cefc

Annual Report
2020–21

Australian Government

In this report

Cover image

Mallacoota Lake, Gippsland, Victoria

About this report

The CEFC Annual Report for 2020–21 provides detailed information about our investments, performance, financial statements and governance.

cefc.com.au

Acknowledgement of Country

The CEFC acknowledges the Traditional Owners of Country throughout Australia and recognises their continuing connection to land, waters and culture.

We pay our respects to their Elders – past, present and emerging.

Australian Government

30 September 2021

Senator the Hon Simon Birmingham
Minister for Finance

The Hon Angus Taylor MP
Minister for Energy and Emissions Reduction

Parliament House
CANBERRA ACT 2600

Dear Ministers,

Clean Energy Finance Corporation Annual Report 2020-21

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2020-21*.

This Annual Report has been prepared for presentation to the Australian Parliament in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* and meets the requirements of the following Acts and their accompanying subordinate legislation:

- *Clean Energy Finance Corporation Act 2012*
- *Public Governance, Performance and Accountability Act 2013*.

This report is comprised of:

- A Report of Operations, including the additional information required by section 74 of the *Clean Energy Finance Corporation Act 2012*
- The audited Financial Statements and Notes and the Auditor's Report
- Mandatory reports under:
  - Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*
  - Schedule 2, Part 4, section 4 of the *Work Health and Safety Act 2011*
  - Section 9 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1997*.

This Annual Report was approved in accordance with a resolution of the Board of the CEFC at its 107th meeting on 26 August 2021.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely,

Steven Skala AO
Chair

Clean Energy Finance Corporation
1300 002 332
info@cefc.com.au
Suite 1702, 1 Bligh Street
Sydney NSW 2000
cefc.com.au
ABN: 43 669 904 352

Our mission

The CEFC has a clear mission to accelerate investment in Australia's transition to net zero emissions. We invest to lead the market, operating with commercial rigour to address some of Australia's toughest emissions challenges.

We're working with our co-investors across renewable energy generation and energy storage, as well as agriculture, infrastructure, property, transport and waste. Through the Advancing Hydrogen Fund, we're supporting the growth of a clean, innovative, safe and competitive hydrogen industry. And as Australia's largest dedicated cleantech investor, we continue to back cleantech entrepreneurs through the Clean Energy Innovation Fund. With $10 billion to invest on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.

Our values

Impact

We're driven to make a positive impact

We're clear about the difference our investments make and the benefits they bring. Our decisions and the way we influence others today have a positive and sustainable impact for generations to come. We share our experience and insights to encourage others to follow our lead.

Collaboration

We harness the power of many

We value diverse ideas, backgrounds, deep experience and expert delivery. We are open to different perspectives, embracing new solutions and clean energy technologies that transform lives and behaviour. We bring together people committed to making a positive impact.

Integrity

We work openly and honestly

We earn trust through our integrity, transparency, accountability, performance and respect for others. Our commercial rigour, insights and expertise provide the foundation for our risk appetite.

Innovation

We're explorers of new frontiers

We face challenges and opportunities with confidence. This philosophy inspires us to lead with courage and enthusiasm. We work to capitalise on our investment expertise and innovative technologies to accelerate Australia's transition to a lower emissions economy.

Leading investment, delivering returns

The CEFC delivered a sustained focus on new investment activity during the 2020–21 year, investing across increasingly diverse areas of the economy while countering the headwinds of the pandemic and the associated economic disruption.

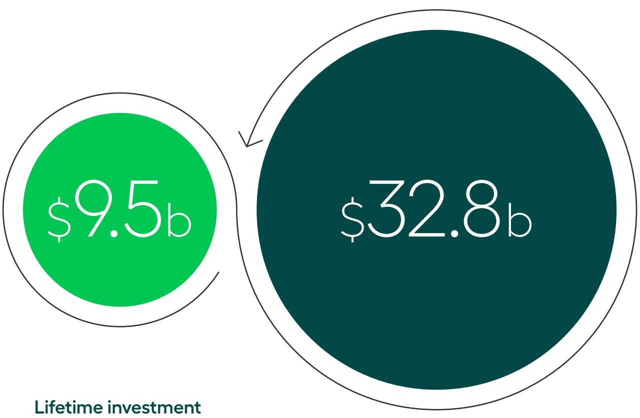
In our ninth year of investment activity, we extended our reach into innovative investment models and technologies, capturing new investor capital and supporting new investment opportunities. We also delivered careful management of our large portfolio, where maturing investments continue to make their mark on the emissions challenge.

