SGSP (Australia) Assets Pty Ltd
Tax Transparency Report
Year Ended 31 December 2021 (CY21)

Background

SGSP (Australia) Assets Pty Ltd (**SGSPAA**) is 60% owned by State Grid Corporation of China and 40% owned by Singapore Power.

SGSPAA is the parent entity of a group of entities collectively known as the SGSPAA Group.

The SGSPAA Group owns or has an interest in a portfolio of energy infrastructure assets and related businesses (operated under three brands, being Jemena, Ovida and Zinfra — with partially-owned interests operated under separate brands, United Energy and Evoenergy). Jemena is an investor in a portfolio of gas and electricity assets which is diversified in terms of geography and markets. Ovida is used for electricity market investments. Zinfra is a services business focused on delivering engineering, design and construction, as well as field based maintenance and operational services across gas and electricity utility infrastructure assets.

Approach to Tax Strategy and Governance

SGSPAA is committed to meeting its Federal and State tax compliance obligations, including payment of all taxes by relevant due dates.

The SGSPAA Group has implemented a robust and operationally effective Tax Corporate Governance (**TCG**) framework which effectively aligns with the Australian Taxation Office's (**ATO**) Tax Risk Management and Governance Guide. The TCG framework includes strong Board and Management level controls which are tested periodically.

SGSPAA's Board has also approved a Tax Risk Management Framework (**TRM Framework**), which is used to categorise tax risks and mandate the steps SGSPAA needs to take to manage such tax risks. This includes obtaining external professional advice and / or ATO consultation and acknowledgement as appropriate. SGSPAA seeks to adopt tax positions that are of low risk. Where there is uncertainty in application of the tax law, SGSPAA only adopts tax positions that are at least "reasonably arguable".

SGSPAA has an experienced in-house Tax Team that formally reports to the Audit and Compliance Committee (**ACC**) on a quarterly basis. The Tax Team also provides specific updates on significant tax legislative changes / developments to the Board and ACC where appropriate. For materially important transactions (e.g. mergers and acquisitions, distributions to shareholders and capital restructures), the Board is advised of key tax implications and risks prior to providing its approval, in line with SGSPAA's TRM Framework. Additional oversight is provided by SGSPAA's external and internal auditors.

Engagement with Revenue Authorities

SGSPAA endeavours to engage with the ATO and all other revenue authorities in a timely, cooperative and transparent manner.

The ATO continues to conduct an audit in relation to SGSPAA's Convertible Instruments.

Information about International Related Party Dealings

SGSPAA only has business activities and investments in Australia.

Whilst SGSPAA's shareholders are overseas and involved in the energy industry, SGSPAA is held as an investment by those shareholders and SGSPAA's business is not integrated with those of its shareholders in any way. Accordingly, SGSPAA's international related party dealings are limited to:

- Payments of dividends to shareholders. SGSPAA remits dividend withholding tax to the ATO on any unfranked dividends paid to shareholders.
- Payments of interest on Convertible Instruments currently on issue to shareholders. SGSPAA remits interest withholding tax to the ATO.

All material international related party dealings are based on arm's length principles with supporting documentation.

Reconciliation of Accounting Profit to Tax Expense and Tax Expense to Income Tax Paid

	$'M
Accounting Profit Before Tax	**311.3**
Prima facie income tax expense (30%)	(93.4)
Non-deductible expenses	(0.8)
Income Tax Expense	**(94.2)**
Temporary Differences	
Reverse accounting depreciation	(92.2)
Deduct tax depreciation	162.7
Net decrease in provisions	1.0
Treatment of leases under AASB 16	5.6
Other	15.5
Income Tax Paid	**(1.6)**
Effective Tax Rate[1]	**30.3%**

The key variance between SGSPAA's income tax expense and income tax paid relates to the difference between straight line accounting depreciation and accelerated tax depreciation. This reflects:

- SGSPAA's use of the diminishing value method (inclusive of the 200% uplifted rate) and the capped effective life of 20 years for gas distribution and transmission assets under tax law.
- An immediate tax deduction made for eligible assets under the temporary full expensing measures.

Summary of Taxes Paid

The tables below provide a summary of various Federal and State taxes that the SGSPAA Group has directly and indirectly contributed to the Australian community and economy in relation to the year ended 31 December 2021 (unless otherwise stated).

[1] As indicated above, SGSPAA's business is solely domestic and SGSPAA does not have any overseas presence. Accordingly, its Australian and global effective tax rate is the same.

Taxes Borne by SGSPAA	$'M
Income tax	1.6
Payroll taxes (for the year ended 30 June 2022)	23.6
Fringe benefits tax (for the year ended 31 March 2022)	1.4
Land tax	0.8
Total	**27.4**

Taxes Borne by Others	$'M
Goods and services tax	103.3
Dividend withholding tax	50.6
Interest withholding tax	8.2
Total	**162.1**

Grand Total	**189.5**

In addition, there is material income tax (PAYG withholding) applicable to the salary and wages earned by SGSPAA's employees. The SGSPAA Group has over 2,800 employees.