	80,900
Financial due diligence	-	150,000
Total remuneration of auditors	847,250	962,536

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 2022 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 2022



Paul Broad, Managing Director
31 August 2022



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

**SNOWY HYDRO LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT 2021–22
AUDITOR’S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of Snowy Hydro Limited and its Controlled Entities for the year ended 30 June 2022, 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

31 August 2022
Canberra

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 2022 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 2022 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 as at 30 June 2022 and for the year then ended:

- Consolidated Statement of Profit or Loss;
- Consolidated 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.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Key audit matter

Valuation, existence and completeness of financial instruments – energy derivatives

Refer to Note 7 'Other financial assets', Note 15 'Other financial liabilities' and Note 16 'Financial Instruments'

The Group enters into contracts to economically hedge risks arising from exposure to future variability in energy prices. These contracts may contain terms that require recognition by the Group as derivative financial instruments at fair value in accordance with the requirements of AASB 9 *Financial Instruments*.

I consider the valuation of contracts containing energy derivatives to be a key audit matter because of the complexity and judgement applied by the Group in estimating the fair value of the resulting financial instruments. The process for accounting for and estimating a fair value for these financial instruments is inherently complex due to:

- the judgement applied by the Group in understanding and applying terms of such contracts to determine the appropriate accounting treatment to recognise the resulting financial instruments;
- the judgement and level of estimation applied by the Group to determine material inputs into the valuation models for these financial instruments, including: forecast future energy prices and market demand, future generation capacity for solar and wind generators, calculation of discount rates and other market factors. The level of estimation complexity is increased due to the limited observable market data for some contracts that have been entered into by the Group as comparable contracts and market data are not readily available. In these cases the inputs are based on unobservable data as estimated and prepared by the Group;
- the arithmetical complexity of the valuation models developed by the Group to account for these instruments; and
- the level of complexity related to the preparation and presentation of financial statement disclosures relating to these financial instruments, particularly when the valuation models are based on unobservable market data.

For the year ended 30 June 2022, the Group reported total financial assets relating to energy derivatives of \$1 129.3 million and total financial liabilities relating to energy derivatives of \$1 223.9 million.

How the audit addressed the matter

In relation to the valuation, existence and completeness of financial instruments, I performed the following procedures:

- assessed the design, implementation and operating effectiveness of selected controls in the risk management process and systems related to the origination and maintenance of complete and accurate information relating to contracts containing financial instruments;
- tested, on a sample basis, the existence and valuation of financial instruments recognised by the Group at 30 June 2022. These procedures included:
 - obtaining an understanding of the terms of the contract to assess the appropriateness of the accounting treatment determined by the Group to assess whether it complied with the recognition requirements of AASB 9;
 - evaluating the integrity of the calculations included in the Group's valuation models;
 - testing the accuracy of the incorporation of the terms of each contract into valuation models by substantiating them to the originating contract;
 - assessing the competence and objectivity of valuation experts that were used by the Group to assist in developing valuation models or inputs; and
 - evaluating the reasonableness of inputs included in valuation models arising from estimates. This included: assessing whether observable market data had been considered by the Group to the extent it was available; understanding the Group's process for developing estimates of future price and market assumptions relevant to contracts; and considering the sensitivity of valuations by adjusting key inputs to other outcomes that may be reasonably foreseeable to assess the reasonableness of the valuation range.
- assessed the appropriateness of the disclosures included in Note 7, Note 15 and Note 16 to the financial statements to assess whether the notes contained sufficient information relating to estimation uncertainty in relation to the valuation of energy derivative financial instruments.

Key audit matter**Valuation of property, plant and equipment ('PPE') – construction in progress**

Refer to Note 9 'Property, plant and equipment'

The Group is undertaking the construction of Snowy 2.0, a pumped hydro electricity generating asset, which will occur over a number of financial years.

I consider this to be a key audit matter due to the level of judgement applied by the Group in relation to determining the appropriateness of costs to be capitalised during the construction of Snowy 2.0. The complexity of these judgements is increased due to the number of contractual obligations, construction milestones and timing involved in delivery of Snowy 2.0.

