



ACCIONA AUSTRALIA

Tax Transparency Report

FOR THE YEAR ENDED 31 DECEMBER 2019

2019

Table of Contents

4

Introduction

6

**ACCIONA
Group Overview**

7

**ACCIONA
In Australia**

8

**Tax Strategy
and Governance**

10

**Income Tax
Position**

13

**Tax Contribution
Summary**

14

**International Related
Party Dealings**

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, and I am pleased to present this report for the financial year ended 31 December 2019. 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 an important 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 focuses on developing and operating basic infrastructure assets to help achieve the sustainable development goals.



ACCIONA is a global company with a business model based on sustainability. Its aim is to respond to society's main needs through the provision of renewable energy, infrastructure, water and services. With a presence in more than 60 countries, it carries out its business activities based on the commitment to contributing to the economic and social development of the communities in which it operates.



The ACCIONA sustainability strategy is developed through the Sustainability Master Plan. This is a roadmap that brings together all the Company's initiatives in this area. ACCIONA's aim is to lead the transition towards a low-carbon economy, bringing quality criteria and innovation processes to all projects in order to optimise the efficient use of resources and respect for the environment. The company has been carbon neutral since 2016, offsetting all of the CO₂ emissions that it is unable to reduce.



ACCIONA is present on selective sustainability indexes such as the FTSE4Good, CDP Climate 2019 A List, ISS ESG Corporate, Ethibel, MSCI ESG rating, among others.

ACCIONA Australia - Tax Transparency Report

ACCIONA — In Australia



ACCIONA has been operating in Australia since 2002, where it has successfully developed its renewable energy, water and infrastructure businesses.

ACCIONA's Energy unit develops, builds and operates wind farms that produce clean energy for more than 285,000 Australian homes per year. Its installed capacity of 435 MW is distributed between Mt. Gellibrand (132MW, Victoria), Waubra (192MW, Victoria), Cathedral Rocks (64MW, South Australia) and Gunning (47MW, New South Wales). The company is currently building a wind farm in Mortlake South (158MW, Victoria) and in March 2020 announced plans to build the MacIntyre Wind Farm Precinct, (1,026MW, Queensland), with construction to commence mid-2021.

ACCIONA's Infrastructure unit has built major projects such as the Legacy Way tunnel in Brisbane, a 41km bypass for the Toowoomba motorway, a desalination plant in Adelaide, the Mundaring water treatment plant East of Perth, and the Sydney Light Rail. In Western Australia, ACCIONA is currently building the country's first waste to energy (W2E) plant in Kwinana and has been awarded a second W2E project in East Rockingham. The company is developing a number of rail projects in the state of Victoria. On September 9th 2020, ACCIONA completed the acquisition of the ongoing Lendlease Engineering business as announced on December 19th 2019. This consolidated capability and additional construction pipeline reinforce ACCIONA's position as a leading Australian contractor.

— 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.

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 policies and procedures which are reviewed and updated annually. The Australian Taxation Office recently completed a Streamlined Assurance Review which covered 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

INCOME TAX POSITION FOR 2019

ACCIONA companies in Australia are included in three separate tax consolidated groups. The ACCIONA Agua Australia Pty Ltd multiple entry tax consolidated group comprises all of ACCIONA's wholly owned entities in Australia. The other two tax consolidated groups, being the ACCIONA Energy Oceania Pty Ltd tax consolidated group and the ACCIONA Geotech Holdings tax consolidated group, have minority shareholder interests and thus must be consolidated separately under tax legislation. 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 December 2019 '000	31 December 2018 '000 <i>amended</i>	31 December 2018 '000 <i>original</i>
Accounting profit / (loss) before tax	277,920	(14,935)	(14,935)
Tax expense / (benefit) at 30%	83,376	(4,481)	(4,481)
Permanent tax adjustments	(3,758)	1,001	1,001
Income tax expense / (benefit)	79,618	(3,480)	(3,480)
Temporary tax adjustments:			
Tax law partnership results	(8,833)	631	630
Long term construction project adjustment per TR 2018/3	(3,710)	(132,621)	(132,621)
Accounting fair value gain/loss on derivatives per AASB 9	(1,269)	-	-
Non-deductible onerous contract provisions	808	-	-
Non-assessable forward contract revenue	-	(1,347)	
Customer contract accounting amortisation	-	2,003	2,003
Accounting impairment expense	-	2,182	2,182
Equity accounted investments	1,879	1,521	1,521
Unrealised foreign exchange differences	(1,437)	(39)	(39)
Other items including provisions and accruals	2,691	1,678	1,192
Tax losses applied	(67,868)	(2,701)	(2,701)
Taxable income / (loss)	1,879	(132,173)	(131,313)
Franking credits applied	(1,879)	-	-
Income tax paid	NIL	NIL	NIL

Note: Figures shown above include the ACCIONA Agua Australia 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 2019 includes its result from 30 June 2019 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.

Accounting fair value derivative gains/losses – Gains or (losses) recognised under AASB 9 Financial Instruments are not assessable (or deductible) for Australian income tax purposes until the time the instrument is settled/realised.

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.

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

Income tax expense effective tax rate comparison

	31 December 2019	31 December 2018
ACCIONA Australia effective tax rate	29%	23%*
ACCIONA worldwide effective tax rate	27%	27%

Effective tax rate is calculated using income tax expense (or benefit) per accounting concepts divided by accounting profit (or loss).

*The lower effective tax rate in the year ended 31 December 2018 was largely due to ACCIONA’s adoption of new Australian Accounting Standard AASB 15 Revenue from Contracts with Customers.

Tax Contribution Summary

ACCIONA Australia – Tax Transparency Report



The below table summarises Federal and State taxes that ACCIONA had paid in Australia, pertaining to the year ended 31 December 2019.

	31 December 2019	31 December 2018
	‘000	‘000
Corporate income tax	-	-
Net GST	26,030	(6,539)
Payroll taxes	8,064	10,633
Employee PAYG and superannuation	48,421	65,479
Other withholding taxes and State based taxes	2,643	3,442
TOTAL TAX CONTRIBUTION IN AUSTRALIA	85,158	73,015

-Note: Figures shown above include the ACCIONA Agua Australia multiple entry tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.

2019

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.



