



# Statement of Corporate Intent

## 2022/23

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**

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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 2022/23, and is consistent with CS Energy's 2022/23 to 2026/27 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 2022/23.

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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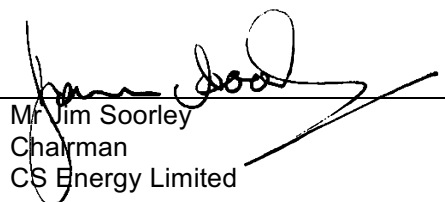
Date

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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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23 June 2022

## Strategic targets 2022/23

*Our purpose of delivering energy today, 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.

The business is currently refreshing its strategy and while it is not expected to be finalised until June 2022, it is broadly centred around three strategic priorities.

These priorities, in conjunction with our Shareholder Mandate and our Portfolio Renewal Strategy, provide the business with a clear direction to be an effective participant in the changing energy market.

<b>1. Master the fundamentals</b>	We strive to operate a safe, compliant business that is proactive and addresses obstacles to ensure our business has strong foundations.
<b>2. Navigate the transformation</b>	We take an adaptive approach to navigating the energy transformation, prioritising activities that maintain our viability and create a competitive position.
<b>3. Enable our future</b>	To have a sustainable business longer term, our portfolio requires decarbonising and new revenue streams must be created.

Measure <sup>1</sup>	Full year target FY23	Quarter 1	Quarter 2	Quarter 3	Quarter 4
All Injury Frequency Rate (AIFR)	≤ 25	≤ 25	≤ 25	≤ 25	≤ 25
Process Safety (%)	100	100	100	100	100
Unplanned Outage Rate (%)	12.40	14.60	9.50	13.90	11.50
Significant Environmental Incident	0	0	0	0	0
Underlying EBITDA (\$M)	154.3	14.6	8.0	11.6	120.1
Social Performance (%)	≥ 80	≥ 80	≥ 80	≥ 80	≥ 80
Future Energy Investment Decisions (%)	≥ 80	≥ 80	≥ 80	≥ 80	≥ 80

<sup>1</sup> Refer Appendix C for definitions.

## Shareholder Mandate targets 2022/23

In accordance with CS Energy's Shareholder Mandate 2020-2023, the business' targeted performance for 2022/23 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>	11.0	1.4	0.7	1.0	7.9
Free Cash Flow Yield (%)	(19.7)	(5.6)	(8.9)	(3.6)	(1.6)
Return on Equity (%) <sup>**</sup>	(5.2)	(2.2)	(6.3)	(9.9)	(5.2)
Cost of Energy (\$/MWh) <sup>***</sup>	58.12	64.65	74.02	52.95	45.93

\* The ROGFA returns will be updated following Board approval of the FY22 Asset Valuations in June 2022. The current ROGFA returns are reflective of the Board Approved FY21 Asset revaluation returns i.e. reflects impairment of Callide B and Callide C at 30 June 2021.

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

\*\*\* Cost of Energy is based on GWh at node

As required under the Shareholder Mandate, CS Energy worked 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 transformation 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 2022/23 are:

Economic indices	2022/23
CPI %	3.21
Wage growth %	EBA
Long-term interest rate	3.53
Dividend payout ratio <sup>1</sup>	80
Electricity revenue	
Average earned price (\$/MWh at Node) <sup>2</sup>	65.19
Net on-grid contract revenue (\$M)	(96.7)
Total operating revenue (\$M)	636.2
Time-weighted average pool price (\$/MWh)	97.95
NEM energy	
Energy sent out (MW)	10,332
Energy at Node (MW)	9,759
NEM operational	
Fuel costs (\$/MWh sold)	(14.66)

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

### Risks

Federal and State decarbonisation commitments remain a key driver of decarbonisation across the National Electricity Market (NEM). In November 2021, at the 26th Conference of Parties (COP26), the Federal Government committed to achieving net zero by 2050, a key policy shift. The Federal 2030 target remains in line with the Paris Accord, seeking a 26 per cent to 28 per cent reduction on 2005 levels.

