Tax Contribution Report 2021

Year ended 30 June 2021

How we report

At Origin Energy Limited (Origin), our 2021 corporate reporting suite is comprised of our Annual Report and Sustainability Report. As a signatory to the Board of Taxation's voluntary Tax Transparency Code, we also publish our sixth Tax Contribution Report.

We describe our non-financial performance in our Sustainability Report.

Our 2021 reporting suite is available on our website:

- Annual Report
- Sustainability Report

Our previous tax contribution reports can also be found on our website, see below for links to the previous two reports:

- 2020 Tax Contribution Report
- 2019 Tax Contribution Report

Following the release of the Australian Taxation Office's (ATO) yearly corporate tax transparency report in December each year, we provide a statement that explains our taxable income and income tax payable positions as published in the ATO's report. See below for links to the previous two Tax Transparency Reports:

- 2020 Income Tax Transparency Report
- 2019 Income Tax Transparency Report

While disclosures relating to Australia Pacific LNG Pty Ltd (Australia Pacific LNG) are included in our reporting suite, Australia Pacific LNG is excluded from the Origin Group for this report as it is not wholly owned by Origin. Therefore, this report does not include the taxes paid by Australia Pacific LNG (and its wholly owned subsidiaries). Origin's controlled entities, referred to as Origin Group, can be found in our *2021 Annual Report* on pages 118-120.

Message from the Chief Financial Officer

I am pleased to present Origin's 2021 Tax Contribution Report, detailing the taxes we paid in the 2021 and 2020 financial years.

Our disclosure in this report aligns with the recommendations of the Board of Taxation's voluntary Tax Transparency Code, which aims to increase transparency around how much tax businesses pay and why.

This report details how the Origin Group meets its taxation obligations. Origin is open about our tax arrangements and how we comply with all applicable tax laws and regulations.

In the 2021 financial year, we paid $26 million to federal and state governments comprising payroll tax, excise, and fringe benefit tax. This has reduced by $249 million from the previous year, primarily due to no income tax paid in the 2021 financial year, as a consequence of tax loss incurred in the 2020 financial year[1]. The tax loss was mainly attributable to the tax depreciation claimed on the remaining tax base of the Browse Basin exploration permits and a realised foreign exchange loss on debt maturity.

Origin creates significant economic value through the performance of our Integrated Gas and Energy Markets divisions. In addition to paying taxes, our business contributes to Australia's economic growth through employment, procurement of goods and services and community and infrastructure investments.

Our purpose of getting energy right for our customers, communities and planet is at the centre of everything we do, committing us to making a positive contribution to the communities in which we operate and the broader Australian economy. I am proud to share our sixth voluntary tax contribution report.

Lawrie Tremaine
Chief Financial Officer

[1] The tax payment in a financial year is impacted by the tax outcome of the previous financial year.

Who we are

Origin is one of Australia's leading energy companies.

Since listing on the Australian Securities Exchange in 2000, Origin has grown to become one of the largest energy retailers in Australia, one of the country's most significant energy power generators and a major contributor to the domestic economy, with more than 5,000 employees[2].

We have an important role to play in providing energy, including electricity, natural gas, solar and LPG, to more than 4.2 million customer accounts and we work every day to make energy more affordable, more sustainable, smarter and easier.

We believe our company, and the energy industry more broadly, should be at the forefront of action to reduce carbon emissions. Origin was the first Australian company to set an emissions reduction target endorsed by the Science Based Targets initiative – aiming to halve our direct carbon emissions and reduce our indirect emissions by 25 per cent by 2032 and we aim to achieve net zero emissions by 2050.

As well as providing energy, we contribute to local, regional and national communities by paying taxes, providing jobs, purchasing from local suppliers and investing in local infrastructure. We support community initiatives and help to build community skills and employment opportunities through activities such as apprenticeship schemes.

Through the Origin Energy Foundation, our philanthropic foundation, we support programs that use education to help break the cycle of disadvantage and empower young Australians to reach their potential. Since the Foundation's inception in 2010, it has contributed more than $32 million to the Australian community to meet this objective.

For further information on how Origin contributes more broadly to our community, including the work of the Origin Energy Foundation, please see our *2021 Sustainability Report* at https://www.originenergy.com.au/about/sustainability/sustainability-reports/.

[2] Employee numbers as at 30 June 2021.

Origin's tax policy and risk management framework

Origin is open and transparent about our tax arrangements and complies with all tax laws and regulations applicable in the countries in which we operate. We seek to mitigate tax risks associated with our activities in line with the ATO's Risk Management and Governance Review Guide.

Tax risks are identified and managed as part of Origin's risk management framework. The Origin Board reviews the framework annually and material risks are reported to the Board Risk Committee on a quarterly basis. Further details of our risk management framework and our material risks are in our *2021 Annual Report*.

