ANNUAL REPORT

For the year ended 30 June 2023

Safety is always our number one priority

snowy hydro

We acknowledge the Traditional Custodians of this land, waterways and community.

And pay our respects to their Elders past, present and emerging, for they have, are and will leave their footprints behind and continue to share their history, culture and traditions.

We extend that respect to Aboriginal and Torres Strait Islander peoples who may be with us today.

Acknowledgement wording provided by Ngarigo Elders

Snowy Hydro Limited

ABN 17 090 574 431
Monaro Highway, Cooma, NSW, Australia
snowyhydro.com.au

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Corporate Directory

Directors of the Board as at the date of this Report

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

Dennis Barnes, CEO and Managing Director
BSc (Hons), MBA, DipM

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

Scott Mitchell
GAICD

Karen Moses
BEcon, Dip Ed, FAICD

Sandra Dodds
BCom, FCA, GAICD

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

Timothy Longstaff
BEc, FCA, GAICD, SF.Fin

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 period of significant change in Australia's energy markets, the National Electricity Market (NEM) is being substantially reshaped to support the transition to a cleaner, low-carbon national economy. Snowy Hydro is playing a key role in supporting this process, building on our iconic history of enabling significant economic growth and social change in Australia.

This year the Company paid dividends of approximately $84 million in line with our Shareholder's expectations, taking the total over five years to approximately $827 million. Snowy Hydro continues to manage its balance sheet to service significant calls on capital related to major projects.

The Company retained a BBB+ credit rating and continued to enhance its reputation as an energy retailer of choice, winning a number of customer trust and satisfaction awards and further developing a strong position in the commercial and industrial segment.

Reliability and security of supply will remain the central consideration behind how we operate and maintain Snowy Hydro's nationally critical infrastructure. The risk of an energy shortage remains, but the experience of the May/June 2022 market events has emphasised the importance of reliable firming generation to the NEM participants in reducing the risk of recurrence.

The emergency water reserves that Snowy Hydro quarantined for the 2023 financial year, as insurance backup for 'keeping the lights on', have been augmented to a level we consider to be close to optimal, given the physical limitations of our storages. These reserves are available to continue to underpin the energy risks that Snowy Hydro assumes through its energy and capacity contracting activities. This puts Snowy Hydro in a strong position, resource-wise, heading into a 'el Niñ0' period of potentially three or more years of predicted low water inflows.

In addition to the water resource, the energy received through Snowy's wind and solar offtakes continues to grow, towards a current target of 5,200 GWh per annum (which exceeds Snowy Hydro's expected long-term hydro-electric resource). Snowy Hydro is a leader in enabling renewables and thereby driving lower costs for consumers. We are doing this through a range of developments, in particular Snowy 2.0 and the Hunter Power Project (HPP).

Safety remains Snowy Hydro's overriding priority; we aim for the highest standards of safety and strive to constantly improve. Our skilled and committed workforce is supported by a robust safety and wellness strategy which focuses on advancing health and safety outcomes.

We acknowledge the tragic loss of a Future Generation Joint Venture (FGJV) contractor working on Snowy 2.0, who sadly died in a road accident on the Snowy Mountains Highway in April 2023. The news of this incident hit us hard and we have expressed our deepest condolences to the family, friends and workmates of the man who passed away.

As previously announced, due to ongoing challenges facing Snowy 2.0 and HPP, Snowy Hydro Management has been undertaking a review and reset of each project. The outcomes of these reviews and resets are now complete and have been announced.

In respect of Snowy 2.0, the estimated total cost for Snowy 2.0 project delivery is revised to $12 billion with a target date for commercial operation of all units by December 2028 and delivery of first power in the second half of 2027. The terms of the contract with FGJV are being finalised to an incentivised target contract model, which we expect will achieve closer collaboration, stronger oversight and alignment of interests between Snowy Hydro and FGJV. The revised contract will also settle all current claims and lock in an increase to the capacity of the power station by 10%. This means Snowy 2.0 will now deliver dispatchable generation capacity of 2,200 MW, as well as providing energy storage of 350,000 MWh (or 160 hours of generation at maximum output).

In respect of HPP, the expected total cost is now $950 million and remains on track to be delivered by December 2024.

Despite an increase in costs for both projects, these projects remain economic and will have ongoing social benefits to the communities in which the projects are located.

Snowy 2.0 continues to make solid progress across four major work fronts with excavation complete on two major tunnels and underway on the tailrace tunnel and underground powerhouse cavern. Meanwhile, excavation of the headrace tunnel by Tunnel Boring Machine (TBM) Florence is now ready to be continued, subject to receipt of necessary regulatory approvals.

The HPP project continues to reach significant construction milestones with the generator foundations complete and installation of the first gas turbine ongoing. In addition, all major procurement items have been delivered to Australia.

Snowy Hydro will continue to use its assets and energy contracts to promote competition and an efficient market by providing price risk management products to wholesale customers, and attractive products and exceptional service to our retail and business customers.

Snowy Hydro is committed to the highest levels of governance. Our Values of safety, teamwork, ownership, agility, decency and courage, in tandem with our Code of Conduct, provide the foundation for our day-to-day activities. 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. To further support this, Snowy Hydro is developing an ESG Strategy and an inaugural Sustainability Report, with three key opportunities prioritised:

- reducing the Company's emissions while enabling decarbonisation of the NEM;
- fully understanding the organisation's climate change risks and being equipped to manage and report on them; and
- deepening our partnerships with Traditional Owners of the land on which we operate.

Following the retirement of Snowy Board Director Tony Shepherd we express our thanks for his contribution, particularly as Chair of the Projects Advisory Committee overseeing the construction of Snowy 2.0 and the HPP. Both projects benefited from Tony's deep understanding and knowledge of large infrastructure projects.

The past year has again highlighted the resilience, dedication and capability of our people at Snowy Hydro. We put on record our thanks and appreciation for all you do.

David Knox

David Knox
Chair

DBarnes

Dennis Barnes
Chief Executive Officer

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 is underpinned by 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 are Senator The Hon Katy Gallagher, Minister for Finance and The Hon Chris Bowen MP, Minister Climate Change and Energy.

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 SOE[1] 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 2023.

Principal activities

Snowy Hydro is a producer, trader and retailer of energy in the NEM and a leading provider of risk management financial hedge contracts. In addition, Snowy Hydro is a water manager, operating under a stringent water licence. We capture, store, divert and release water 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 Snowy Mountains Hydro-electric Scheme, and gas and diesel generation assets.

Snowy Hydro has committed to buying more than 1,650 megawatts (MW) of new renewable energy, through long-term offtake contracts in place for wind and solar projects across Australia. In 2017, Snowy Hydro established its first offtake agreement for solar generation at Tailem Bend in South Australia, which commenced in April 2019. Since then Snowy Hydro has entered into contracts with 12 wind and solar projects across the NEM.

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 27km of tunnels and a new underground power station. It is a nation-building mega 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 see both units in commercial operation by December 2024.

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 1.27 million customer accounts 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 1,956 people, with 92.5% of them working on an ongoing basis. 90.3% are full time employees and 9.7% 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 (57.5%) and NSW (38.9%). 2.4% are based in South Australia and 1.2% in other states. 33.7% of employees are based in the Snowy Mountains and other regional locations across NSW, SA and Victoria, with the remaining 66.3% in Melbourne, Sydney and other cities.

Dividends

Dividends paid during the financial year, consistent with Corporate Plan expectations, were as follows:

$million	2023	2022
Recognised amounts		
Preference share dividend The preference share dividend of 2.167 cents per share is unfranked and paid on 28 April 2023.	**30.3**	-
Final dividend Final dividend for 2022 of 1.556 cents per share, unfranked and paid on 28 April 2023 (2022: Final dividend for 2021 of 5.052 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022)	**28.7**	72.0
Interim dividend No interim dividend was determined for 31 December 2022 (2022: Interim dividend for 2022 of 4.655 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022)	**-**	66.3
Special dividend Special dividend for 2023 of 1.374 cents per share, unfranked and paid on 28 April 2023 (2022: 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**	25.3
Total recognised amounts	**84.3**	**163.6**
Unrecognised amounts		
Preference share dividend The preference share dividend of 3.222 cents per share, fully franked at the corporate tax rate of 30% and payable on 27 October 2023.	**45.1**	-
Final dividend Final dividend for 2023 of 3.601 cents per share, fully franked at the corporate tax rate of 30% and payable on 27 October 2023.	**69.7**	-
Total unrecognised amounts	**114.8**	-
Dividend franking account balance	**259.2**	238.4

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 $1,642 million following the issue of 304 million fully paid ordinary shares and 1,338 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

Snowy Hydro recently announced the outcome of the review and project reset for Snowy 2.0.

The estimated total cost for Snowy 2.0 project delivery has been revised to $12 billion. The terms of the contract with Future Generation Joint Venture (FGJV) are being revised to an incentivised target contract model, which will result in closer collaboration, stronger oversight and alignment of interests between Snowy Hydro and FGJV. The revised contract will settle all outstanding claims, the financial effect of which has been reflected in the value of construction in progress at 30 June 2023.

The project remains economic with strong and growing market demand for dispatchable electricity expected to underpin demand for the services provided by the project well into the future.

The target date for commercial operation of all units is December 2028 with first power to be delivered in the second half of 2027.

Snowy Hydro has worked closely with FGJV and hydro technology contractor Voith to increase the capacity of the power station by 10%. Snowy 2.0 will now deliver dispatchable generation capacity of 2,200MW, as well as providing 350,000MWh, or 160 hours of generation at maximum output.

Snowy Hydro also recently announced the outcome of the project review for the Hunter Power Project. The project has experienced similar challenges to Snowy 2.0 and following a comprehensive review the expected cost is now $950 million. Despite the increased cost the Hunter Power Project remains economic and an important project in Australia's energy transition, enabling the roll-out of wind and solar projects by firming these intermittent generation sources into reliable power.

Snowy Hydro is engaging closely with its Shareholder on relevant Shareholder approvals, including the appropriate forward capital structure and supporting funding plan.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2023, 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

Particulars of the qualifications, experience and expertise of the Directors during the reporting period, including other directorships, is set out below.

Board of Directors:

David Knox
Chair and Non-Executive Director since January 2020.

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

Mr Knox is the Chair of The Australian Centre for Social Innovation and Micro-X Ltd and Deputy Chair of CSIRO. He is a Director of the Social Policy Group and a Council Member of the Royal Institute of Australia.

Originally from Scotland, 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. He also served as Chair of the Australian Petroleum Production and Exploration Association from 2011 to 2013, and Chair of i3 Energy PLC (UK) from 2017 to 2020.

Snowy Hydro Committees
Member of the People & Culture Committee.

Other directorships
Chair of the Australian Centre for Social Innovation (TACSI) and Micro-X. Deputy Chair of CSIRO. Director of the Social Policy Group and a Council Member of the Royal Institute of Australia.

Dennis Barnes
Managing Director and Chief Executive Officer since February 2023.

Experience and expertise
BSc (Hons), MBA, DipM

Mr Barnes was appointed Snowy Hydro Chief Executive Officer and Managing Director of the Company in February 2023. Mr Barnes has over three decades' experience in the energy sector, with a focus on renewables and retail, and brings a wealth of strategic knowledge and proven capability in delivering strong performance across large energy businesses.

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

Ms Bond is a professional company director and chartered engineer. She is the Chair of Mining3, and Non-Executive Director of Aurecon Limited, Synertec (ASX:SOP), Entyr (ASX:ETR) and One Basin CRC. She is an Advisory Board member of the ANU Battery Storage and Grid Integration Program and the UQ Master of Sustainable Energy Program.

Ms Bond has been a director of the Clean Energy Finance Corporation, Territory Generation, Tarong Energy and Seqwater and was Chair of Brisbane Water. Ms Bond held senior leadership roles at Worley (ASX:WOR) prior to transitioning to boards in 2006.

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

Other directorships
Chair of Mining3. Non-Executive Director of Synertec Corporation Ltd, Aurecon Group Pty Ltd, One Basin CRC, Entyr Limited, 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. Mr Mitchell has more than 20 years' experience advising both Federal and State governments, including as Advisor to former Trade Minister, the Hon Mark Vaile AO, Policy Manager at the National Farmers' Federation, and Chief of Staff to the Hon Terry Redman MP, former Western Australian Minister for Agriculture and Food, Forestry and Corrective Services. Mr Mitchell was previously the 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. Member of the Safety, Operations & Environment Risk Committee and Project Advisory Committee.

Other directorships
Executive Director of Scott Mitchell and Partners.

Karen Moses
Non-Executive Director since July 2019.

Experience and expertise
BEcon, Dip Ed, FAICD

Ms Moses is the Chair of Create NSW - Dance and Physical Theatre Advisory Board and a Non-Executive Director of Boral Ltd, Orica Ltd and Charter Hall Ltd. She is a fellow of the Senate for the University of Sydney where she chairs the Finance Committee and Director of the Board of Music in Regions Ltd (not-for-profit).

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
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 is a Non-Executive Director of OceanaGold Limited, Contact Energy and BGL Limited. Ms Dodds has a broad and diverse industrial background with experience working in highly regulated environments in Australia, New Zealand and Asia. She 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 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 and Project Advisory Committee (effective 2 December 2022).

Other directorships
Non-Executive Director of OceanaGold Ltd, Contact Energy and BGL Ltd.

Leanne Heywood
Non-Executive Director since March 2022.

Experience and expertise
OAM, B.Bus(Acc), MBA, FCPA, GAICD

Mrs Heywood is a Non-Executive Director and Audit and Risk Committee Chair for ASX listed companies Allkem, Symbio, Midway Ltd and Quickstep Holdings Ltd. She is also a Council Member at Charles Sturt University.

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.

Snowy Hydro Committees
Member of Audit & Compliance Committee and Portfolio Risk Committee. Mrs Heywood was a member of the Safety, Operations & Environment Risk Committee until 31 May 2023.

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, SF.Fin

Mr Longstaff is a Non-Executive Director of Ingham's Group Limited, Perenti Global Limited, Aurizon Holdings Limited, Aurizon Network Pty Ltd and the George Institute for Global Health. In these roles he chairs the Sustainability Committee and a Risk Committee and is also a member of Finance and Audit Committees. He is also a member of the Takeovers Panel.

Mr Longstaff had a 30 year career in financial services both as a Chartered Accountant and an investment banker with global top tier 1 firms. He brings deep expertise in financial analysis & reporting, strategy development, mergers & acquisitions, financing, capital markets and capital structuring.

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 Ltd, Aurizon Holdings Limited, Aurizon Network Pty Ltd and George Institute for Global Health. Member of the Takeovers Panel.

Former Directors:

Paul Broad, BEcon (Hons), MEcon
Mr Broad was the Managing Director and Chief Executive Officer from July 2013 to September 2022. 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. Mr Broad retired as a Director of the Company on 2 September 2022.

