

2021

**T A X T R A N S P A R E N C Y R E P O R T**  
A C C I O N A A U S T R A L I A

*For the year ended 31 December 2021*



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# INTRODUCTION

ACCIONA welcomes the continuing moves around the world to improve openness and transparency in business. We believe it is important to contribute to society through the payment of taxes in all the territories in which we operate, thereby promoting economic, social and environmental development from our own activities as well as those of our stakeholders.

ACCIONA Australia is proud to be one of the earlier signatories to the voluntary Tax Transparency Code ('the Code'), and I am pleased to present this report for the financial year ended 31 December 2021. We have applied all principles and details of the Code in this report, which is publicly available on our website.

ACCIONA Group has long been proactive in the area of tax transparency, having signed up to Spain's Code of Good Tax Practices in September 2011. In fact, Spain was one of the first countries to produce a code of this kind, and since the year ended 31 December 2016, ACCIONA has submitted a Spanish Tax Transparency Report to the Tax Agency.

ACCIONA will be involved in tax transparency initiatives in Australia and will continue to look for ways to improve our tax risk management and governance, which we regard as critical part of our commitment to sustainability and corporate social responsibility.

David Gutierrez Abarquero  
Head of Tax – ACCIONA Group  
ACCIONA S.A.

## ACCIONA GROUP OVERVIEW

**ACCIONA challenges the present to make the future possible.**

**Pursuing a positive impact in everything we do, we develop regenerative infrastructure solutions that make a sustainable future possible.**

ACCIONA is a global leader in the provision of regenerative infrastructure solutions focussed on transitioning to a low carbon economy. We are a financier, developer, builder and operator of infrastructure solutions, both alongside government and significantly on our own. We have a long and proud history and expertise in infrastructure for transport, renewable energy and water. We also have a strong involvement in social infrastructure and mobility systems.

ACCIONA has over 45,000 employees in more than 40 countries, and six years after becoming completely carbon-neutral, in 2022 we recorded sales of over AU\$18 billion: an emphatic endorsement of the business case for decarbonisation.

From an energy perspective, ACCIONA is one of the largest 100%-renewable energy companies in the world. We have no fossil-fuel legacy, and we generate over 13GW of renewable energy in more than 20 countries. In Spain we operate the nation's longest-serving wind farms, first commissioned in 1994 and 1995, as well as the century-old Siera hydroelectric plant. We care for this heritage alongside the absolute newest of technologies.

Hydroelectric energy was part of our very first steps in the energy sector, which provided us with solid experience in this renewable technology. Like us, hydro has achieved its gains quietly. In fact, this renewable energy is now ACCIONA's second-largest global source of power generation after wind power.

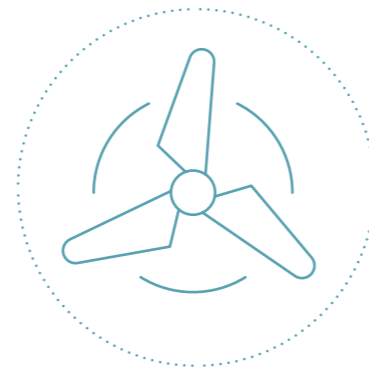
And it was hydroelectricity that led us into wind farms, where we are now recognised as a global leader in development, construction, operation and maintenance, with more than 25 years of experience in the sector.

Our 30 years of experience covers wind, solar PV, solar thermal, hydro, biomass, battery storage and other renewable energy generation and storage technologies, enabling our corporate and institutional clients to meet their own decarbonisation goals.

When we talk sustainability, we've got decades behind us.

ACCIONA is present on selective sustainability indexes such as the FTSE4Good, CDP Climate 2022 A List, ISS ESG Corporate, Ethibel, MSCI ESG rating, among others.





### ACCIONA in Australia

ACCIONA has a unique presence in Australia's urban and regional communities. Both a major investor and an employer, we're a leader in sustainable solutions for infrastructure, renewable energy and water treatment projects.



We have a distinctive mix of global expertise and deep Australian roots. Significantly Australian-owned and managed, our group brings together trusted and long-standing businesses such as Abigroup and Boulderstone, and their histories of family loyalty and ingenious problem-solving, with the major project capabilities and international resources of ACCIONA. The result is a truly sustainable business in Australia with a broad employee base.

Our history brings together many of Australia's most loved and recognised structures, including the Sydney Opera House, Sydney's Anzac Bridge, Brisbane's Story Bridge and Melbourne's Bolte Bridge, and we are currently building the runways for Australia's first major new airport in many decades, the Western Sydney Airport. Our work is intended to move people: not only practically, but emotionally.

