



1. Message from the Deputy Chief Financial Officer

On behalf of the Board, I am pleased to present the inaugural Tax Transparency Report for ENGIE in Australia's business for the income year ended 31 December 2017.

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 in Australia's tax activities for the year ended 31 December 2017, 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 in Australia has paid and remitted \$83m in taxes and royalties to Australian federal and state governments during the income year.

This report forms part of ENGIE in Australia's broader financial statements, and complements the information disclosed in the ENGIE Group's Annual Report for 31 December 2017.

https://www.engie.com/wp-content/uploads/2018/03/engie_2017-management-report-and-annual-consolidated-financial-statements-2.pdf.

A handwritten signature in black ink, appearing to read "Alistair", with a long horizontal line extending to the right.

Alistair Carrie
Deputy Chief Financial Officer
28 February 2019





2. Overview of ENGIE

ENGIE in Australia delivers innovative, affordable, reliable and efficient energy solutions in Australia through its generation, retail and energy services portfolios:

- Our generation business operates approximately 1,000 MW (gross) of renewable (wind turbine) and gas-fired generating plants in South Australia and Western Australia. During the 31 December 2017 income year, the generation business also included the Loy Yang B power station (a 1,000 MW (gross) coal fired power station in Victoria's La Trobe Valley), which was sold to Alinta Energy in January 2018. The tax contributions and financial performance of Loy Yang B power station are included within this report.
- Our retail business, Simply Energy, has customers in Victoria, South Australia, New South Wales, the Australian Capital Territory, Queensland and Western Australia.
- Our ENGIE Services business offers innovative multi-technical design, installation and maintenance solutions, as well as smart, low-carbon infrastructure for local cities and precincts.

ENGIE aims at becoming the leader of this new energy world by focusing on three key activities for the future: low carbon generation (in particular, from natural gas and renewable energies), energy infrastructure and efficient solutions adapted to all its clients' needs (individuals, businesses, territories, etc.). The Group is committed to take on the major challenges of the energy revolution, towards a world more decarbonised, decentralised and digitised.



3. Tax Policy, Tax Strategy and Governance

3.1 Approach to risk management and governance arrangements

ENGIE in Australia's tax policy is reviewed by the Australian Management Team at least annually and is aligned with ENGIE's overall corporate strategy and complements its broader Risk Management Policy. The Australian Management Team is ultimately responsible for the management of risk and internal control processes, which includes tax. The Management Team delegates the day-to-day management of tax risk to the Chief Financial Officer, and to ENGIE's dedicated Australian tax function.

ENGIE in Australia approaches tax matters conservatively and uses a risk-based approach to ensure tax risks are appropriately identified, assessed, evaluated, monitored and treated. ENGIE in Australia is committed to being a good corporate citizen, and to acting with integrity and transparency in all tax matters. This includes the following:

- Complying with all applicable laws and regulations relating to tax, including meeting tax compliance obligations and payments in a timely manner.
- Ensuring the appropriate tax advice is sought and considered as part of the overall commercial assessment of any significant transaction.
- Not participating in tax evasion or knowingly facilitating the evasion of tax by a third party in any way.
- Maintaining open and constructive relationships with all relevant tax authorities and avoiding unnecessary and time-consuming disagreements wherever possible.
- Protecting the reputation of ENGIE in relation to tax matters.
- Complying with our tax governance and risk management frameworks.
- Achieving a "low" risk rating from the Australian Taxation Office (**ATO**) and other Revenue Authorities.
- Ensuring that ENGIE in Australia is appropriately resourced with qualified tax professionals to deal with tax matters in an efficient and effective manner.

3.2 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. As a matter of policy, ENGIE avoids investments through so called 'tax haven' countries and does not support the use of artificial structures or transactions for the purpose of minimising tax.

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.

3.3 Accepted level of risk in relation to taxation

Tax matters are covered by ENGIE's risk governance: tax risks are managed by a global tax function and give rise to appropriate action plans. Controls and processes exist throughout the ENGIE group to ensure compliance with tax filing obligations and mandatory disclosures.