Anthony Shepherd AO, BCom
Mr Shepherd was a Non-Executive Director from August 2020 until May 2023. Mr Shepherd has had an extensive career in Australia and overseas in the private and public sectors. He pioneered private infrastructure with projects such as the Sydney Harbour Tunnel, Melbourne City Link and East Link. In June 2012, Mr Shepherd was named as an Officer of the Order of Australia. Mr Shepherd retired as a Director of the Company on 31 May 2023.

Company Secretaries:

Suzannah Fletcher, BA, LLB, LLM, Grad. Dip. Legal Practice, Grad Dip. Corp.Gov, FGIA, GAICD, FCIS
Ms Fletcher was appointed Group Company Secretary on 31 January 2023 and is Snowy Hydro's Group Executive - Governance, Risk and Compliance. Prior to joining Snowy Hydro Group, Ms Fletcher held senior company secretary and corporate governance roles at Commonwealth Bank of Australia, Westpac Banking Corporation, Allianz Australia Limited and ANZ Wealth Australia Limited.

Praveena Karunaharan, BCom / BSc, CFA
Ms Karunaharan was Company Secretary of the Company from 29 June 2018 to 5 January 2023.

John Trini, B.Bus, M.Tax, CPA, GAICD
Mr Trini was Company Secretary of the Company from 5 January 2023 to 31 January 2023.

Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the 2023 financial year, and the number of meetings attended by members, is set out below.

All Directors may attend Board Committee meetings even if they are not a member of the relevant Committee. In 2023, Board members attended 38 Committee meetings in addition to those Committee meetings where they were a member. The table below excludes the attendance of those Directors who attended meetings of the Board Committee of which they are not a member.

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

Directors	Board meetings		Committee meetings									
			Audit & Compliance		Portfolio Risk		Safety, Operations, Environment Risk		People & Culture		Project Advisory	
	H	A	H	A	H	A	H	A	H	A	H	A
David Knox	11	11							10	10		
Dennis Barnes[1]	5	5					4	2*				
Leeanne Bond	11	11			4	4	4	4			7	7
Scott Mitchell	11	10					4	3	10	10	7	7
Karen Moses	11	11			4	4			10	10		
Sandra Dodds	11	10	4	4					10	10	3	3
Anthony Shepherd[2]	11	10			4	4					7	7
Leanne Heywood[3]	11	11	4	4			4	4				
Timothy Longstaff	11	11	4	4			4	4				
Paul Broad[4]	2	2					1	1			1	1

1 The CEO is a member of the Board Safety, Operations and Environment Risk Committee (BSOERC) and ex-officio attendee of other Board Committees. *The CEO commenced on 1 February 2023 and attended all BSOERC meetings held during his period of office.
2 Anthony Shepherd retired as a Director of the Board on 31 May 2023.
3 Leanne Heywood retired from BSOERC and became a member of the Board Portfolio Risk Committee on 21 June 2023.
4 Paul Broad retired as a Director of the Board on 2 September 2022.

In addition to scheduled and ad-hoc Board and Committee 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 Officers and certain former Directors and Officers 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 2023 under these agreements.

No indemnity has been granted to an auditor of the Company or of any related body corporate against a liability incurred as auditor of the Company.

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. 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 13 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.

During the period, Snowy Hydro responded to one Penalty Infringement Notice (PIN) in relation to the Snowy 2.0 construction works. There was also one breach of Snowy's Environmental Protection Licence for the Cabramurra sewage treatment plant. These were both responded to and complied with promptly.

Amendments to legislation

There were 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 112 of the Financial Report.

Signed in accordance with a resolution of the Directors

David Knox, Chair
4 September 2023

Dennis Barnes, Managing Director
4 September 2023

REMUNERATION REPORT

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Message from the Chairman of the People and Culture Committee

On behalf of the Board, I am pleased to present Snowy Hydro's Remuneration Report for the 2022/23 financial year.

The purpose of this report is to fully disclose our approach and decisions to key management personnel (KMP) remuneration. Our remuneration policies and practices are designed to deliver remuneration outcomes, for all of our workforce, that are fair, equitable, motivational, strategically aligned, and linked to performance.

Remuneration Framework Review

In FY2023, the Board undertook a comprehensive review of its Executive Remuneration framework with the assistance of independent consultants, PricewaterhouseCoopers (PwC).

The purpose of the review was to align Snowy Hydro's evolving strategic objectives, good governance guidelines, including the 2021 Australian Public Service Commission (APSC) performance bonus principles and the Remuneration Tribunal's determination of the MD and CEO's remuneration package in December 2022.

In exploring executive remuneration framework alternatives, the following key considerations were factored into the review:

- The new remuneration framework to be aligned with the new MD and CEO's arrangement as determined by the Remuneration Tribunal which included a reduction of short term Variable Remuneration 1 (VR1) opportunities and removal of long term Variable Remuneration 2 (VR2). This alignment was required to ensure all executives' future remuneration arrangements were consistent with the MD and CEO;
- Consistent with the intent of Snowy Hydro's historical framework, commercial focus, remuneration principles and contemporary Government Business Enterprise (GBE) practice;
- Adopting an independently assessed conversion rate based on historical performance together with market practice to determine the most appropriate conversion rate for impacted employees ;
- Reviewing external benchmarking levels and remuneration to ensure Snowy Hydro's framework is still competitive with respective market levels;
- Other considerations including any change to performance parameters such as performance measures, threshold and performance levels and appropriateness of gateways.

The revised remuneration framework continues to be consistent with the Snowy Hydro's remuneration principles such as:

- Strategically aligned, clear accountabilities and performance based;
- Competitive;
- Simple and transparent; and
- Strong remuneration governance.

The revised remuneration framework maintains a significant (albeit smaller) part of Executive remuneration at risk, thereby reducing volatility and variability in remuneration outcomes whilst appropriately remunerating Executives for the achievement of strategic and operational measures aligned to the Corporate Plan. The FY24 remuneration outcomes will be disclosed in next year's Remuneration Report.

Performance in FY22-23

The overall financial performance of Snowy Hydro has been strong and is reflected in above budget EBITDA results. Credit Rating remains at BBB+ in line with the Corporate Plan settings, with the outlook being upgraded from "Negative" in December 2022 to "Stable" in June 2023. The stable rating outlook reflects S&P's view that proactive management and Shareholder support will help Snowy Hydro effectively manage its balance sheet as it progresses with the Snowy 2.0 and Hunter Power projects. The financial results are coupled with strong non-financial performance across many strategic objectives including reliability and outage compliance of our generation assets and superior customer experience in our Retail businesses. The delivery of major projects, however, faced many challenges. Both Snowy 2.0 and Hunter Power projects delivered mixed results and are being reset following comprehensive and robust project reviews.

Remuneration Outcomes

The delivery of strong financial performance in FY23 has provided significant benefit to the community, the shareholder and the economy.

The delivery however of major projects in FY23 fell well short of Board's expectations. On the recommendation from the People & Culture Committee the Board exercised its discretion to moderate Snowy 2.0 and Hunter Power Project related KPIs including the Snowy 2.0 Safety KPI to 'below threshold' performance resulting in a nil payment against each of them. The Board used its discretion under the malus conditions contained in the Plan Rules to moderate the above mentioned KPIs.

Considering these performance outcomes, the Board has determined to pay the Managing Director and Chief Executive Officer (MD and CEO) 58.4% of his maximum potential variable remuneration payment; and an average of 60.8% of their maximum potential variable remuneration payment for the other Executives.

This Remuneration Report provides full and accurate disclosure of our remuneration principles, policies and practices for FY23. I encourage you to read what follows.

Scott Mitchell
Chair, People & Culture Committee

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 its KMP. The report demonstrates how the remuneration strategy aligns to Snowy Hydro's goals and strategic priorities, enabling performance-based remuneration 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 remuneration components. These variable components are only paid if agreed performance thresholds 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 remuneration programs; and
- Benchmarking of the framework against market practice.

The Company sets target total remuneration conservatively with reference to the Remuneration Tribunal determination for the MD and CEO, the Australian market and various factors as determined 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 2022/23 (FY2023) remuneration information for the year ended 30 June 2023 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 MD and CEO and Executives in accordance with RMG 139 Commonwealth companies Executive Remuneration Reporting Guide for Annual Reports and AASB124 Related Party Disclosures.

Table 1: FY2023 Key Management Personnel (KMP)

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

[1] Position reflects position title at end of financial year or at employment cessation date.
[2] Dennis Barnes' term commenced on 1 February 2023.
[3] Paul Broad retired as a Director on 2 September 2022 and retired from the Company on 31 October 2022.
[4] Anthony Shepherd retired as a Director on 31 May 2023.

Name	Position[1]	KMP Term
MD and CEO and Executives		
Dennis Barnes	MD and CEO	Part Year
Gabrielle Curtin	Group Executive - Safety People, Community & Services (GE SPCS)	Full Year
Suzannah Fletcher[2]	Group Executive - Governance, Risk & Compliance (GE GRC)	Part Year
Iain Graham	CEO Retail	Full Year
Kim Josling	Chief Financial Officer (CFO)	Full Year
Roger Whitby[3]	Chief Operating Officer (COO)	Full Year
Gordon Wymer	Chief Commercial Officer (CCO)	Full Year
Former MD and CEO and Executives		
Paul Broad	MD and CEO	Part Year
Kieran Cusack[4]	Project Director Snowy 2.0	Part Year
Praveena Karunaharan[5]	GE GRC	Part Year
Cesilia Kim[6]	Group Executive - External Affairs, Legal & Procurement (GE EALP)	Part Year

[1] Position reflects position title at end of financial year or at employment cessation date.
[2] Suzannah Fletcher commenced on 31 January 2023.
[3] Roger Whitby was appointed Acting CEO with effect from 1 September 2022 to 31 January 2023.
[4] Kieran Cusack ceased employment with Snowy Hydro on 17 May 2023.
[5] Praveena Kurunaharan ceased employment with Snowy Hydro on 6 January 2023.
[6] Cesilia Kim ceased employment with Snowy Hydro on 23 December 2022.

2. Remuneration Framework Summary

The diagram below provides an overview of the FY2023 approach to Executive remuneration (with numbers indicating the relevant section of the report where further information can be found).

Remuneration Governance (section 3)
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 GE SPCS as required.

Remuneration Principles (section 4)
Our Remuneration Framework is underpinned by five principles: • Clear accountability; • Simple and transparent; • Competitive; • Strategically aligned and performance and values based; and • Strong remuneration governance.

Remuneration Strategy and Framework (section 4)

Component	MD and CEO	Executives
Fixed Annual Remuneration (FAR)	• The Remuneration Tribunal (RT) sets the Total Remuneration Reference Rate (TRRR) applicable to the Snowy Hydro MD and CEO • The Board then determines the MD and CEO's Fixed Annual Remuneration (FAR) within a range from 10% below to 5% above the Reference Rate. The MD and CEO's FAR may not exceed the Reference Rate within the first 12 months of appointment. • The Board may seek external independent remuneration advice.	• Set with reference to the market and various factors as determined as appropriate by the Board.
At Risk Variable Remuneration 1 (VR1)	• Annual performance-based remuneration aligned to the strategic priorities of the Group, individual areas of accountability and corporate values: o 90% Group Balanced Scorecard (quantitative); o 10% Individual Key Performance Indicators (KPIs) (qualitative). • VR1 is subject to the Safety KPI condition. • VR1 is dependent on achieving performance scorecard measures over and above threshold performance set by the Board and aligned to the Corporate Plan. • The RT has determined that the Snowy Hydro MD and CEO is eligible for VR1 up to 40% of FAR. • Realised VR1 is subject to deferral and malus/clawback conditions as follows: o 75% paid Year 1 (vesting year); o 15% paid Year 2; and o 10% paid Year 3.	• Annual performance-based remuneration aligned to the strategic priorities of the Group, individual areas of accountability and corporate values: o 90% Group Balanced Scorecard (quantitative); and o 10% Individual Key Performance Indicators (KPIs) (qualitative). • VR1 is subject to the Safety KPI condition and malus/clawback terms. • VR1 is dependent on achieving performance scorecard measures over and above threshold performance set by the Board and aligned to the Corporate Plan.
At Risk Variable Remuneration 2 (VR2)	Not applicable	• Three year performance-based remuneration aligned to sustainable value creation, individual areas of accountability and corporate values. • The plan utilises the VR1 performance scorecard to determine vesting outcomes after Year 1. • Realised VR2 is subject to deferral and malus/clawback conditions as follows: o Nil paid Year 1; o 60% paid Year 2; and o 40% paid Year 3. • Participation in the plan is limited to Executives and a small group of senior leaders by invitation from the Board. • No new VR2 allocations post FY23.

Linking Strategy, Performance and Remuneration (section 6)
Remuneration is designed to support Snowy Hydro's strategy to underpin Australia's transition to a carbon neutral future, backed by Snowy Hydro's assets, and exceptional service to customers.

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 management and succession, and Human Resources (HR) policies and practices. The Committee is also responsible for overseeing significant employment terms and conditions including in Enterprise Agreements, reviewing any significant complaints and Code of Conduct breaches, and assisting the Board in its oversight of SHL's compliance with applicable legal, regulatory and reporting requirements. 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 FY2023, 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

With the exception of the MD and CEO, other Executives are on rolling contracts until notice of termination is given by either Snowy Hydro or the Executive. The MD and CEO's contractual arrangement is for the five-year period to 31 January 2028.

The notice period for the MD and CEO and other Executives is six 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 six 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 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 VR2 awards.
For termination other than for cause or resignation	Unvested VR2 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 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 an "at risk" variable remuneration component which are only paid if agreed performance thresholds and Board approved KPIs are met;
- A regular review of the Executive remuneration framework, including the performance measures under the variable remuneration 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 criteria are met; and
- Linking each Executive's variable remuneration to the achievement of Board approved measurable performance goals, including application of malus provisions to previous awards (if relevant).

4.1. Remuneration Framework components

As determined by the Remuneration Tribunal, MD and CEO's annual remuneration arrangements comprise of two components:

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

The above arrangements are also in place for GE GRC.
In FY23, other Executives annual remuneration arrangements consist of three components:

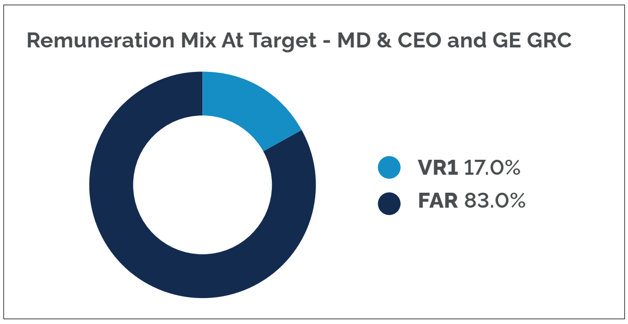
3. Fixed Annual Remuneration (FAR);
4. Variable Remuneration 1 (VR1); and
5. Variable Remuneration 2 (VR2).

