

# STATEMENT OF CORPORATE INTENT

## 2020/21

Prepared by the Directors and management of CS Energy for shareholding Ministers

The Honourable Cameron Dick MP  
Treasurer, Minister for Infrastructure and Planning

The Honourable Dr Anthony Lynham MP  
Minister for Natural Resources, Mines and Energy

### **Commercial-in-Confidence**

This document contains confidential information relating to the business affairs of CS Energy. Release of its content is subject to the provisions of the *Right to Information Act 2009*. Any unauthorised disclosure of material contained in this document may diminish the commercial value of that information and may have an adverse impact on the business, commercial and financial affairs of CS Energy.

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# Performance agreement

This Statement of Corporate Intent and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of CS Energy and our shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year.

This Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of CS Energy for 2020/21, and is consistent with CS Energy's 2020/21 to 2024/25 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

This Statement of Corporate Intent's financial statements also includes the increased costs incurred by CS Energy in responding to the COVID pandemic by maintaining a safe work place to minimise disruption to our power stations for 2020/21. It also takes into account the recent addendums, advised by shareholding Ministers, to the Government Owned Corporations Wages Policy and Policy for GOC Chief and Senior Executive Employment Arrangements.

In signing this document, the Board of CS Energy undertakes to achieve the targets in the Statement of Corporate Intent for 2020/21.

Major changes to key assumptions that underpin the performance outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chairman on behalf of all the directors in accordance with a unanimous decision of the Board of CS Energy.

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The Hon Cameron Dick MP  
Treasurer and Minister for Infrastructure and  
Planning

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Date

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The Hon Dr Anthony Lynham MP  
Minister for Natural Resources, Mines and Energy

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Date



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Mr Jim Soorley  
Chairman  
CS Energy Limited

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01 / 09 / 2020

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Date

# Strategic targets 2020/21

CS Energy has four strategic priorities, which, in conjunction with its shareholder Mandate, provide the business with a clear direction to be an effective participant in the changing energy market.



Safety, people, culture, community and environment are at the core of everything we do.

Strengthen our Foundations



Our assets must continue to provide high availability and reliability and be able to operate flexibly as energy demand changes.

Optimise our Assets



We must sharpen our focus on unit cost, make smart investment decisions and work to improve our profitability.

Maximise our Returns



Future energy markets will be largely centred around renewables, customers and technology. We will carefully navigate this market by prioritising our activity in these areas.

Deliver Future Energy

*Our purpose of delivering energy today and powering your tomorrow* sets the scene and captures the dual nature of what we need to do: both run a successful coal-fired generation business and at the same time, evolve into a diversified energy business exploring new markets, products and partnerships.

| Strategic Priority         |   | Full year target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|----------------------------|---|------------------|-----------|-----------|-----------|-----------|
| Strengthen our Foundations | All injury frequency rate (AIFR) <sup>1</sup>     | ≤28              | ≤27       | ≤26       | ≤26       | ≤28       |
|                            | Constructive culture <sup>2</sup>                 | 28               | NA        | NA        | NA        | NA        |
| Optimise our Assets        | Equivalent unplanned outage rate (%) <sup>3</sup> | 7.4              | 6.9       | 7.1       | 7.8       | 7.8       |
|                            | Commercial availability (%) <sup>4</sup>          | 87.0             | 83.2      | 85.4      | 85.8      | 87.0      |
| Maximise our Returns       | All in unit cost (\$/MWh)                         | 43.39            | 51.89     | 50.96     | 35.94     | 37.44     |
|                            | Underlying EBITDA (\$M) <sup>5</sup>              | 282.4            | 59.3      | 68.2      | 90.9      | 64.0      |
| Deliver Future Energy      | C&I market share (%) <sup>6</sup>                 | 9                | NA        | NA        | NA        | NA        |
|                            | Product solutions <sup>7</sup>                    | 69               | NA        | NA        | NA        | NA        |

See Appendix C for definitions.

1 AIFR is a rolling 12-month target measuring all injuries across the workforce per one million hours worked.

2 Constructive culture is a percentile improvement metric and is only measurable every two years. The score represents four constructive culture styles averaged using our Culture Circumplex model.

3 Equivalent Unplanned Outage Rate is a measure of the probability that a generating unit will not be available due to forced outages or forced deratings. It is expressed as a percentage and is calculated at a portfolio level.

4 Commercial availability is a 12-month rolling target and is the actual availability weighted to the difference between the electricity pool price and marginal cost of each unit.

5 Earnings before interest, tax, depreciation and amortisation reflective of regular, cyclical or known/predictable events and may exclude any one-off or extraordinary items impacting earnings. Quarterly numbers represent incremental values over the previous quarter.

6 Expressed as a percentage of total Queensland Commercial & Industrial (C&I) electricity customer load and on a trajectory to achieve 25% market share by FY24.

7 Product solutions is the number of products (in addition to traditional energy sales) sold across our total customer base (for example, renewable energy or EV Charging infrastructure products).

\* Annual targets. CS Energy will report on the year-to-date progress against these annual targets.

## Strengthen our Foundations

A safe and constructive culture is an important building block in Strengthening our Foundations.

CS Energy believes that all injuries are preventable and is committed to an injury free workplace. Our efforts are focused on delivering an improved safety performance every year.

CS Energy's Health and Safety Strategy has four focus areas:

- Injury Prevention;
- Culture and Leadership;
- Health and Wellbeing; and
- Simple Systems.

As part of our strategic goal to provide an injury free workplace, CS Energy continues to embed the Culture, Ownership, Drive, Energy (CODE) Program throughout the business. CODE seeks to build a safe, constructive and high-performance workforce which we will need as we transition to a low emissions future.

In 2020/21, CS Energy has set its All Injury Frequency Rate (AIFR) at  $\leq 28$  (refer to Appendix C for definitions).

CS Energy is building a high performing, constructive culture to lift the performance of our teams and the business. In 2020/21, this involves:

- Leadership – further developing the extended Senior Leadership Team (SLT);
- Improved reward and recognition – a project to broaden the scope of reward and recognition and provide more appreciation for business-as-usual work;
- Better business planning – business planning to feature on agenda of SLT and the function is now in the Revenue Strategy Team to better align with strategy;
- Role clarity – Executive General Managers working with their teams to ensure role clarity; and
- Removing communication barriers – ensure barriers to communication are removed and empower leaders to deliver communication.

The level of constructive culture at CS Energy is assessed every two years through a business wide culture and engagement survey. The target is a percentile improvement metric based on the 2018/19 culture and engagement survey.

Building CS Energy's social value will also be a focus and this will be reflected in the development of a strategy which will include decarbonisation targets and outline CS Energy's commitment to a just transition to a low emissions future.

## Optimise our Assets

Asset flexibility is key to optimising CS Energy's thermal plant. We have been undertaking a Thermal Plant Flexibility Improvement Program over the past three years in response to the rapidly changing energy market.

Asset flexibility is important for CS Energy as our portfolio is predominantly baseload thermal generation. The Australian Energy Market Operator has forecast that demand for baseload thermal generation in daylight hours will decline significantly as large numbers of renewable projects, particularly solar, come online.

CS Energy's thermal generators need to be ready to provide baseload support when renewable generation isn't available overnight, with peaks in the early morning and late afternoon.

The challenge is that CS Energy's Callide and Kogan Creek power stations were designed to operate continuously at full load. We have been examining the potential to operate these thermal units at lower loads and faster ramp rates.

In recognition of this change in our operating profile, our selected measures for optimal availability and reliability are:

- **Equivalent Unplanned Outage Rate (EUOR)** – An EUOR of 7.4 per cent incorporates our targeted maximum outages due to forced or maintenance outages or de-ratings during periods other than planned outages for 2020/21. A progressively lower EUOR will enable CS Energy to improve its targeted availability, reliability and an improved cost outcome for the business.
- **Commercial Availability** – Ensuring that our plant is available at the right time in the market, that is where demand exists and the wholesale price allows CS Energy to recover its unit costs and generate a reasonable return, is important for CS Energy's participation in the future energy market. We are targeting 87 per cent commercial availability in 2020/21.

## Maximise our Returns

As the energy market changes, CS Energy must prepare itself for declining revenues by continuing to make smart investment decisions and working to improve our profitability. CS Energy will look to maximise returns by focussing on All In Unit Costs and Underlying EBITDA.

- **All in Unit Costs** - As more low-cost generation (renewable and other) enters the market, the price of electricity continues to reduce and the commercial utilisation of coal-fired plant declines over time, our all-in unit costs target encourages a focus on the relativity of investment decisions and the cost of production to the market outlook and comparable benchmarks.
- **Underlying EBITDA** - We use this measure to establish a focus on the core day-to-day cash operating profitability of our business from all operations – including generation, trading, future energy and functional support.

Two key metrics that CS Energy will also use to monitor its financial performance, as required in its current Shareholder Mandate, focus on investment and cash returns to shareholders:

- $ROGFA = \text{Underlying EBITDAIF} / (\text{Gross Fixed Assets} + \text{Net Working Capital})$ ; and
- $FCFY = \text{Free Cash Flow (excluding Variation Margin)} / (\text{Gross Fixed Assets} + \text{Net Working Capital})$ .

For 2020/21, CS Energy has set a ROGFA and FCFY target of 11.3 and 7.1 per cent, respectively.

## Deliver Future Energy

Future energy markets will be largely centred around renewables, customers and technology. We will carefully navigate this market by prioritising our activity in these areas. Expanding our customer base is an integral component to Deliver Future Energy. A key focus for CS Energy is continuing to diversify into new business by leveraging our retail relationships to provide energy solutions to assist our customers.

We are targeting a market share of nine per cent of the Queensland commercial and industrial electricity retail customer load by the end of 2020/21. To improve our diversification by developing better customer relationships, we are also targeting 69 product solutions to be sold across our customer base. This includes sleeving of complementary products such as renewable energy for part of the customer load, electric vehicle charging stations and different electricity contract products related to the shape of the customer's electricity load.

# Response to shareholder Mandate

The shareholder Mandate, which summarises the Queensland Government's performance expectations and areas of potential growth and development for CS Energy, was issued to CS Energy in July 2016.

Over the past four years, CS Energy fulfilled its commitments as set out in the shareholder Mandate and continues to seek efficiencies across the business.

CS Energy is operating in a rapidly changing energy market which will require CS Energy to preserve the value of existing assets and generate revenue from existing sources.

CS Energy continues to develop its strategy to diversify into new revenue streams and evolve its offering to the market as customer requirements change. This includes working with the Queensland Government to explore opportunities to be part of the State's renewable energy future and new technologies.

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## Key assumptions and risks

The key assumptions underpinning CS Energy's strategic planning and key performance indicators for 2020/21 are:

| Economic indices  | 2020/21 |
|---|---------|
| CPI %   | 1.63    |
| Wage growth %   | EBA     |
| Long-term interest rate   | 5.64    |
| Dividend payout ratio <sup>1</sup>                                    | 80.0    |
| <b>Electricity revenue</b>  |         |
| Pool and contract revenue (\$/MWhso) <sup>2</sup>                     | 56.82   |
| Net on-grid contract revenue (\$M)                                    | (3.0)   |
| Total operating revenue (\$M)   | 722.6   |
| Time-weighted average pool price (\$/MWh)                             | 47.60   |
| <b>NEM energy</b>   |         |
| Energy sent out (MW)  | 12,362  |
| <b>NEM operational</b>  |         |
| Fuel costs (\$/MWh sold)  | 14.44   |
| Greenhouse gas emissions (ktCO <sub>2</sub> e)                        | 12,840  |
| Greenhouse gas intensity portfolio (kgCO <sub>2</sub> e/MWh sent out) | 958     |

1. Dividend represents 80 per cent of net profit after tax (NPAT), as per the Dividend Policy. Any proposed adjustments allow able under the GOC Act shall be negotiated in advance with shareholding departments.
2. Includes all contract and pool revenue, excludes the Boyne Smelter load of the Gladstone IPPA.

## Risks

The Queensland Renewable Energy Target (QRET) and the Victorian Renewable Energy Target (VRET) continue to drive growth in new entrant renewable generation. Wind, solar and storage are the dominant players in this space.

Policy settings will continue to evolve through the Energy Security Board's proposed 2025 market redesign, participation of large energy users through amended Demand Response rule changes and further development of Coordination of Generation and Transmission Investment (COGATI).

Fossil fuelled generators scheduled to close over the next five years are Liddell Power Station (2,200 MW coal-fired) in New South Wales, and Torrens A Power Station (480 MW gas-fired) in South Australia. Liddell's retirement is staggered between April 2022 and April 2023 while Torrens A is to be completely retired by September 2022.

The construction of the 800 MW Energy Connect interconnector (expected to be in place by the time Liddell Power Station retires) between South Australia and New South Wales is expected to allow for an improved flow of energy between regions, particularly during times of high wind and/or solar generation.

Gas market dynamics and flow on impact to gas-fired generation continue to influence the electricity market. While gas prices have softened in the shorter term (hence lowering the wholesale prices across the non-solar dominated evening peak hours), over the longer term, gas supply/demand forces are expected to rebalance towards higher gas prices.