Our footprint and people capacity enables us to tender for and deliver more projects – large, mid-sized and small – addressing skills shortages and providing much-needed competition at the top end of the market.

As a developer and owner and operator of Australia's renewable energy projects, ACCIONA's portfolio stretches across Queensland, New South Wales, Victoria, South Australia and Western Australia.

Completion of our fifth wind farm at Mortlake South in Victoria is imminent and, once operational, will bring our total generation capacity in Australia up to 590MW: enough clean energy to power 422,000 homes.

Last year, we started construction of the 1GW MacIntyre Wind Energy Precinct: the largest wind farm to be built in Australia and one of the largest onshore projects in the southern hemisphere. We are also advancing the development of the 600MW-peak Aldoga solar farm in Queensland.

All of this has been achieved while maintaining a relatively quiet public profile. Hot air is not our business. What we do offer is the capability and bench strength to deliver on Australia's most urgent infrastructure and renewable energy needs.

## TAX STRATEGY AND GOVERNANCE

Globally, the ACCIONA Group manages its tax framework and strategy in accordance with the Group's Tax Governance Policy ('Tax Policy') which has been approved by the Board at a Group level. All updates to the Tax Policy must be approved by the Board at a Group level.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. ACCIONA's tax risk appetite is 'low' – the company does not engage in any aggressive tax positions, nor does it implement corporate structures that are artificial or opaque. From a tax perspective, all transactions align with underlying business performance. The company is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates. ACCIONA encourages tax transparency and discloses its tax position to the Spanish tax authorities on an annual basis.

Globally, the ACCIONA Group signed up to Spain's Code of Good Tax Practices in September 2011. This Code was created by the Large Companies Forum in Spain and is strongly promoted by the Spanish Tax Agency. The aim of the Code is to improve the application of Spain's tax system by enhancing legal certainty, reciprocal cooperation based on good faith and legitimate trust between the Tax Agency and companies, and the application of responsible tax policies by the Board of Directors.

In Australia, ACCIONA adheres to its Local Tax Policy and Procedures Manual which is reviewed and updated annually.

In December 2020, the Australian Taxation Office completed a Streamlined Assurance Review of the ACCIONA Agua Australia Pty Ltd multiple entry consolidated group covering four income years, with no significant adjustments or risks identified.

In June 2022, the Australian Taxation Office completed a Combined Assurance Review of the ACCIONA Geotech Holdings Pty Ltd income tax consolidated group covering four income years, with no significant adjustments or risks identified.

ACCIONA will continue to maintain a productive and transparent relationship with revenue authorities, as reflected in the voluntary disclosure of tax information contained in this report.

**INCOME TAX POSITION FOR 2021**

In the 2021 year, ACCIONA companies in Australia are included in four separate tax consolidated groups, being:

- > ACCIONA Agua Australia Pty Ltd multiple entry tax consolidated group;
- > Mt Gellibrand Wind Farm Holdings Pty Ltd multiple entry tax consolidated group;
- > ACCIONA Energy Oceania Pty Ltd tax consolidated group; and
- > ACCIONA Geotech Holdings tax consolidated group.

The figures included in this report contain the aggregated position of the tax consolidated groups mentioned above.

**Reconciliation of accounting profit to income tax expense and income tax paid**

	31 Dec 2021 '000	31 Dec 2020 '000
Accounting profit / (loss) before tax	73,248	76,735
Tax expense / (benefit) at 30%	21,974	23,020
Permanent tax adjustments	1,574	1,504
<b>Income tax expense / (benefit)</b>	<b>23,548</b>	<b>24,524</b>
<i>Temporary tax adjustments:</i>		
Tax law partnership results	(4,770)	(18,325)
Long term construction project adjustment per TR 2018/3	(155)	(1,531)
Non-deductible onerous contract provisions	23	(761)
Equity accounted investments	857	1,821
Unrealised foreign exchange differences	(119)	(4,022)
Accrued revenue/expense	(589)	(10,168)
Elimination of inter-entity margin	(2,246)	6,734
Lendlease acquisition costs	-	2,553
Net capital gains	8,822	-
Other items including provisions and accruals	4,669	(7,939)
Tax losses applied	(47,071)	(5,972)
<b>Taxable income / (loss) – tax effected</b>	<b>(16,005)</b>	<b>(13,467)</b>
Franking credits applied as a tax credit or excess franking credits converted to losses	(857)	(1,821)
<b>Income tax paid</b>	<b>Nil</b>	<b>Nil</b>

Note: Figures shown above include the ACCIONA Agua Australia multiple entry tax consolidated group, Mt Gellibrand Wind Farm Holdings Pty Ltd multiple entry tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.