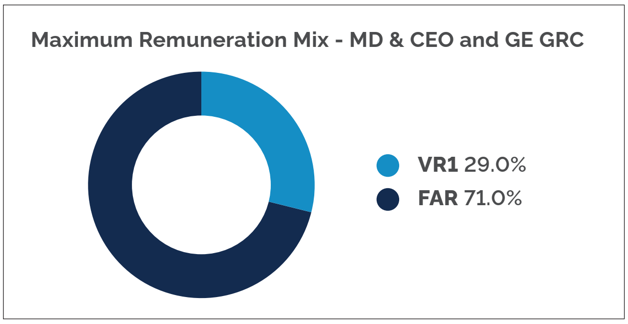
4.2. Remuneration Mix

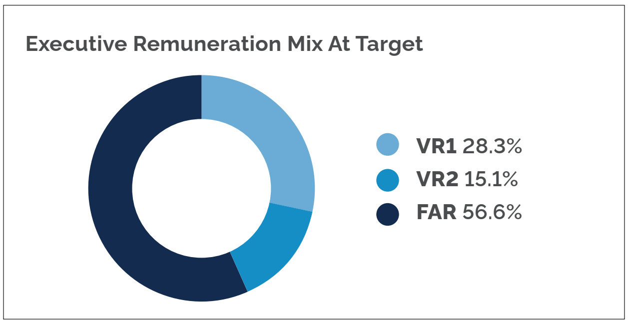
A moderate portion of the MD and CEO and GE GRC's remuneration and a significant portion of other Executives' remuneration is set 'at risk' to ensure alignment with Snowy Hydro's strategic objectives.

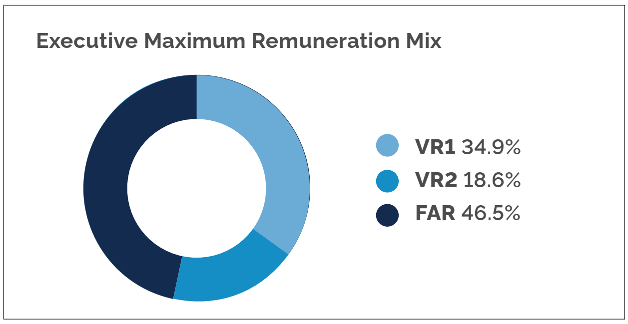
The MD and CEO and Executive target and maximum remuneration mix as of 30 June 2023 is illustrated below.

The difference in the remuneration mix is due to the Remuneration Tribunal's determination on the MD and CEO's remuneration framework and GE GRC's alignment with it in FY23 as a new starter. Other Executives' remuneration will be adjusted to the new remuneration framework from FY24.









The MD and CEO and Executives are only remunerated for delivering performance outcomes consistent with Snowy Hydro's Budget and Corporate Plan. 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.

4.3. Fixed Annual Remuneration

Fixed Annual Remuneration (FAR) aims to remunerate 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.

<u>MD and CEO FY23 Fixed Annual Remuneration</u>

The Government has determined that the Snowy Hydro MD and CEO's remuneration will be set by the Remuneration Tribunal. This position was classified by the Remuneration Tribunal as a Principal Executive Officer (PEO) Band E. The Remuneration Tribunal sets the Total Remuneration Reference Rate (TRRR) applicable to the Snowy Hydro MD and CEO.

The Board then determines the Snowy Hydro MD and CEO's FAR within a range from 10% below to 5% above the TRRR. The Snowy Hydro MD and CEO FAR may not exceed the TRRR within the first 12 months of appointment.

<u>Executives</u>

FAR is positioned competitively to attract, motivate and retain Executives and to reflect the individual's responsibilities, skills, performance, qualification and experience. Factors taken into account when setting the appropriate FAR for all Executives include:

- Market data for comparable roles including other GBE's remuneration positioning;
- Complexity of the role and internal relativities;
- An individual's skills, experience and performance assessments;
- Any changes in role and responsibility;
- Previous salary adjustments; and
- Community expectations

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.

4.4. 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, external 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. In the case of the MD and CEO the relevant data may be submitted to the Remuneration Tribunal on a periodic basis.

The MD and CEO and Executive remuneration benchmarking for FY23 outcomes compared to FY22 benchmarking data is illustrated below.

- MD and CEO is 10-20% below the benchmark against all indicators of the market comparator group and the relevant GBE Group except for FAR; and
- On average, Executives are below 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 2022			Relevant GBE Group 2022		
	FAR	TTR	TMR	FAR	TTR	TMR
MD and CEO						
Executive						

Legend

	- within 10% of the benchmark
	- between 10% and 20% below the benchmark
	- below 20% of the benchmark

FAR	Fixed Annual remuneration
TTR	Total Target Remuneration
TMR	Total Maximum Remuneration

4.5. Variable Remuneration 1 (VR1) Program

Snowy Hydro's Variable Remuneration 1 (VR1) is intended to remunerate 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 conditions and achievement of relevant Group and individual KPIs.

The VR1 program is subject to the following Safety KPI condition - in the event of a fatality due to the failure / inadequacy of the safety controls in place on Snowy Hydro sites including Snowy 2.0 and HPP, the performance outcomes for all Safety KPIs set in the Executive scorecard with the total weight of 15% will be reduced to zero.

Snowy Hydro uses a balanced scorecard approach when setting key result areas (KRA) for the MD and CEO and Executives. The KRAs 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 KRAs 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: • 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.

The VR1 Target Opportunity varies by individual and is expressed as a percentage of FAR of between 20% for MD and CEO and GE GRC and 45-60% for other Executives. The VR1 Maximum (the maximum potential remuneration available) is set at 40% of FAR for MD and CEO (as determined by the Remuneration Tribunal) and GE GRC and 67.5-90% of FAR for all other Executives and only paid at levels in excess of target if the Company delivers superior performance above agreed targets.

The difference in the VR1 opportunities structure is due to the Remuneration Tribunal's determination on the MD and CEO's remuneration framework and GE GRC's alignment with it in FY23 as a new starter. Other Executives' remuneration will be adjusted to the new remuneration framework in FY24.

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, except where deferral conditions apply.

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

FAR **x** 'Target' Opportunity **x** Safety KPIs Condition **x** MD and CEO and Executive Balanced Scorecard Outcome consisting of Group Scorecard Outcome (90%) + Individual Scorecard Outcome (10%)

Notwithstanding the achievement of the agreed 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).

For MD and CEO only, any realised VR1 is subject to deferral as follows:

- 75% paid Year 1 (vesting year);
- 15% paid Year 2; and
- 10% paid Year 3.

4.6. Variable Remuneration 2 (VR2) Program

The VR2 Program is Snowy Hydro's long-term (three year) performance-based remuneration and retention scheme for a small number of Executives and 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 variable remuneration for achieving performance scorecard measures over and above performance levels 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 unless good leaver provisions apply in line with the Plan's terms.

For KMP, the VR2 'Target' Opportunity varies by role and is expressed as a percentage of FAR of between 25% and 30% on a face value basis. The VR2 Maximum (the maximum potential remuneration available) is set at 1.5 times of VR2 'Target Opportunity' and only paid at levels in excess of target if the Company delivers superior performance above agreed targets.

The Board has determined to adopt the use of the FY23 VR1 performance scorecard for the FY23 VR2 allocation including the application of the Safety KPI condition (refer 5.5 Variable Remuneration 1 (VR1) Program).

The quantum of the remuneration paid out at the vesting date is determined by the Board on the recommendation from the People & Culture Committee. 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).

Realised FY23 VR2 is subject to deferral and service conditions as follows:

- Nil paid Year 1;
- 60% paid Year 2; and
- 40% paid Year 3.

VR2 does not apply to MD and CEO and GE GRC.

The operation of the VR2 Plan will not be extended beyond FY23.

5. Linking Strategy, Performance and Remuneration

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

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

Achieved by delivering on Snowy Hydro's strategic imperatives				
			snowy 2.0 Hunter Power	
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 Snowy Hydro's short-term and long-term measures						
Corporate KPIs (90%)						
Financial		**Safety**		**Strategic Projects/Operations**		**Customer**
Group EBITDA	Credit rating & negative pledge covenant compliance	Total Reportable Injury Frequency Rate (TRIFR)	Employees Participation in Safety Conversations	Delivery of S2.0 and HPP	Reliability & Outage Compliance	Net Promoter Score (NPS)
… and Snowy Hydro's actual performance						
In a challenging year, Snowy Hydro has delivered strong performance across the entire Group while continuing to play a key role in maintaining system security as the industry transitions to renewable energy.	Credit Rating remains at BBB+, with the outlook being upgraded from "Negative" in December 2022 to "Stable" in June 2023. Negative pledge covenant compliance achieved as set out in the Corporate Plan.	Generation achieved at Target TRIFR performance. S2.0 Safety result was moderated to nil.	Effective implementation of the MAP Verifications safety program continued, meeting stretch targets with high levels of engagement on safety and risk management from Snowy employees at all levels. Retail exceeded their Safety Conversations target.	In the review period some milestones have been delayed whilst others have delivered on time and budget for both projects. Overall Snowy 2.0 and HPP projects delivered progress below projections with solid outcomes on Quality and Earned Value,	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.	Red and Lumo have topped the Canstar customer satisfaction tables. Red is #1 Retail brand amongst peers. 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.
Out Performance	**Out Performance**	**Below Target**	**Above Target**	**At Threshold** **Moderated to Nil**	**Out Performance**	**Out Performance**

Individual KPIs (10%)
... and impacts on Executive remuneration.
Executive VR1 and VR2 Outcome
The Board and the People & Culture Committee determined that Snowy Hydro's performance 'exceeded expectations' for Financial, Generation Operations and Customer KPIs and 'met expectations' for Safety with the exception of Snowy 2.0 project where Safety KPI (worth 5%) was moderated to 'Below Threshold' with nil payment against this KPI. The Board has also applied its discretion to moderate Snowy 2.0 and Hunter Power projects outcomes (worth 30%) to Below Threshold as the overall project delivery was assessed as 'below expectations'. The Board used its discretion under the malus conditions contained in the Plan Rules to moderate the above mentioned KPIs. The People & Culture Committee recommended the Board pay the MD and CEO a VR1 of 58.4% of his maximum potential variable remuneration; and an average of 60.8% of their maximum potential variable remuneration for other Executives. The same outcomes apply to the Executive FY23-254 VR2 Plan vesting on 30 June 2023, with the realised amounts deferred subject to service conditions and 'malus' circumstances as follows: 60% until 2024 and 40% until 2025. The FY21-23 Profit Share Plan (PSP)[1] did not meet Threshold - Nil payment.

1 The FY23 long term variable pay outcome relates to the legacy PSP allocation, now closed. which was offered to the Executives, subject to performance hurdles set by the Board) on 1 July 2020 and which vested on 30 June 2023. The Plan's details including performance conditions can be found in Snowy Hydro's 2021 Remuneration Report. The Plan has been replaced effective FY22 by the new VR2 Plan.

6. Executive Remuneration for FY2023

Executives received a mix of remuneration during FY2023 including fixed and variable remuneration.
The table below summarises the remuneration that was received in relation to FY2023 which includes FAR and any variable remuneration. It is calculated on an accruals 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]**	**Superannuation[4]**	**Long-term variable pay[5]**	**Long service leave**	**Termination benefits**	
Executive Management								
Dennis Barnes[6]	761,443	167,856	-	12,646	-	3,188	-	**945,133**
Gabrielle Curtin	587,601	243,553	13,489	25,292	141,739	23,975	-	**1,035,649**
Suzannah Fletcher[7]	190,798	43,823	-	12,646	-	787	-	**248,054**
Iain Graham[8]	669,339	398,212	-	36,855	208,368	26,511	-	**1,339,285**
Kim Josling	516,056	223,455	-	25,292	129,979	17,402	-	**912,184**
Roger Whitby[9]	682,725	405,469	-	80,682	214,912	91,822	-	**1,475,610**
Gordon Wymer	677,169	391,038	-	25,292	204,813	20,666	-	**1,318,978**
Former MD and CEO and Executives								
Paul Broad[10]	390,601	-	-	12,243	(98,143)	26,600	889,111	**1,220,412**
Kieran Cusack[11]	428,630	-	15,814	24,927	(24,602)	32,481	-	**477,250**
Praveena Karunaharan[12]	205,371	-	-	13,757	(18,696)	(56,857)	-	**143,575**
Cesilia Kim[13]	266,740	-	-	18,566	(29,255)	16,338	132,236	**404,625**
Total	**5,376,473**	**1,873,406**	**29,303**	**288,198**	**729,115**	**202,913**	**1,021,347**	**9,520,755**

[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 2023.
[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. The values disclosed include the deferred FY23 VR2 realised amounts, with no payments made in FY23. For details on the PSP rules and assessment criteria, please refer to the Remuneration Reports.
[6] Dennis Barnes' term commenced on 1 February 2023.
[7] Suzannah Fletcher commenced on 31 January 2023.
[8] Iain Graham's superannuation amount includes $11,563 for underpayment of superannuation in previous years, plus interest.
[9] Roger Whitby was appointed Acting CEO with effect from 1 September 2022 to 31 January 2023.
[10] Paul Broad retired as a Director on 2 September 2022 and retired from the Company on 31 October 2022.
[11] Kieran Cusack ceased employment with Snowy Hydro on 17 May 2023.
[12] Praveena Kurunaharan ceased employment with Snowy Hydro on 6 January 2023.
[13] Cesilia Kim ceased employment with Snowy Hydro on 23 December 2022.

7. Board Directors' Fees

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

The Remuneration Tribunal regularly reviews and sets Board director fees for the roles of Chair and other Non-Executive Directors (excluding statutory superannuation contributions which are paid in addition to the fees set by the Remuneration Tribunal). Non-Executive Director fees cover all activities including Board membership and participation except in the case of the Audit and Compliance Committee where the Chair and members receive additional fees. Snowy Hydro has five additional Committees, namely the Safety, Operations and Environment Risk, Portfolio Risk, People & Culture, 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 2022 and 2023.

Role / Committees	1 July 2022[1]	1 July 2023[2]
Chair	$233,180	$233,180
Non-Executive Director	$116,600	$116,600
Audit and Compliance Chair[3] Member[3]	$23,050 $11,530	$23,050 $11,530

[1] Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2022.
[2] Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2023.
[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	Total
Name	**Director fee**	**Superannuation**	
Non Executive Directors			
David Knox	233,329	24,037	**257,366**
Leeanne Bond	116,674	12,262	**128,936**
Sandra Dodds	139,739	14,686	**154,425**
Scott Mitchell	116,674	12,262	**128,936**
Karen Moses	116,674	12,262	**128,936**
Leanne Heywood	128,212	13,474	**141,686**
Timothy Longstaff	131,306	10,380	**141,686**
Former Non-Executive Directors			
Anthony Shepherd AO[1]	106,840	11,218	**118,058**
Total	**1,089,448**	**110,581**	**1,200,029**

[1] Anthony Shepherd's term ended on 31 May 2023.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Environmental, Social and Corporate Governance

In the context of our long-term sustainability story, Snowy has committed to the present-day principles of ESG. This purposefully links our planned optimisation of commercial value, to the well-being of employees and community, environmental stewardship, customer satisfaction and confidence in our governance.