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# Capital expenditure

|   | Quarter 1<br>\$M | Quarter 2<br>\$M | Quarter 3<br>\$M | Quarter 4<br>\$M | Total<br>\$M |
|---|------------------|------------------|------------------|------------------|--------------|
| 2020/21 Total estimated capital expenditure | 36.8             | 47.0             | 10.5             | 18.4             | 112.7        |

CS Energy has a forecast capital expenditure of \$112.7 million for the 2020/21 year. This includes:

- \$88.2 million in 2020/21 for a range of enhancement and refurbishment projects to ensure Callide Power Station continues to generate safely and reliably;
- \$11.5 million in 2020/21 for enhancement and refurbishment to ensure Kogan Creek Power Station continues to generate safely and reliably;
- \$8.1 million for the upgrade of corporate information systems to support the business;
- \$1.8 million for enhancements and refurbishment of Kogan Creek Mine; and
- \$3.1 million for feasibility studies related to new business investment.

CS Energy has no new capital expenditure project scheduled for 2020/21 above \$15 million which require shareholding Minister approval.

| Investment thresholds              |       |
|------------------------------------|-------|
| Shareholding Minister notification | \$5m  |
| Shareholding Minister approval     | \$15m |

# Capital structure

| <b>Borrowings</b>       |         |         |        |
|-------------------------|---------|---------|--------|
| Facility                | 2019/20 | 2020/21 | Change |
| 1 Portfolio linked loan | 557.4   | 557.4   | 0.0    |
| 2 Working capital       | 0.0     | 0.0     | 0.0    |
| Total                   | 557.4   | 557.4   | 0.0    |

A standalone credit rating is required for competitive neutrality fee purposes once every three years. CS Energy obtained an updated standalone credit rating from Fitch Ratings in May 2019.

CS Energy maintains a debt to equity ratio of approximately 40 per cent. CS Energy's Board has suspended further debt repayments until the release of the new Shareholder Mandate. The Board will then reconsider the matter as it will have greater clarity in relation to CS Energy's future cash requirements.

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# Statement of compliance

As part of its performance agreement with shareholding Ministers, the CS Energy Board provides the following additional undertakings.

## Prudential financial information

The Board will ensure CS Energy takes full responsibility to ensure that prudent financial practices are applied both within the corporation and within our subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the Chief Executive by the GOC Act and, where applicable, the *Corporations Act 2001*, this includes a commitment to:

- abide by the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice), as issued by the Queensland Government; and
- establish, maintain and implement appropriate financial risk management practices and policies as specified in the Code of Practice.

## Capital structure

The Board will prudently manage the financing of the CS Energy group. As an integral part of the financing of the company, overall debt will be managed with Queensland Treasury Corporation (QTC) to ensure that CS Energy maintains the appropriate credit rating or other rating as determined by shareholding Ministers.

## Weighted average cost of capital

The Board will ensure that CS Energy reviews its weighted average cost of capital (WACC) on an annual basis.

## Dividend policy and payment

While the dividend process is governed by the GOC Act and the *Corporations Act 2001*, the Board will also ensure that CS Energy's Dividend Policy considers the return its shareholders expect on their investments.

CS Energy's policy is to recommend and pay a dividend of 80 per cent (or the percentage otherwise agreed with shareholding Ministers) of CS Energy's adjusted consolidated profit, subject to the requirements of Section 254T of the *Corporations Act 2001*.

## Corporate Governance Guidelines for Government Owned Corporations

CS Energy has adopted all the recommendations in the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines).

## Risk management

The CS Energy Board has ultimate responsibility for ensuring the impacts of all potential internal and external risks of the company are managed. The company's risk appetite and risk tolerance is approved by the Board and the identification and risk management process is monitored by the Audit and Finance Committee (which is a subcommittee of the Board and which reports to the Board on a regular basis).

CS Energy has developed a Critical Risk Program to proactively manage the risks that have the potential to cause harm or damage to people, plant and the environment.

## Compliance with government policies

The Board will ensure that the CS Energy group complies with the relevant government policies and guidelines, in particular the approval, notification, reporting and other requirements of those policies and guidelines.

## Sponsorship, advertising, corporate entertainment, and donations

Consistent with the shareholders expectations, the *Corporate Entertainment and Hospitality Guidelines 2008* and CS Energy's Corporate Entertainment and Hospitality Policy, sponsorships, advertising, entertainment and donations are detailed in Appendix A.

## Employment and Industrial Relations Plan

An Employment and Industrial Relations Plan meeting the requirements of Section 149 of the GOC Act is included as Appendix B. The remuneration arrangements for the directors, the Chief Executive Officer and all senior executives of CS Energy are detailed in the plan.

## Community Service Obligations (CSOs)

CS Energy has no Community Service Obligations as defined by section 112 of the GOC Act.

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# Financial statements

## Statement of Income Group (Consolidated)

| Sep<br>\$M | Quarter 2020/21 |            |            |  | 2018/19<br>actual<br>\$M | 2019/20<br>budget<br>\$M | 2019/20<br>forecast<br>\$M | 2020/21<br>budget<br>\$M |
|------------|-----------------|------------|------------|--|--------------------------|--------------------------|----------------------------|--------------------------|
|            | Dec<br>\$M      | Mar<br>\$M | Jun<br>\$M |  |                          |                          |                            |                          |
| 163.9      | 178.0           | 204.1      | 176.6      | Sales of electricity <sup>1</sup>                                      | 1,022.2                  | 799.6                    | 773.2                      | 722.6                    |
| 59.3       | 68.2            | 90.9       | 64.0       | <b>Underlying EBITDA</b>   | <b>480.3</b>             | <b>320.6</b>             | <b>304.3</b>               | <b>282.4</b>             |
| 4.4        | 4.4             | 4.4        | 4.5        | Gladstone onerous contract<br>unwind                                   | (15.5)                   | (8.8)                    | (7.7)                      | 17.7                     |
| (1.0)      | (1.0)           | (1.0)      | (1.1)      | Rehabilitation provision   | (5.1)                    | (2.9)                    | (4.2)                      | (4.1)                    |
| 0.0        | 0.0             | 0.0        | 0.0        | Other accounting adjustments   | (25.9)                   | 0.0                      | 0.0                        | 0.0                      |
| 62.7       | 71.6            | 94.3       | 67.4       | <b>EBITDA (excluding Mark to<br/>Market)</b>                           | <b>433.8</b>             | <b>308.9</b>             | <b>292.4</b>               | <b>296.0</b>             |
| (34.2)     | (35.6)          | (37.4)     | (37.4)     | Depreciation and amortisation  | (139.6)                  | (152.5)                  | (132.7)                    | (144.6)                  |
| 28.6       | 36.0            | 56.9       | 30.0       | <b>Earnings Before Interest and<br/>Tax (excluding Mark to Market)</b> | <b>294.2</b>             | <b>156.4</b>             | <b>159.7</b>               | <b>151.4</b>             |
| 5.1        | 14.3            | (6.7)      | 6.5        | Mark to Market   | (24.9)                   | (9.2)                    | (0.2)                      | 19.2                     |
| (7.8)      | (8.0)           | (7.8)      | (7.8)      | Interest expense (net)   | (40.4)                   | (32.1)                   | (31.2)                     | (31.4)                   |
| (7.8)      | (12.7)          | (12.7)     | (8.6)      | Income tax (expense)/benefit   | (68.6)                   | (34.5)                   | (38.5)                     | (41.8)                   |
| 18.0       | 29.6            | 29.7       | 20.1       | <b>Profit/(Loss) After Tax</b>   | <b>160.3</b>             | <b>80.6</b>              | <b>89.8</b>                | <b>97.4</b>              |

Note 1: 2019/20 forecast and 2020/21 budget include reclassification of Arinta JV operating expenses from operating expenditure to gross margin. Prior year comparative periods have not been restated.

## Statement of Financial Position Group (Consolidated)

| Sep<br>\$M     | Quarter 2020/21 |                |                |  | 2018/19<br>actual<br>\$M | 2019/20<br>budget<br>\$M | 2019/20<br>forecast<br>\$M | 2020/21<br>budget<br>\$M |
|----------------|-----------------|----------------|----------------|--|--------------------------|--------------------------|----------------------------|--------------------------|
|                | Dec<br>\$M      | Mar<br>\$M     | Jun<br>\$M     |  |                          |                          |                            |                          |
|                |                 |                |                | <b>ASSETS</b>                          |                          |                          |                            |                          |
| 35.5           | 35.5            | 35.5           | 35.5           | Cash and other equivalents             | 35.8                     | 40.3                     | 35.5                       | 35.5                     |
| 142.7          | 107.2           | 148.6          | 198.0          | Cash Advances to QT                    | 253.9                    | 116.7                    | 158.8                      | 198.0                    |
| 124.6          | 136.0           | 148.1          | 134.5          | Trade and other receivables            | 155.5                    | 137.4                    | 145.0                      | 134.5                    |
| 0.0            | 0.0             | 0.0            | 0.0            | Variation margin                       | 74.5                     | 8.8                      | 0.0                        | 0.0                      |
| 208.2          | 116.8           | 27.8           | 0.0            | Derivative financial instruments       | 85.8                     | 0.0                      | 306.2                      | 0.0                      |
| 0.0            | 0.0             | 0.0            | 0.0            | Assets held for distribution           | 58.7                     | 0.0                      | 0.0                        | 0.0                      |
| 40.0           | 3.5             | 3.5            | 3.5            | Investments                            | 0.0                      | 0.0                      | 40.0                       | 3.5                      |
| 125.9          | 115.5           | 112.1          | 108.7          | Inventories                            | 100.6                    | 96.1                     | 118.8                      | 108.7                    |
| <b>676.9</b>   | <b>514.5</b>    | <b>475.6</b>   | <b>480.2</b>   | <b>Total current assets</b>            | <b>764.8</b>             | <b>399.3</b>             | <b>804.3</b>               | <b>480.2</b>             |
| 226.4          | 226.4           | 226.4          | 194.1          | Derivative financial instruments       | 44.3                     | 19.5                     | 226.4                      | 194.1                    |
| 1,422.6        | 1,433.9         | 1,407.0        | 1,387.9        | Property, plant & equipment            | 1,391.6                  | 1,441.8                  | 1,419.9                    | 1,387.9                  |
| 0.0            | 0.0             | 0.0            | 0.0            | Deferred tax asset                     | 0.0                      | 0.0                      | 0.0                        | 0.0                      |
| 19.1           | 19.1            | 19.1           | 19.1           | Retirement benefit assets              | 19.1                     | 28.4                     | 19.1                       | 19.1                     |
| <b>1,668.1</b> | <b>1,679.4</b>  | <b>1,652.5</b> | <b>1,601.1</b> | <b>Total non-current assets</b>        | <b>1,455.0</b>           | <b>1,489.7</b>           | <b>1,665.4</b>             | <b>1,601.1</b>           |
| <b>2,345.0</b> | <b>2,193.9</b>  | <b>2,128.1</b> | <b>2,081.3</b> | <b>TOTAL ASSETS</b>                    | <b>2,219.8</b>           | <b>1,889.0</b>           | <b>2,469.7</b>             | <b>2,081.3</b>           |
|                |                 |                |                | <b>LIABILITIES</b>                     |                          |                          |                            |                          |
| 107.7          | 124.0           | 102.1          | 111.4          | Trade and other Payables               | 129.6                    | 99.7                     | 121.6                      | 111.4                    |
| 59.1           | 46.8            | 41.3           | 36.5           | Variation Margin                       | 0.0                      | 0.0                      | 76.0                       | 36.5                     |
| 0.0            | 0.0             | 0.0            | 0.0            | Borrowings                             | 0.0                      | 0.0                      | 0.0                        | 0.0                      |
| 161.0          | 90.1            | 20.9           | 0.0            | Derivative financial instruments       | 176.3                    | 0.0                      | 233.9                      | 0.0                      |
| 0.0            | 0.0             | 1.7            | 0.0            | Current Tax Payable                    | 78.4                     | 0.0                      | 0.0                        | 0.0                      |
| 0.0            | 0.0             | 0.0            | 0.0            | Liabilities held for distribution      | 8.0                      | 0.0                      | 0.0                        | 0.0                      |
| 36.5           | 32.1            | 27.6           | 48.3           | Provisions                             | 35.7                     | 21.7                     | 40.9                       | 48.3                     |
| 76.2           | 0.0             | 0.0            | 57.2           | Dividends                              | 165.2                    | 74.6                     | 76.2                       | 57.2                     |
| <b>440.5</b>   | <b>293.0</b>    | <b>193.6</b>   | <b>253.4</b>   | <b>Total current liabilities</b>       | <b>593.2</b>             | <b>196.0</b>             | <b>548.6</b>               | <b>253.4</b>             |
| 0.0            | 0.0             | 0.0            | 0.0            | Other payables                         | 0.0                      | 0.0                      | 0.0                        | 0.0                      |
| 145.2          | 145.2           | 145.2          | 126.1          | Derivative financial instruments       | 83.9                     | 51.7                     | 145.3                      | 126.1                    |
| 557.4          | 557.4           | 557.4          | 557.4          | Borrowings                             | 557.4                    | 557.4                    | 557.4                      | 557.4                    |
| 357.7          | 358.2           | 358.7          | 334.5          | Provisions                             | 355.8                    | 354.1                    | 357.2                      | 334.5                    |
| 109.4          | 100.1           | 112.6          | 105.1          | Deferred tax liability                 | 53.0                     | 106.7                    | 123.3                      | 105.1                    |
| 0.0            | 0.0             | 0.0            | 0.0            | Other liabilities                      | 0.0                      | 0.0                      | 0.0                        | 0.0                      |
| <b>1,169.7</b> | <b>1,160.9</b>  | <b>1,173.9</b> | <b>1,123.1</b> | <b>Total non-current liabilities</b>   | <b>1,050.1</b>           | <b>1,069.9</b>           | <b>1,183.2</b>             | <b>1,123.1</b>           |
| <b>1,610.2</b> | <b>1,453.9</b>  | <b>1,367.5</b> | <b>1,376.5</b> | <b>TOTAL LIABILITIES</b>               | <b>1,643.3</b>           | <b>1,265.9</b>           | <b>1,731.8</b>             | <b>1,376.5</b>           |
| <b>734.8</b>   | <b>740.0</b>    | <b>760.6</b>   | <b>704.8</b>   | <b>NET ASSETS</b>                      | <b>576.5</b>             | <b>623.1</b>             | <b>737.9</b>               | <b>704.8</b>             |
|                |                 |                |                | <b>Shareholders' equity</b>            |                          |                          |                            |                          |
| 1,063.8        | 1,063.8         | 1,063.8        | 1,063.8        | Issued Share capital                   | 1,114.4                  | 1,056.8                  | 1,063.8                    | 1,063.8                  |
| 106.5          | 82.1            | 73.0           | 54.4           | Deferred (gains) losses on derivatives | (70.9)                   | (14.3)                   | 127.6                      | 54.4                     |
| (435.5)        | (405.9)         | (376.2)        | (413.4)        | Retained earnings                      | (467.0)                  | (419.4)                  | (453.5)                    | (413.4)                  |
| <b>734.8</b>   | <b>740.0</b>    | <b>760.6</b>   | <b>704.8</b>   | <b>TOTAL EQUITY</b>                    | <b>576.5</b>             | <b>623.1</b>             | <b>737.9</b>               | <b>704.8</b>             |