For the year ended 30 June 2022 the Group reported total construction in progress of \$3 358.3 million.

How the audit addressed the matter

In relation to the valuation of property, plant and equipment – construction in progress, I performed the following procedures:

- evaluated the design, implementation and operating effectiveness of key controls supporting the approval of costs related to the construction of Snowy 2.0;
- evaluated the Group's accounting policy in relation to the capitalisation of construction costs to assess compliance with the requirements of AASB 116 *Property, Plant and Equipment*;
- assessed the reasonableness of costs capitalised during the period by:
 - testing, on a sample basis, capitalised costs to determine whether they were in accordance with the Group's accounting policy;
 - making inquiries of the Group to understand the status of the project, performance against budget and the progress of construction at 30 June 2021, including corroboration to project reporting prepared by construction delivery partners;
- tested variations to original forecast construction costs by obtaining a sample of corroborating evidence including correspondence with delivery partners; and
- evaluated Snowy Hydro's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year.

Key audit matter**Valuation of allowance for doubtful debts**

Refer to Note 6 'Trade and other receivables' and Note 16 'Financial Instruments'

At 30 June 2022 the Group recognised trade and other receivables arising mainly from contracts with customers for supply of electricity and gas by the Group's subsidiaries – Red Energy and Lumo Energy.

I consider this to be a key audit matter due to the complexity of the accounting treatment required for the measurement of the allowance for doubtful debts. The measurement of the allowance for doubtful debts involves complex calculations requiring an increased level of judgement to be applied by the Group to estimate Expected Credit Losses ('ECL'). This judgement includes an assessment of the likelihood that trade and receivables will be recovered from customers in the future. The complexity of these judgements has been impacted by the economic impacts of natural disasters and the COVID-19 lockdown periods – particularly the impact of the pandemic on economic and customer markets. The Group has made judgements as to the

How the audit addressed the matter

In relation to the valuation of the allowance for doubtful debts, I performed the following procedures:

- assessed the reasonableness of the methodology adopted by the Group to assess trade and other receivables for ECL, including validation of the key inputs and underlying data which informed the Group's estimation, including evaluating the Group's application of forward-looking macroeconomic assumptions and scenario weightings applied in the calculation of ECL, including consideration of probable impacts arising due to economic impacts of natural disasters and the COVID-19 lockdown periods;
- evaluated the debtor profiling and ageing categories including an assessment of the quantum of the provision against aged debtor accounts including any adjustments made in accordance with AASB 9 *Financial Instruments* for expected credit losses;
- tested the arithmetical accuracy of calculations performed by the Group within the ECL model; and

likely impacts on the recoverability of trade and other receivables which involved judgmental forecasts of economic assumptions, consideration of possible alternative economic scenarios and determining their likelihood to determine an estimate of ECL.

- evaluated the Group's historical ability to accurately estimate ECL's by comparing previous allowance for doubtful debts with subsequent write offs for previous reporting periods.

For the year ended 30 June 2022 the Group reported total trade and other receivables of \$636.7 million net of an allowance for doubtful debts of \$64.7 million.

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 2022, 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.

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 as 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, as applicable, matters 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Carla Jago
Group Executive Director
Delegate of the Auditor-General

Canberra
31 August 2022

REGULATORY REPORTING REQUIREMENTS INDEX

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

For the period ended 30 June 2022

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 reporting 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 reporting period	Operational and Financial Review	44-51
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	9-12
28E(g)	An outline of the organisational structure of the company (including any subsidiaries of the company)	Note 21 to the Consolidated Financial Statements	96
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	37-43

28E(j), 28E(k)	For transactions with a related Commonwealth entity or related company 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	Not applicable	-
28E(l)	Any significant activities or changes that affected the operations or structure of the company during the reporting period	Directors' Report	7
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	14
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	(a) Operational and Financial Review: Snowy 2.0	48
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	16-29
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	41 9-13 16-29

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	Directors' Report	8
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 Note 20 to the Consolidated Financial Statements	8 95
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

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