In practice, the commitment to ESG means that we develop and maintain a proactive sustainability program involving the regular identification of what is most important to us and our stakeholders, seeking out opportunities to improve and manage risks, implementing actions and reporting on progress against defined objectives and targets. Our commitment to ESG also means that we will keep doing many things that we are already doing, and have been doing to support people, our customers and regional communities and the environment for decades. We do this in a number of ways including;

(i) Maintaining our existing generation capacity of more than 5,000 MW and products that support the delivery of reliable, secure and affordable energy and the transition of Australia's energy system, which is the primary expectation of our stakeholders.

(ii) Sustaining our efforts to ensure the health and well being of our people, support the communities where we operate and care for our customers which continues to be demonstrated through our actions.

(iii) Carefully managing the water that flows through the Scheme's dams, tunnels, aqueducts and power stations in accordance with our water licence.

(iv) Growing our ability to support the ongoing transition and support for the NEM and the people who rely on it, by delivering Snowy 2.0, which will provide an additional 2,200 MW of dispatchable, on-demand generating capacity and approximately 350,000 MWh of large-scale storage in the National Electricity Market (NEM). In addition to this the Hunter Power Project (HPP) in NSW will improve energy reliability and security in the NEM, and allow for more firming of wind and solar renewable energy, capable of supplying an additional 660MW of dispatchable and on-demand power from gas and hydrogen generation.

All of which are enabled and controlled by high transparency, accountability and governance standards which provide confidence in our ability to sustain this into the future.

The Company will publish its first ESG and Sustainability Report later this year, which will contain further details of our overall approach, material risks, priority actions and targets that we will report against in future reports.

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 the development of operational controls at the site level that keep risks low, and has also maintained high levels of compliance with licences and approvals.

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.

The Company's EMS has been independently certified to the International Standard for ISO 14001. Independent external auditing of the EMS is conducted annually. The most recent audit of the EMS in October 2022 found the EMS was effective in managing environmental risk and promoting continual improvement of performance.

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 our Values, 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 contains a number of safety metrics, 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 survey results indicate that 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, our Diversity and Inclusion Strategy provides a framework on advancing equality, specifically on gender balance in the middle to upper management and non-traditional technical roles such as trades and engineering and increasing indigenous engagement and employment opportunities to close the gap.

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; and
- identify and remove any unintended barriers that may prevent people from achieving their aspirations and potential.

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.

Customer protections and retail compliance

As well as offering award-winning customer service, Snowy Hydro's Retail business is committed to looking after its customers while ensuring compliance with legal and regulatory obligations. We have robust processes and policies in place to ensure customers are both treated in accordance with our Values as well as all regulatory requirements.

In 2023, we continue to achieve lower Ombudsman complaints as compared to the industry average, 35% lower to be exact, illustrating our commitment to customer service excellence.

Following adoption of the Victorian Family Violence obligations to all our customers across Australia in January 2020, this has now become formally applicable to all energy retailers across the country from May 2023. Demonstrating Retail's commitment to ongoing support of customers affected by family violence, during 2023 we enacted changes to our debt policy that gives us flexibility when discussing debt with this group of customers.

CORPORATE GOVERNANCE

Refer to the Corporate Governance Statement in the next section.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

Corporate Governance Statement

We are committed to achieving best practice corporate governance. Our 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 Principles and Recommendations (4th Edition) published by the ASX Limited's Corporate Governance Council.

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

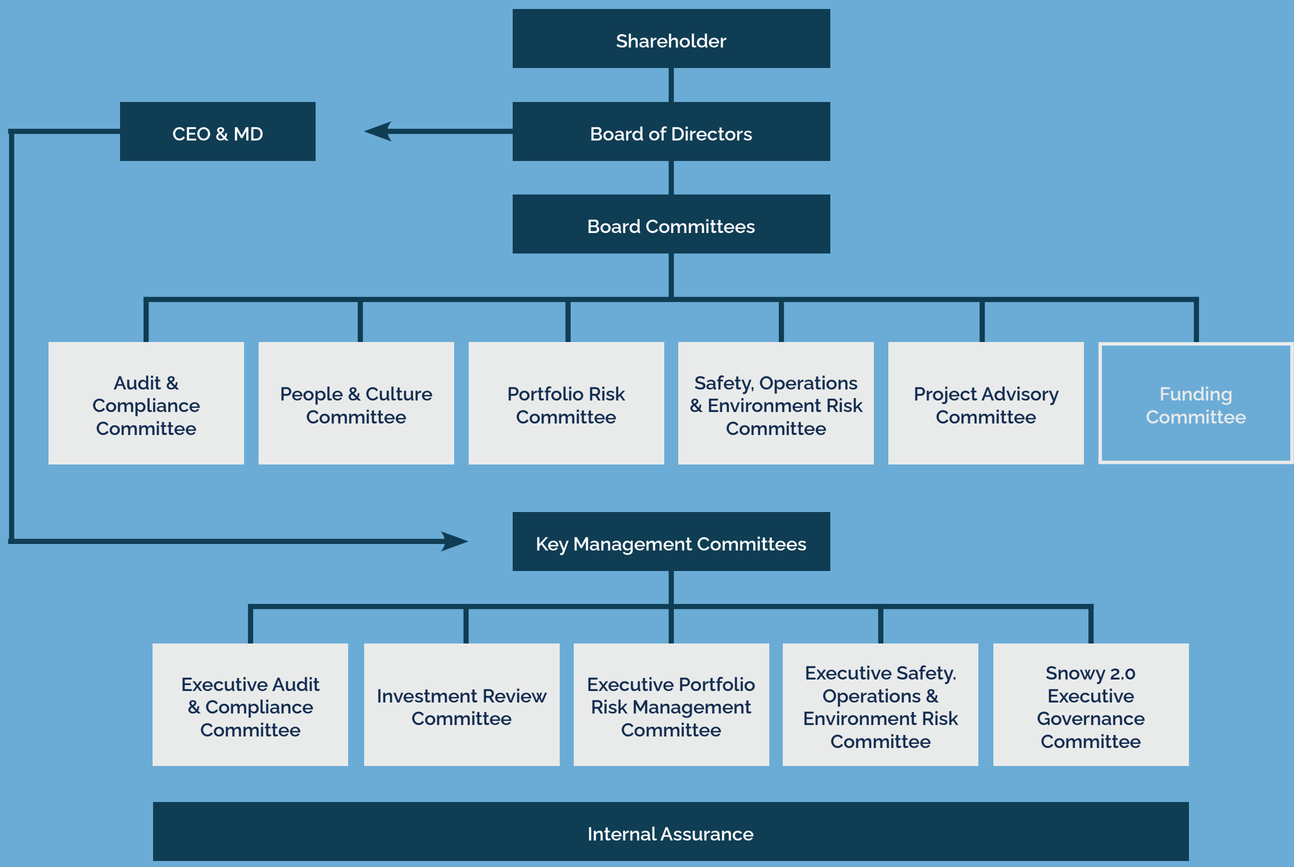
The Board monitors the operational and financial position of Snowy Hydro and agrees its business strategy, including considering and approving a strategic corporate plan and annual budget. The Board is committed to maximising performance, generating Shareholder value, and sustaining the growth and success 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 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 2023.

Corporate Governance Framework



Principle 1: Lay solid foundations for management and oversight

Responsibilities of the Board: The Board is responsible for providing leadership and strategic guidance for Snowy Hydro. The Board charter outlines the roles and responsibilities of the Board.

Key responsibilities are:

- 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 Charter is available on our website at www.snowyhydro.com.au/about/corporate-governance/.

The Board currently comprises eight Directors, with seven independent Non-executive Directors and the Chief Executive Officer and Managing Director **(CEO)**. A profile of each Director is set out in the Directors report and available on our website at www.snowyhydro.com.au/about/leadership/.

The Board meets at least ten times a year, or more frequently as required, to consider and provide management with guidance on strategic and/or operational matters. The Board met eleven times in the 2023 financial year. Members of the Board also met with representatives of the Company's Shareholder on a regular basis and maintained an ongoing dialogue with the Company's external auditor (including ANAO). Non-executive Directors routinely meet without management present to discuss matters appropriate to that forum. The CEO attends all Board and Board Committee meetings except where he has a material personal interest in a matter being discussed. Executives and management are invited to participate in Board and Board Committee meetings as appropriate and are available to be contacted by Board members between meetings.

Delegated Authority: The Constitution of the Company and the Board Charter enable the Board to delegate to Board Committees and the CEO subject to the limitations contained in the delegation instruments (including the Group's Delegation of Authority Policy and the Board Committee charters).

Role of Board Committees: The Board has established five standing Board Committees. The roles, responsibilities and composition requirements of each of the Board Committees are outlined in their respective Charters and summarised below:

Committee	Key responsibilities	Composition requirements	Membership[1]
Board 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.	At least three Non-Executive Directors Majority of Committee members must be independent. At least one Committee member should have significant expertise in financial reporting, accounting or auditing. An independent Non-executive must be Committee Chair and must not be the Chair of the Board.	• Sandra Dodds (Chair) • Leanne Heywood • Timothy Longstaff
Board Portfolio Risk Committee	Provides advice to the Board on risks relating to the Company's energy trading activities (including credit risk management), treasury functions, trading operations and corporate and strategic activities.	At least three Non-executive Directors Majority of Committee members must be independent. An independent Non-executive Director must be Committee Chair.	• Karen Moses (Chair) • Leanne Heywood • Leeanne Bond
Board Safety, Operations and Environment Risk Committee	Provides advice to the Board on risks relating to the operations of the generation, hydraulic and communication assets of the Company, workplace health and safety and environmental practices, including water release obligations.	At least three Non-executive Directors. Majority of Committee members must be independent.	• Leeanne Bond (Chair) • Tim Longstaff • Scott Mitchell • Dennis Barnes
Board People and Culture Committee	Provides advice to the Board on risks relating 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.	At least three Non-Executive Directors. A Non-executive Director as Chair of the Committee.	• Scott Mitchell (Chair) • David Knox • Karen Moses • Sandra Dodds
Board Project Advisory Committee[2]	Provides advice to the Board on risks relating to the delivery of the Snowy 2.0 Project and Hunter Power Project including project management, environmental, technical design and construction, procurement, legal and stakeholder related risks.	At least two independent Non-executive Directors. An external advisor with infrastructure megaproject experience must be a Committee member. A Non-Executive Director as Chair of the Committee.	• Leeanne Bond • Scott Mitchell • Sandra Dodds • Murray Coleman (External Advisor)

[1] Board Committee composition changes, which have occurred in FY23 are set out in the Directors' Report.
[2] The Project Advisory Committee was suspended on 21 June 2023 and its responsibilities assumed by the Board and/or other Board Committees as appropriate.

The Board Committee charters are available on our website at www.snowyhydro.com.au/about/corporate-governance/. All Board Committees are comprised of independent Non-Executive Directors save that the CEO is a member of the Safety, Operations and Environment Risk Committee and ex-officio member of other Board Committees. Members of Board Committees are chosen for the skills and experience they can contribute to the relevant Board Committee and their qualifications set out in the Director's report.

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 seeks to ensure that all Directors have oversight of, as well as the opportunity to discuss, matters being considered by the Committees. Board Committees may also refer to the Board or other Board Committee any matters that have come to their attention that are relevant for the Board or another Board Committee. All Directors receive all Board Committee papers and can attend any Board Committee meeting providing there is no conflict of interest.

The number of meetings of Board Committees for the 2023 financial year, and each Directors' attendance, is set out in the Directors' report in our 2023 Annual Report.

The CEO, and the Executive team through the CEO, is responsible to the Board for the development and implementation of strategy and the overall management and performance of the Group. The 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 the Company's constitution, Directors are appointed by the Commonwealth 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 attends Board and Board Committee meetings and 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 CEO. A profile for the Company Secretary can be found in the Directors' Report in our 2023 Annual Report.

Board evaluation: The Board has a formal process for evaluating the performance and effectiveness of the Board, Board Committees and individual directors. This process is documented in the 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 changes 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.

Diversity and inclusion: Our approach to diversity and inclusion is set out in the Social section of our 2023 Annual Report.

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

The 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 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.

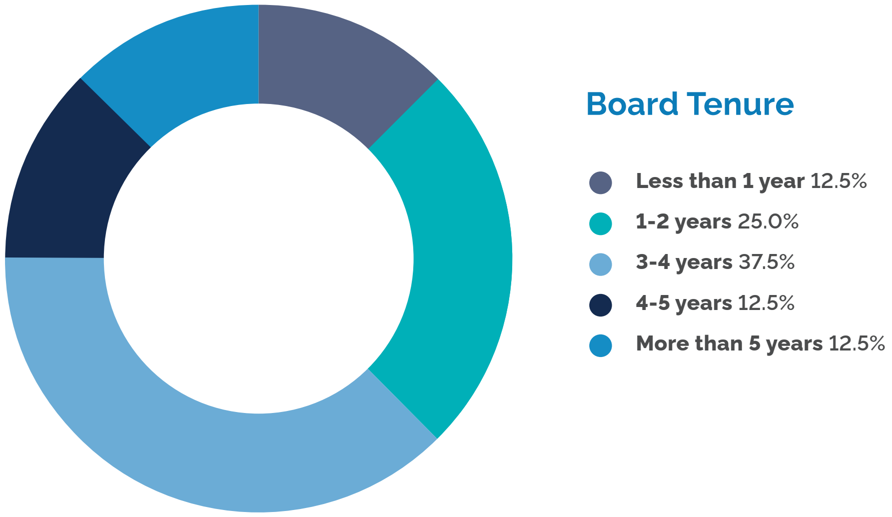
The People and Culture Committee is chaired by an independent Non-Executive Director and comprises four independent Non-Executive Directors including the Board Chair. The responsibilities of the People and Culture Committee are formally documented in its charter, which is available on our website. The People and Culture Committee met ten times in the 2023 financial year to consider performance and remuneration matters, including Board and Committee performance and Board renewal related matters.

Maintenance of a Board skills matrix: The Board is committed to ensuring that it continues to attract and retain highly skilled Directors who bring an appropriate mix of skills, experience, expertise, diversity, independence and other qualities to Board decision making in order for the Board to provide the breadth and depth of understanding necessary to create Shareholder value and fulfil the Statement of Expectations; and protect and promote the interests of the Group and the Commonwealth.