## Statement of Cash Flows Group (Consolidated)

| Sep<br>\$M    | Quarter 2020/21 |               |               | 2018/19<br>actual<br>\$M | 2019/20<br>budget<br>\$M | 2019/20<br>forecast<br>\$M | 2020/21<br>budget<br>\$M |
|---------------|-----------------|---------------|---------------|--------------------------|--------------------------|----------------------------|--------------------------|
|               | Dec<br>\$M      | Mar<br>\$M    | Jun<br>\$M    |                          |                          |                            |                          |
|               |                 |               |               |                          |                          |                            |                          |
| 254.5         | 242.1           | 263.9         | 274.4         |                          |                          |                            |                          |
| (205.1)       | (172.0)         | (200.2)       | (193.0)       |                          |                          |                            |                          |
| 0.0           | 0.0             | 0.0           | 0.0           |                          |                          |                            |                          |
| (8.2)         | (7.9)           | (8.0)         | (7.8)         |                          |                          |                            |                          |
| (12.7)        | (11.5)          | 5.4           | (9.8)         |                          |                          |                            |                          |
| <b>28.5</b>   | <b>50.7</b>     | <b>61.1</b>   | <b>63.8</b>   | <b>337.1</b>             | <b>202.3</b>             | <b>254.4</b>               | <b>204.0</b>             |
|               |                 |               |               |                          |                          |                            |                          |
| (44.6)        | (46.5)          | (19.7)        | (14.4)        |                          |                          |                            |                          |
| 0.0           | 36.5            | 0.0           | 0.0           |                          |                          |                            |                          |
| 16.1          | 35.5            | (41.4)        | (49.4)        |                          |                          |                            |                          |
| <b>(28.5)</b> | <b>25.5</b>     | <b>(61.1)</b> | <b>(63.8)</b> | <b>(126.4)</b>           | <b>(44.9)</b>            | <b>(89.5)</b>              | <b>(127.8)</b>           |
|               |                 |               |               |                          |                          |                            |                          |
| 0.0           | 0.0             | 0.0           | 0.0           |                          |                          |                            |                          |
| 0.0           | (76.2)          | 0.0           | 0.0           |                          |                          |                            |                          |
| <b>0.0</b>    | <b>(76.2)</b>   | <b>0.0</b>    | <b>0.0</b>    | <b>(211.1)</b>           | <b>(157.4)</b>           | <b>(165.2)</b>             | <b>(76.2)</b>            |
| 0.0           | 0.0             | 0.0           | 0.0           |                          |                          |                            |                          |
| 35.5          | 35.5            | 35.5          | 35.5          |                          |                          |                            |                          |
| <b>35.5</b>   | <b>35.5</b>     | <b>35.5</b>   | <b>35.5</b>   | <b>35.8</b>              | <b>40.3</b>              | <b>35.5</b>                | <b>35.5</b>              |

## Appendix A: Sponsorship, advertising, donations, corporate entertainment

| Activity                             | Description   | 2020/21 budget (\$) |
|--------------------------------------|---|---------------------|
| <b>SPONSORSHIP AND GRANTS</b>        |   |                     |
| <b>Total Sponsorships and Grants</b> | Includes discretionary sponsorships and grants from Brisbane and the Callide and Kogan Creek power stations to raise CS Energy's profile. | <b>200,000</b>      |
| <b>ADVERTISING <sup>1</sup></b>      |   |                     |
| <b>Total Advertising</b>             | Site-based, non-campaign advertising for sponsorship and grants programs.   | <b>10,000</b>       |
| <b>CORPORATE ENTERTAINMENT</b>       |   |                     |
| <b>Total Corporate entertainment</b> |   | <b>0</b>            |
| <b>DONATIONS</b>                     |   |                     |
| <b>Total Donations</b>               | Discretionary donations to community events and activities at Brisbane, Callide and Kogan Creek.  | <b>20,000</b>       |
| <b>TOTAL <sup>2</sup></b>            |   | <b>230,000</b>      |

1. Does not include recruitment advertising.
2. All expenditure is GST exclusive.

CS Energy aims to deliver long-lasting benefits to the communities that host our operations. Our Community Investment Program provides financial and in-kind support to projects, events or activities that benefit the local community. Community groups or organisations can apply for a sponsorship to assist with expenses associate with their project or event.

# Appendix B: Employment and Industrial Relations Plan

CS Energy's Employment and Industrial Relations Plan (EIR Plan) has been developed to support the company in driving business improvement safely, efficiently and responsibly to deliver on our purpose of *delivering energy today, powering your tomorrow*.

Fundamental to the plan is CS Energy's commitment to build a high-performance, constructive workplace culture with increased flexibility as we transition to a low emissions future. It is achieving this change by consistently communicating our leadership expectations, grounded in behaviours that are reflective of this culture.

This EIR Plan provides for an aligned approach to employee relations across the company which balances shareholder objectives, employee participation and the organisation's commitments to:

- safety, driven by genuine care and concern for people and the environment;
- accepting accountability and acting with integrity; and
- creating and sustaining value for our owners through operational excellence, being productive, and exercising sound commercial judgement.

## CS Energy employees and enterprise agreements

Consistent with the *Government Owned Corporations - Wages and Industrial Relations Policy 2015*, (IR Policy) almost all CS Energy employees are covered by collective agreements (Chief Executive Officer and senior executives and a number of site management roles are excluded). The *Fair Work Act 2009 (Cth)* (FW Act) applies to CS Energy employees and the agreement-making process takes place in accordance with this legislation, including good faith bargaining requirements.

CS Energy is presently party to four enterprise agreements, each negotiated at site level with relevant union representatives and voted on by employees. A total of 555 employees (as at 4 March 2020) are covered by enterprise agreements. The unions party to our agreements are the Construction, Forestry, Mining, Maritime and Energy Union (CFMMEU); Electrical Trades Union Branch (ETU) of the Communications, Electrical and Plumbing Union (CEPU); The Services Union (TSU); Australian Manufacturing Workers Union (AMWU); Australian Institute of Marine and Power Engineers (AIMPE) (Wivenhoe site only); and Professionals Australia, (Association of Professional Engineers, Scientists and Managers Australia). Further details of the current agreements are set out in the following table:

|   | Scope  | Reference   | Expiry           |
|---|--|-------------|------------------|
| CS Energy Ltd Corporate Office Enterprise Agreement 2016<br>Covers 164 employees <sup>1</sup> | Employees of CS Energy Ltd at Corporate Office                 | AG2016/7379 | 26 February 2020 |
| Callide Power Station Enterprise Agreement 2018<br>Covers 262 employees                       | Employees of CS Energy Ltd at Callide Power Station            | AG2018/1970 | 28 February 2021 |
| Kogan Creek Power Station Enterprise Agreement 2017<br>Covers 105 employees                   | Employees employed in the classifications within the Agreement | AG2017/5468 | 31 July 2020     |
| *CS Energy Ltd Wivenhoe Power Station Enterprise Agreement 2016<br>Covers 15 employees        | Employees of CS Energy at Wivenhoe Power Station               | AG2019/527  | 29 July 2021     |

\*The Wivenhoe Power Station EA will transfer to CleanCo on 1 November 2020 as part of the Transitional Services Agreement.

<sup>1</sup> Currently being negotiated between the Parties. Reached in Principle agreement (IPA) on 21 January 2020.

Each enterprise agreement is tailored to the different technologies, characteristics of the specific site and workforce.

The current *CS Energy Corporate Office Agreement 2016* (Corporate EA) nominally expired on 26 February 2020. On 21 January 2020, CS Energy and the unions reached In Principle Agreement (IPA) for a new Corporate EA. CS Energy is currently responding to a query from the Office of Industrial Relations (OIR) with respect to the IPA and, when resolved, the agreement will be reviewed by unions and put to a vote of eligible employees.

The current *Kogan Creek Power Station Enterprise Agreement 2017* (Kogan EA) will nominally expire on 31 July 2020. The Parties informally met on 11 and 12 February 2020 preceding Bargaining Framework approval. Approval was subsequently received on 20 February 2020 with the most recent meeting taking place between 3 and 5 March 2020.

Wivenhoe Power Station employees will transfer to CleanCo on 1 November 2020. At this time, CS Energy will no longer engage employees under the CS Energy Ltd Wivenhoe Power Station Agreement 2016.

## Remuneration arrangements

### Chief Executive Officer and senior executives

Remuneration details for the Chief Executive Officer and senior executives are provided in the following table. These arrangements are reviewed annually in accordance with company procedure and Government policy. Performance payments are capped at 15 per cent of Total Fixed Remuneration (TFR) for the Chief Executive Officer and senior executives. The base salaries shown below are those applicable as at 31 March 2020.

| CEO / senior executives  | Base salary <sup>1</sup> | Employer superannuation contributions <sup>2</sup> | Motor vehicle <sup>3</sup> | Car park <sup>4</sup> | Total fixed remuneration <sup>5</sup> | Other non-personal benefits | Performance payment made 2018/19 <sup>6</sup> |
|--|--------------------------|--|----------------------------|-----------------------|---------------------------------------|-----------------------------|---|
| Chief Executive Officer<br>Andrew Bills                        | \$741,367                | \$25,000   | Nil                        | Nil                   | \$766,367                             | Nil                         | \$62,869                                      |
| Executive General Manager Revenue Strategy<br>Darren Busine    | \$474,722                | \$25,000   | Nil                        | Nil                   | \$499,722                             | Nil                         | \$66,220                                      |
| Executive General Manager Asset Management<br>Colin Duck       | \$411,777                | \$25,000   | Nil                        | Nil                   | \$435,777                             | Nil                         | \$56,802                                      |
| Chief Financial Officer<br>Malcolm Wilson                      | \$426,985                | \$25,000   | Nil                        | Nil                   | \$451,985                             | Nil                         | \$52,664                                      |
| Executive General Manager Corporate Services<br>Andrew Varvari | \$420,517                | \$25,000   | Nil                        | Nil                   | \$445,517                             | Nil                         | \$54,707                                      |
| Executive General Manager Plant Operations<br>Leigh Amos       | \$365,000                | \$25,000   | Nil                        | Nil                   | \$390,000                             | Nil                         | Nil   |

1. Includes salary sacrifice items.
2. Employer contributions to superannuation (other than by salary sacrifice).
3. Any motor vehicle is provided in accordance with the Queensland Government's Senior Executive Service Policy.
4. A car park is provided and a nominal allowance is paid and then deducted as a salary sacrifice amount.
5. Total Fixed Remuneration is the sum of base salary and employer superannuation contributions.
6. Performance payments include 9.5 per cent superannuation component.