While all Australian states have committed to achieving net zero by 2050, they have also set 2030 targets. Queensland and Victoria plan to achieve 50 per cent renewable generation through their respective Queensland Renewable Energy Target (QRET) and Victorian Renewable Energy Target (VRET). South Australia has committed to 100 per cent net renewable energy, while New South Wales (NSW) has an emissions target 35 per cent below 2005 levels. Across 2021/22, NSW has progressed implementation of its Energy Infrastructure Roadmap (EIR), which seeks to enable sufficient transmission capacity to accommodate 12 GW of new variable renewable energy (VRE), 2 GW of new storage and provide feasibility study funding for pumped hydro energy storage. In achieving these policy objectives, the timing and amount of government support, both state and federal, will be a key factor in determining the pace of the NEM's decarbonisation.

Further, the implementation of the EIR has led to a participant response. In 2021/22, Origin announced it will close Eraring Power Station (2,880 MW black coal in NSW) seven years early, with the station expected to exit the market by 2025. AGL also brought forward the closure dates of Bayswater Power Station (2,640 MW black coal in NSW) and Loy Yang A Power Station (2,210 MW brown coal in Victoria). Uncertainty of exit timing across the NEM, combined with lower thermal unit performance as investment reduces approaching end of life, may expose CS Energy to additional market risk.

In addition to Federal and State decarbonisation commitments, cost competitiveness of VRE continues to provide commercial signals for lower emission technology to enter the NEM and displace thermal generation during certain periods.

The accelerating decarbonisation of the NEM places an increased importance on, and timing of, the transmission augmentations required to accommodate new capacity, while maintaining energy security and system stability and achieving the transition at the lowest cost for consumers.

Corporate desire for lower-carbon alternatives remains strong. The increased prominence of environmental, social and governance (ESG) considerations is a key driver of this. A continuation of this trend may reduce the appetite of higher emission alternatives, of which CS Energy's portfolio has exposure to.

The policy landscape remains robust as the National Electricity Rules, Law and associated policies and procedures adapt to ensure it is fit for purpose in a changing energy landscape. While recommendations were provided to Energy Ministers on the ESB2025 Market Redesign Process, the final form remains uncertain. Federal Government initiatives in response to the COVID-19 pandemic continue to influence the policy landscape.

## Capital expenditure

	Quarter 1 \$M	Quarter 2 \$M	Quarter 3 \$M	Quarter 4 \$M	Total \$M
2022/23 total estimated capital expenditure	90.0	86.7	25.9	221.0	423.6

CS Energy has a forecast capital expenditure of \$423.6 million for the 2022/23 year. This includes:

- \$44.6 million for a range of enhancement and refurbishment projects to ensure Callide Power Station continues to generate safely and reliably;
- \$34.0 million for the Callide C4 rebuild works;
- \$52.9 million for enhancement and refurbishment projects to ensure Kogan Creek Power Station continues to generate safely and reliably;
- \$2.1 million for enhancements and refurbishment of Kogan Creek Mine;
- \$15.0 million for the Kogan Hydrogen Demonstration plant;
- \$12.1 million for the upgrade of corporate information systems to support the business, including a right of use asset pertaining to the new lease for our Brisbane headquarters;
- \$65.2 million for new business investment in battery storage at Chinchilla;
- \$68.7 million for new business investment in battery storage at Greenbank; and
- \$129.0 million for new business investment in the Boulder Creek Wind Farm. 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



## Borrowings

<b>Borrowings</b>			
Facility	2021/22	2022/23	Change
1 Portfolio linked loan	557.4	557.4	0.0
2 Working capital	0.0	0.0	0.0
3 Variation margin loan	360.8	136.6	(224.2)
4 Variable rate loan	22.8	90.6	67.8
5 Renewables projects loan	0.0	51.6	51.6
Total	941.0	836.2	(104.8)

Borrowing limits for 2022/23 are subject to approval through the 2022/23 State Borrowing Program.

# 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 Finance, Risk & Assurance Committee (which is a subcommittee of the Board).

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 fully supports 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 per cent of Gross State Product 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.

## Cyber security

As a provider of essential energy services to Queensland, CS Energy recognises the importance of government confidence in the ICT systems that control the operation of our power stations. The November 2021 cyber security event on CS Energy's network highlights the real and immediate nature of the threat posed by cyber-attacks.

Over the next 12 months, CS Energy will work closely with Queensland Treasury (along with the Queensland Government Chief Information Security Officer and the Queensland Government Cyber Security Unit) in their assessment of CS Energy's current cyber security maturity, as part of a broader government owned corporation review program.

We also look forward to further guidance material for government owned corporations and the Board regarding cyber security management and the expectations of shareholding ministers and the government, as referenced in correspondence from the Treasurer in March 2022.