## EXPLANATION OF INCOME TAX MATERIAL ITEMS

**Tax law partnerships** – ACCIONA has interests in numerous infrastructure design and construct joint venture partnerships. These partnerships often have 30 June year-end reporting periods, compared to ACCIONA Group's 31 December year-end reporting period. This results in a timing mismatch, because under tax rules the net income or loss of a partnership is not attributable to a partner until the end of a partnership income year. For example, ACCIONA's tax return for the year ended 31 December 2021 includes its result from 30 June 2021 year end partnerships. Further to these differences in reporting period, there are also accounting vs. tax timing differences in partnership revenue recognition.

**Long term construction project adjustment** – ACCIONA applies the estimated profits method under Taxation Ruling 2018/3, where the estimated total profit or loss of a contract is spread over the years taken to complete the contract.

**Equity accounted results** – The profit (or loss) from investments that are equity accounted under AASB 10 Joint Arrangements are not assessable (or deductible) for Australian income tax purposes. However, dividends and franking credits received from these investments are included in assessable income.

**Unrealised foreign exchange** – Foreign exchange gains (and losses) are taxable (and deductible) only when realised under Australian tax rules.

**Lendlease transaction costs** – The entirety of the transaction costs incurred in respect of the Lendlease acquisition in September 2020 has been treated as not immediately deductible on a conservative basis. The specific treatment of the transaction costs is in the process of being determined.

**Net capital gains** – Capital gains calculated on the exit of the ACCIONA Energia entities from the ACCIONA Agua Australia multiple entry consolidated group on 1 July 2021, following ACCIONA Energia's Initial Public Offering in Spain.

**Accrued revenue/expense** – Accrued revenue (and expenses) are taxable (and deductible) only when derived (or incurred) under Australian tax rules. The net subtraction for the years ended 31 December 2020 and 31 December 2021 was due to development fee accounting revenue which was not yet derived for tax purposes.

**Elimination of inter-entity margin** – Inter-entity profit (or loss) margins between the ACCIONA Australian entities are recognised as accounting income (or expense) but are eliminated for tax purposes as part of the consolidation of the relevant tax consolidated group. Therefore, any accounting gain (or loss) on inter-entity margins should not be assessable (or deductible).

**Tax losses applied** – ACCIONA's tax consolidated groups have prior year tax losses, which may be deducted in future income years.

## INCOME TAX EXPENSE EFFECTIVE TAX RATE COMPARISON

	31 Dec 2021	31 Dec 2020
ACCIONA Australia effective tax rate	32%	32%
ACCIONA worldwide effective tax rate	30%	19%

Note: Effective rate calculated using income tax expense per accounting concepts divided by accounting profit.

Note: ACCIONA's worldwide effective tax rate in 31 December 2020 is low primarily due to the reversal of the impairment of the investment in Nordex, which was not deductible in earlier years and therefore not subject to taxation in 31 December 2020. Additionally, there was a gain arising from the transfer of the stake in two concession assets which was also not subject to taxation.

## TAX CONTRIBUTION SUMMARY

The below table summarises Federal and State taxes that ACCIONA had paid in Australia, pertaining to the year ended 31 December 2021.

	31 Dec 2021 '000	31 Dec 2020 '000
Corporate income tax	-	-
Net GST	73,047	26,433
Payroll taxes	26,860	16,142
Employee PAYG and superannuation	210,479	120,918
Other withholding taxes and State based taxes	4,869	3,752
<b>TOTAL TAX CONTRIBUTION IN AUSTRALIA</b>	<b>315,256</b>	<b>167,245</b>

Note: The substantial increase in Payroll Taxes and Employee PAYG and superannuation is due to the acquisition of the Lendlease Engineering business in September 2020. Consolidated figures shown above including the ACCIONA Agua Australia multiple entry tax consolidated group, Mt Gellibrand Wind Farm Holdings Pty Ltd multiple entry tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group

## **INTERNATIONAL RELATED PARTY DEALINGS**

The ultimate parent company of ACCIONA's companies in Australia is ACCIONA S.A., a company domiciled in Spain. Common international related party dealings include, among others: interest charged on shareholder loans; management services; development fees; supply of wind farm spare parts and cost recharges. These related party dealings do not have a material impact on ACCIONA's taxable income.

All related party dealings are priced at an arm's length basis and ACCIONA Australia maintains transfer pricing documentation to support this. More specifically, shareholder loans are priced using a comparable uncontrolled price method, management services at a fixed mark-up to cost, wind farm spare parts and cost recharges at no mark-up.