Executive performance incentive payments are capped at 15 per cent of Total Fixed Remuneration comprising enterprise and individual performance incentives (IPIs). Strategic targets are outlined in the Statement of Corporate Intent for shareholding Ministers. IPIs are set annually in Individual Achievement Plans and are formally reviewed mid-yearly and at year-end. The IPIs describe expectations that require the individual to demonstrate a level of performance above and beyond business as usual resulting in the achievement of CS Energy objectives.

However, in light of COVID 19, CS Energy will adhere to the policies in temporary addendums applied to the *Government Owned Corporations Wages Policy* and *Policy for GOC Chief and Senior Executive Employment Arrangements*. As a result, CS Energy will apply a 12-month wage freeze to all of its enterprise agreements and will not provide performance based payments to senior executives.

## Employment conditions

General conditions of employment are provided in the various enterprise agreements made under the *Fair Work Act 2009 (Cth)* (FW Act) and CS Energy human resources policies and procedures. Rates of pay, including productivity payments, are included in enterprise agreements and all-purpose allowances, where applicable (for example, power house allowance, disability allowances, etc) are incorporated in all-up rates within those industrial instruments. The *Electrical Power Industry Award 2010* is the modern award applying to the power generation industry and enterprise arrangements leave CS Energy employees better-off-overall when compared to this Modern Award. Employment conditions are also governed by the GOC Act and Regulations, the *Electricity Act 1994 (Qld)*, the FW Act and *Fair Work Regulation 2006 (Cth)*.

As required by the Fair Work Act, each enterprise agreement contains a flexibility provision, allowing the company and employees to put in place individual arrangements provided that the employee is not disadvantaged compared to the collective agreement. These flexibility arrangements include Alternative Individual Agreements (AIAs) and are offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain quality employees to compete effectively in the electricity market. An employee is free to move from AIA arrangements back to enterprise agreement conditions simply by giving notice of the change to CS Energy in accordance with the timeframe contained within the relevant enterprise agreement.

As at 25 February 2020, 65 per cent of employees are engaged directly on enterprise agreement terms and conditions, 33 per cent work under an AIA as provided by their site's enterprise agreement and two per cent of employees are engaged on common law contracts including the Chief Executive Officer, senior executives and a number of site management positions.

## Type of employment and workforce planning

CS Energy is committed to investing in the development of our employees to build a capable, adaptable and diverse workforce now and for the future. The Strategic Workforce Plan details CS Energy's methodology, challenges and implications, current workforce demographics, and the plan to address workforce requirements to meet the business's short and long-term strategic objectives.

| Employment category   | 4 March 2020<br>actual | 30 June 2020<br>budget | 30 June 2021<br>budget |
|---|------------------------|------------------------|------------------------|
| Permanent full time   | 445                    | 512                    | 504                    |
| Permanent part time (FTE)                                       | 11.5                   | 1.8                    | 1.8                    |
| Other Contracts <sup>1</sup>                                    | 38.4                   | 38.2                   | 31.2                   |
| Senior Executive contract                                       | 6                      | 6                      | 6                      |
| Apprentices (in house)  | 22                     | 25                     | 25                     |
| Trainees (in house)   | 9                      | 9                      | 9                      |
| Casual employees (FTE)  | 3                      | 2                      | 2                      |
| <b>Total directly employed workforce<sup>2</sup></b>            | <b>534.9</b>           | <b>598.2</b>           | <b>580.0</b>           |
| Apprentices (Group) <sup>3</sup>                                | 0                      | 0                      | 0                      |
| Trainees (Group)  | 0                      | 0                      | 0                      |
| Contractor employees (trade/technical)                          | 20                     | 20                     | 20                     |
| Contractor employees (professional / administrative / clerical) | 10                     | 10                     | 10                     |
| Labour hire (trade/technical - FTE)                             | See note below         | n/a                    | n/a                    |
| Labour hire (professional / administrative / clerical)          | See note below         | n/a                    | n/a                    |
| s457 Temporary Visa <sup>4</sup>                                | 0                      | 0                      | 0                      |
| <b>Total workforce</b>  | <b>564.9</b>           | <b>628.2</b>           | <b>610</b>             |

1. Temporary employees including graduates.
2. Total directly employed workforce figures correspond to the approved labour budgets.
3. Apprentices and Trainees are directly employed by CS Energy as per the relevant Enterprise Agreement.
4. Included in temporary employee figures.

CS Energy has used contractors and labour hire from time to time for a variety of reasons, including the need to address short-term, ad hoc labour requirements or to deliver a short-term, high-intensity project.

## Workplace health and safety

CS Energy complies with all relevant health and safety legislation, including the *Work Health and Safety Act 2011 (Qld)* and related standards, *Electrical Safety Act 2002 (Qld)*, codes of practice, Australian standards and industry guidelines.

## Inclusion and Diversity (I&D)

CS Energy's *Inclusion and Diversity (I&D) Policy* (I&D Policy) outlines our commitment to create a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees. CS Energy's Board approved I&D targets are aimed at increasing women and Aboriginal and Torres Strait Islander participation. The policy and targets are supported by an annual I&D plan, which comprises of various initiatives to be rolled out in 2021/21, including Inclusive Leadership Workshops and Cultural Awareness training. I&D at CS Energy is critical to CS Energy's ability to attract and retain diverse talent to ensure it has the right people to operate. I&D



is supported by CS Energy's robust Equal Employment Opportunity (EEO) and recruitment and selection principles.

## Equal Employment Opportunity and recruitment and selection

CS Energy aims to provide a workplace that is free from unlawful discrimination, sexual harassment, bullying, victimisation and vilification. All employees have access to the CS Energy *Procedure for Equal Employment Opportunity and Appropriate Workplace Behaviour* and the *Fair Treatment and Grievance Resolution System Procedure*.

The *Recruitment and Selection Procedure* provides direction for all CS Energy recruitment and selection activities to be based on using fair, open, unbiased and transparent processes to select the best person for the job within an efficient and effective process. The procedure is available on the intranet or in hard copy from the People and Culture team. Our recruitment practices are aligned with the I&D policy objectives and have recently been enhanced resulting in a number of benefits, including an uplift in systems which results in better data capture and monitoring systems, and new and innovative ways of attracting candidates into the business.

CS Energy has a proud history of hiring talent and offering career pathways through our apprenticeship, trainee, undergraduate and graduate programs and this will continue to be a focus in the coming years.

In accordance with Section 31 of the *Public Service Act 2008 (Qld)*, CS Energy reports EEO statistical data to the Public Service Commission on an annual basis. CS Energy submitted its last report in July 2019.

## Joint Venture projects

CS Energy (through its wholly owned subsidiary, Callide Energy Pty Ltd) remains in a joint venture with IG Power (Callide) Ltd at Callide C Power Station. Operations and maintenance services for Callide C Power Station are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work under that contract, and otherwise, for the joint venture. Relevant CS Energy employees are primarily covered by the Callide Power Station Certified Agreement 2018.

## Management of the relationship between GOCs and unions

CS Energy, as a matter of course, consults with its employees and their union representatives regarding matters affecting employees. Enterprise agreements set out the parties' consultative obligations, particularly in respect of major workplace change. More formal consultative forums include site consultative committees and the Peak Consultative Committee, which comprises CS Energy senior management and senior union officials.

CS Energy recognises that the various unions we work with are key stakeholders in our business. As with all key stakeholders, CS Energy works to ensure that our interactions with unions are mutually beneficial – that is, will improve the working environment for CS Energy employees as well as support the company's long-term sustainability. CS Energy is working to improve and better harness the opportunities for unions (as well as employees generally) to provide feedback on a number of issues and will look to do this through the forums already in place as well as additional forums as appropriate.

## Redundancy provisions

Consistent with the IR Policy's approach to employment security, CS Energy's collective agreements provide that voluntary redundancy could occur as a last resort, and prioritise redeployment, retraining and relocation in preference to retrenchment<sup>2</sup>. Severance payments include three weeks' pay for every year of service, to a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long

<sup>2</sup> With the exception of the Kogan Creek Enterprise Agreement which requires the union parties to agree to the need for voluntary redundancies in addition to the process to be utilised in such an event. CS Energy will be seeking, during the current negotiations, to align the clause with those included into the Corporate and Callide enterprise agreements.

service leave and a re-training and outplacement support costing \$1,000 to \$2,000 per employee, depending on the site.

## Employment security

All four current CS Energy enterprise agreements do not contemplate involuntary redundancies. In addition, the Kogan Creek Enterprise Agreement only recognises the offering of voluntary redundancies as an option if the unions party to the agreement agree. The other three enterprise agreements allow for CS Energy to offer voluntary redundancies in accordance with the provisions of the respective E A (with Kogan Creek differing from the other sites). CS Energy applies the relevant provision of the current IR Policy.

## Contracting out

CS Energy complies with its enterprise agreements, the IR policy and any applicable legislation on the use of contractors.

## Superannuation

In accordance with *Superannuation Guarantee (Administration) Act 1992 (Cth)*, CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by employees. Under CS Energy policy, Energy Super is the default fund for new defined contribution fund members.

The Energy Super Defined Benefit Fund, which closed to new employees in 2002, has an employee contribution rate of five per cent post tax or 5.88 per cent pre-tax and an employer contribution rate of nil. This rate is reviewed every two years by the fund actuary. Presently, 11.3 per cent of the CS Energy workforce remains in this plan. More than 88 per cent of the workforce are members of a number of defined contribution funds.

## Union encouragement

CS Energy provides all new employees with the details of union representatives prior to their commencement with the company and makes payroll deductions of union dues available to employees. In addition, CS Energy regularly provides new starter details to unions. The company's enterprise agreements include provision for workplace union representatives to be released from normal duties on pay, so that they can provide support to union members during grievance and dispute settling procedures, including attendance at Fair Work Commission proceedings. Employee representatives are also provided with paid time (as reasonable) off to participate in education activities relevant to their representative roles and may also be granted paid leave to participate in union conferences or management committee meetings where such attendance is a requirement of their office.

## Consultation

Employees, unions and representatives of Queensland Treasury, Department of Natural Resources, Mines and Energy, and Office of Industrial Relations have been consulted in the preparation of this plan. The consultation process has included provision of draft documents, face to face meetings and written feedback from these stakeholders.



## Appendix C: Glossary of terms and definitions

|                    |   |
|--------------------|---|
| AIA                | Alternative Individual Agreement  |
| AIFR               | All Injury Frequency Rate is a rolling 12-month average of the number of injuries per million hours worked.   |
| All in Unit Cost   | <u>Fuel costs + cash costs (excluding Alinta JV, TOM, Non-Routine) + capital costs</u><br>Generation sent out   |
| CPI                | Consumer Price Index  |
| COGATI             | Coordination of Generation and Transmission Investment  |
| EA                 | Enterprise Agreement  |
| EAF                | Equivalent Availability Factor  |
| EBITDA             | Earnings before interest expense, tax, depreciation and amortisation.   |
| EBITDAIF           | Earnings before interest expense, tax, depreciation, amortisation, impairment losses/loss reversals and net fair value gains/losses on financial instruments, excluding abnormal items. |
| EEO                | Equal Employment Opportunity  |
| EIR                | Employment and Industrial Relations   |
| EMS                | Environmental Management System   |
| EUOR               | Equivalent Unplanned Outage Rate: A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings during periods other than planned outages.         |
| FCFY               | Free cash flow yield. FCFY is calculated by: Free Cash Flow (excluding variation margin) / Gross Fixed Assets + Net Working Capital.  |
| FTE                | Full Time Equivalent  |
| GOC Act            | <i>Government Owned Corporations Act 1993 (Qld)</i>   |
| CO2kg/MWh sent out | Amount of carbon emitted measure in kilograms for each megawatt hour sent out.  |
| I&D                | Inclusion and Diversity   |
| IR                 | Industrial Relations  |
| MW                 | Megawatt (one MW = one million watts)   |
| MWhso              | Megawatt hour sent out  |
| NPAT               | Net Profit After Tax  |

|                   |   |
|-------------------|---|
| ROGFA             | Return on Gross Fixed Assets. ROGFA is calculated by:<br><u>Underlying EBITDAIF</u><br>Gross Fixed Assets + Net Working Capital |
| SCI               | Statement of Corporate Intent   |
| SLT               | Senior Leadership Team  |
| Underlying EBITDA | Underlying earnings before interest, tax, depreciation and amortisation.  |
| Underlying EBIT   | Earnings before interest, tax, and significant items.   |
| WACC              | Weighted average cost of capital  |

Released under RTI Act by EPW

# STATEMENT OF CORPORATE INTENT

## 2021/22

Prepared by the Directors and management of CS Energy for shareholding Ministers

**The Honourable Cameron Dick MP**  
Treasurer and Minister for Trade  
and Investment

**The Honourable Mick de Brenni MP**  
Minister for Energy, Renewables and Hydrogen and  
Minister for Public Works and Procurement

### **Commercial-in-Confidence**

This document contains confidential information relating to the business affairs of CS Energy. Release of its content is subject to the provisions of the *Right to Information Act 2009*. Any unauthorised disclosure of material contained in this document may diminish the commercial value of that information and may have an adverse impact on the business, commercial and financial affairs of CS Energy.

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# Performance agreement

This Statement of Corporate Intent and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of CS Energy and our shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year.

This Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of CS Energy for 2021/22, and is consistent with CS Energy's 2021/22 to 2025/26 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

In signing this document, the Board of CS Energy undertakes to achieve the targets in the Statement of Corporate Intent for 2021/22.

Major changes to key assumptions that underpin the performance outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chairman on behalf of all the directors in accordance with a unanimous decision of the Board of CS Energy.

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The Hon Cameron Dick MP  
Treasurer and Minister for Trade and  
Investment

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Date

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The Hon Mick de Brenni MP  
Minister for Energy, Renewables and Hydrogen  
and Minister for Public Works and Procurement

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Date



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Mr Jim Soorley  
Chairman  
CS Energy Limited

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29 June 2021  
Date

# Strategic targets 2021/22

CS Energy has four strategic priorities, which, in conjunction with its shareholder Mandate, provide the business with a clear direction to be an effective participant in the changing energy market.



Safety, people, culture, community and environment are at the core of everything we do.

Strengthen our Foundations



Our assets will continue to provide the required availability and reliability and will operate flexibly as energy demand changes.

Optimise our Assets



We are sharpening our focus on unit cost, making pragmatic investment decisions and working to maintain and improve our profitability

Maximise our Returns



Future energy markets will be largely led by customers and centred around renewables, and technology. We are carefully navigating this market by prioritising our activity in these areas.

Deliver Future Energy

*Our purpose of delivering energy today and powering your tomorrow* sets the scene and captures the dual nature of what we need to do: both run a successful coal-fired generation business and at the same time, evolve into a diversified energy business exploring new markets, products and partnerships.

|                            |   | Full Year Target FY22 | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|----------------------------|---|-----------------------|-----------|-----------|-----------|-----------|
| Strengthen our Foundations | All injury frequency rate (AIFR)                    | ≤26                   | ≤26       | ≤26       | ≤26       | ≤26       |
|                            | Significant Environmental Incidents (SEI)           | 0                     | 0         | 0         | 0         | 0         |
| Optimise our Assets        | Commercial availability (%)                         | 87.7                  | 84.6      | 88.5      | 91.0      | 87.7      |
| Maximise our Returns       | All in unit cost (\$/MWh)                           | 42.61                 | 40.28     | 40.76     | 39.72     | 50.70     |
|                            | Underlying Profit (\$M)                             | 189.6                 | 43.0      | 47.5      | 62.5      | 36.6      |
| Deliver Future Energy      | C&I market share (%)                                | 16                    | NA        | NA        | NA        | NA        |
|                            | Product solutions                                   | 25% of customers      | NA        | NA        | NA        | NA        |
|                            | Final Investment Decision on Future Energy Projects | Utility Scale Battery | NA        | NA        | NA        | NA        |

See Appendix C for definitions.

## Strengthen our foundations

### Health and safety

A safe, constructive and inclusive culture is an important building block in 'Strengthening our foundations'. CS Energy believes that all injuries are preventable and is committed to an injury free workplace. Our efforts are focused on delivering an improved safety performance every year.

CS Energy's Health and Safety Strategy has three pillars:

- People – We proactively enable the health and wellbeing of our people and support our leaders for success, with an emphasis on safety leadership, fitness for work, holistic health and wellbeing, capability and competency and contractor safety management;
- Places we work – We systematically reduce risks to our people focusing on process safety/critical risks, overhaul safety management, occupational hygiene and permits to work; and
- Practices – We design simple, fit for purpose safety systems work for our people and we continually learn. Our safety practices focus on emergency and physical security management, incident management, data management and a learning organisation.

In 2021/22, CS Energy has set its All Injury Frequency Rate (AIFR) at ≤ 26 (refer to Appendix C for definitions).

### Environment

Our focus on 'Environment' is underpinned by proactively managing our environmental responsibilities while supporting the transition to a cleaner energy future. CS Energy's Environment Strategy has three pillars:

- We care – We operate with genuine care for the environment by focusing on our social licence to operate, maintaining systems to achieve a level of performance above compliance requirements, effectively utilising data and undertaking progressive land rehabilitation.
- We engage – We actively engage with our stakeholders both internal and external, including supporting industry transformation.
- We innovate – We innovate as we transition to a cleaner energy future, including support, due diligence, beneficial re-use, regulatory solutions to future energy markets and innovative closure planning and post-coal land use options.

## Optimise our assets

CS Energy's portfolio is predominantly baseload thermal generation. The Australian Energy Market Operator has forecast that demand for baseload thermal generation in daylight hours will decline significantly as renewable energy, particularly solar, come online. CS Energy's thermal generators need to be ready to provide baseload support when renewable generation isn't available overnight, with peaks in the early morning and late afternoon. The challenge is that CS Energy's Callide and Kogan Creek power stations were designed to operate continuously at full load.

The rapidly changing market requires changes to how we operate and maintain our plant on a daily and seasonal basis to optimise the value derived from the assets. This includes different loading patterns, different overhaul strategies and changes in maintenance and plant investment strategies.

We have been undertaking a Thermal Plant Flexibility Improvement Program over the past three years. This is focussed on increasing the ability to consistently and reliably reduce load as far as possible in low priced periods, change loads from minimum to maximum and to take plant in and out of service.

At the same time, we continue to adapt plant operating and maintenance strategies to take advantage of low-priced periods to carry out maintenance and reduce wear on plant so as to drive increased reliability during high priced periods, while reducing the cost of production to meet market demands.

In recognition of this change in our operating profile, our selected measure for optimal availability and reliability is:

- **Commercial Availability** – Ensuring that our plant is available at the right time in the market, that is where demand exists and the wholesale price allows CS Energy to recover its unit costs and generate a reasonable return, is important for CS Energy's participation in the future energy market. We are targeting 87.7 per cent commercial availability in 2021/22.

## Maximise our returns

As the energy market changes, CS Energy must prepare itself for declining revenues by continuing to make smart investment decisions and working to improve our profitability. CS Energy will look to maximise returns by focussing on All In Unit Costs and Underlying Profit.

- **All in Unit Costs** - As more low-cost generation (renewable and other) enters the market, the price of electricity continues to reduce and the commercial utilisation of coal-fired plant declines over time, our all-in unit costs target encourages a focus on the relativity of investment decisions and the cost of production to the market outlook and comparable benchmarks.
- **Underlying Profit** - We use this measure to establish a focus on the core day-to-day cash operating profitability of our business from all operations – including generation, trading, future energy and functional support.

## Deliver Future Energy

Future energy markets will be largely centred around renewables, customers and technology. We will carefully navigate this market by prioritising our activity in these areas. Expanding our customer base is an integral component to Deliver Future Energy. A key focus for CS Energy is continuing to diversify into new business by leveraging our retail relationships to provide energy solutions to assist our customers.



- We are targeting a **market share of sixteen per cent of the Queensland commercial and industrial electricity retail customer load** by the end of 2021/22.
- To improve our diversification by developing better customer relationships, we are also targeting **product solutions to be sold across at least 25% of our customer base**, that is, for at least one in four customers to purchase one or more products from us in addition to energy supply. This includes sleeving of complementary products such as renewable energy for part of the customer load, electric vehicle charging stations and demand response products that take advantage of onsite generation owned by those customers.
- To continue to enhance our presence in diversified markets, we are targeting investments across future energy markets. In 2021/22, we are targeting a **final investment decision on a Utility-scale Battery Project** to be added to our portfolio.

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## Shareholder Mandate targets 2021/22

In accordance with CS Energy's Shareholder Mandate 2020-2023, the business' targeted performance for 2021/22 against the four prescribed shareholder return measures is detailed below.

|   | Full year target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|------------------|-----------|-----------|-----------|-----------|
| Return on Gross Fixed Assets (%) <sup>*</sup> | 10.1             | 2.4       | 2.6       | 3.4       | 1.7       |
| Free Cash Flow Yield (%)                      | 2.9              | (1.9)     | 2.6       | 2.1       | 0.1       |
| Return on Equity (%) <sup>**</sup>            | 16.9             | 5.9       | 12.6      | 20.9      | 16.9      |
| Cost of Energy (\$/MWh)                       | 42.61            | 40.28     | 40.76     | 39.72     | 50.70     |

\* The ROGFA returns will be updated following Board approval of the FY21 Asset Valuations in June 2021. The current ROGFA returns are reflective of the Board Approved FY20 Asset revaluation returns i.e. reflects impairment of Callide B and Callide C at 30 June 2020.

\*\* Return on Equity is measured on a YTD basis.

As required under the Shareholder Mandate, CS Energy is working closely with shareholders in finalising a Portfolio Renewal Strategy and a Debt Management Strategy.

CS Energy's Portfolio Renewal Strategy articulates how CS Energy's plan for its future business supports the delivery of Government policy objectives while realising the full potential of CS Energy' business to provide a competitively priced, reliable, secure and lower carbon energy solutions to our customers and secure value for Queenslanders. In particular, it outlines our plans to be part of an orderly transition of the energy market, facilitating supply and demand side change, supported by an increasingly diversified portfolio of renewable generation, pumped hydro, battery storage and hydrogen assets.

## Key assumptions and risks

The key assumptions underpinning CS Energy's strategic planning and key performance indicators for 2021/22 are:

| Economic indices   | 2021/22 |
|--|---------|
| CPI %  | 1.50    |
| Wage growth %  | EBA     |
| Long-term interest rate  | 5.16    |
| Dividend payout ratio <sup>1</sup>   | 80.0    |
| <b>Electricity revenue</b>   |         |
| Average earned price (\$/MWh at Node) <sup>2</sup>   | 55.08   |
| Net on-grid contract revenue (\$M)   | 0.6     |
| Total operating revenue (\$M)  | 606.8   |
| Time-weighted average pool price (\$/MWh)  | 41.15   |
| <b>NEM energy</b>  |         |
| Energy sent out (MW)   | 11,755  |
| Energy at Node (MW)  | 11,065  |
| <b>NEM operational</b>   |         |
| Fuel costs (\$/MWh sold)   | 13.55   |
| Greenhouse gas emissions portfolio (ktCO <sub>2</sub> e) <sup>3</sup>                        | 11,560  |
| Greenhouse gas emissions intensity portfolio (kgCO <sub>2</sub> e/MWh sent out) <sup>3</sup> | 988     |

1. Dividend represents 80 per cent of net profit after tax (NPAT), as per the Dividend Policy. Any proposed adjustments allowable under the GOC Act shall be negotiated in advance with shareholding departments.
2. Includes optimisation targets
3. Portfolio - Kogan, Callide B, Callide C 50% only (not incl Gladstone TCE). Scope 1 Greenhouse gas emissions only. Intensity assumptions - FY20 Actuals with adjustments for forecast % change in heat rates of units in FY22.

## Risks

State decarbonisation targets continue to drive the growth of new entrant renewable generation.

Queensland and Victoria have both committed to achieving 50 per cent renewable generation by 2030 under their respective Queensland Renewable Energy Target (QRET) and Victorian Renewable Energy Target (VRET). In 2020/21, New South Wales released its Energy Infrastructure Roadmap, the intent of which is to ensure enough transmission capacity to facilitate 12 GW of new variable renewable capacity, 2 GW of storage capacity and provide funding for feasibility studies into Pumped Hydro Energy Storage.

The cost efficiencies realised for small-scale rooftop PV has resulted in record installations across Australia. This is creating additional pressure on wholesale energy prices and threatening the early closure of coal-fired plant across the National Electricity Market. Fossil fuelled generators scheduled to close over the next five years are Liddell Power Station (2,200 MW coal-fired) in New South Wales and Torrens A Power Station (480 MW gas-fired) in South Australia. Liddell's retirement is staggered between April 2022 and April 2023 while Torrens A is to be completely retired by September 2022. While outside the five-year horizon, EnergyAustralia has also announced Yallourn (1,600 MW coal-fired) will retire four years early, now scheduled to close by 2028 (rather than the previously advised date of 2032). The forecast closure date for Callide B Power Station, as reported through to the Australian Energy Market Operator, is 2028. However, no decision has been made to close any of our power stations and the final decision will be made by our shareholders, the Queensland Government. The forecast closure date of 2028 is based on a 40-year technical life of Callide B Power Station.

Key policy related risks and opportunities include:

- the Energy Security Board's proposed 2025 Market Redesign work ongoing; and
- funding commitments from the Federal Government on their Modern Manufacturing Initiative, which is a key pillar of their 'Gas Led Recovery' and proposes construction of 1,000 MW of new gas-fired generation capacity if certain criteria are not achieved.

## Capital expenditure

|   | Quarter 1<br>\$M | Quarter 2<br>\$M | Quarter 3<br>\$M | Quarter 4<br>\$M | Total<br>\$M |
|---|------------------|------------------|------------------|------------------|--------------|
| 2021/22 total estimated capital expenditure | 43.8             | 10.9             | 15.5             | 54.0             | 124.2        |

CS Energy has a forecast capital expenditure of \$124.2 million for the 2021/22 year. This includes:

- \$48.7 million for a range of enhancement and refurbishment projects to ensure Callide Power Station continues to generate safely and reliably;
- \$10.2 million for enhancement and refurbishment projects to ensure Kogan Creek Power Station continues to generate safely and reliably;
- \$8.1 million for the upgrade of corporate information systems to support the business;
- \$1.4 million for enhancements and refurbishment of Kogan Creek Mine; and
- \$55.8 million for new business investment in battery storage at Kogan Creek Power Station. This investment is subject to final shareholding Minister approval.