At the same time, we will continue to work through our comprehensive Cyber Security work program to maintain momentum in protecting CS Energy's information and technology assets.

# Financial statements

## Statement of Income Group (Consolidated)

Quarter 2022/23					2020/21	2020/21	2021/22	2022/23
Sep	Dec	Mar	Jun		Actual	Budget	Forecast	Budget
\$M	\$M	\$M	\$M		\$M	\$M	\$M	\$M
138.4	126.2	127.8	243.8	Sales of electricity	492.9	606.8	554.6	636.2
<b>14.6</b>	<b>8.0</b>	<b>11.6</b>	<b>120.1</b>	<b>Underlying EBITDA</b>	<b>94.9</b>	<b>189.6</b>	<b>100.0</b>	<b>154.3</b>
6.4	6.4	6.4	6.4	Gladstone onerous contract unwind	14.4	29.6	23.6	25.5
0.0	0.0	0.0	0.0	Rehabilitation provision	0.0	0.0	0.0	0.0
0.0	0.0	0.0	(93.6)	Impairment	(123.5)	(48.7)	(78.3)	(93.6)
0.0	0.0	0.0	0.0	Other accounting adjustments	(95.7)	0.0	(0.2)	0.0
<b>20.9</b>	<b>14.4</b>	<b>18.0</b>	<b>32.9</b>	<b>EBITDA (excluding Mark to Market)</b>	<b>(109.9)</b>	<b>170.5</b>	<b>45.1</b>	<b>86.3</b>
(32.9)	(34.9)	(36.2)	(36.5)	Depreciation and amortisation	(146.8)	(137.1)	(143.9)	(140.6)
13.2	13.2	13.2	30.4	Impairment – Depreciation and Amortisation	38.0	74.8	56.5	69.9
<b>1.2</b>	<b>(7.4)</b>	<b>(5.1)</b>	<b>26.8</b>	<b>Earnings Before Interest and Tax (excluding Mark to Market)</b>	<b>(218.7)</b>	<b>108.2</b>	<b>(42.3)</b>	<b>15.6</b>
(2.7)	(2.7)	(2.7)	(2.7)	Finance Costs – Non Cash	(6.3)	(14.1)	(11.7)	(10.6)
11.5	10.7	15.9	8.4	Mark to Market	(124.3)	5.6	(4.2)	46.5
(7.9)	(7.9)	(7.6)	(7.4)	Interest expense (net)	(30.9)	(28.9)	(27.9)	(30.9)
(0.6)	2.2	(0.2)	(7.6)	Income tax (expense)/benefit	114.0	(22.4)	24.2	(6.2)
<b>1.5</b>	<b>(5.1)</b>	<b>0.4</b>	<b>17.6</b>	<b>Profit/(Loss) After Tax</b>	<b>(266.1)</b>	<b>48.4</b>	<b>(61.8)</b>	<b>14.4</b>



## Statement of Cash Flows Group (Consolidated)

Quarter 2022/23				2020/21	2020/21	2021/22	2022/23
Sep	Dec	Mar	Jun	Actual	Budget	Forecast	Budget
\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
225.3	219.6	216.6	355.7				
(223.0)	(204.8)	(210.3)	(230.6)				
43.6	42.4	77.3	60.8				
(6.9)	(7.9)	(7.9)	(7.7)				
0.0	5.7	0.0	0.0				
<b>39.0</b>	<b>54.9</b>	<b>75.7</b>	<b>178.3</b>				
(59.6)	(116.8)	(48.9)	(200.9)				
0.0	0.0	0.0	0.0				
0.0	0.0	0.0	0.0				
<b>(59.6)</b>	<b>(116.8)</b>	<b>(48.9)</b>	<b>(200.9)</b>				
2.6	10.4	10.4	95.9				
(43.6)	(42.4)	(72.9)	(65.3)				
(0.4)	(0.4)	(0.4)	(0.4)				
15.0	0.0	0.0	77.4				
0.0	0.0	0.0	0.0				
<b>(26.4)</b>	<b>(32.3)</b>	<b>(62.9)</b>	<b>107.7</b>				
(47.1)	(94.2)	(36.0)	85.1				
200.6	153.6	59.4	23.4				
<b>153.6</b>	<b>59.4</b>	<b>23.4</b>	<b>108.5</b>				