The Origin Board does not support activities that seek to aggressively structure the company's tax position. Tax results in our financial reporting, uncertain tax positions and significant legislative change or court decisions affecting our tax affairs, must be reported to the Board during each half year financial reporting period at a minimum. Tax payments and forecasts are also included in monthly finance reports provided to the Board.

Our tax function reviews any new or non-recurring transaction above a determined threshold, any transaction that either has a material non-financial impact or a material financial impact on the Origin Group's equity, and any change in processes involving financial transactions. For major transactions with tax implications that will have a material financial impact on the company, we seek to obtain binding rulings from revenue authorities, where appropriate or possible. If we rely on public rulings, transactions must comply with the conditions of these rulings so that Origin is assured of the appropriate tax treatment. Where we hold a joint venture interest, the company's representatives on joint venture boards and operating committees seek to align the joint venture entity approach with our position, where possible.

Origin's engagement with the ATO

As a member of a Top 100 public and multinational taxpayer, Origin plays a prominent role in the Australian tax system. Origin proactively engages with the ATO on a regular basis to maintain good compliance.

Under the Action Differentiation Framework[3], the ATO's engagement is to **partner** with Origin, meaning that the ATO has confidence in Origin's tax compliance and our ongoing commitment to maintaining an open and transparent relationship with them. Consequently, the ATO will generally adopt a less intensive approach, reducing Origin's compliance costs.

Origin was issued with an overall high level of assurance for income tax in respect of the 2017 and 2018 financial years under the ATO's justified trust initiative[4] and this level of assurance was maintained for the following two financial years. In particular, the ATO stated that "we obtained an overall high level of assurance over Origin's income tax reporting for the 2017 and 2018 income years and maintained this level of assurance for the 2019 income year. We have maintained our confidence that the right Australian income tax outcomes were reported in Origin's income tax return for the 2020 income year. Accordingly, we have maintained our level of justified trust in respect of the 2020 income year."

[3] The Action Differentiation Framework (ADF) is the ATO's new strategic approach to engaging with public and multinational businesses. For further information on ADF, please refer to the ATO's website, https://www.ato.gov.au/Business/Large-business/Action-Differentiation-Framework/

[4] For further information on justified trust, please refer to the ATO's website, www.ato.gov.au/business/large-business/justified-trust/

The Australian tax consolidated group

Origin has operations in Australia as well as several overseas countries, which are all subject to tax. We lodge a single Australian tax return that consolidates the results of our wholly owned Australian resident companies, known as the Origin tax consolidated group.

Origin's tax return primarily discloses the income derived solely from our Australian operations as total income. The Origin Group subsidiaries that have operations outside of Australia are not required to lodge an Australian tax return. However, their activities are included within Origin's Australian tax return, as an addition to the total income disclosed, to the extent they are taxed under the Controlled Foreign Company provisions, or where the central management and control is in Australia. These companies comply with the tax laws applicable to the countries in which they operate, are legitimate operating businesses and are not vehicles to minimise tax.

In the 2021 financial year, 99.4 per cent of Origin Group's income was earned from operations in Australia.

International operations

All Origin Group's cross-border related party dealings are conducted on an arm's length basis and are supported by contemporaneous documentation. These dealings can be classified into the following three key categories:

1. Sale of LPG and associated appliances by the Origin Group to our group entities in American Samoa, Cook Islands, Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands and Vanuatu, which operate LPG sale businesses in those countries;
2. Insurance obtained by the Origin Group from our captive insurer subsidiary company in Singapore; and
3. A 20 per cent investment in Octopus Energy Group Limited (Octopus) based in the UK, a licence to utilise the Kraken platform in Australia from Kraken Technologies Limited (a subsidiary of Octopus), and provision of a 3 year guarantee pertaining to Octopus' payment obligations to its financers under a working capital facility.

In addition to meeting the transfer pricing requirements under the Australian tax law, income generated from our international subsidiaries in Fiji, Cook Islands, American Samoa, Samoa, Solomon Islands, PNG, Singapore, the Netherlands and Vanuatu is generally taxable in Australia pursuant to the operation of Australia's Controlled Foreign Company tax rules or due to the fact that the central management and control of some of these entities is in Australia.

The Origin Group includes entities based in Bermuda and Singapore. The entity in Bermuda and entities in Singapore (other than the Singapore captive insurer subsidiary noted above) act as holding companies that the Origin Group acquired or established to undertake development activities in Southeast Asia and South America. To date, these entities have not generated any income. We discontinued our international exploration and geothermal activities related to these entities in or around 2018 and our intention is to wind up these entities.

Origin's effective tax rate

The effective tax rate is calculated as income tax expense divided by profit (or loss) before tax.

In table 1, we show the effective tax rates on both statutory profit and underlying profit before tax.

The negative 24 per cent effective income tax rate was as a result of there being a significant tax expense even though there was a statutory loss before tax (which was primarily due to an accounting impairment charge).

