



## 1. Message from the Chief Financial Officer

On behalf of the Board, I am pleased to present the Tax Transparency Report for ENGIE's Australian business for the income year ended December 31, 2019.

ENGIE is a global energy provider and an expert operator in the businesses of electricity, natural gas and energy services. ENGIE recognises its responsibilities as a good corporate citizen and the important role ENGIE plays in protecting the environment today and helping ensure a sustainable future.

We support the adoption of the Board of Taxation's Voluntary Tax Transparency Code (**TTC**) and appreciate the importance that improved transparency plays in improving the public confidence in the tax system as well as the role that it plays in facilitating a more informed public debate about tax policy.

The disclosures in this report have followed the recommendations set out in the TTC. Our report provides information regarding ENGIE's Australian tax activities for the year ended December 31, 2019, including our approach to tax policy and risk management, our tax governance processes and how much tax we paid during the income year. Our report shows that ENGIE has paid \$10m in taxes and royalties to Australian federal and state governments during the income year.

This report forms part of ENGIE's broader financial statements, and complements the information disclosed in the ENGIE Group's Annual Report for December 31, 2019.

A handwritten signature in black ink that reads "Rachel Richardson". The signature is written in a cursive, flowing style.

**Rachel Richardson**  
**Chief Financial Officer**





## 2. Overview of ENGIE

ENGIE Australia & New Zealand delivers innovative, sustainable energy solutions to households, businesses, communities and cities. With the backing of ENGIE's global network of expertise in renewable energy and low-carbon solutions, we're accelerating the transition to a carbon-neutral world.

ENGIE's trading arm, Global Energy Management and Sales (GEMS) provides long-energy supply agreements, energy trading, risk management and asset management services to business customers across the ENGIE ANZ portfolio.

This Tax Transparency Report relates to the entire ENGIE Australia operations. The Australian operations can be separated into two consolidated taxpaying groups as follows:

- ENGIE's Australian generation and retail business is held through a single holding company, International Power (Australia) Holdings Pty Ltd (IPAH), which is a joint venture with Mitsui & Co Ltd (28% owned by Mitsui & Co. Ltd). IPAH is the head company of an income tax consolidated group and lodges a single income tax return and pays corporate income tax on behalf of the generation and retail businesses.
- The ENGIE Services business is held through multiple holding companies as a result of past acquisitions. Together with some new development project entities, these entities are part of a multiple-entry tax consolidated group with ENGIE Services Holdings Pty Ltd (ESH) as the head company. The head company is owned 100% by ENGIE and lodges a single income tax return.

The ENGIE Australia group also holds interests in entities which are not part of either of the above tax consolidated groups. These entities have been grouped as "Other" for the purposes of the disclosures in section 6 below.

ENGIE has a December 31 year end for both accounting and tax purposes.



### **3. Basis of Preparation**

The Tax Transparency Report is based on the income tax expense analysis contained in the financial statements for each accounting group or entity within the ENGIE Australia group for FY20 where prepared. Where financial statements are not prepared for an entity, the income tax expense analysis is based on the trial balance which is prepared in accordance applicable accounting standards. The income tax expense analysis is prepared in accordance with the policies outlined in note 3 to the audited financial statements of International Power (Australia) Holdings Pty Ltd and its controlled subsidiaries.



## **4. Tax Policy, Tax Strategy and Governance strategy**

### **4.1 Approach to risk management and governance arrangements**

ENGIE's approach to tax governance and risk management is set out in the Tax Governance and Risk Management policy (the Tax Policy), which complements ENGIE's broader Risk Management Policy. The Tax Policy is aligned with ENGIE's overall corporate strategy and is reviewed by the relevant Board of Directors periodically.

The relevant Board is ultimately responsible for the management of risk and internal control processes, which includes tax. The Board delegates the day-to-day management of tax risk to the Chief Financial Officer, and to ENGIE's dedicated Australian tax function. The Tax Policy sets out how ENGIE identifies and seeks to mitigate tax risk, and the manner in which tax risk is escalated to the CFO and the relevant Board.

ENGIE's tax governance and controls framework is reviewed as part of the annual internal audit. The IPAH tax provisioning, including material positions taken, is subject to external audit review.