As a specialist investor, we saw growing recognition of emissions as an economy-wide challenge and opportunity, accelerating the investor focus on closing technology gaps and exploring emissions solutions for hard-to-abate sectors. In parallel, increased investor interest in the cleantech sector demonstrated the economic potential of the clean energy transition.

CEFC investment commitments during the year continued to demonstrate the breadth of our focus, with new investments in agriculture, cleantech innovation, hydrogen, infrastructure, property, transport and waste. This included investment commitments that support delivery of the Australian Government Technology Investment Roadmap, which seeks to accelerate the development and commercialisation of low emissions technologies.

From an energy perspective, we have substantially increased our focus on grid-related investments, alongside our continued support for generators, infrastructure owners and our co-investors. This has been across energy storage, demand management and large-scale transmission infrastructure. The CEFC investment uplift here reinforces the market appreciation of the critical role of these assets in delivering the required conditions to support the next wave of renewable energy generation, where Australia has considerable untapped potential.

CEFC investment activities in 2020–21 also capitalised on emerging investor trends, including the rapidly expanding pool of available capital seeking low emissions investment opportunities. The CEFC is working with institutional investors to drive transformative emissions reduction activities in long-life infrastructure assets, and across the property and agriculture sectors. These investments are also supporting improvements in climate risk measurement and analysis, in response to increasing pressure for transparency over portfolio emissions profiles.



Lifetime investment commitments to 30 June 2021

Lifetime total transaction value to 30 June 2021

Figure 1: CEFC investment portfolio: lifetime to 30 June 2021

$9.5b CEFC investment commitments	$5.3b Powering renewable energy	$2.40:$1 Private sector leverage
$32.8b Total transaction value	$3.7b Delivering energy efficiency	$117.6m Innovation Fund investments
$7.4b Capital deployed	$492m Low emissions technologies	~220 Large-scale transactions

Highlights 2020–21

In a year of firsts, we were proud to make landmark investment commitments in new areas of the economy, in innovative technologies and in nation-building clean energy projects. Investments into new areas of the economy accounted for one third of new investment commitments in the 2020–21 year – across hydrogen, transmission and embodied carbon. Our investments also reached new areas in recycling, innovative solar technology, green home loans and the first climate-focused Australian equities index.

2020–21 investment highlights

First major transmission transaction: $125 million to help deliver grid infrastructure critical to delivery of the landmark Snowy 2.0 pumped storage project

First hydrogen-related investment: $750,000 to Wollongong University start-up Hysata to commercialise innovative electrolyser production technology

Australia's first forward-looking climate index: $60 million cornerstone investment in the BNP Paribas green bond linked to the new Australian Climate Transition Index

Regenerative farming transformation: $50 million investment in science-led sustainable farming platform, to lift yields and climate resilience, while cutting carbon emissions

Recycling Investment Fund gets started: $16.5 million investment to recycle the equivalent of some one billion PET bottles into high-grade food packaging

Backing for next generation solar PV technology: $10 million investment to develop Sunman's revolutionary lightweight, flexible solar panels

Deploying embodied carbon in property construction: $95 million in debt finance to support the use of low carbon concrete in Perth's Roe Highway Logistics Park

Record 11 new investments in cleantech: driving almost $32 million in new investment commitments through the specialist Clean Energy Innovation Fund

First all green residential mortgage-backed securitisation: $108.5 million investment to help deliver sustainable housing through Firstmac green home loans

Greener homes for people living with a disability: $87 million investment in first specialist disability accommodation platform with a sustainability focus

Single largest investment: up to $295 million investment to deliver critical transmission infrastructure across three states, as part of Project EnergyConnect (closed just after year end)

Investing with commercial rigour

As the nature of CEFC investment commitments continues to evolve, an enduring characteristic of our investment approach is the commercial rigour of our activities. Along with the goal of attracting additional private sector capital into the sector, the CEFC works to deliver a positive return for taxpayers across our portfolio. This focus was particularly important during 2020–21 in the face of the widespread disruption caused by the pandemic.