3.4 Approach to engagement with ATO

ENGIE in Australia strives to maintain a “low risk” rating with the ATO and other tax authorities (the lowest rating that can be achieved) and is committed to maintaining open and constructive relationships with all relevant tax authorities. ENGIE in Australia seeks advanced rulings from tax authorities on transactions where it is appropriate and possible to do so.

4. Australian Income Tax Consolidated Group

ENGIE in Australia’s generation and retail business is held through a single holding company that is the head company of an income tax consolidated group. The holding company lodges a single income tax return and pays corporate income tax on behalf of the generation and retail businesses. The holding company is 28% owned by Mitsui & Co., Ltd.

The Loy Yang B power station, which was sold to Alinta Energy in January 2018, was held through a multiple entry consolidated (**MEC**) group. The head company of the MEC group lodged a single income tax return and paid corporate income tax on behalf of the business. As at 31 December 2017, ENGIE owned 70% of the Loy Yang B power station and Mitsui & Co., Ltd owned 30%. ENGIE and Mitsui & Co., Ltd ceased to hold an interest in the Loy Yang B power station following its sale to Alinta Energy on 15 January 2018.

The Australian ENGIE Services business is held through various holding companies as a result of past acquisitions. Each holding company lodges an income tax return and pays corporate income tax. The Australian ENGIE Services business is wholly owned by ENGIE, which is ultimately listed on the Paris and Brussels stock exchanges.

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 in Australia enters into a number of international related party dealings and prices these dealings 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. ENGIE in Australia maintains contemporaneous transfer pricing documentation to support the arm’s length pricing of these transactions. Additionally, a register of all international related party transactions is maintained by the Transfer Pricing Coordinator.

The material international related party dealings during the 31 December 2017 income year related to ENGIE in Australia’s treasury function as it receives financing and associated guarantees from its international related parties.



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

This section provides details of ENGIE in Australia's accounting profit before tax, income tax expense and tax paid for the entities in item 4 above.

6.1 Reconciliation of Accounting Profit to Income Tax Expense for the year ended 31 December 2017

	2017 (\$m)
Accounting profit before income tax	322
Income tax expense on accounting profit at 30%	96
Non-temporary income tax adjustments	
Thin capitalisation debt deduction denials	16
Recognition of deferred tax assets previously not recognised	(75)
Other	(1)
Total non-temporary income tax adjustments	(56)
Income Tax Expense	37

6.2 Effective Income Tax Rate

The effective income tax rate is calculated as the income tax expense divided by accounting profit before tax:

	2017 (\$m)
Income tax expense	37
Accounting profit before tax	322
Effective income tax rate	12%
Effective income tax rate excluding recognition of deferred tax assets not previously recognised	35%

ENGIE in Australia had an effective tax rate of 12% for the year ended 31 December 2017; the corporate tax rate is 30%. This variance is primarily due to the recognition of deferred tax assets during the income year that had not previously been recognised in earlier income years.



6.3 Reconciliation of Income Tax Expense to Income Tax Paid

The table below provides a reconciliation of Australian accounting profit to income tax expense and income tax payable for the financial year ended 31 December 2017.

	2017 (\$m)
Income tax expense	37
Elimination of income tax expense which does not impact tax payable	
Recognition of deferred tax assets previously not recognised	75
Income tax expense after adjustment	113
<i>Temporary differences</i>	
Property, plant and equipment	(268)
Derivatives	(25)
Redundancy provisions	(23)
Site restoration provisions	23
Mine rehabilitation expenditure	(19)
Other	(21)
Total	(333)
Current year losses	286
Utilisation of carried forward losses	(1)
Australian income tax paid	65



6.4 Australian Tax Contribution Summary

The following tables show the total of corporate and other taxes paid by ENGIE in Australia for the financial year ending 31 December 2017.

Taxes and Duties Paid	2017 (\$m)
Income tax	65
Payroll tax	9
Royalties	8
Fringe benefits tax	1
Total Taxes and Duties Paid	83

Taxes Collected and Remitted	2017 (\$m)
Net GST Collected	45
Withholding Taxes Collected	89
Total Taxes Collected and Remitted	134