As detailed in table 3 on page 8, the significant income tax expense resulted primarily from the following:

- the recognition of deferred tax liability (DTL) in respect of investment in Australia Pacific LNG;
- the accounting impairment of Energy Markets goodwill, which was not deductible for income tax purposes; and
- the shortfall charge for the under surrender of large generation certificates (LGC), which was not deductible for income tax purposes as the amount constituted a penalty.

The above tax expenses were offset by the non-assessability of the equity accounted share of Australia Pacific LNG's net profit after tax. Origin will be subject to tax on future dividends received in respect of its investment in Australia Pacific LNG.[5]

Table 1: Effective income tax rate

	2021	2020
Statutory profit	(24)%	52%
Underlying profit	22%	15%
Underlying profit (excluding equity accounted investees NPAT and LGC shortfall penalty)[1]	31%	30%

1 Origin equity accounted investees are Australia Pacific LNG and Octopus.

Table 2: Taxes paid/(refunded)

	2021 ($million)	2020 ($million)
Income tax	(31)	213
Payroll tax	37	34
Excise	18	26
Fringe benefits tax	3	3
Total	**26**	**275**

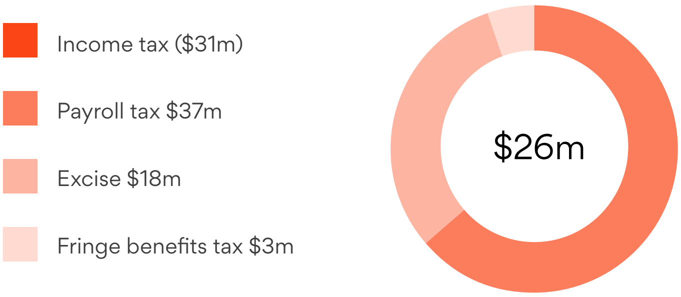
Taxes paid by Origin

During the 2021 financial year, Origin paid $26 million in payroll tax, excise and fringe benefits tax to the ATO and state and territory revenue offices. These amounts exclude taxes paid by Australia Pacific LNG.

There was no income tax paid in 2021 financial year due to the tax loss in the 2020 financial year.

We also collect and remit taxes such as GST and PAYG withholding to the ATO.

Taxes paid by Origin 2021 ($million)



5 In the 2020 and 2021 financial years, Origin received dividends from Australia Pacific LNG on mandatorily redeemable cumulative preference shares which are characterised as interest for accounting and tax purposes.

Reconciliation of accounting profit to income tax expense and income tax payable

Our *2021 Annual Report* details the reconciliation of accounting profit (or loss) before tax to income tax expense and income tax payable.

Income tax expense is calculated on the accounting profit (or loss) before tax, adjusted for permanent differences (that is, accounting income and expenses that is not assessable or deductible for tax purposes).

Income tax payable is calculated on the taxable income, which is determined based on income tax rules and regulations.

The difference between income tax expense and income tax payable is due to timing differences between accounting and tax treatments, that is, accounting income or expenses that are assessable or deductible in a different year for tax purposes.

Table 3 below provides a reconciliation of the differences between incomes tax expense and income tax payable. This is based on Note E to our audited 2021 financial statements.

Table 3: Reconciliation of accounting profit to income tax expense and income tax payable

	2021 ($million)	2020 ($million)
Accounting profit/(loss) before income tax	**(1,846)**	**179**
Prima facie income tax expense on Australian tax rate of 30%	(554)	54
Adjustments for tax exempt charity and difference between Australian and overseas tax rates	(3)	(1)
Adjust for non-temporary differences		
Share of results of equity accounted investees	(57)	(153)[1]
Impairment of carrying value of Energy Market goodwill	298	-
Impairment of investment in Australia Pacific LNG	-	195[1]
Recognition of deferred tax liability in respect of investment in Australia Pacific LNG	669	-
LGC shortfall charge	79	-
Other	7	4
(Over)/under provided in prior years	4	(6)
Total income tax (benefit)/expense	**443**	**93**
Adjust for recognition of DTL in respect of investment in Australia Pacific LNG	(669)	-
Adjust for temporary differences affecting tax payable		
Provisions	(41)	310
Property, plant and equipment	277	(120)
Exploration and evaluation assets	(13)	(174)
Financial instruments at fair value	103	(175)
Carried forward tax losses utilised	(45)	-
Other	(3)	(10)
Temporary and non-temporary differences relating to prior years	7	34
Other items	(4)	(3)
Estimated current year tax payable/(tax effected value of losses)	**56**	**(45)**

1 Amounts restated in 2021 Annual Report.

Directory

Registered Office

Level 32, Tower 1
100 Barangaroo Avenue
Barangaroo, NSW 2000

GPO Box 5376
Sydney NSW 2001

T (02) 8345 5000
F (02) 9252 9244

originenergy.com.au
enquiry@originenergy.com.au

Secretary

Helen Hardy

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

T Australia 1300 664 446
T International (+61 2) 8016 2896
F (02) 9279 0664

boardroomlimited.com.au
origin@boardroomlimited.com.au

Annual Report Auditor

EY