CS Energy will adhere to the following capital expenditure approval thresholds.

| Investment thresholds              |       |
|------------------------------------|-------|
| Shareholding Minister notification | \$5m  |
| Shareholding Minister approval     | \$15m |

# Capital structure

| <b>Borrowings</b>       |         |         |        |
|-------------------------|---------|---------|--------|
| Facility                | 2020/21 | 2021/22 | Change |
| 1 Portfolio linked loan | 557.4   | 557.4   | 0.0    |
| 2 Working capital       | 0.0     | 0.0     | 0.0    |
| Total                   | 557.4   | 557.4   | 0.0    |

A standalone credit rating is required for competitive neutrality fee purposes once every three years. CS Energy obtained an updated standalone credit rating from Fitch Ratings in May 2019.

Shareholder Mandate 2020-2023 requires CS Energy to develop a Debt Management Strategy, in consultation with Queensland Treasury and Queensland Treasury Corporation (QTC), for approval prior to 30 June 2021.

# Statement of compliance

As part of its performance agreement with shareholding Ministers, the CS Energy Board provides the following additional undertakings.

## Prudential financial information

The Board will ensure CS Energy takes full responsibility to ensure that prudent financial practices are applied both within the corporation and within our subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the Chief Executive by the GOC Act and, where applicable, the *Corporations Act 2001*, this includes a commitment to:

- abide by the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice), as issued by the Queensland Government; and
- establish, maintain and implement appropriate financial risk management practices and policies as specified in the Code of Practice.

## Capital structure

The Board will prudently manage the financing of the CS Energy group. As an integral part of the financing of the company, overall debt will be managed with Queensland Treasury Corporation (QTC) to ensure that CS Energy maintains the appropriate credit rating or other rating as determined by shareholding Ministers.

## Weighted average cost of capital

The Board will ensure that CS Energy reviews its weighted average cost of capital (WACC) on an annual basis.

## Dividend policy and payment

While the dividend process is governed by the GOC Act and the *Corporations Act 2001*, the Board will also ensure that CS Energy's Dividend Policy considers the return its shareholders expect on their investments.

CS Energy's policy is to recommend and pay a dividend of 80 per cent (or the percentage otherwise agreed with shareholding Ministers) of CS Energy's adjusted consolidated profit, subject to the requirements of Section 254T of the *Corporations Act 2001*.

## Corporate Governance Guidelines for Government Owned Corporations

CS Energy has adopted all the recommendations in the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines).

## Risk management

The CS Energy Board has ultimate responsibility for ensuring the impacts of all potential internal and external risks of the company are managed. The company's risk appetite and risk tolerance are approved by the Board and the identification and risk management process is monitored by the Audit and Finance Committee (which is a subcommittee of the Board and which reports to the Board on a regular basis).

CS Energy has developed a Critical Risk Program to proactively manage the risks that have the potential to cause harm or damage to people, plant and the environment.

## Compliance with government policies

The Board will ensure that the CS Energy group complies with the relevant government policies and guidelines, in particular the approval, notification, reporting and other requirements of those policies and guidelines.

## Sponsorship, advertising, corporate entertainment, and donations

Consistent with the shareholders expectations, the *Corporate Entertainment and Hospitality Guidelines 2008* and CS Energy's Corporate Entertainment and Hospitality Policy, sponsorships, advertising, entertainment and donations are detailed in Appendix A.

## Employment and Industrial Relations Plan

An Employment and Industrial Relations Plan meeting the requirements of Section 149 of the GOC Act is included as Appendix B. The remuneration arrangements for the directors, the Chief Executive Officer and all senior executives of CS Energy are detailed in the plan.

## Community Service Obligations (CSOs)

CS Energy has no Community Service Obligations as defined by section 112 of the GOC Act.

## Local participation and procurement

CS Energy's procurement approach applies and confirms with the Queensland Procurement Policy and Buy Queensland principles and ensures full, fair and reasonable opportunity for Queensland suppliers, including local suppliers and small and medium enterprises.

Our approach to procurement:

- prioritises Queensland businesses;
- supports local jobs in regional Queensland; and
- achieves more positive outcomes on behalf of taxpayers.

CS Energy's procurement expenditure is predominantly in Australia. Apart from the fundamental local supplies of coal and water to sustain operations, CS Energy is proud to support local, state and Australian businesses.

The benefits of this approach are reflected in the total economic impact of CS Energy's operations in FY20 at a Queensland level which amounted to:

- \$1.2 billion in output/turnover (a measure of direct and supply chain purchases from businesses);
- \$1.1 billion in value added (or contribution to Gross State Product), amounting to 0.3% of GSP for Queensland through \$527.1 billion in direct effects and \$592.5 million in supply chain and consumption effects;
- \$524.9 million in income (wages and salaries) paid to workers; and
- 5,630 full time equivalent jobs supported.



# Financial statements

## Statement of Income Group (Consolidated)

| Quarter 2021/22 |              |              |               |  | 2019/20       | 2020/21      | 2020/21        | 2021/22      |
|-----------------|--------------|--------------|---------------|--|---------------|--------------|----------------|--------------|
| Sep             | Dec          | Mar          | Jun           |  | Actual        | Budget       | Forecast       | Budget       |
| \$M             | \$M          | \$M          | \$M           |  | \$M           | \$M          | \$M            | \$M          |
| <b>150.6</b>    | <b>153.3</b> | <b>167.6</b> | <b>135.3</b>  | Sales of electricity   | <b>779.2</b>  | <b>722.6</b> | <b>665.5</b>   | <b>606.8</b> |
| <b>43.0</b>     | <b>47.5</b>  | <b>62.5</b>  | <b>36.6</b>   | <b>Underlying EBITDA</b>   | <b>309.5</b>  | <b>282.4</b> | <b>241.1</b>   | <b>189.6</b> |
| 5.5             | 5.5          | 5.5          | 5.5           | Gladstone onerous contract unwind                                  | (7.7)         | 17.7         | 10.8           | 22.0         |
| (0.6)           | (0.6)        | (0.6)        | (0.7)         | Rehabilitation provision   | (4.2)         | (4.1)        | (2.7)          | (2.5)        |
| 0.0             | 0.0          | 0.0          | (48.7)        | Impairment   | (353.4)       | 0.0          | (288.1)        | (48.7)       |
| 0.0             | 0.0          | 0.0          | 0.0           | Other accounting adjustments                                       | 123.8         | 0.0          | (103.5)        | 0.0          |
| <b>47.9</b>     | <b>52.4</b>  | <b>67.4</b>  | <b>(7.3)</b>  | <b>EBITDA (excluding Mark to Market)</b>                           | <b>68.0</b>   | <b>296.0</b> | <b>(142.4)</b> | <b>160.4</b> |
| (34.2)          | (34.2)       | (34.2)       | (34.5)        | Depreciation and amortisation                                      | (142.7)       | (144.6)      | (147.3)        | (137.1)      |
| 18.6            | 18.7         | 18.7         | 18.8          | Impairment – Depreciation and Amortisation                         | 0.0           | 0.0          | 40.8           | 74.8         |
| <b>32.3</b>     | <b>36.9</b>  | <b>51.9</b>  | <b>(23.0)</b> | <b>Earnings Before Interest and Tax (excluding Mark to Market)</b> | <b>74.7</b>   | <b>151.4</b> | <b>(248.9)</b> | <b>98.1</b>  |
| 2.8             | 2.8          | 1.4          | (1.4)         | Mark to Market   | (4.1)         | 19.2         | (5.2)          | 5.6          |
| (7.3)           | (7.3)        | (7.1)        | (7.2)         | Interest expense (net)   | (32.3)        | (31.4)       | (30.8)         | (28.9)       |
| (8.4)           | (9.7)        | (13.8)       | 9.5           | Income tax (expense)/benefit                                       | 33.5          | (41.8)       | 85.5           | (22.4)       |
| <b>19.4</b>     | <b>22.7</b>  | <b>32.4</b>  | <b>(22.1)</b> | <b>Profit/(Loss) After Tax</b>                                     | <b>(77.6)</b> | <b>97.4</b>  | <b>(199.4)</b> | <b>52.4</b>  |

## Statement of Financial Position Group (Consolidated)

| Quarter 2021/22 |                |                |                | 2019/20                              | 2020/21        | 2020/21        | 2021/22        |
|-----------------|----------------|----------------|----------------|--------------------------------------|----------------|----------------|----------------|
| Sep             | Dec            | Mar            | Jun            | Actual                               | Budget         | Forecast       | Budget         |
| \$M             | \$M            | \$M            | \$M            | \$M                                  | \$M            | \$M            | \$M            |
|                 |                |                |                | <b>ASSETS</b>                        |                |                |                |
| 49.3            | 49.3           | 49.3           | 49.3           | 59.4                                 | 35.5           | 49.3           | 49.3           |
| 195.2           | 220.7          | 230.6          | 209.1          | 222.9                                | 198.0          | 249.4          | 209.1          |
| 122.7           | 125.6          | 128.1          | 117.2          | 177.2                                | 134.5          | 111.5          | 117.2          |
| 0.0             | 0.0            | 0.0            | 0.0            | 0.0                                  | 0.0            | 0.0            | 0.0            |
| 147.7           | 43.8           | 0.0            | 0.0            | 492.2                                | 0.0            | 254.2          | 0.0            |
| 0.0             | 0.0            | 0.0            | 0.0            | 10.0                                 | 3.5            | 0.0            | 0.0            |
| 123.9           | 119.3          | 121.4          | 117.9          | 108.4                                | 108.7          | 125.9          | 117.9          |
| <b>638.8</b>    | <b>558.7</b>   | <b>529.4</b>   | <b>493.5</b>   | <b>1,070.1</b>                       | <b>489.2</b>   | <b>790.3</b>   | <b>493.5</b>   |
|                 |                |                |                | <b>Total current assets</b>          |                |                |                |
| 139.7           | 139.8          | 123.6          | 91.2           | 255.6                                | 194.1          | 139.7          | 91.2           |
| 794.9           | 790.2          | 790.2          | 779.9          | 1,066.4                              | 1,387.9        | 766.8          | 779.9          |
| 68.3            | 71.8           | 74.1           | 92.2           | 0.0                                  | 0.0            | 64.8           | 92.2           |
| 13.4            | 13.4           | 13.4           | 13.4           | 13.4                                 | 19.1           | 13.4           | 13.4           |
| <b>1,016.3</b>  | <b>1,015.2</b> | <b>1,001.3</b> | <b>976.7</b>   | <b>1,335.4</b>                       | <b>1,601.1</b> | <b>984.7</b>   | <b>976.7</b>   |
|                 |                |                |                | <b>Total non-current assets</b>      |                |                |                |
| <b>1,655.1</b>  | <b>1,573.9</b> | <b>1,530.7</b> | <b>1,470.2</b> | <b>2,405.5</b>                       | <b>2,081.3</b> | <b>1,775.0</b> | <b>1,470.2</b> |
|                 |                |                |                | <b>TOTAL ASSETS</b>                  |                |                |                |
|                 |                |                |                | <b>LIABILITIES</b>                   |                |                |                |
| 100.5           | 108.0          | 103.0          | 105.7          | 109.5                                | 111.4          | 118.7          | 105.7          |
| 44.2            | 36.3           | 22.9           | 13.6           | 117.9                                | 36.5           | 53.1           | 13.6           |
| 0.5             | 0.5            | 0.5            | 0.5            | 1.4                                  | 0.0            | 0.5            | 0.5            |
| 0.0             | 0.0            | 0.0            | 0.0            | 0.0                                  | 0.0            | 0.0            | 0.0            |
| 121.1           | 38.7           | 0.0            | 0.0            | 345.0                                | 0.0            | 204.8          | 0.0            |
| 0.0             | 0.0            | 2.7            | 0.0            | 0.0                                  | 0.0            | 0.0            | 0.0            |
| 43.7            | 39.5           | 35.9           | 55.1           | 41.4                                 | 48.3           | 54.4           | 55.1           |
| 0.0             | 0.0            | 0.0            | 11.9           | 73.9                                 | 57.2           | 0.0            | 11.9           |
| <b>310.0</b>    | <b>223.0</b>   | <b>165.0</b>   | <b>186.8</b>   | <b>689.1</b>                         | <b>253.4</b>   | <b>431.5</b>   | <b>186.8</b>   |
|                 |                |                |                | <b>Total current liabilities</b>     |                |                |                |
| 0.0             | 0.0            | 0.0            | 0.0            | 0.0                                  | 0.0            | 0.0            | 0.0            |
| 3.0             | 3.0            | 3.0            | 3.0            | 3.0                                  | 0.0            | 3.0            | 3.0            |
| 106.2           | 106.2          | 99.6           | 85.2           | 170.7                                | 126.1          | 106.2          | 85.2           |
| 557.4           | 557.4          | 557.4          | 557.4          | 557.4                                | 557.4          | 557.4          | 557.4          |
| 349.0           | 349.2          | 349.3          | 327.1          | 265.6                                | 334.5          | 348.9          | 327.1          |
| 0.0             | 0.0            | 0.0            | 0.0            | 92.0                                 | 105.1          | 0.0            | 0.0            |
| 0.0             | 0.0            | 0.0            | 0.0            | 0.0                                  | 0.0            | 0.0            | 0.0            |
| <b>1,015.6</b>  | <b>1,015.8</b> | <b>1,009.3</b> | <b>972.7</b>   | <b>1,088.7</b>                       | <b>1,123.1</b> | <b>1,015.5</b> | <b>972.7</b>   |
|                 |                |                |                | <b>Total non-current liabilities</b> |                |                |                |
| <b>1,325.6</b>  | <b>1,238.8</b> | <b>1,174.3</b> | <b>1,159.5</b> | <b>1,777.8</b>                       | <b>1,376.5</b> | <b>1,447.0</b> | <b>1,159.5</b> |
|                 |                |                |                | <b>TOTAL LIABILITIES</b>             |                |                |                |
| <b>329.5</b>    | <b>335.1</b>   | <b>356.4</b>   | <b>310.7</b>   | <b>627.7</b>                         | <b>704.8</b>   | <b>328.0</b>   | <b>310.7</b>   |
|                 |                |                |                | <b>NET ASSETS</b>                    |                |                |                |
|                 |                |                |                | <b>Shareholders' equity</b>          |                |                |                |
| 1,064.1         | 1,064.1        | 1,064.1        | 1,064.1        | 1,063.5                              | 1,063.8        | 1,064.1        | 1,064.1        |
| 66.8            | 49.7           | 38.6           | 26.9           | 185.5                                | 54.4           | 84.7           | 26.9           |
| (801.4)         | (778.7)        | (746.3)        | (730.3)        | (621.3)                              | (413.4)        | (820.8)        | (780.3)        |
| <b>329.5</b>    | <b>335.1</b>   | <b>356.4</b>   | <b>310.7</b>   | <b>627.7</b>                         | <b>704.8</b>   | <b>328.0</b>   | <b>310.7</b>   |
|                 |                |                |                | <b>TOTAL EQUITY</b>                  |                |                |                |