The Board gender diversity as at 30 June 2023 is:

Total directors* (including the CEO)	**8**
Female	4
Male	4
Independent Directors	7
Female Directors on Board (%)	**50%**

The board tenure as at 30 June 2023 is:



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. The skills matrix informs the key skills and experience the Board is seeking to achieve in its membership collectively, the areas for continuing education and/or professional development for Directors and where the Board may wish to supplement its experience with that of expert external advisers, and succession planning for Board vacancies and/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 2023, the Board comprised seven independent Non-Executive Directors and the CEO, Dennis Barnes. The Board is chaired by an independent Non-Executive Director, David Knox.

Induction and Ongoing Education and/or professional development for Directors: We maintain a comprehensive induction program for new Directors which includes a program of formal induction sessions with the Board Chair, the CEO, the Board Committee Chairs, each Group Executive, site visits of the Company's key operational sites, and an induction pack to allow new Directors to gain an understanding of our corporate plan, financial performance, corporate governance framework, culture and values and current issues before the Board. Ongoing education and/or professional development for Directors is delivered through individual briefings and presentations made by Group Executives, regular site visits to key operational locations and undertaking relevant external education. These activities are planned each year and included in the Board and Board Committees' meeting calendars.

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

We expect 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 our dealings. Above all, we strive to be a safe, ethical and environmentally responsible company.

Values and Code of Conduct: We actively foster a culture of ethical conduct. Our corporate values of Safety, Decency, Ownership, Agility, Courage and Teamwork underpin our success and provide guidance on our expectations of our Directors and employees.

The 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 the Company, having regard to the interests of the Shareholder but also considering the interest of employees, customers and other parties with whom we are engaged; and to abide by our Code of Conduct.

Whistleblower policy: The Code of Conduct is supported by other key policies including the Whistleblower policy, which provides mechanisms to raise concerns regarding actual, unethical, unlawful or undesirable conduct without fear of reprisal and with the support and protection of Snowy Hydro. The Whistleblower program includes an independently operated hotline service to allow for anonymous reporting, and includes coverage of the legislative regimes in the Corporations Act, Taxation Administration Act, Public Interest Disclosure Act and National Anti-Corruption Commission Act.

Breaches of the Code of Conduct policy, and a summary of any disclosures received through the Whistleblower program are reported to the Board and/or Board Committee as appropriate. In the event that a Director is the subject of an allegation, the Board Chair (or Board Audit & Compliance Committee Chair if the matter involves the Board Chair) will engage with remaining Directors to appoint an external party to investigate the allegation.

Privacy: Snowy Hydro recognises the importance of privacy and is committed to ensuring that it manages personal information it collects and/or receives in accordance with the Privacy Act 1988 (Cth), including the Australian Privacy Principles.

Security Group: Snowy Hydro's security framework aligns with the Australian Government's standards and practices. This is to ensure that the reliability and security of supply will remain the central consideration behind how we operate and maintain Snowy Hydro's nationally critical infrastructure.

Principle 4: Safeguard the integrity of corporate reports

We have robust processes and controls in place to verify and maintain the integrity of our 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 **(BACC)**, 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 2023, the BACC comprised three independent Non-Executive Directors all of whom had the appropriate qualifications, skills and/or experience to assist the Committee to perform its functions. The Committee is chaired by Ms Sandra Dodds, an independent Non-executive Director and former senior executive who has significant expertise in accounting, financial and operational matters in accordance with the Committee composition requirements. The designation of Ms Dodds as holding significant expertise in these matters does not impose duties, obligations or liability on her that are greater than those imposed on her as a BACC member and does not affect the duties, obligations or liability of any other BACC member or Board members.

The BACC meets four times a year. The CEO, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer, Group Executive - Governance, Risk and Compliance, Head of Internal Audit, the external auditor and other management representatives 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; and
- 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 CEO 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

We recognise the importance of ensuring our Shareholder is provided with timely and meaningful disclosures of any material information impacting the Company. Accordingly, we keep 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, we disclose 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 Board Chair and CEO and Shareholder Departments. We also respond promptly to requests from Shareholder Departments.

Principle 6: Respect the rights of shareholders

As outlined in Principle 5, we engage regularly with our Shareholder and provide information requested or required by the Shareholder to exercise its rights.

Governance information: Our 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 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, we have published our Corporate Plan which sets out our corporate purpose, objectives and values, and provides an overview of the Company's operations and key performance metrics. The Corporate Plan is reviewed and approved annually by the Board prior to submission to the Shareholder and publication on the website.

Shareholder communication: The Board, Executive team and senior management communicate regularly with its Shareholder to seek 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 engage with the Board.

Principle 7: Recognise and manage risk

The 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, and People and Culture) 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 management 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.

Sustainability approach: Our approach to sustainability is set out in the Environment section of our 2023 Annual Report.

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 Directors. Full details of Directors' remuneration are included in the Remuneration report.

Executives' remuneration: The remuneration of the Executives is considered by the Board People and Culture Committee and subject to Board oversight and strong governance controls. 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 we are competitively placed to attract and retain the necessary talent for these roles. The Board believes that remuneration outcomes should reflect the observance of our Values and fulfilment of our Statement of Expectations to create Shareholder Value. Before determining remuneration outcomes, the Board formally reviews individual management performance and risk and leadership behaviours. The Board retains the ultimate discretion in relation to remuneration outcomes. Full details of Executives' remuneration are included in the Remuneration report.

OPERATIONAL AND FINANCIAL REVIEW

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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 $441.7 million (2022: $294.8 million). The underlying profit after tax was $211.8 million (2022: $189.1 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	2023	2022
Statutory Profit after tax	**441.7**	294.8
Adjust for the following after tax items:		
Changes in fair value of financial instruments	**(230.3)**	(108.4)
Other	**0.4**	2.7
Underlying Profit after tax	**211.8**	189.1
Depreciation and amortisation	**153.1**	155.0
Net finance (income)/costs	**(1.0)**	18.7
Income tax expense	**91.2**	80.5
Underlying EBITDA	**455.1**	443.3
Generation EBITDA	**335.1**	333.0
Retail EBITDA	**120.0**	110.3
Underlying EBITDA	**455.1**	443.3

The result delivered in 2023 has been strong against the backdrop of a very challenging year post the extraordinary contribution to system security throughout the May/June 2022 energy crisis. The consequences will continue to be felt by the company as the impacts on physical assets and the investments required for their continuing expected performance levels will be appropriately planned.

During the period, the Group received partial settlement of market compensation claims for the June 2022 market administration and suspension periods. The net amount recognised within underlying profit in the income statement totalled $46.4 million, being Generation compensation income less the Retail cost of total market compensation payments to generators.

Generation Underlying EBITDA

The Generation business Underlying EBITDA was $335.1 million, an increase of 1% from $333.0 million in 2022.

The May/June 2022 energy crisis still loomed large over the generation division in 2023 after unprecedented levels of hydro generation meant that Snowy started the year having already used a major portion of our Required Annual Release under the Snowy Water Licence. This compelled a high level of thermal generation incurring significant fuel costs over winter, however we recovered well as the year continued to finish the year roughly on a par with 2022.

A key contributor to this performance was the setting of the derivative portfolio to take full advantage of the NEM's desire for portfolio "insurance" cover, in the aftermath of the energy crisis. The dominant response of the industry was to seek to limit risk, which pushed capacity prices to three times their historical levels. Snowy adopted a contrarian strategy based on fundamental analysis of forecast climatic conditions, predicted NEM energy supply from wind and solar and assessed actual risk.

The highly profitable derivative portfolio risk borne by Snowy was managed by the utilisation of physical plant and hydro-electric resources, backed by the bought wind and solar energy from Snowy's renewables offtakes. Given the asset and water resource impacts caused by the energy crisis, the success of Snowy's workforce in maximising plant availability in the context of forced and planned outages was a highlight of the year. This outcome also emphasised the critical nature of plant availability in the context of Snowy's business model: reliable, available plant underpins financial success.

Water inflows were 9% higher in 2023 compared to the prior period which allowed the Hydro plants to provide system security after the May/June 2022 energy crisis, through which our highly reliable portfolio of physical assets continued to deliver in unprecedented circumstances.

Retail Underlying EBITDA

The Retail business Underlying EBITDA was $120.0 million, an increase of 9% from $110.3 million in 2022.

Retail's customer base grew to over 1.27 million customers. The strong customer growth drove a strong result in both electricity and gas, although rising operating costs somewhat offset the outperformance. Notably, there was also a rise in bad and doubtful debt expense compared to the prior period which is consistent with strong growth in customers and rising prices.

Retail, through its two brands Red and Lumo, continued to deliver award winning customer service through the largest energy crisis Australia has ever seen. This was highlighted by multiple Canstar awards, Roy Morgan Most Trusted Utility as well as strong brand awareness and market leading Net Promoter Scores. When combined with Australian ownership, renewable credentials and the Qantas partnership, it is easy to see why Red remains the number one energy brand in Australia.

Other Costs Outside Underlying EBITDA

Other adjustments after tax include bushfire recovery projects expenses of $1.4 million, and other net operating expenses of $1.6 million, offset by bushfire insurance proceeds of $2.6 million. The change in fair value of financial instruments gain of $230.3 million after tax has been recorded as well.

Snowy 2.0

Snowy 2.0 is a critically important, pumped-hydro expansion of the Snowy Scheme that will underpin Australia's transition to a renewable energy future. 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.

Snowy 2.0 construction is approximately 40% complete, with a workforce of 2,700 and solid progress being achieved. Milestones achieved include the completion of excavation of both the main access and emergency cable and ventilation tunnels. Tunnel boring machine (TBM) Lady Eileen Hudson was disassembled after completing the main access tunnel and reassembled with some new components before being relaunched to excavate the 6km tailrace tunnel. Work on the underground power station is underway and multiple cross passages and construction tunnels are also being excavated by drill and blast. Excavation at the Talbingo intake is well advanced with 50% completed, while stage 1 earthworks at the Tantangara intake are finished. Manufacturing of the six pump turbines has commenced, while the first major mechanical components have been shipped and will shortly be transported to site. At Tantangara, successful ground stabilisation works have been carried out above, and in front of, TBM Florence, which was paused after encountering very soft ground. A slurry treatment plant has been constructed to support tunnelling through soft ground when required and environmental approvals have been sought for remediation of a surface depression above the TBM. The 27m-wide surge shaft on the Marica plateau is excavated to a depth of about 50m. Snowy Hydro has updated the Australian Energy Market Operator (AEMO) with a target commercial use date of December 2028-December 2029. The timing of the transmission links to Melbourne (VNI West) and to Greater Sydney, including Wollongong to Newcastle (HumeLink), remain critical to commissioning.

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 December 2024.

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. We maintain certification of our Safety Management system to ISO 45001.

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, including physical and psychosocial risks and hazards.
- 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:

- Ongoing 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. 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 17,000 independent engagements for the financial year.

The Group's consolidated total reportable injury frequency rate (TRIFR) for 2023 was 2.07. This is reflective of 7 recordable injuries for the period comprising two medical treatment injuries and five lost time injuries.

In 2023, the Group had three incidents that were notifiable to Comcare. The Group has not received 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 Corporate Plan.

Performance Area	Target	Result
Staff and safety		
Fatalities (number of employees and supervised contractors)	0	0
Fatalities - Snowy 2.0 Project (contractor) and HPP (contractor)	0	1
Total reportable injury frequency rate (TRIFR) (number per million hours worked; employees and supervised contractors)	<2.4	2.07
Staff satisfaction (percentage of employees very/extremely satisfied as determined by survey)	Top quartile of Global Benchmark Index	Second quartile of Global Benchmark Index
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
Retail Regulatory financial penalties	0	2
Compliance with the Snowy Water Licence requirements (percentage of requirements met)	100%	100%
Publicly reportable environmental licence breaches (number of)	0	1
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	0.76
Gas generator start reliability (%; successful starts / total attempted starts)	>99.5	99.18
Gas generator forced outage factor (%; MWh of lost capability due to forced outage / annual capability in MWh)	<1.0	2.98

Snowy Hydro continues to monitor all aspects of the Snowy 2.0 and Hunter Power projects and continues to make safety our number one priority.

The Group engagement score for FY2023 was 74%, with the Generation score at 72% and Retail at 75%. This falls short of the top quartile of the Global benchmark index of 78%.

Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd paid energy efficiency shortfall penalties in December 2022 in relation to energy efficiency certificate shortfalls pursuant to the *Victorian Energy Efficiency Target Act 2007* (Vic).

The publicly reportable environmental licence breach relates to one non-compliance event at the Cabramurra sewage treatment plant in December 2022 where treated effluent was discharged from the plant with elevated levels of total nitrogen not in accordance with limits specified in the environmental protection licence. There was no significant harm to the environment, the EPA was notified of the event and there was no regulatory action.

The gas generator forced outage factor was impacted by a forced outage at Valley Power unit 3B. A foreign object was ingested into the turbine causing significant damage and a replacement was required to be sourced. Unit 3A has been returned to service in the interim. The replacement unit is expected in September 2024. The gas generator start reliability was impacted by several unrelated failures at Valley Power early in the financial year but has been at or above plan for the last three quarters.

Capital management

Total interest bearing liabilities were $2,565.6 million at June 2023, a decrease of $208.7 million from the June 2022 level of $2,774.3 million.

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

During the year, total loan facilities decreased by a net $300 million, from $5,350 million in June 2022 to $5,050 million in June 2023.

Outlook

As the 2024 period starts, Snowy finds itself in a position that is considerably more robust than it was at the same time last year. The risk of an energy shortage remains, but the experience of the May to July 2022 market events appears to have encouraged NEM participants to take steps to minimise the risk of a recurrence of such an event.

As a consequence, the emergency energy reserves that Snowy Hydro has quarantined for FY23 and beyond, as insurance backup for 'keeping the lights on', have been preserved. These reserves are available to continue to underpin the energy risks that Snowy Hydro assumes through its energy and capacity contracting activities. This puts Snowy Hydro in a strong position, resource-wise, heading into a period of potentially three or more years of predicted low water inflows.

Key challenges in the coming years remain the ongoing construction of the Snowy 2.0 pumped hydro development and the Hunter Power Project, the construction of an open cycle gas turbine power station in Kurri Kurri, NSW.