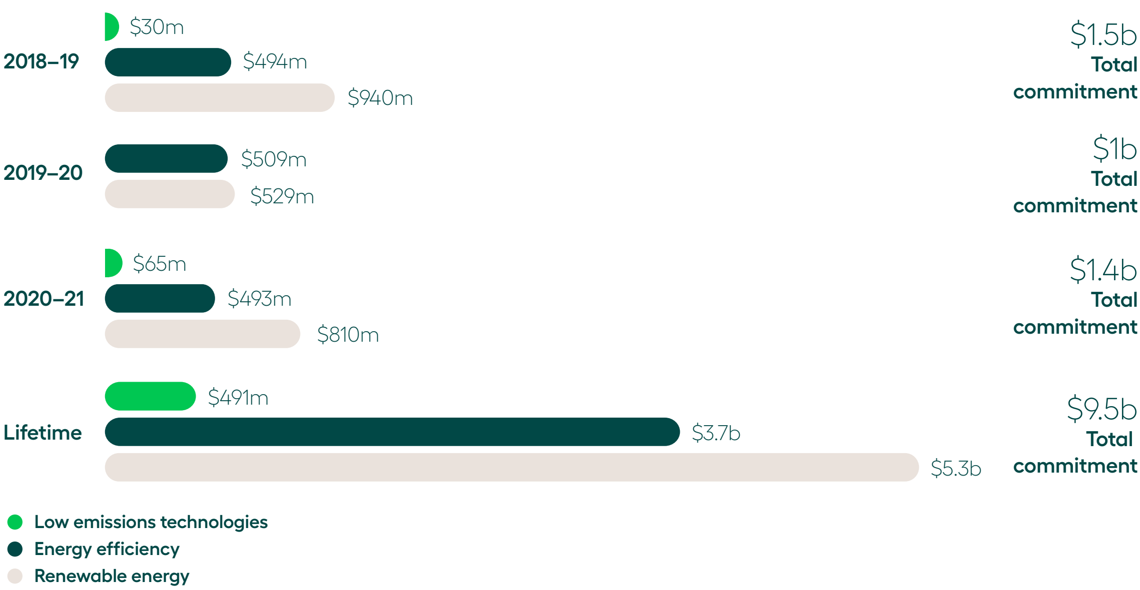
Capital leverage

Each dollar of CEFC capital committed in 2020–21 attracted an additional $2.68 in private sector finance. This leverage saw the CEFC participate in new investment commitments with a total value of $5 billion, delivering a significant lift in clean energy investment despite the economic challenges of the year. The lifetime leverage of $2.40:$1.00 on CEFC capital took the transaction value of CEFC investment commitments to almost $33 billion to 30 June 2021.

Clean energy technologies

The CEFC Act requires the CEFC to invest in eligible clean energy technologies, including renewable energy, energy efficiency and low emissions technologies. The CEFC is required to ensure that, at any time on or after 1 July 2018, at least half of CEFC funds are invested in renewable energy technologies. At 30 June 2021, investments in renewable energy technologies represented 55.7 per cent of the CEFC on-risk portfolio.

Figure 2: CEFC investment commitments by eligible technology



There were no new investment commitments to low emissions technologies in 2019–20. Figures represent lifetime investment commitments.

Repayments and returns

The CEFC investment portfolio received $823 million in repayments and returns during the year, building on the strong performance of $942 million in the previous year. Total repayments since the CEFC began investing were almost $2.5 billion to 30 June 2021, with this capital available for CEFC reinvestment.