### **4.2 Attitude towards tax planning**

ENGIE is committed to complying with all relevant tax laws and regulations, and to pay its fair share of taxes in the countries in which it operates. Tax does not take priority over the commercial objectives of ENGIE. ENGIE will not enter into artificial arrangements in order to avoid taxation or to defeat the stated objective of the tax legislation, nor will it undertake aggressive tax planning.

Tax practices within ENGIE are compliant with ENGIE's Code of Ethics and with the Environmental, Social and Societal Responsibility principles of the ENGIE Group.

### **4.3 Accepted level of risk in relation to taxation**

ENGIE is committed to being a socially responsible corporate citizen, and to acting with integrity and transparency in all tax matters. ENGIE has a low tax risk tolerance. This is reflected in the tax risk management principles outlined in the Tax Policy, including:

- Complying with all applicable laws and regulations relating to tax, including meeting tax compliance obligations and payments in a timely manner.
- Using external advisors to ensure the tax function remains up to date with legislative changes and to provide technical guidance and external review and commentary on ENGIE's tax matters as required.
- Maintaining documented policies and procedures in relation to tax risk management and undertaking periodic control testing to ensure appropriate operation.
- Making decisions based on a reasonably arguable position on all tax matters where judgement is used to make calculations. Any areas of uncertainty are clearly supported in terms of documentation and legal interpretation.
- Ensuring that ENGIE is appropriately resourced with qualified tax professionals to deal with tax matters in an efficient and effective manner.



#### **4.4 Approach to engagement with ATO**

ENGIE strives to maintain a “low” risk rating from the Australian Taxation Office (“ATO”) and other Revenue Authorities. ENGIE is committed to maintaining open, honest and constructive relationships with all relevant tax authorities. ENGIE works collaboratively with tax authorities wherever possible and seeks advanced rulings on transactions where it is appropriate and possible to do so.

ENGIE has fully co-operated in the ATO’s Top 1000 Justified Trust program and will continue to engage with the ATO for future reviews.





## 5. International Related Party Dealings

ENGIE has a documented transfer pricing policy that ensures that international related party dealings have a strong business or commercial purpose and reflect the substance of its underlying operations.

ENGIE has very few, material cross-border transactions with related parties. The material transactions are primarily limited to financial/funding arrangements, including guarantee fees, working capital facilities, intragroup loans and cash pooling, and energy derivatives. Only specific, identifiable and quantifiable costs (i.e. employee secondment costs) are recharged to the region.

International related party dealings are priced in accordance with the 'arm's length principle' as defined in the Organisation for Economic Co-operation and Development (**OECD**) guidelines and related ATO guidance. The standard approach adopted by ENGIE on all financial/funding arrangements is the Comparable Uncontrolled Price (CUP) method. Under the CUP method, the arm's length price for a transaction between two international related parties (a controlled transaction) is determined by reference to the price for a similar transaction entered into by two unrelated parties (an uncontrolled transaction) or between a related party and an unrelated party.

The material cross-border related-party transactions for the year ended December 31, 2019 are included below<sup>1</sup>:

<b>Related Party</b>	<b>Country</b>	<b>Arrangement</b>	<b>Asset/(Liability) Balance</b>
ENGIE Treasury Management S.a.r.l	Luxembourg	Ordinary borrowings	(7,400,000)

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<sup>1</sup> A loan of AUD 368,000,000 from ENGIE CC (Belgium) was repaid during the year.



## 6. Reconciliation of Accounting Profit to Income Tax Expense to Income Tax Paid

This section provides details of ENGIE's Australian accounting profit before tax, income tax expense and tax paid for the entities in item 2 above.

### 6.1 Reconciliation of Accounting Profit to Income Tax Expense for the year ended December 31, 2019

Income tax expense is calculated as the tax payable on the amounts included in the accounting profit and loss, and is calculated as tax payable on the current year taxable profit or tax loss adjusted to take into account tax payable on temporary differences (i.e. profits/losses that will be taxed in periods other than the current period). Income tax expense will generally not equate to 30% of accounting profit due to these temporary differences and other non-temporary differences (i.e. accounting income/expenses that will never form part of taxable income).