CONSOLIDATED FINANCIAL REPORT

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Consolidated Statement of Profit or Loss

For the period ended 30 June 2023

$million	Note	2023	2022
Revenue	2	**3,906.4**	3,499.4
Other income		**16.9**	23.1
Direct costs of revenue	2	**(2,960.2)**	(2,660.1)
Consumables and supplies		**(84.4)**	(66.1)
Employee benefits expense		**(269.0)**	(228.7)
Depreciation and amortisation expense		**(153.1)**	(155.0)
Impairment loss recognised on trade receivables	2	**(25.5)**	(20.5)
Other expenses		**(129.7)**	(107.8)
Changes in fair value of financial instruments	16	**329.0**	155.0
Profit before net finance costs and income tax		**630.4**	439.3
Interest income	3	**6.8**	-
Finance costs	3	**(5.8)**	(18.7)
Profit before income tax		**631.4**	420.6
Income tax expense	4	**(189.7)**	(125.8)
Profit for the period attributable to the owners of Snowy Hydro Limited		**441.7**	294.8

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 2023

$million	Note	2023	2022
Profit for the period		**441.7**	294.8
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	24	**0.2**	3.4
Income tax relating to items that will not be reclassified subsequently to profit or loss		**-**	(1.0)
		0.2	2.4
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges and foreign exchange contracts	16	**33.1**	453.3
Income tax relating to items that may be reclassified subsequently to profit or loss		**(10.0)**	(136.0)
		23.1	317.3
Total other comprehensive income, net of income tax		**23.3**	319.7
Total comprehensive income for the period attributable to the owners of Snowy Hydro Limited		**465.0**	614.5

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 2023

$million	Note	2023	2022
Current assets			
Cash and cash equivalents		**249.0**	74.0
Trade and other receivables	6	**486.8**	636.7
Inventories		**31.2**	70.4
Income tax receivable		**-**	24.4
Other financial assets	7	**866.0**	1,682.6
Other current assets	8	**187.3**	243.0
Total current assets		**1,820.3**	2,731.1
Non-current assets			
Deferred tax assets	11	**-**	56.8
Goodwill and other intangible assets	10	**489.6**	502.0
Property, plant and equipment	9	**7,166.2**	5,222.5
Other financial assets	7	**246.3**	272.9
Other assets	8	**54.4**	168.5
Total non-current assets		**7,956.5**	6,222.7
Total assets		**9,776.8**	8,953.8

Consolidated Statement of Financial Position

As at 30 June 2023

$million	Note	2023	2022
Current liabilities			
Trade and other payables	12	**563.3**	842.3
Interest bearing liabilities	14	**159.2**	16.9
Provisions	13	**141.5**	129.3
Other financial liabilities	15	**437.7**	1,242.8
Income tax payable		**24.1**	-
Total current liabilities		**1,325.8**	2,231.3
Non-current liabilities			
Interest bearing liabilities	14	**2,406.4**	2,757.4
Deferred tax liabilities	11	**73.4**	-
Provisions	13	**54.1**	57.0
Other financial liabilities	15	**19.5**	33.2
Total non-current liabilities		**2,553.4**	2,847.6
Total liabilities		**3,879.2**	5,078.9
Net assets		**5,897.6**	3,874.9
Equity			
Issued capital	17	**2,519.1**	2,215.1
Preference shares	18	**1,400.0**	62.0
Reserves	19	**186.0**	162.9
Retained earnings		**1,792.5**	1,434.9
Total equity attributable to the owners of Snowy Hydro Limited		**5,897.6**	3,874.9

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

Consolidated Statement of Changes in Equity

For the period ended 30 June 2023

$million	Issued capital	Preference shares	Hedging reserve	Retained earnings	Total attributable to the owners of Snowy Hydro Limited
Balance as at 1 July 2021	1,375.1	-	(154.4)	1,301.3	2,522.0
Profit for the period	-	-	-	294.8	294.8
Other comprehensive income for the period, net of tax	-	-	317.3	2.4	319.7
Equity subscription	840.0	62.0	-	-	902.0
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**
Profit for the period	**-**	**-**	**-**	**441.7**	**441.7**
Other comprehensive income for the period, net of tax	**-**	**-**	**23.1**	**0.2**	**23.3**
Equity subscription	**304.0**	**1,338.0**	**-**	**-**	**1,642.0**
Dividends paid	**-**	**-**	**-**	**(84.3)**	**(84.3)**
Balance as at 30 June 2023	**2,519.1**	**1,400.0**	**186.0**	**1,792.5**	**5,897.6**

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 2023

$million	Note	2023	2022
Cash flows from operating activities			
Receipts from customers		**4,339.8**	2,893.1
Payments to suppliers and employees		**(3,585.2)**	(2,728.1)
Cash generated from operations	5	**754.6**	165.0
Interest received		**6.8**	-
Interest and other costs of finance paid		**(98.1)**	(97.9)
Income tax paid, net of refunds received		**(20.8)**	(96.4)
Net cash generated from/(used in) operating activities		**642.5**	(29.3)
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,828.2)**	(1,277.1)
Proceeds from sale of property, plant and equipment		**0.9**	2.1
Payments for intangible assets		**(37.0)**	(41.5)
Proceeds from other investing activities		**56.9**	22.0
Net cash used in investing activities		**(1,807.4)**	(1,294.5)
Cash flows from financing activities			
Proceeds from equity subscription		**304.0**	840.0
Proceeds from preference shares agreement		**1,338.0**	62.0
(Repayment)/drawdown of borrowings		**(202.0)**	488.0
Payment of lease liabilities		**(15.7)**	(14.7)
Transaction costs related to loans and borrowings		**(0.1)**	(4.1)
Dividends paid	20	**(84.3)**	(163.6)
Net cash generated from financing activities		**1,339.9**	1,207.6
Net increase/(decrease) in cash		**175.0**	(116.2)
Cash at beginning of the period		**74.0**	190.2
Cash at end of the period		**249.0**	74.0

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

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 4 September 2023.

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 10 "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.

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 Consolidated Financial Statements

For the period ended 30 June 2023

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 2023 refers to the period from 1 July 2022 to 30 June 2023. Snowy Hydro's 2022 Annual Report represented the reporting period 1 July 2021 to 30 June 2022.

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

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 2023

2. Revenue and expenses

$million	2023	2022
Revenue		
Revenue from contracts with customers		
Wholesale	**1,246.0**	1,195.1
Retail	**2,462.7**	2,188.6
Total revenue from contracts with customers	**3,708.7**	3,383.7
Other revenue	**197.7**	115.7
Total revenue	**3,906.4**	3,499.4
Expenses		
(Loss)/profit on disposal of property, plant and equipment	**(1.4)**	1.1
Direct costs of revenue	**(2,960.2)**	(2,660.1)
Impairment loss recognised on trade receivables	**(25.5)**	(20.5)
Amortisation	**(49.4)**	(51.3)
Depreciation	**(103.7)**	(103.7)
Operating lease expenses	**(2.3)**	(1.6)
Defined contribution plans	**(22.5)**	(18.6)

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 energy to its customers, whereby the energy 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 energy 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 and/or gas; and sale of the environmental certificate. It is measured as a component of the transaction price charged to customers for the provision of electricity and/or gas, 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 2023

3. Net finance costs

$million	2023	2022
Interest expense and funding cost	**111.9**	49.2
Interest rate hedge costs	**(21.3)**	52.8
Interest expense from leasing arrangements	**7.6**	7.8
Finance costs capitalised	**(92.4)**	(91.1)
Finance costs	**5.8**	18.7
Interest income	**(6.8)**	-
Net finance (income)/costs	**(1.0)**	18.7

Recognition and measurement

- **Interest income and expense:** are accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates. Interest costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets. The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 3.9%.
- **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 2023

4. Income tax expense

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

$million	2023	2022
Profit from operations	**631.4**	420.6
Tax expense calculated at 30%	**(189.4)**	(126.2)
Prior year adjustments	**0.9**	0.5
Non-deductible expenses	**(1.4)**	(0.6)
Research and development offset	**0.2**	0.5
Total income tax expense on profit	**(189.7)**	(125.8)
Comprising of:		
Current tax expense	**(69.3)**	(48.0)
Deferred tax expense	**(120.4)**	(77.8)
Total income tax expense on profit	**(189.7)**	(125.8)

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

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

Snowy Hydro Limited is a signatory to the Voluntary Tax Transparency Code, and prepares its Tax Report in accordance with the code. The Tax Report for the 30 June 2023 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 2023

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

$million	2023	2022
Profit before income tax	**631.4**	420.6
Adjustments for:		
Loss/(profit) on sale of non-current assets	**1.4**	(1.1)
Depreciation and amortisation	**153.1**	155.0
Impairment loss recognised on trade receivables	**25.5**	20.5
Impairment write-off on property, plant and equipment	**0.3**	1.7
Changes in fair value of financial instruments	**(329.0)**	(155.0)
Interest received	**(6.8)**	-
Finance cost paid	**5.8**	18.7
	481.7	460.4
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	**124.4**	(195.3)
Decrease/(increase) in inventories	**39.2**	(46.8)
Decrease/(increase) in other financial assets	**378.3**	(1,826.6)
Decrease in other assets	**68.9**	9.3
(Decrease)/increase in trade and other payables	**(354.8)**	391.8
Increase in provisions	**8.6**	19.8
Increase in other financial liabilities	**8.3**	1,352.4
Net cash generated from operations	**754.6**	165.0

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

Balance Sheet Items

6. Trade and other receivables

$million	2023	2022
Trade receivables	**541.7**	701.4
Allowance for doubtful debts	**(67.8)**	(64.7)
Goods and service tax receivable	**12.9**	-
Total trade and other receivables	**486.8**	636.7

Expected credit loss on trade receivables

$million	
Balance as at 1 July 2022	**64.7**
Additional allowance for doubtful debts	**25.5**
Amounts written off, previously provided for	**(22.4)**
Balance as at 30 June 2023	**67.8**

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

	Total	Lifetime ECL Rate	2023 Allowance	Total	2022 Allowance
Unbilled revenue	**296.9**	**2.6%**	**7.6**	265.9	5.5
Not past due	**151.4**	**3.2%**	**4.9**	354.6	4.5
Past due 0-30 days	**27.8**	**17.6%**	**4.9**	20.6	4.3
Past due 31-60 days	**12.8**	**28.1%**	**3.6**	12.0	3.2
Past due 61-90 days	**6.0**	**45.0%**	**2.7**	4.4	4.1
Greater than 90 days	**46.8**	**94.2%**	**44.1**	43.9	43.1
	541.7		**67.8**	701.4	64.7

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 2023

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	2023	2022
Current		
Financial assets carried at fair value		
Energy derivatives - economic hedge	**662.3**	1,129.3
Commodity swaps and interest rate swaps - cash flow hedge	**59.1**	24.9
Loans and receivables		
Deposits with brokers	**144.6**	528.4
Total current other financial assets	**866.0**	1,682.6
Non-current		
Financial assets carried at fair value		
Commodity swaps and interest rate swaps - cash flow hedge	**246.3**	272.9
Total non-current other financial assets	**246.3**	272.9

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

8. Other assets

$million	2023	2022
Current		
Deposits	**58.5**	57.2
Prepayments	**26.8**	93.8
Environmental certificates	**102.0**	92.0
Total current other assets	**187.3**	243.0
Non-current		
Deposits	**-**	56.0
Prepayments	**54.4**	112.5
Total non-current other assets	**54.4**	168.5

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 2023

9. Property, plant and equipment

$million	Land and buildings	Leasehold improvement	Plant and equipment	Construction in progress	Total
Gross carrying amount					
1 July 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**
Additions	3.2	-	-	2,051.5	2,054.7
Capitalised to asset class	9.6	0.1	86.5	(96.2)	-
Disposals	(4.5)	-	(2.8)	-	(7.3)
Impairment charge	-	-	-	(0.3)	(0.3)
30 June 2023	**217.8**	**26.8**	**2,975.7**	**5,313.3**	**8,533.6**
Accumulated depreciation					
1 July 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)**
Disposals	0.5	-	2.5	-	3.0
Depreciation expense	(12.6)	(2.3)	(91.5)	-	(106.4)
30 June 2023	**(62.2)**	**(18.8)**	**(1,286.4)**	**-**	**(1,367.4)**
Net book value					
2022	159.4	10.2	1,694.6	3,358.3	5,222.5
2023	**155.6**	**8.0**	**1,689.3**	**5,313.3**	**7,166.2**

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 2023 of $67.7 million (2022: $76.0 million) in the land and buildings class, and $36.4 million (2022: $42.7 million) in the plant and equipment class. Depreciation charged on these assets for the period was $10.6 million (2022: $9.8 million) in the land and buildings class, and $6.3 million (2022: $6.4 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 2023

10. Goodwill and other intangible assets

$million	Goodwill	Cost of customer acquisition	Computer software	Total
Cost				
1 July 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**
Additions	-	18.0	19.0	37.0
Disposals	-	-	-	-
30 June 2023	**383.2**	**417.4**	**194.0**	**994.6**
Amortisation				
1 July 2021	-	(292.8)	(111.5)	(404.3)
Amortisation	-	(35.0)	(16.3)	(51.3)
Disposals	-	-	-	-
30 June 2022	**-**	**(327.8)**	**(127.8)**	**(455.6)**
Amortisation	-	(32.5)	(16.9)	(49.4)
Disposals	-	-	-	-
30 June 2023	**-**	**(360.3)**	**(144.7)**	**(505.0)**
Net book value				
2022	383.2	71.6	47.2	502.0
2023	**383.2**	**57.1**	**49.3**	**489.6**

Recognition and measurement

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

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

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

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 7.3% (2022: 6.1%). The standard 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 Snowy 2.0 and Hunter Power Project valuations use a longer-term modelling horizon, negating the need for a terminal value calculation. 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 optionpremium revenue	Spot and contract revenue projections are consistent with Snowy Hydro's recent performance and are based on forward market curves for the observable trade period from GFI Group, and internal modelling thereafter. 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.	Implied in curves and modelled outcomes
Water inflows	The water inflow sequence underlying the projections reflects the expectation that 2024 inflows will be below average and that future average inflows will thereafter trend back towards past experience. The starting water storage levels are also reflected in the projections.	Not applicable
Capital expenditure	Capital expenditure is derived from Snowy Hydro's long-term capital asset planning model and includes all expenditure relating to existing assets.	Zero real growth in prices
Retail gross margin	The retail operating cost model is sufficiently flexible to respond to customer growth and is modelled as such; customer growth targets drive cost to acquire and cost to serve. The most sensitive valuation assumption is what gross margin the retail businesses charge mass-market customers. This valuation sensitivity exercise is performed in isolation of a corporate response that might ensue (such as reducing customer targets).	Retail gross margin is materially maintained

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

11. Net deferred income tax

$million	Opening balance	Charged to income statement	Charged to OCI	Other/ transfer	Closing balance
2023					
Deferred tax assets					
Property, plant and equipment	91.1	(31.5)	-	-	59.6
Provisions	47.1	3.8	-	-	50.9
Non derivative financial instruments	2.7	0.3	-	-	3.0
Total deferred tax assets	**140.9**	**(27.4)**	**-**	**-**	**113.5**
Deferred tax liabilities					
Derivative financial instruments	61.7	97.3	10.0	-	169.0
Other	22.4	(4.5)	-	-	17.9
Total deferred tax liabilities	**84.1**	**92.8**	**10.0**	**-**	**186.9**
Net deferred tax liabilities					**(73.4)**
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

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 2023

12. Trade and other payables

$million	2023	2022
Trade payables	**542.9**	815.9
Other payables	**20.4**	24.9
Goods and services tax payable	**-**	1.5
Total current other assets	**563.3**	842.3

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	2022	Recognised/ remeasured	Settled/ transferred	2023
Current				
Employee benefits	43.2	41.0	(36.9)	**47.3**
Environmental liability	85.3	216.8	(208.4)	**93.7**
Other provisions	0.8	(0.3)	-	**0.5**
Total current provisions	**129.3**	**257.5**	**(245.3)**	**141.5**
Non-current				
Employee benefits	32.3	4.5	-	**36.8**
Site rehabilitation	16.4	0.9	-	**17.3**
Environmental liability	8.2	(8.2)	-	**-**
Other provisions	0.1	(0.1)	-	**-**
Total non-current provisions	**57.0**	**(2.9)**	**-**	**54.1**

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. Material 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 2023

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. Material 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 and gas is purchased from the NEM and simultaneously supplied to customers. Regulatory bodies impose a percentage on the volume of electricity and gas 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 finance cost.

