



STATEMENT OF CORPORATE INTENT

2020/21

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

The Honourable Cameron Dick MP

Treasurer and Minister for 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 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.



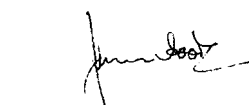
 The Hon Cameron Dick MP
 Treasurer and Minister for Investment

28 June 2021
 Date



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

2/6/2021
 Date



 Mr Jim Soorley
 Chairman
 CS Energy Limited

20 November 2020
 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) ¹	≤28	≤27	≤26	≤26	≤28
	Constructive culture ²	28	NA	NA	NA	NA
Optimise our Assets	Equivalent unplanned outage rate (%) ³	7.4	6.9	7.1	7.8	7.8
	Commercial availability (%) ⁴	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) ⁵	282.4	59.3	68.2	90.9	64.0
Deliver Future Energy	C&I market share (%) ^{6*}	9	NA	NA	NA	NA
	Product solutions ^{7*}	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 ≤ 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.

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 ¹	80.0
Electricity revenue	
Pool and contract revenue (\$/MWhso) ²	56.82
Net on-grid contract revenue (\$M)	(3.0)
Total operating revenue (\$M)	722.6
Time-weighted average pool price (\$/MWh)	47.60
NEM energy	
Energy sent out (MW)	12,362
NEM operational	
Fuel costs (\$/MWh sold)	14.44
Greenhouse gas emissions (ktCO ₂ e)	12,840
Greenhouse gas intensity portfolio (kgCO ₂ 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 allowable 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.

Capital expenditure

	Quarter 1 \$M	Quarter 2 \$M	Quarter 3 \$M	Quarter 4 \$M	Total \$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

Borrowings			
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.

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.

Financial statements

Statement of Income Group (Consolidated)

Quarter 2020/21					2018/19 actual \$M	2019/20 budget \$M	2019/20 forecast \$M	2020/21 budget \$M
Sep \$M	Dec \$M	Mar \$M	Jun \$M					
163.9	178.0	204.1	176.6	Sales of electricity ¹	1,022.2	799.6	773.2	722.6
59.3	68.2	90.9	64.0	Underlying EBITDA	480.3	320.6	304.3	282.4
4.4	4.4	4.4	4.5	Gladstone onerous contract 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	EBITDA (excluding Mark to Market)	433.8	308.9	292.4	296.0
(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	Earnings Before Interest and Tax (excluding Mark to Market)	294.2	156.4	159.7	151.4
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	Profit/(Loss) After Tax	160.3	80.6	89.8	97.4

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

Statement of Financial Position Group (Consolidated)

Quarter 2020/21					2018/19	2019/20	2019/20	2020/21
Sep	Dec	Mar	Jun		actual	budget	forecast	budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
				ASSETS				
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
676.9	514.5	475.6	480.2	Total current assets	764.8	399.3	804.3	480.2
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
1,668.1	1,679.4	1,652.5	1,601.1	Total non-current assets	1,455.0	1,489.7	1,665.4	1,601.1
2,345.0	2,193.9	2,128.1	2,081.3	TOTAL ASSETS	2,219.8	1,889.0	2,469.7	2,081.3
				LIABILITIES				
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
440.5	293.0	193.6	253.4	Total current liabilities	593.2	196.0	548.6	253.4
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
1,169.7	1,160.9	1,173.9	1,123.1	Total non-current liabilities	1,050.1	1,069.9	1,183.2	1,123.1
1,610.2	1,453.9	1,367.5	1,376.5	TOTAL LIABILITIES	1,643.3	1,265.9	1,731.8	1,376.5
734.8	740.0	760.6	704.8	NET ASSETS	576.5	623.1	737.9	704.8
				Shareholders' equity				
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)
734.8	740.0	760.6	704.8	TOTAL EQUITY	576.5	623.1	737.9	704.8

Appendix A: Sponsorship, advertising, donations, corporate entertainment

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

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 Covers 164 employees ¹	Employees of CS Energy Ltd at Corporate Office	AG2016/7379	26 February 2020
Callide Power Station Enterprise Agreement 2018 Covers 262 employees	Employees of CS Energy Ltd at Callide Power Station	AG2018/1970	28 February 2021
Kogan Creek Power Station Enterprise Agreement 2017 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 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.

¹ 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 ¹	Employer superannuation contributions ²	Motor vehicle ³	Car park ⁴	Total fixed remuneration ⁵	Other non-personal benefits	Performance payment made 2018/19 ⁶
Chief Executive Officer Andrew Bills	\$741,367	\$25,000	Nil	Nil	\$766,367	Nil	\$62,869
Executive General Manager Revenue Strategy Darren Busine	\$474,722	\$25,000	Nil	Nil	\$499,722	Nil	\$66,220
Executive General Manager Asset Management Colin Duck	\$411,777	\$25,000	Nil	Nil	\$435,777	Nil	\$56,802
Chief Financial Officer Malcolm Wilson	\$426,985	\$25,000	Nil	Nil	\$451,985	Nil	\$52,664
Executive General Manager Corporate Services Andrew Varvari	\$420,517	\$25,000	Nil	Nil	\$445,517	Nil	\$54,707
Executive General Manager Plant Operations 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 actual	30 June 2020 budget	30 June 2021 budget
Permanent full time	445	512	504
Permanent part time (FTE)	11.5	1.8	1.8
Other Contracts ¹	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
Total directly employed workforce²	534.9	598.2	580.0
Apprentices (Group) ³	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 ⁴	0	0	0
Total workforce	564.9	628.2	610

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 retrenchment². Severance payments include three weeks' pay for every

² 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.

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 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 EA (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 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 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	$\frac{\text{Fuel costs} + \text{cash costs (excluding Alinta JV, TOM, Non-Routine)} + \text{capital costs}}{\text{Generation sent out}}$
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: $\frac{\text{Free Cash Flow (excluding variation margin)}}{\text{Gross Fixed Assets} + \text{Net Working Capital}}$
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: $\frac{\text{Underlying EBITDAIF}}{\text{Gross Fixed Assets} + \text{Net Working Capital}}$
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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