The reconciliation between accounting profit and loss and income tax expense is provided below.

	<b>IPAH (\$m)</b>	<b>ESH (\$m)</b>	<b>Other (\$m)</b>	<b>Total (\$m)</b>
<b>Total income</b>	<b>1,638</b>	<b>153</b>	<b>64</b>	
<b>Less: Accounting expense</b>	<b>(1,530)</b>	<b>(192)</b>	<b>(68)</b>	
Accounting Profit/(Loss) before income tax (II)	108	(39)	(4)	65
<b>Income tax expense/(credit) on accounting profit at 30% (A)</b>	<b>32</b>	<b>(12)</b>	<b>(1)</b>	<b>19</b>
<b>Non-temporary income tax adjustments</b>				
Large scale generation certificate penalty	26			26
Partnership loss distribution		(15)		(15)
Recognition of deferred tax assets previously not recognised	(56)			(56)
Other	2			2
<b>Total non-temporary income tax adjustments (B)</b>	<b>(28)</b>	<b>(15)</b>		<b>(43)</b>
<b>Income Tax Expense I = (A) + (B)</b>	<b>4</b>	<b>(27)</b>	<b>(1)</b>	<b>(24)</b>
<b>Effective Tax Rate (I)/(II)</b>	<b>4%</b>	<b>69%</b>	<b>28%</b>	<b>(37%)</b>

The effective tax rate is calculated as income tax expense/(credit) divided by accounting profit/(loss) before income tax. ENGIE had an overall Australian effective tax rate of (37%) for the year ended December 31,

2019; the corporate tax rate is 30%. This variance is primarily due to the recognition of deferred tax assets during the income year in the IPAH group that had not previously been recognised in earlier income years and the partnership loss distribution, partially offset by the non-deductible LGC shortfall penalty payment.

## 6.2 Reconciliation of Income Tax Expense to Income Tax Paid

Income tax expense will vary from income tax payable due to the differences between when income or expenses are recognised for accounting and tax (i.e. the temporary differences) and the availability of prior year tax losses. The table below provides a reconciliation of income tax expense to income tax payable for the financial year ended December 31, 2019.

	<b>IPAH (\$m)</b>	<b>ESH (\$m)</b>	<b>Other (\$m)</b>	<b>Total (\$m)</b>
<b>Income tax expense</b>	4	(27)	(1)	(24)
<b>Elimination of income tax expense which does not impact tax payable</b>				
Recognition of deferred tax assets not previously recognised	56			56
<b>Income tax expense after adjustment</b>	<b>60</b>	<b>(27)</b>	<b>(1)</b>	<b>32</b>
<b>Temporary differences</b>				
Property, plant and equipment	4			4
Derivatives	19			19
Environmental products	(9)			(9)
Other including provisions and accrued expenses	(10)			(10)
<b>Total</b>	<b>64</b>	<b>(27)</b>	<b>(1)</b>	<b>36</b>
Current year losses to be carried forward		27	1	28
Utilisation of carried forward losses	(64)			(64)
<b>Australian income tax paid</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>





### 6.3 Australian Tax Contribution Summary

The following tables show the total of corporate and other taxes collected and paid in Australia by ENGIE for the financial year ending December 31, 2019.

<b>Taxes and Duties Paid by ENGIE in Australia</b>	<b>IPAH (\$m)</b>	<b>ESH (\$m)</b>	<b>Other (\$m)</b>	<b>Total (\$m)</b>
Income tax				0
Payroll tax	3		6	9
Royalties				0
Fringe benefits tax	1			1
<b>Total Taxes and Duties Paid</b>	<b>4</b>	<b>0</b>	<b>6</b>	<b>10</b>

<b>Taxes Collected and Remitted on behalf of others</b>	<b>IPAH (\$m)</b>	<b>ESH (\$m)</b>	<b>Other (\$m)</b>	<b>Total (\$m)</b>
Net GST Collected	39	(10)	11	40
Withholding Taxes Collected (including Pay As You Go withholding)	18	5	30	53
<b>Total Taxes Collected and Remitted on behalf of others</b>	<b>57</b>	<b>(5)</b>	<b>41</b>	<b>93</b>