14. Interest bearing liabilities and credit facilities

i) Interest bearing liabilities - unsecured

$million	2023	2022
Current		
Bank loans	**150.0**	9.0
Borrowing costs	**(8.0)**	(8.2)
Lease liability	**17.2**	16.1
Total current interest bearing liabilities	**159.2**	16.9
Non-current		
Bank loans	**2,313.0**	2,656.0
Borrowing costs	**(15.7)**	(23.6)
Lease liability	**109.1**	125.0
Total non-current interest bearing liabilities	**2,406.4**	2,757.4

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

14. Interest bearing liabilities and credit facilities (continued)

ii) Credit facilities - unsecured

$million	2023	2022
Financing facilities		
Amounts used	**2,463.0**	2,656.0
Amounts unused	**2,587.0**	2,694.0
Total financing facilities	**5,050.0**	5,350.0
These facilities have fixed maturity dates as follows: $150.0 million in 2024, $1,375.0 million in 2025, $1,388 million in 2026, $925 million in 2027, $1,087.0 million in 2028. and $125.0 million in 2029.		
Uncommitted short-term money market facilities		
Amounts used	**-**	9.0
Amounts unused	**30.0**	21.0
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 2023

15. Other financial liabilities

$million	2023	2022
Current		
Financial liabilities carried at fair value		
Energy derivatives - economic hedge	**429.8**	1,223.9
Foreign exchange contracts and interest rate swaps - cash flow hedge	**6.9**	18.9
Commodity forwards - cash flow hedge	**1.0**	-
Total current other financial liabilities	**437.7**	1,242.8
Non-current		
Financial liabilities carried at fair value		
Foreign exchange contracts and interest rate swaps - cash flow hedge	**18.7**	33.2
Commodity forwards - cash flow hedge	**0.8**	-
Total non-current other financial liabilities	**19.5**	33.2

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 2023

16. Financial instruments (continued)

2. Financial Risk Management

$million	2023	2022
Financial assets		
Amortised cost		
Cash and cash equivalents	**249.0**	74.0
Trade receivables and deposits with brokers	**618.5**	1,165.1
Fair value through profit or loss		
Energy derivatives	**662.3**	1,129.3
Derivatives designated and effective as hedging instruments		
Interest, foreign exchange and commodity derivatives	**305.4**	297.8
Financial liabilities		
Amortised cost		
Interest bearing liabilities	**2,565.6**	2,774.3
Trade payables	**542.9**	815.9
Fair value through profit or loss		
Energy derivatives	**429.8**	1,223.9
Derivatives designated and effective as hedging instruments		
Interest, foreign exchange and commodity derivatives	**27.4**	52.1

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

$million	2023	2022
Gain recognised on energy derivatives (standard swaps, options and bespoke contracts)	**327.7**	148.2
(Loss)/gain due to interest rate hedge ineffectiveness	**(6.5)**	10.9
Movement of cap premium received not yet amortised	**7.8**	(4.1)
Changes in fair value of financial instruments recognised through profit and loss	**329.0**	155.0

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

$million	2023	2022
Gain and Loss recognised on:		
Foreign exchange contracts	**21.5**	(6.9)
Commodity swaps	**(11.4)**	9.6
Interest rate swaps	**23.0**	450.6
Changes in fair value of financial instruments recognised through hedging reserves	**33.1**	453.3

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 2022.

(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 2023

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 back our supply to 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 derivatives at the reporting date.

$million	2023	2022
Energy derivatives asset - current	**662.3**	1,129.3
Energy derivatives liability - current	**(429.8)**	(1,223.9)
Total energy derivatives	**232.5**	(94.6)

* Snowy has entered into commodity derivatives totalling a fair value of $(0.6)m at June 2023 (2022: $10.2m). 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 derivatives, $190.9 million (2022: $707.4 million) of the asset and $162.1 million (2022: $806.7 million) of the liability is expected to mature within 12 months, and $471.4 million (2022: $421.9 million) of the asset and $267.7 million (2022: $417.2 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 40% (2022: 30%) price change has been applied to flat, peak and off-peak electricity swaps, a 60% (2022: 50%) price change has been applied to electricity options. These changes are based on the volatility of historical prices of the relevant instruments.

	Profit/ (loss) before tax Increase/ (decrease) in fair value		Other comprehensive income Increase/ (decrease) in fair value	
$million	2023	2022	2023	2022
Electricity swap - price increase	**118.6**	110.8	-	-
Electricity swap - price decrease	**(119.8)**	(110.8)	-	-
Electricity options - price increase	**(419.7)**	(781.8)	-	-
Electricity options - price decrease	**418.1**	779.7	-	-

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 €196.9 million outstanding at 30 June 2023 on the Snowy 2.0 project. Additional miscellaneous contracts on other projects totalled to (Japanese Yen) ¥702.3 million and €0.3 million. The bank 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 2023

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.

2023 $million	Less than one year	1 - 3 years	More than 3 years	Total
Forward exchange contracts				
Net exposure (in millions of EUR)	51.7	145.4	-	197.1
Average EUR:AUD forward contract rate	0.57	0.55	-	0.56
Net exposure (in billions of JPY)	0.7	-	-	0.7
Average JPY:AUD forward contract rate	79.55	-	-	79.55

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

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

Capital expenditure $million	2023	2022
Change in value used for calculating hedge effectiveness	34.1	55.7
Cash flow hedge reserve	34.1	55.7
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 2023

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	2023	2022
Assets (carrying amount)		
Other current financial assets	-	-
Other non-current financial assets	-	-
Liabilities (carrying amount)		
Other current financial liabilities	(6.9)	(18.9)
Other non-current financial liabilities	(18.7)	(33.2)
Gain or loss on foreign cash balance designated as a hedging instrument	(8.5)	(3.6)
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(34.1)	(55.7)
Changes in the value of the hedging instrument recognised in OCI		
Hedge ineffectiveness recognised in other expenses	34.1	55.7
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.

	Profit/(loss) before tax		Other comprehensive income	
$million	2023	2022	2023	2022
EUR +7.93% (2022: +6.83%)	-	-	24.2	27.9
EUR -7.93% (2022: -6.83%)	-	-	(24.2)	(27.9)
JPY +11.84% (2022: +11.71%)	-	-	1.0	6.0
JPY -11.84% (2022: -11.71%)	-	-	(0.8)	(4.7)
USD n/a% (2022: +10.50%)	-	-	-	0.9
USD n/a% (2022: -10.50%)	-	-	-	(0.7)

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 targeting 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, hedging instrument to hedged debt. 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 2023:

$million	2023	2022
Floating rate instruments		
Financial assets		
Cash and cash equivalents	249.0	74.0
	249.0	74.0
Financial liabilities		
Bank loans	2,463.0	2,665.0
Interest rate swap notional principal excluding forward-starting swaps	(3,076.7)	(2,776.4)
	(613.7)	(111.4)

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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	
	2023 %	2022 %	2023 $million	2022 $million
Less than 1 year	2.15	2.15	3,076.7	3,076.7
1 to 2 years	2.07	2.15	3,176.8	3,076.7
2 to 3 years	2.07	2.07	3,176.8	3,176.8
3 to 4 years	2.06	2.07	2,876.8	3,176.8
4 to 5 years	2.04	2.06	2,426.4	2,876.8
5 years or more	-	2.04	-	2,426.4
Average	2.08	2.09	2,946.7	2,968.3

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

Floating interest payments $million	2023	2022
Change in value used for calculating hedge effectiveness	(300.1)	(278.1)
Cash flow hedge reserve	(300.1)	(278.1)
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	2023	2022
Assets (carrying amount)		
Other current financial assets	57.9	16.4
Other non-current financial assets	246.3	271.2
Liabilities (carrying amount)		
Other current financial liabilities	-	-
Other non-current financial liabilities	-	-
The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	304.2	287.6
Changes in the value of the hedging instrument recognised in OCI	(300.1)	(278.1)
Hedge ineffectiveness recognised in other expenses	(4.1)	(9.5)
Amount reclassified from hedging reserve to profit or loss	21.3	(53.3)

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 150 (2022: 250) basis points higher or 150 (2022: 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.

	Profit/ (loss) before tax		Other comprehensive income	
$million	2023	2022	2023	2022
Interest rate + 150 (2022: +250) basis points				
Interest on bank loan	(36.9)	(66.4)	-	-
Interest on interest rate swap	46.1	76.9	-	-
Fair valuation of interest rate swap	-	-	199.5	367.5
Interest rate -150 basis points				
Interest on bank loan	36.9	1.3	-	-
Interest on interest rate swap	(46.1)	(1.5)	-	-
Fair valuation of interest rate swap	-	-	(216.2)	(8.0)

* 2022 sensitivity analysis was based on +250 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 +150 bps and -150 bps is more appropriate for 2023.

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.

$million	2023	2022
Balance at the beginning of the reporting period	162.9	(154.4)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk	19.7	(10.5)
Interest rate risk	43.7	397.2
Commodity risk	(4.2)	9.6
Amount reclassified to profit or loss:		
Interest rate risk	(21.3)	53.3
Commodity risk	(6.6)	-
Amount included in the cost of non-financial items:		
Foreign currency risk	1.8	3.6
Tax on movements on reserves during the year	(10.0)	(136.0)
Balance at the end of the reporting period	**186.0**	162.9

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 $2,587.0 million (2022: $2,694.0 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.

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For the period ended 30 June 2023

16. Financial instruments (continued)

2023 $million	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Non derivative instruments					
Trade payables	542.9	-	-	-	542.9
Bank loan (facilities)*	150.0	1,375.0	3,400.0	125.0	5,050.0
Lease liabilities	23.7	23.3	55.4	86.8	189.2
	716.6	**1,398.3**	**3,455.4**	**211.8**	**5,782.1**
Derivative instruments					
Energy and commodity derivatives	164.2	116.3	120.5	135.1	536.1
Foreign exchange contracts	7.0	13.7	6.8	-	27.5
	171.2	**130.0**	**127.3**	**135.1**	**563.6**
2022					
Financial liabilities					
Non derivative instruments					
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**
Derivative instruments					
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**

* 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 2023

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 1.28 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 2023

16. Financial instruments (continued)

2023 $million	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative financial instruments				
- Energy derivatives	22.6	4.3	635.4	662.3
- Interest rate swaps	-	304.2	-	304.2
- Commodity swaps	-	1.2	-	1.2
Total financial assets	**22.6**	**309.7**	**635.4**	**967.7**
Financial liabilities				
Derivative financial instruments				
- Energy derivatives	86.2	76.3	267.3	429.8
- Foreign exchange contracts	-	25.6	-	25.6
- Commodity swaps	-	1.8	-	1.8
Total financial liabilities	**86.2**	**103.7**	**267.3**	**457.2**
Net financial assets (liabilities)	**(63.6)**	**206.0**	**368.1**	**510.5**

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**

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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.

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For the period ended 30 June 2023

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 2023:

$million	2023	2022
Opening balance	**331.6**	(220.2)
Option premium received in cash during the period	**(187.5)**	(153.1)
Total gains and losses in profit or loss		
- Settlements during the period	**28.4**	(37.5)
- Changes in fair value of financial instruments	**195.6**	742.4
Closing balance	**368.1**	331.6

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 60% (2022: 50%) movement in the price curve for cap instruments, 40% (2022: 30%) movement in the price curve for peak swap capped instruments and 40% (2022: 30%) movement in the price curve for flat and off-peak swap capped and load following swap instruments would have the following effects:

		Profit/ (loss) before tax	
2023 $million	Fair value	Increase movement	Decrease movement
Energy derivative assets	635.4	1,272.7	(1,275.3)
Energy derivative liabilities	(267.3)	(264.4)	264.1

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

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 2023

17. Issued capital

$million	2023	2022
1,903,000,000 (2022: 1,599,000,000) fully paid ordinary shares	**2,519.1**	2,215.1

18. Preference shares

$million	2023	2022
1,400,000,000 (2022: 62,000,000) fully paid preference shares	**1,400.0**	62.0

During the period the company issued preference shares to the existing shareholder. Any shares that are not redeemed prior to the maturity date will convert to ordinary shares.