## Statement of Cash Flows Group (Consolidated)

| Quarter 2021/22 |               |               |               | 2019/20        | 2020/21        | 2020/21        | 2021/22       |
|-----------------|---------------|---------------|---------------|----------------|----------------|----------------|---------------|
| Sep             | Dec           | Mar           | Jun           | Actual         | Budget         | Forecast       | Budget        |
| \$M             | \$M           | \$M           | \$M           | \$M            | \$M            | \$M            | \$M           |
|                 |               |               |               |                |                |                |               |
| 207.3           | 215.4         | 226.0         | 212.9         |                |                |                |               |
| (197.2)         | (165.7)       | (187.1)       | (173.4)       |                |                |                |               |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| (7.8)           | (7.3)         | (7.2)         | (7.1)         |                |                |                |               |
| (4.1)           | (6.0)         | (8.6)         | (6.4)         |                |                |                |               |
| <b>(1.8)</b>    | <b>36.4</b>   | <b>23.1</b>   | <b>26.0</b>   | <b>307.0</b>   | <b>204.0</b>   | <b>167.4</b>   | <b>83.7</b>   |
|                 |               |               |               |                |                |                |               |
| (52.4)          | (10.9)        | (13.2)        | (47.5)        |                |                |                |               |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| 54.2            | (25.5)        | (9.9)         | 21.5          |                |                |                |               |
| <b>1.8</b>      | <b>(36.4)</b> | <b>(23.1)</b> | <b>(26.0)</b> | <b>(116.9)</b> | <b>(127.8)</b> | <b>(103.5)</b> | <b>(83.7)</b> |
|                 |               |               |               |                |                |                |               |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| <b>0.0</b>      | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>    | <b>(166.6)</b> | <b>(76.2)</b>  | <b>(73.9)</b>  | <b>0.0</b>    |
| 0.0             | 0.0           | 0.0           | 0.0           |                |                |                |               |
| 49.3            | 49.3          | 49.3          | 49.3          |                |                |                |               |
| <b>49.3</b>     | <b>49.3</b>   | <b>49.3</b>   | <b>49.3</b>   | <b>59.4</b>    | <b>35.5</b>    | <b>49.3</b>    | <b>49.3</b>   |

## Appendix A: Sponsorship, advertising, donations, corporate entertainment

| Activity                             | Description   | 2021/22 budget (\$) |
|--------------------------------------|---|---------------------|
| <b>SPONSORSHIP AND GRANTS</b>        |   |                     |
| <b>Total Sponsorships and Grants</b> | Includes discretionary sponsorships and grants from Brisbane and the Callide and Kogan Creek power stations to raise CS Energy's profile. | <b>200,000</b>      |
| <b>ADVERTISING <sup>1</sup></b>      |   |                     |
| <b>Total Advertising</b>             | Site-based, non-campaign advertising for sponsorship and grants programs.   | <b>3,000</b>        |
| <b>CORPORATE ENTERTAINMENT</b>       |   |                     |
| <b>Total Corporate entertainment</b> |   | <b>0</b>            |
| <b>DONATIONS</b>                     |   |                     |
| <b>Total Donations</b>               | Discretionary donations to community events and activities at Brisbane, Callide and Kogan Creek.  | <b>20,000</b>       |
| <b>TOTAL <sup>2</sup></b>            |   | <b>223,000</b>      |

1. Does not include recruitment advertising.
2. All expenditure is GST exclusive.

CS Energy aims to deliver long-lasting benefits to the communities that host our operations. Our Community Investment Program provides financial and in-kind support to projects, events or activities that benefit the local community. Community groups or organisations can apply for a sponsorship to assist with expenses associate with their project or event.

# Appendix B: Employment and Industrial Relations Plan

CS Energy's Employment and Industrial Relations Plan (EIR Plan) has been developed to support the company in driving business improvement safely, efficiently and responsibly to deliver on our purpose of *delivering energy today, powering your tomorrow*.

Fundamental to the plan is CS Energy's commitment to build a high-performance, constructive workplace culture with increased flexibility as we transition to a low emissions future.

This EIR Plan provides for an aligned approach to CS Energy employee relations which balances shareholder objectives, employee participation and the organisation's commitment to:

- safety, driven by genuine care and concern for people and the environment;
- accepting accountability and acting with integrity; and
- creating and sustaining value for our owners through operational excellence, being productive, and exercising sound commercial judgement.

## CS Energy employees and enterprise agreements

Consistent with the *Government Owned Corporations – Wages and Industrial Relations Policy 2015*, (IR Policy) almost all CS Energy employees are covered by collective agreements (Chief Executive Officer and senior executives and several site and corporate leadership roles are excluded). The *Fair Work Act 2009 (Cth)* (FW Act) applies to CS Energy employees and the agreement-making process takes place in accordance with this legislation, including good faith bargaining requirements.

CS Energy is party to three enterprise agreements, each negotiated at site level with relevant union representatives and voted on by employees. A total of 504 employees (as at end April 2021) are covered by enterprise agreements. The unions party to these agreements are the Construction, Forestry, Mining, Maritime and Energy Union (CFMMEU); Electrical Trades Union Branch (ETU) of the Communications, Electrical and Plumbing Union (CEPU); The Services Union (TSU); Australian Manufacturing Workers Union (AMWU); and Professionals Australia, (Association of Professional Engineers, Scientists and Managers Australia). Further details of the current agreements are set out in the following table:

|  | Scope   | Reference   | Expiry           |
|--|---|-------------|------------------|
| CS Energy Ltd Corporate Office Enterprise Agreement 2020<br>Covers 152 employees | Employees of CS Energy Ltd at Corporate Office                | AG2020/3414 | 31 May 2023      |
| Callide Power Station Enterprise Agreement 2018<br>Covers 259 employees          | Employees of CS Energy Ltd at Callide Power Station           | AG2018/1970 | 28 February 2021 |
| Kogan Creek Power Station Enterprise Agreement 2020<br>Covers 100 employees      | Employees of Kogan Creek Power Pty Ltd at Kogan Power Station | AG2020/3538 | 31 July 2023     |

Each enterprise agreement is tailored to the different technologies, characteristics of the specific site and workforce.

The new (current) CS Energy Corporate Office Agreement 2020 (Corporate EA) was approved by the Fair Work Commission (FWC) on 30 November 2020 and came into effect on 7 December 2020. The pay increase for EA employees (that is, non-AIA employees), was back dated to 1 June 2019 for those employees who were employed on or after 1 June 2019.

The new (current) Kogan Creek Power Station Enterprise Agreement 2020 (Kogan EA) was approved by the FWC on 4 December 2020 and came into effect on 11 December 2020. There is no back payment required with the next EA increase to take place on 1 August 2021<sup>1</sup>.

The In-Principle Agreement (IPA) reached between the parties with respect to the Callide Enterprise Agreement in September 2020, was purportedly withdrawn by the CFMMEU in December 2020 however, reinstated in February 2021<sup>2</sup>. The parties are now awaiting formal approval by Cabinet Budget Review Committee (CBRC) prior to putting the agreement to a vote of eligible employees.

Wivenhoe Power Station employees transferred to CleanCo on 1 November 2020. CS Energy no longer engage employees under the CS Energy Ltd Wivenhoe Power Station Agreement 2016.

## Remuneration arrangements

### Chief Executive Officer and senior executives

Remuneration details for the Chief Executive Officer and senior executives are provided in the following table. These arrangements are reviewed annually in accordance with company procedure and Government policy. The base salaries shown below are those applicable as at 31 January 2021.

| CEO / senior executives  | Base salary <sup>1</sup> | Employer superannuation contributions <sup>2</sup> | Motor vehicle <sup>3</sup> | Car park <sup>4</sup> | Total fixed remuneration <sup>5</sup> | Other non-personal benefits | Performance payment made 2019/20 <sup>6</sup> |
|--|--------------------------|--|----------------------------|-----------------------|---------------------------------------|-----------------------------|---|
| Chief Executive Officer<br>Andrew Bills                        | \$741,367                | \$25,000   | Nil                        | Nil                   | \$766,367                             | Nil                         | Nil   |
| Executive General Manager Revenue Strategy<br>Darren Busine    | \$474,722                | \$25,000   | Nil                        | Nil                   | \$499,722                             | Nil                         | Nil   |
| Executive General Manager Asset Management<br>Colin Duck       | \$410,775                | \$25,000   | Nil                        | Nil                   | \$435,775                             | Nil                         | Nil   |
| Chief Financial Officer<br>Malcolm Wilson                      | \$426,985                | \$25,000   | Nil                        | Nil                   | \$451,985                             | Nil                         | Nil   |
| Executive General Manager Corporate Services<br>Andrew Varvari | \$420,517                | \$25,000   | Nil                        | Nil                   | \$445,517                             | Nil                         | Nil   |
| Executive General Manager Plant Operations<br>Leigh Amos       | \$365,000                | \$25,000   | Nil                        | Nil                   | \$390,000                             | Nil                         | Nil   |

1. Base salary is TFR less \$25,000 employer superannuation
2. Employer contributions to superannuation (other than by salary sacrifice).
3. Any motor vehicle is provided in accordance with the Queensland Government's Senior Executive Service Policy.
4. A car park is provided, and a nominal allowance is paid and then deducted as a salary sacrifice amount.
5. Total Fixed Remuneration is the sum of base salary and employer superannuation contributions.
6. Performance payments include 9.5 per cent superannuation component.

Chief Executive Officer and senior executive performance incentive payments are capped at 15 per cent of Total Fixed Remuneration comprising enterprise and individual performance incentives (IPIs).

Strategic targets are outlined in the Statement of Corporate Intent for shareholding Ministers. IPIs are set annually in Individual Achievement Plans and are formally reviewed mid-yearly and at year-end. The IPIs

<sup>1</sup> Due to the wage deferral contained within the GOC Wages Policy 2015 Addendum

<sup>2</sup> 18 February 2021

describe expectations that require the individual to demonstrate a level of performance above and beyond business as usual resulting in the achievement of CS Energy objectives.

However, in consideration of COVID 19, CS Energy will adhere to the policies in temporary addendums applied to the *Government Owned Corporations Wages Policy* and *Policy for GOC Chief and Senior Executive Employment Arrangements*.

## Employment conditions

General conditions of employment are provided in the various enterprise agreements made under the *Fair Work Act 2009 (Cth)* (FW Act) and CS Energy human resources policies and procedures. Rates of pay, including productivity payments, are included in enterprise agreements and all-purpose allowances, where applicable (for example, power house allowance, disability allowances, etc) are incorporated in all-up rates within those industrial instruments. The *Electrical Power Industry Award 2010* is the modern award applying to the power generation industry and enterprise arrangements leave CS Energy employees better-off-overall when compared to this Modern Award. Employment conditions are also governed by the GOC Act and Regulations, the *Electricity Act 1994 (Qld)*, the FW Act and *Fair Work Regulation 2009 (Cth)*.

