



TAX TRANSPARENCY REPORT

2023

Safety is always our number one priority

snowyhydro

Snowy Hydro Limited

Tax Transparency Report

For the financial period ended 30 June 2023

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Chief Financial Officer's Introduction

The Snowy Hydro Group is committed to the highest levels of governance, with our values of safety, teamwork, ownership, agility, decency and courage, providing the foundation for our day-to-day activities.

Snowy Hydro's objective is to comply with all applicable laws including all taxation responsibilities, internal policies, and other commitments to our stakeholders. We are committed to transparency, accountability and balancing the interests of our stakeholders, the communities and environment in which we operate, our customers and our employees. This includes engaging closely with all taxation authorities.

We are proud of the contribution we make to the local communities in the regions in which we operate and the states in which we conduct our business, and to Australia's public finances more broadly.

This Tax Transparency Report outlines Snowy Hydro's tax governance and strategy together with tax contributions paid to Australian State, Territories and Commonwealth governments.

The information provided in this report is in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Compliance Code and should be read in conjunction with the Snowy Hydro Limited 2023 Annual Report.

Kim Josling
Chief Financial Officer

Structure and Background

Snowy Hydro Limited was established on 28 June 2002, when the Snowy Mountains Hydro-Electric Authority was corporatised under the *Snowy Hydro Corporatisation Act 1997*.

Snowy Hydro is governed by its Constitution, which is subject to and aligned with the *Corporations Act (Cth) 2001*.

As the company's sole shareholder continues to be the Commonwealth of Australia, it is also subject to the Commonwealth Government Business Enterprises - Governance and Oversight Guidelines.

The company is not exempt from any taxes, and is subject to all taxes, levies and government imposts as they would apply to any other Australian company.

Who We Are and What We Do

Having originated from the Snowy Mountains Hydro-Electric Authority, the group is now a dynamic and growing energy generator and retailer.

We have evolved into an integrated energy business – generating energy, providing price risk management products for wholesale customers and delivering energy to homes and businesses. Similarly, as the National Energy Market ("NEM") evolves to cater for the market's decarbonisation and increased penetration of renewable energy sources, Snowy Hydro's assets and capabilities including Snowy 2.0, the Hunter Power Project and the company's gas peakers, will play a major and expanding role in the transition to, and the ongoing support of, a decarbonised NEM.

Key to our success is our ability to utilise the Snowy Scheme's large reservoirs to act as a battery to store and manage water which is used to generate reliable clean energy on-demand. The combination of our storage and generation capability means we play a critical role in the energy market, whether through spot generation, risk management for our wholesale customers, futures contracts or electricity and gas supply to households and commercial and industrial customers.

This is achieved while continuing to operate under a strictly regulated water licence whereby water is released into the River Murray and Murrumbidgee River systems to be used by irrigators and downstream water suppliers.

We combine the power of the 4,100MW mighty Snowy Scheme with gas and diesel fired peaking generators, together with an expanding contracted wind and solar portfolio to deliver a flexible and reliable mix of energy to our customers every day.

Through our award winning retail brands, Red Energy and Lumo, we are the fourth-largest energy retailer in the NEM. These businesses now serve more than 1.2 million customers across the country. They are supported by our Direct Connect business, which is one of Australia's largest moving services companies and coordinates customers' access to electricity and gas when they are moving home.

Taxation Strategy, Governance & Framework

The company continues its history of maintaining a conservative tax risk profile, which is reflected in our Tax Risk Management Framework. The Board Audit and Compliance Committee has

ownership and oversight of this framework, with management presenting to the committee on the group's tax status and matters on a regular basis.

The framework also outlines a clearly defined reporting hierarchy on tax issues by which risks are escalated through the organisation.

All transactions entered into by the company are based on commercial considerations underpinned by genuine economic activity. The company's business model, structure and operations do not carry an inherent high level of natural tax risk. The company does not adopt tax driven, artificial or contrived positions, nor do we interpret any tax legislation beyond its spirit and intent.

At all times the company applies the highest standards of governance and compliance to meet our obligations under tax legislation. In doing so, we assess and invest appropriately in people, processes and systems, and when required we engage external tax advisers to guide and support our positions.