19. Reserves

$million	2023	2022
Hedging reserves		
Balance at the beginning of the reporting period	**162.9**	(154.4)
Gains/(losses) recognised:		
Foreign exchange contracts	**21.5**	(6.9)
Interest rate swaps	**23.0**	450.6
Commodity forwards	**(11.4)**	9.6
Deferred tax arising on hedges	**(10.0)**	(136.0)
Balance at the end of the reporting period	**186.0**	162.9

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 2023

20. Dividends

$million	2023	2022
Recognised amounts **Preference share dividend** The preference share dividend of 2.167 cents per share is unfranked and paid on 28 April 2023.	**30.3**	-
Final dividend Final dividend for 2022 of 1.556 cents per share, unfranked and paid on 28 April 2023 (2022: Final dividend for 2021 of 5.052 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022)	**28.7**	72.0
Interim dividend No interim dividend was determined for 31 December 2022 (2022: Interim dividend for 2022 of 4.655 cents per share, fully franked at the corporate tax rate of 30%, paid 29 April 2022)	**-**	66.3
Special dividend Special dividend for 2023 of 1.374 cents per share, unfranked and paid on 28 April 2023 (2022: 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**	25.3
Total recognised amounts	**84.3**	163.6
Unrecognised amounts **Preference share dividend** The preference share dividend of 3.222 cents per share, fully franked at the corporate tax rate of 30% and payable on 27 October 2023.	**45.1**	-
Final dividend Final dividend for 2023 of 3.601 cents per share, fully franked at the corporate tax rate of 30% and payable on 27 October 2023.	**69.7**	-
Total unrecognised amounts	**114.8**	-
Dividend franking account balance	**259.2**	238.4

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

Group Structure

21. Subsidiaries

Name of Entity	Country of Incorporation	% Ownership 2023	2022
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 2023

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	2023	2022
Revenue	**3,891.5**	3,472.5
Interest income	**6.8**	-
Other income	**22.7**	28.1
Direct costs of revenue	**(2,941.2)**	(2,615.1)
Consumables and supplies	**(84.4)**	(66.1)
Employee benefits expense	**(269.0)**	(228.6)
Depreciation and amortisation expense	**(143.2)**	(145.2)
Finance costs	**(5.8)**	(18.7)
Impairment loss recognised on trade receivables	**(25.5)**	(20.5)
Other expenses	**(129.7)**	(107.8)
Changes in fair value of financial instruments	**329.0**	155.0
Profit before income tax expense	**651.2**	453.6
Income tax expense	**(195.6)**	(135.7)
Profit attributable to the owners of the parent entity	**455.6**	317.9

Statement of financial position

$million	2023	2022
Current assets		
Cash and cash equivalents	**249.0**	74.0
Trade and other receivables	**486.8**	636.7
Inventories	**31.2**	70.4
Income tax receivable	**-**	24.4
Other financial assets	**866.0**	1,682.6
Other assets	**187.3**	242.9
Total current assets	**1,820.3**	2,731.0
Non-current assets		
Deferred tax assets	**-**	49.0
Goodwill and other intangible assets	**489.6**	502.1
Property, plant and equipment	**7,117.6**	5,164.3
Other financial assets	**246.3**	342.6
Investments in subsidiaries	**95.1**	95.1
Other assets	**167.6**	168.5
Total non-current assets	**8,116.2**	6,321.6
Total assets	**9,936.5**	9,052.6

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

21. Subsidiaries (continued)

Statement of financial position (continued)

$million	2023	2022
Current liabilities		
Trade and other payables	**562.7**	804.0
Interest bearing liabilities	**159.2**	16.9
Provisions	**141.5**	129.3
Other financial liabilities	**437.7**	1,242.8
Income tax payable	**24.1**	-
Total current liabilities	**1,325.2**	2,193.0
Non-current liabilities		
Interest bearing liabilities	**2,406.4**	2,757.5
Deferred tax liabilities	**82.6**	-
Provisions	**54.1**	56.9
Other financial liabilities	**19.5**	33.2
Total non-current liabilities	**2,562.6**	2,847.6
Total liabilities	**3,887.8**	5,040.6
Net assets	**6,048.7**	4,012.0
Equity		
Issued capital	**2,519.1**	2,215.1
Preference shares	**1,400.0**	62.0
Reserves	**186.0**	162.9
Retained earnings	**1,943.6**	1,572.0
Total equity	**6,048.7**	4,012.0

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

22. Parent entity disclosures

(a) Summary financial information (Parent)

$million	2023	2022
Assets		
Current assets	**2,955.2**	3,391.7
Total assets	**10,963.8**	9,786.9
Liabilities		
Current liabilities	**2,873.4**	3,787.3
Total liabilities	**5,429.9**	6,608.9
Equity		
Issued capital	**2,519.1**	2,215.1
Preference shares	**1,400.0**	62.0
Reserve	**186.0**	162.9
Retained earnings	**1,428.8**	738.0
Profit for the period	**774.9**	(125.1)
Total comprehensive income	**798.2**	190.8

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

$million	2023	2022
Guarantees provided under the deed of cross guarantee as referred to in Note 21	**140.4**	91.8

(c) Contingent liabilities of the parent entity

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

(d) Capital commitments

$million	2023	2022
Not longer than 1 year	**1,893.4**	921.7
Later than 1 year but not later than 5 years	**355.9**	2,234.5
Later than 5 years	**8.8**	95.8
	2,258.1	3,252.0

The above commitments disclosure includes the expected phasing of contractual commitments to the principal contractors for the Snowy 2.0 and Hunter Power Project developments. The disclosure reflects the expected impact of the project reviews, noting that the Snowy 2.0 commitments continue at expenditure approved at notice to proceed (2020) until the new contracting model comes into full effect following shareholder approvals, where the level of commitment is estimated to rise by $4.8 billion.

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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:

$	2023	2022
Short-term employee benefits	**8,368,630**	10,857,052
Post-employment benefits	**398,779**	358,336
Other long-term employee benefits	**932,028**	605,903
Termination benefits	**1,021,347**	-
Total remuneration	**10,720,784**	11,821,291

(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 2023 was $312.8 million (30 June 2022: $515.4 million owed by the parent entity).

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 2023

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 valuation 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 2023

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
2022	17.8	(17.1)	**0.7**	0.5	**1.2**
Current service cost	-	-	**-**	-	**-**
Interest expense/ (income)	1.0	(0.8)	**0.2**	-	**0.2**
Total amount recognised in profit or loss	1.0	(0.8)	**0.2**	-	**0.2**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense	-	(0.4)	**(0.4)**	-	**(0.4)**
Actuarial gain from changes in demographic and financial assumptions	(0.4)	-	**(0.4)**	-	**(0.4)**
Actuarial loss from liability experience	0.8	-	**0.8**	-	**0.8**
Change in asset ceiling, excluding amounts included in interest expense	-	-	**-**	(0.2)	**(0.2)**
Total amount recognised in OCI	0.4	(0.4)	**-**	(0.2)	**(0.2)**
Contributions:					
Employers	-	(0.3)	**(0.3)**	-	**(0.3)**
Plan participants	-	-	**-**	-	**-**
Payments from plan:					
Benefit payments	(1.1)	1.1	**-**	-	**-**
2023	**18.1**	**(17.5)**	**0.6**	**0.3**	**0.9**

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 2023	EISS	SSS/SANCS
Australian equities	14%	26%
International equities	23%	38%
Property	16%	2%
Private equity	3%	-
Infrastructure	10%	-
Alternatives	13%	16%
Fixed income	11%	4%
Short-term Securities	-	14%
Cash	10%	-
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 2023

24. Defined benefit superannuation plan (continued)

Significant actuarial assumptions at the reporting date

As at 30 June 2023	EISS	SSS/SANCS
Discount rate **Salary increase rate (excluding promotional increases)** **Rate of CPI increase**	5.47% 3.5% pa 6.0% for 2023/24 then 2.5% pa	5.68% 2.74% - 4.45% pa 2.5% - 6.65%
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 $1.1 million (increase by $1.5 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 $0.9 million (decrease by $0.8 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 2024 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 10 years and 12.1 years for EISS and SANCS/SSS respectively.

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

25. Commitments

$million	2023	2022
Capital expenditure commitments - property, plant and equipment		
Not longer than 1 year	**1,893.4**	921.7
Later than 1 year but not later than 5 years	**355.9**	2,234.5
Later than 5 years	**8.8**	95.8
Total capital expenditure commitments - property, plant and equipment	**2,258.1**	3,252.0
Lease commitments		
Not longer than 1 year	**0.2**	0.3
Total lease commitments	**0.2**	0.3

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

The above commitments disclosure includes the expected phasing of contractual commitments to the principal contractors for the Snowy 2.0 and Hunter Power Project developments. The disclosure reflects the expected impact of the project reviews, noting that the Snowy 2.0 commitments continue at expenditure approved at notice to proceed (2020) until the new contracting model comes into full effect following shareholder approvals, where the level of commitment is estimated to rise by $4.8 billion.

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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 2023 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 $155.6 million (2022: $113.4 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 customers) 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. Snowy Hydro recognised $5.9 million of compensation costs in the current 2023 reporting period in relation to settled claims. 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, global supply chain disruption and inflation impacting the cost and availability of a skilled workforce, materials, and shipping. In addition, the project has faced challenges with design and the impact of variable site and geological conditions.

While significant progress has been achieved there are delays to Snowy 2.0's contracted schedule and likely cost impacts beyond the project contingency allowed. Snowy Hydro's management team has been working towards resetting the delivery timeline and budget for the Snowy 2.0 project with Future Generation as part of an ongoing project review. It is anticipated that outstanding claims will be resolved as part of these negotiations and this is captured within the costs summarised in the Director's Report.

(b) Contingent assets

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 recognised provisional settlement compensation income of $6.2 million in the 2022 period and a further $52.3 million final settlement compensation income in the current 2023 period. There remains one outstanding claim with the Australian Energy Market Commission (AEMC) which Snowy Hydro anticipates will be finalised during the year ahead. Snowy Hydro considers that it has a strong claim for compensation such that an inflow of economic benefits is probable, however the expected outcome of this compensation claim amount cannot be recognised until the amounts become virtually certain.

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

27. Subsequent events

Snowy Hydro recently announced the outcome of the review and project reset for Snowy 2.0.

The estimated total cost for Snowy 2.0 project delivery has been revised to $12 billion. The terms of the contract with Future Generation Joint Venture (FGJV) are being revised to an incentivised target contract model, which will result in closer collaboration, stronger oversight and alignment of interests between Snowy Hydro and FGJV. The revised contract will settle all outstanding claims, the financial effect of which has been reflected in the value of construction in progress at 30 June 2023.

The project remains economic with strong and growing market demand for dispatchable electricity expected to underpin demand for the services provided by the project well into the future.

The target date for commercial operation of all units is December 2028 with first power to be delivered in the second half of 2027.

Snowy Hydro has worked closely with FGJV and hydro technology contractor Voith to increase the capacity of the power station by 10%. Snowy 2.0 will now deliver dispatchable generation capacity of 2,200MW, as well as providing 350,000MWh, or 160 hours of generation at maximum output.

Snowy Hydro also recently announced the outcome of the project review for the Hunter Power Project. The project has experienced similar challenges to Snowy 2.0 and following a comprehensive review the expected cost is now $950 million. Despite the increased cost the Hunter Power Project remains economic and an important project in Australia's energy transition, enabling the roll-out of wind and solar projects by firming these intermittent generation sources into reliable power.

Snowy Hydro is engaging closely with its Shareholder on relevant Shareholder approvals, including the appropriate forward capital structure and supporting funding plan.

Except as otherwise disclosed in this report, no item, transaction or event of a material nature has arisen since 30 June 2023 that would significantly affect the operations of Snowy Hydro, the results of those operations, or the state of affairs, in future financial periods.

Notes to the Consolidated Financial Statements

For the period ended 30 June 2023

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:

$	2023	2022
Audit services		
Audit or review of the financial report	**929,500**	768,500
Other audit services	**29,000**	64,000
Other non-audit services		
Commercial advisory services	**241,923**	-
Technology services	**61,991**	14,750
Total remuneration of auditors	**1,262,414**	847,250

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 2023 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
4 September 2023

Dennis Barnes, Managing Director
4 September 2023

Mr David Knox
Chair
Snowy Hydro Limited
2 Monaro Highway
Cooma NSW 2630

SNOWY HYDRO LIMITED FINANCIAL REPORT 2022–23
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 2023, to the best of my knowledge and belief, there have been:

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

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

Australian National Audit Office

Carla Jago
Group Executive Director
Delegate of the Auditor-General

Canberra
4 September 2023

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 2023 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 2023 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 2023 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 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 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.

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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 2023, the Group reported total financial assets relating to energy derivatives of $662.3 million and total financial liabilities relating to energy derivatives of $429.8 million.

How the audit addressed the matter

In relation to the valuation, existence and completeness of financial instruments, I performed the following procedures (in conjunction with our specialists):

- assessed the design, implementation and operating effectiveness of key 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 completeness, existence and valuation of financial instruments recognised by the Group at 30 June 2023. 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;
  - agreeing the financial instrument transactions from the underlying records to the general ledger; testing the accuracy of the incorporation of the terms of each contract into valuation models by substantiating them to the originating contract; and
  - evaluating the reasonableness of inputs included in the valuation models. 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 any significant judgements and the impact of these in relation to the valuation of financial instruments.

Key audit matter	How the audit addressed the 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; and • assessing the Generation cash generating unit (CGU) for impairment indicators and the recoverable amount of PPE to which Snowy 2.0 belongs. The complexity of these judgements is increased due to the number and nature of contractual obligations, construction milestones, estimation of costs to complete the construction of the asset, timing involved in delivery of Snowy 2.0 and key assumptions supporting the forecast cash flows for the generation CGU. For the year ended 30 June 2023 the Group reported total construction in progress, which included Snowy 2.0, of $5,313.3 million and disclosed total expected construction costs at completion for Snowy 2.0 of $12,000.0 million.	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 relating 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*; o testing, on a sample basis, capitalised costs to determine whether they were in accordance with the Group's accounting policy and relevant accounting standards; o making inquiries of the Group to understand the status of the project, performance against budget and the progress of construction at 30 June 2023, including corroboration to project reporting prepared by construction delivery partners; and o assessed the impact (including disclosures) of any approved variations to original forecast construction costs and proposed changes to contractual arrangements by obtaining corroborating evidence including correspondence with delivery partners and proposed contract terms. • assessed the Generation CGU for impairment indicators and assessed the recoverable amount of PPE by performing the following: o assessed the external fair value valuation report at 30 June 2023; and o assessed forecasted cash outflow projections for completion of construction, and cashflow inflows once project reaches operational stage against the Board approved corporate plan; • evaluated Snowy Hydro's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year, taking into consideration external events and agreed changes in scope impacting on the construction costs.

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 2023 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 other receivables will be recovered from customers in the future. The complexity of these judgements has been impacted by the current economic conditions including the effects of interest rate rises and inflation rates in Australia.

The Group has made judgements as to the likely impact 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.

For the year ended 30 June 2023 the Group reported total trade and other receivables of $486.8 million net of an allowance for doubtful debts of $67.8 million.

How the audit addressed the matter

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

- obtained an understanding of the process and tested key controls as it relates the ECL;
- assessed the reasonableness of the methodology adopted by the Group to assess trade and other receivables for ECL, including the following:
    - validation of the key inputs and underlying data which informed the Group's estimation;
    - evaluating the Group's application of forward-looking macroeconomic assumptions and scenario weightings applied in the calculation of ECL; and
    - consideration of probable impacts arising due to impacts of the current economic conditions, including the effects of interest rate rises and inflation rates;
- evaluated the debtor profiling and ageing categories at period end including an assessment of the quantum of the provision against aged debtor accounts and any adjustments made in accordance with AASB 9 *Financial Instruments* for ECL;
- tested the arithmetical accuracy of calculations performed by the Group within the ECL model; and
- evaluated the Group's historical ability to accurately estimate the ECL by considering the movement between the ageing categories from prior periods and historical bad debt write offs.

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 2023 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
4 September 2023

Regulatory Reporting Requirements Index

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

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	Our Purpose and Objectives	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	47-54
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	Our Purpose and Objectives	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	Our Purpose and Objectives	5
28E(d)	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act	Our Purpose and Objectives	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	6-13
28E(g)	An outline of the organisational structure of the company (including any subsidiaries of the company)	Note 21 to the Consolidated Financial Statements	98
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	36-46
28E(j), 28E	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	9

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	15
28E(n)	Particulars of any reports on the company given by: (a) the Auditor-General, or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission	Not applicable	-
28E(o)	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report	Not applicable	-
28E(oa)	Information about executive remuneration	Remuneration report	17-31
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	 44 6-13 17-31
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	9
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 97
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

snowy hydro