As required by the Fair Work Act, each enterprise agreement contains a flexibility provision, allowing CS Energy and employees to put in place individual arrangements provided that the employee is not disadvantaged compared to the collective agreement. These flexibility arrangements include Alternative Individual Agreements (AIAs) and are offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain quality employees to compete effectively in the energy market. An employee is free to move from AIA arrangements back to enterprise agreement conditions simply by giving notice of the change to CS Energy in accordance with the timeframe contained within the relevant enterprise agreement.

As at 31 January 2021, 57 per cent of employees are engaged directly on enterprise agreement terms and conditions, 37 per cent work under an AIA as provided by their site's enterprise agreement and 6 per cent of employees are engaged on common law contracts including the Chief Executive Officer, senior executives and several site and corporate leadership positions.

## Workforce Planning

CS Energy is focussed on ensuring its workforce is capable, adaptable and diverse as it transitions within the rapidly evolving energy market – at the same time, CS Energy remains focused on complying with its various enterprise agreements.

To assist to position its workforce in this manner, a Future Workforce Planning tool has been developed from which various business scenarios can be modelled as CS Energy obtains more certainty about what workforce skills and capabilities are required to ensure its sustainability.

CS Energy's FY22 Labour Budget provides for the following workforce numbers, but will be continuously reassessed in the coming 12 months as CS Energy works with all relevant stakeholders to settle its strategy and workforce requirements at all CS Energy sites (including Callide Power Station):

| Employment category          | 28 April 201<br>actual | 30 June 2021<br>budget | 30 June 2022<br>budget |
|------------------------------|------------------------|------------------------|------------------------|
| Permanent full time          | 496                    | 504                    | 503.15                 |
| Permanent part time (FTE)    | 11.73                  | 1.8                    | 12                     |
| Other Contracts <sup>1</sup> | 21.6                   | 31.2                   | 7.8                    |
| Senior Executive contract    | 6                      | 6                      | 6                      |
| Apprentices (in house)       | 20                     | 25                     | 25                     |



| Employment category   | 28 April 201<br>actual | 30 June 2021<br>budget | 30 June 2022<br>budget |
|---|------------------------|------------------------|------------------------|
| Trainees (in house)   | 9                      | 9                      | 8                      |
| Casual employees (FTE)  | 3                      | 2                      | 2                      |
| <b>Total directly employed workforce<sup>2</sup></b>            | <b>567.33</b>          | <b>580</b>             | <b>563.95</b>          |
| Apprentices (Group) <sup>3</sup>                                | 0                      | 0                      | 0                      |
| Trainees (Group)  | 0                      | 0                      | 0                      |
| Contractor employees (trade/technical)                          | 20                     | 20                     | 20                     |
| Contractor employees (professional / administrative / clerical) | 10                     | 10                     | 10                     |
| Labour hire (trade/technical - FTE)                             | n/a                    | n/a                    | n/a                    |
| Labour hire (professional / administrative / clerical)          | n/a                    | n/a                    | n/a                    |
| s457 Temporary Visa <sup>4</sup>                                | 0                      | 0                      | 0                      |
| <b>Total workforce</b>  | <b>537.33</b>          | <b>610</b>             | <b>593.95</b>          |

1. Temporary employees including graduates.
2. Total directly employed workforce figures correspond to the approved labour budgets.
3. Apprentices and Trainees are directly employed by CS Energy as per the relevant Enterprise Agreement.
4. Included in temporary employee figures.

CS Energy uses contractors and labour hire from time to time for a variety of reasons, including the need to address short-term, ad hoc labour requirements or to deliver a short-term, high-intensity project. This will continue as CS Energy seeks to respond to the rapidly changing energy market.

## Workplace health and safety

CS Energy complies with all relevant health and safety legislation, including the *Work Health and Safety Act 2011 (Qld)* and related standards, *Electrical Safety Act 2002 (Qld)*, codes of practice, Australian standards and industry guidelines.

## Inclusion and Diversity (i&D)

CS Energy's *Inclusion and Diversity (I&D) Policy* (I&D Policy) outlines our commitment to create a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees. CS Energy's Board approved I&D targets are aimed at increasing women and Aboriginal and Torres Strait Islander workforce participation as well as creating opportunities for future career pathways to employment. The policy and targets are supported by an annual I&D plan, which comprises of various initiatives to be rolled out in FY22. I&D at CS Energy is critical to CS Energy's ability to attract and retain diverse talent to ensure it has the right people to execute its strategic priorities. I&D is supported by CS Energy's robust Equal Employment Opportunity (EEO) and recruitment and selection principles.



## Equal Employment Opportunity and recruitment and selection

CS Energy aims to provide a workplace that is free from unlawful discrimination, sexual harassment, bullying, victimisation and vilification. All employees have access to the CS Energy *Procedure for Equal Employment Opportunity and Appropriate Workplace Behaviour*.

The *Recruitment and Selection Procedure* provides direction for all CS Energy recruitment and selection activities to be based on using fair, open, unbiased and transparent processes to select the best person for the job within an efficient and effective process. The procedure is available to all employees on CS Energy's intranet. Our recruitment practices are aligned with the I&D policy.

In accordance with Section 31 of the *Public Service Act 2008 (Qld)*, CS Energy reports EEO statistical data to the Public Service Commission on an annual basis. CS Energy submitted its last report in July 2020.

## Joint Venture projects

CS Energy (through its wholly owned subsidiary, Callide Energy Pty Ltd) remains in a joint venture with IG Power (Callide) Ltd at Callide C Power Station. Operations and maintenance services for Callide C Power Station are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work under that contract, and otherwise, for the joint venture. Relevant CS Energy employees are primarily covered by the Callide Power Station Certified Agreement 2018<sup>3</sup>.

## Relationship between CS Energy and unions

CS Energy, as a matter of course, consults with its employees and their union representatives regarding matters affecting employees. Enterprise agreements set out the parties' consultative obligations, particularly in respect of major workplace change. More formal consultative forums include site consultative committees and the Peak Consultative Committee, comprising CS Energy senior management and senior union officials, which meets quarterly.

CS Energy recognises that the various unions we work with are key stakeholders in our business. As with all key stakeholders, CS Energy works to ensure that our interactions with unions are mutually beneficial – that is, will improve the working environment for CS Energy employees as well as support the company's long-term sustainability. CS Energy is working to improve and better harness the opportunities for unions (as well as employees generally) to provide feedback on a number of issues and will look to do this through the forums already in place as well as additional forums as appropriate.

An effective working relationship with unions will be invaluable as CS Energy works with all key stakeholders, including our shareholders, to plan the closure of Callide B (which is currently scheduled for 2028). CS Energy has established a specific Callide Power Station Working Group (CPSWG) to begin planning and activities required as a part of the Callide Power Station Transition. The work involved in the planning, engagement and facilitation will be critical to manage a future for Callide and work with the Biloela area as it begins its transition from coal fired energy production. The CPSWG first met on 4 March 2021 with meetings currently scheduled for the balance of 2021.

The CPSWG's work will continue over several years and will initially focus on:

- Co-development of Callide based transition principles;
- Identifying all relevant Callide stakeholders;
- Development of an appropriate Engagement Strategy;
- Identifying priority tasks and whether they can be undertaken within CSE or need to be undertaken externally (for example, data collection and research).

<sup>3</sup> Current EA nominally expired on 28 February 2020 and new agreement is in the process of being approved by Cabinet Budget Review Committee (CBRC) and put to a vote of eligible Callide employees.

## Redundancy provisions

Consistent with the IR Policy's approach to employment security, CS Energy's collective agreements provide that voluntary redundancy could occur as a last resort, and prioritise redeployment, retraining and relocation in preference to retrenchment<sup>4</sup>. Severance payments include three weeks' pay for every year of service, to a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long service leave and a re-training and outplacement support costing \$1,000 to \$2,000 per employee, depending on the site.

## Employment security

All three current CS Energy enterprise agreements do not contemplate involuntary redundancies. In addition, the Kogan Creek Enterprise Agreement only recognises the offering of voluntary redundancies as an option if the unions party to the agreement agree. CS Energy's other two enterprise agreements allow for CS Energy to offer voluntary redundancies in accordance with the provisions of the respective EA.

CS Energy offers transition to retirements and can also offer voluntary early retirements (subject to obtaining all relevant approvals).

CS Energy complies with the current IR Policy.

## Contracting out

CS Energy complies with its enterprise agreements, the IR policy and any applicable legislation on the responsible and appropriate use of contractors.

## Superannuation

In accordance with *Superannuation Guarantee (Administration) Act 1992 (Cth)*, CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by employees. Under CS Energy policy, Energy Super is the default fund for new defined contribution fund members.

The Energy Super Defined Benefit Fund, which closed to new employees in 2002, has an employee contribution rate of 5 per cent post tax or 5.38 per cent pre-tax and an employer contribution rate of nil. This rate is reviewed every two years by the fund actuary. Presently, 10.46 per cent of the CS Energy workforce remains in this plan. The remainder of the workforce are members of defined contribution funds, being 44.22 per cent of employees in the default Energy Super fund and 45.32 per cent of employees in a choice of super fund account.

## Union encouragement

CS Energy provides all new employees with the details of union representatives prior to their commencement with the company and makes payroll deductions of union dues available to employees. In addition, CS Energy regularly provides new starter details to unions. The company's enterprise agreements include provision for workplace union representatives to be released from normal duties on pay, so that they can provide support to union members during grievance and dispute settling procedures, including attendance at Fair Work Commission proceedings. Employee representatives are also provided with paid time (as reasonable) off to participate in education activities relevant to their representative roles and may also be granted paid leave to participate in union conferences or management committee meetings where such attendance is a requirement of their office.

<sup>4</sup> With the exception of the Kogan Creek Enterprise Agreement which requires the union parties to agree to the need for voluntary redundancies in addition to the process to be utilised in such an event.

## Consultation

Employees, unions and representatives of Queensland Treasury, Department of Energy and Public Works, and Office of Industrial Relations have been consulted in the preparation of this plan. The consultation process has included provision of draft documents, face to face meetings and consideration by CS Energy of written feedback from these stakeholders.

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## Appendix C: Glossary of terms and definitions

|                                  |  |
|----------------------------------|--|
| AIA                              | Alternative Individual Agreement   |
| AIFR                             | All Injury Frequency Rate is a rolling 12-month average of the number of injuries per million hours worked.  |
| All in Unit Cost                 | <u>Fuel costs + cash costs (excluding Alinta JV, TOM, Non-Routine) + capital costs</u><br>Generation sent out  |
| C&I market share                 | Expressed as a percentage of total Queensland Commercial & Industrial (C&I) electricity customer load and on a trajectory to achieve 25% market share by FY24.                               |
| CPI                              | Consumer Price Index   |
| COGATI                           | Coordination of Generation and Transmission Investment   |
| Commercial availability          | A 12-month rolling target and is the actual availability weighted to the difference between the electricity pool price and marginal cost of each unit.                                       |
| EA                               | Enterprise Agreement   |
| EAF                              | Equivalent Availability Factor   |
| EBITDA                           | Earnings before interest expense, tax, depreciation and amortisation.  |
| EBITDAIF                         | Earnings before interest expense, tax, depreciation, amortisation, impairment losses/loss reversals and net fair value gains/losses on financial instruments, excluding abnormal items.      |
| EEO                              | Equal Employment Opportunity   |
| EIR                              | Employment and Industrial Relations  |
| EMS                              | Environmental Management System  |
| EUOR                             | Equivalent Unplanned Outage Rate: A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings during periods other than planned outages.              |
| Equivalent Unplanned Outage Rate | A measure of the probability that a generating unit will not be available due to forced outages or forced deratings. It is expressed as a percentage and is calculated at a portfolio level. |
| FCFY                             | Free cash flow yield. FCFY is calculated by: Free Cash Flow (excluding variation margin) / Gross Fixed Assets + Net Working Capital.   |
| FTE                              | Full Time Equivalent   |
| GOC Act                          | <i>Government Owned Corporations Act 1993 (Qld)</i>  |
| CO2kg/MWh sent out               | Amount of carbon emitted measure in kilograms for each megawatt hour sent out.   |
| I&D                              | Inclusion and Diversity  |

|                   |   |
|-------------------|---|
| IR                | Industrial Relations  |
| MW                | Megawatt (one MW = one million watts)   |
| MWhso             | Megawatt hour sent out  |
| NPAT              | Net Profit After Tax  |
| Product solutions | Product solutions is the number of products (in addition to traditional energy sales) sold across our total customer base (for example, renewable energy or EV Charging infrastructure products). |
| ROGFA             | Return on Gross Fixed Assets. ROGFA is calculated by:<br><u>Underlying EBITDAIF</u><br>Gross Fixed Assets + Net Working Capital   |
| SCI               | Statement of Corporate Intent   |
| SLT               | Senior Leadership Team  |
| Underlying EBITDA | Underlying earnings before interest, tax, depreciation and amortisation.  |
| Underlying EBIT   | Earnings before interest, tax, and significant items.   |
| WACC              | Weighted average cost of capital  |

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