Management and the Board, are committed to full transparency and disclosure in all dealings with the Australian Taxation Office ("ATO") and other revenue authorities with which we interact. The ATO is the principal taxation authority with which the company has dealings, and we maintain a constructive, professional and transparent dialogue and relationship with them.

The company's conservative tax risk profile is reflected in the outcomes of the ATO's assurance reviews over the group, as discussed further below under "ATO Assurance Reviews".

Basis of Preparation

This Tax Transparency Report satisfies Part A and Part B of the Tax Transparency Code. It is based on the income tax disclosures contained in Snowy Hydro's audited 30 June 2023 Consolidated Financial Report, and reflects the final income tax payable for the year ended 30 June 2022 in accordance with that income tax return as lodged.

The 30 June 2023 income tax return is yet to be prepared and lodged, and any differences between the final 30 June 2023 income tax return and the income tax disclosures contained in Snowy Hydro's audited 30 June 2023 Consolidated Financial Report, will be disclosed and reconciled in the 30 June 2024 Tax Transparency Report.

ATO Published Information

Each year the ATO publishes information about the tax affairs of public companies with a total income of \$100 million or more.

This information has traditionally been published by the ATO in December, and is done on a one year lag basis.

As Snowy Hydro is a public company with total income greater than \$100 million, we expect in December 2023 the ATO will publish the information below for the year ended 30 June 2022.

\$million	2022
Total Income	3,679.9
Taxable Income	173.9
Tax Payable	48.7

Tax Payable as disclosed by the ATO will equate to the Australian corporate income tax paid by Snowy Hydro to the ATO. Due to the availability of tax concessions for eligible research and development expenditure, the Tax Payable will not equate to 30% of Taxable Income.

ATO Assurance Reviews

All large corporate taxpayers in Australia will, at some stage, be the subject of review under the various assurance review programs operated by the ATO.

Snowy Hydro is currently undergoing an ATO Combined Assurance Review (CAR), and it is anticipated that the review will be completed in the year ended 30 June 2024. The ATO's CAR program covers both income tax and GST and is structured as a "top up" review by building on previous assurance reviews.

In prior years, Snowy Hydro has been the subject of two ATO Streamlined Tax Assurance reviews that separately covered income tax and GST. Under these programs the ATO is seeking to obtain greater confidence that corporate taxpayers have paid the "right" amount of tax in accordance with taxation laws, and that the relevant reporting and lodgement obligations have been satisfied.

Under these two ATO Streamlined Tax Assurance reviews, Snowy Hydro has obtained a "High" overall level of assurance rating for each of the reviews. A rating of "High" is the highest possible rating under the ATO's Streamlined Tax Assurance program.

The income tax review was finalised in June 2018, and the GST review in November 2020.

Accounting Profit to Income Tax Expense and Income Tax Payable

\$million	Note	2023
Profit before income tax expense		631.4
Income tax calculated at 30%	1	(189.4)
Amounts not recognised in profit but included in taxable income		
Prior year adjustments		0.9
Non tax deductible operating expenses		(1.4)
Research and development offset		0.2
Amounts recognised in profit but not included in taxable income		
Net difference between tax and accounting carrying values	2	27.1
Derivative Financial Instruments	3	97.3
Non Derivative Trading Instruments	3	(0.3)
Accounting Intangible Assets	3	(4.3)
Employee Provisions	4	(2.6)
Other Provisions	4	(1.2)
Lease Liability	5	4.5
Other adjustments		(0.1)
Current Tax Expense		(69.3)
Deferred Tax Expense		(120.4)
Total Income Tax Expense on Profit		(189.7)

Notes

1. As the group operates only in Australia, the Australian 30% corporate tax rate applies to the total profit.
2. Difference in the effective lives as applied to the tax and accounting values of assets.
3. These amounts represent the difference in the accounting and tax treatment of these components.
4. These accounting provision balances will be tax deductible when paid or written off.
5. Represents the net difference between the accounting and tax treatment of lease obligations.