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

Activity	Description	2021/22 budget (\$)	2021/22 est. actuals (\$)	2022/23 budget (\$)
<b>SPONSORSHIPS</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.	200,000	200,000	200,000
<b>ADVERTISING <sup>1</sup></b>				
<b>Total Advertising</b>	Site-based, non-campaign advertising for sponsorship and grants programs	3,000	0	3,000
<b>CORPORATE ENTERTAINMENT</b>				
<b>Total Corporate entertainment</b>		0	0	0
<b>DONATIONS</b>				
<b>Total Donations</b>	Discretionary donations to community events and activities at Brisbane, Callide and Kogan Creek.	20,000	20,000	20,000
<b>TOTAL <sup>2</sup></b>				<b>232,000</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 Sponsorship 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 495 employees (as at end 4 March 2022) are covered by enterprise agreements. The unions party to these agreements are the Construction, Forestry, Mining and Energy Union (MEU); 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 Covers 133 employees	Employees of CS Energy Ltd at Corporate Office	AG2020/3414	31 May 2023
Callide Power Station Enterprise Agreement 2021 Covers 236 employees	Employees of CS Energy Ltd at Callide Power Station	AG2021/8750	29 February 2024
Kogan Creek Power Station Enterprise Agreement 2020 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 (current) CS Energy Corporate Office Agreement 2020 (Corporate EA) nominally expires on 31 May 2023. It requires CS Energy to commence negotiations for a replacement agreement three months prior to its nominal expiry date that is, by 1 March 2023.

The current Kogan Creek Power Station Enterprise Agreement 2020 (Kogan EA) nominally expires on 31 July 2023. It requires CS Energy to commence negotiations for a replacement agreement six months prior to its nominal expiry date that is, by 1 February 2023.

The new Callide Enterprise Agreement 2021 (Callide EA) was approved by the Fair Work Commission (FWC) on 6 February 2022 and came into effect on 16 February 2022. No back payment was required, as the first increase of the Callide EA took effect on 1 March 2022.

## 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 4 March 2022.

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 FY21 <sup>6</sup>
Chief Executive Officer Andrew Bills	\$783,360	\$25,000	Nil	Nil	\$808,360	Nil	Nil
Executive General Manager Energy Markets, Technology and Commercial	\$484,716	\$25,000	Nil	Nil	\$509,716	Nil	Nil
Executive General Manager Asset Management Colin Duck	\$419,493	\$25,000	Nil	Nil	\$444,493	Nil	Nil
Chief Financial Officer Andrew Varvari	\$437,770	\$25,000	Nil	Nil	\$462,770	Nil	Nil
Executive General Manager Plant Operations Leigh Amos	\$372,800	\$25,000	Nil	Nil	\$397,800	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 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 did 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, powerhouse 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 FW 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.

Employees are engaged under the following categories (at 25 May 2022):

Category	FTE
(a) All employees	488.7
(b) CEO and direct reports	6
(c) Employees covered by an award/EA/agreement made under the <i>Fair Work Act 2009 (Cth)</i>	465.7
(d) Employees under other arrangements (including common law contracts)	17
Total: (a) = (b) + (c) + (d)	488.7

## Workforce planning

CS Energy is focussed on ensuring its workforce is capable, adaptable and diverse as it adapts to 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 FY23 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).

Current Workforce numbers are as follows (as at 4 March 2022)

	<b>Current FTE (4 March 2022)</b>
Permanent	443.2
Temporary	10.5
CEO and Senior Executive Contract*	6
Apprentices (In House)	21
Trainees (In House)	9
Casual	1
<b>Total Directly Employed Workforce</b>	<b>490.7</b>
Contractor & Labour Hire (trade/technical)	28
Contractor & Labour Hire (professional/administrative/technical)	25 <sup>2</sup>
<b>Total Indirectly Employed Workforce</b>	<b>53</b>
<b>Total Workforce</b>	<b>543.7</b>

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.

CS Energy is required to report on the use of contractors carrying out *production work* for both the Kogan and Callide sites, which occurs monthly via the relevant site consultative forum.

## Callide Station Resource Plan

CS Energy is required, pursuant to the Callide EA, to present a Station Resource Plan (Plan) to the relevant union consultative forum on an annual basis. The Plan is to be based on various supporting information and runs from July to June. Importantly, the level of detail required is as follows; the Plan must include the skills and numbers to fulfil the “*known work*” requirements for that 12-month period.

Presentation of the FY22-23 Plan is due prior to or by 30 June 2022. This Plan is currently being finalised, which is why the current workforce numbers table is dated as at 4 March 2022. Once finalised it will be presented to the site consultative forum. CS Energy has pre-empted that where a genuine vacancy can be absorbed that this will occur<sup>3</sup>. These decisions will be made based on work planning for the 12-month period. Considerations are as follows:

- The orderly and responsible engagement of contractors (Clause 8.2 of the Callide EA);
- Broader CS Energy transformation activities and future opportunities that include Callide;
- Known work requirements in the context of operational change;
- Opportunities to look at how a role could be done differently and more efficiently; and
- The impact on the work group, Callide or achievement of strategic priorities if this position is not filled

Any decision to fill or not a vacancy is based on the above after discussion with the consultative forum. An explanation will be attached to any vacancy which is not to be filled in the 22-23 Plan.

## 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.

<sup>2</sup> Data available at 4 March 2022. This includes all contractors at all sites and includes any production as well as other non-production contractors, consultants and the like.

<sup>3</sup> The current SRP is based on 247.5 FTE. There are ~ 22 vacancies within the current numbers which have occurred through natural attrition.

## 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 FY23. 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 August 2021.

## Existing Joint Venture projects<sup>4</sup>

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 with the joint venture manager 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 EA.

## Future Energy

Diversifying our revenue streams is essential for CS Energy to remain a commercially sustainable business and to meet the evolving needs of our customers.

We have made significant progress in our diversification journey in areas such as renewable energy offtakes, battery storage, renewable hydrogen and electrical vehicle charging.

CS Energy also recognises potential investment opportunities through the Queensland Government's \$2 billion Queensland Renewable Energy and Hydrogen Jobs Fund to support our portfolio.

The \$2 billion investment will provide cheaper, cleaner energy to power more jobs and more industries in Queensland.

The Queensland Renewable Energy and Hydrogen Jobs Fund allows energy government-owned corporations to increase ownership of commercial renewable energy and hydrogen projects, as well as supporting infrastructure, including in partnership with the private sector.

Importantly, any investments must create new and ongoing employment opportunities in Queensland consistent with the government's employment and procurement policies.

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<sup>4</sup> Current as at March 2022

CS Energy has already received funding support for a range of investment opportunities which will diversify our portfolio, increase our revenue and create new jobs. We will continue to engage with the Queensland Government as further opportunities arise.

This will assist in providing our existing employees with new career pathways into renewable energy, storage and hydrogen, where this is their preference.

## 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, now formally referred to as the Callide Futures Group (CFG), to begin planning and activities required as a part of the Callide Power Station Transformation. The work involved in the planning, engagement and facilitation continues to be critical to manage a future for Callide and work with the Biloela area as it begins its shift from coal fired energy production. The CFG first met on 4 March 2021 and regular meetings are scheduled throughout 2022-23.

The CFG's work will continue over several years and is initially focused on:

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

## 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>5</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.

<sup>5</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 offers transition to retirements and can also offer voluntary early retirements (subject to obtaining all relevant approvals) and 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, currently has an employer contribution rate of nil. This rate is reviewed every two years by the fund actuary. Presently, 10.73 per cent of the CS Energy workforce remains in this plan. The remainder of the workforce are members of defined contribution funds, being 44.33 per cent of employees in the default Energy Super fund and 44.94 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.

### 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.

## 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	Fuel costs + cash costs (excluding Alinta JV, TOM, Non-Routine) + capital costs over 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
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
Future Energy Investment Decisions	A multi-criteria assessment that monitors execution of projects and submissions to the Queensland Renewable Energy, Hydrogen and Jobs Fund (QREHJF).
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)
NPAT	Net Profit After Tax
Process Safety	Measures the delivery of actions arising from the Brady Report, within agreed timeframes.
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: <u>Underlying EBITDAIF</u> Gross Fixed Assets + Net Working Capital
SCI	Statement of Corporate Intent
Significant Environmental Incident	An incident that causes significant environmental harm or results in enforcement action by the regulator.
Social Performance	A qualitative metric assessed against a range of criteria including, but not limited to, community grants, engagement, relationships, proactive management of potential issues and ensuring stakeholders are informed.
Underlying EBITDA	Underlying earnings before interest, tax, depreciation and amortisation.
Underlying EBIT	Earnings before interest, tax, and significant items.
Unplanned outage rate	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings over a defined period.
WACC	Weighted average cost of capital



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