Income Tax Payable

\$million	2023
Income tax refundable as at 1 July 2022	(24.4)
Income tax paid during the year	(20.8)
	(45.2)
Current Tax Expense	69.3
Income Tax Payable as at 30 June 2023	24.1

Deferred Tax

\$million	Opening balance	Charged to income	Charged to equity	Other/transfer	Closing balance
Deferred tax assets					
Net difference between tax and accounting carrying values	48.8	(27.0)			21.8
Lease Liability	42.3	(4.5)			37.8
Non derivative financial instruments	2.7	0.3			3.0
Employee Provisions	22.5	2.6			25.1
Other Provisions	24.6	1.2			25.8
Total deferred tax assets	140.9	(27.4)	0.0	0.0	113.5
Deferred tax liabilities					
Cost of customer acquisition	21.5	(4.3)			17.2
Derivative financial instruments	61.7	97.3	10.0		169.0
Other	0.9	(0.2)			0.7
Total deferred tax liabilities	84.1	92.8	10.0	0.0	186.9
Net deferred tax asset	56.8	(120.2)	(10.0)	0.0	(73.4)

Effective Tax Rate

\$million	Note	2023
Total Income Tax Expense on Profit	(A)	189.7
Profit Before Income Tax Expense	(B)	631.4
Total Amounts paid to Governments	A / B	30.05%

In calculating the effective tax rate of 30.05%, no adjustments have been made to either "Total Income Tax Expense on Profit" or "Profit Before Income Tax Expense" as reported in the company's Annual Report. The company has no overseas operations and is domiciled and operates solely in Australia, accordingly the Effective Tax Rate of 30.05% covers the company's entire operations. Australia's corporate tax rate is 30%.

Total Tax Contribution

Tax Levied and Borne	\$M	Taxes Collected and Remitted	\$M
Corporate Income Tax ¹	20.8	Net GST Received ⁵	(130.6)
Fringe Benefits Tax ²	1.3	PAYG Salary and Wages Withholding ⁶	69.8
Payroll Tax ³	14.4		
Land Tax ⁴	2.3		
Total Taxes Paid	38.8	Total Taxes Collected and Remitted	(60.8)

Notes

1. Company income tax paid to the ATO to 30 June 2023, net of refunds received as per the Consolidated Statement of Cash Flows. Under the company income tax system, this amount includes income tax paid net of refunds received which are referable to the previous financial year totalling \$23.9M. An additional amount referable to the 30 June 2023 year totalling \$24.0M was paid in July 2023.
2. Fringe benefits tax paid as per the FBT returns lodged for the 31 March 2023 year.
3. Payroll tax liability calculated on an accrual basis for the 30 June 2023 year paid/payable to Revenue NSW \$7.22M, State Revenue Office Victoria \$6.39M, ACT Revenue Office \$0.33M, Revenue SA \$0.23M, Queensland Revenue Office \$0.21M.
4. Land tax assessed for the year ended 31 December 2022 and paid to Revenue NSW \$2.3M.
5. Net GST amount refunded by the ATO for the 30 June 2023 year. This net GST amount is the result of the ordinary operation of the GST legislative framework, whereby GST input tax credits are received when companies incur significant and claimable expenditure (including capital and project related expenditure) during a GST tax period.
6. The amount of PAYG withheld from Salary and wages and remitted to the ATO.

Dividend Payments

While ordinarily dividend payments to shareholders are not a feature of a company's Tax Transparency Report, as Snowy Hydro is wholly owned by the Commonwealth government, the company's dividend payments are in effect payments to governments.

During the 30 June 2023 year, the company paid a total of \$84.3 million in unfranked dividends to the Commonwealth government.

The balance of the company's franking account as at 30 June 2023 was \$259.2 million.

International Related Party Dealings

The company operates solely in Australia, and has no international related party dealings.

Within the wholly owned group of Snowy Hydro Limited entities, only one entity is not an Australian incorporated entity, Latrobe Valley BV ("LVBV"). LVBV is incorporated in The Netherlands and was acquired by Snowy Hydro as part of a broader transaction and acquisition of assets undertaken in 2005.

During the 30 June 2023 year, LVBV did not undertake any transactions or dealings with any party either related or unrelated to the Snowy Hydro group. Reflecting that LVBV did not undertake any transactions, it will lodge a nil income tax return with the Dutch tax authorities.

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