Capital deployment

The CEFC continued our strong focus on capital deployment during the pandemic, which is essential to accelerating the delivery of emissions reduction activities. Lifetime deployment reached $7.4 billion to 30 June 2021, including $1.3 billion during the year. As part of the 2020–21 deployment, we were pleased to deploy $175 million in discounted asset finance to some 5,800 smaller-scale projects Australia-wide, making a timely contribution to economic activity and emissions reduction. Our portfolio of on-risk investment commitments reached $6.5 billion at 30 June 2021, reflecting almost $2.5 billion in amortisation and repayments on $9.5 billion in lifetime commitments.

CEFC operations

We returned an operating surplus of $144.5 million (normalised $184.4 million) in 2020–21, reflecting higher revenues from equity investments and reduced operating costs, partially offset by lower interest rates.

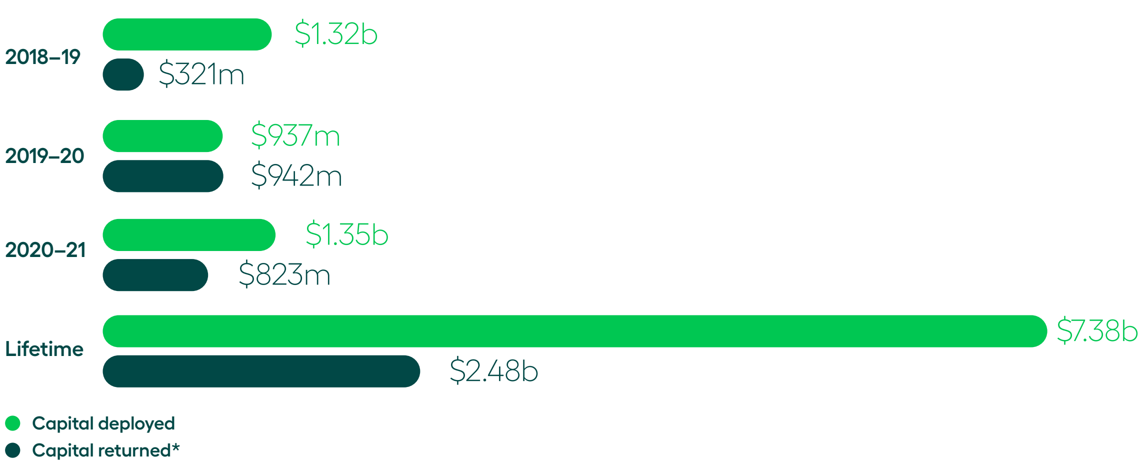
Refinancing and restructuring

While the Australian economy avoided some of the worst fears of economic impact due to the pandemic, ABS data showed capital expenditure slowed across the economy, reflecting investor caution particularly in the early part of the financial year. In working closely with clients and co-investors to minimise disruption related to the pandemic and to address lower power prices, the CEFC made additional capital commitments of $410 million to refinancing and restructuring arrangements. These had a particular focus on renewable energy projects, which were adversely impacted by marginal loss factors and lower wholesale electricity prices.

Refinancing may be required as projects are constructed, or following adjustments in the underlying debt and equity mix, in response to heightened market uncertainty. Supporting clients via restructuring and refinancing demonstrates the important role of the CEFC in contributing to the increased flows of finance into the clean energy sector through a changing market cycle.

Refer Appendix F.

Figure 3: Movements in portfolio



* Capital returned includes investment principal returned by way of sales, redemptions, repayments and debt amortisation.

From Chair Steven Skala AO

I am pleased to commend the 2020–21 Annual Report of the Clean Energy Finance Corporation.

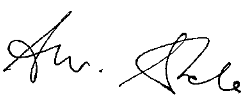
In another year marked by the disruption of COVID-19, the CEFC demonstrated its position as a market leading financier and investor both catalysing and participating in a wide range of transactions supporting Australia's transition to a low emissions economy. The CEFC continues to meet its public policy objectives.

Reflecting on nine years of operation, the ongoing evolution of the CEFC and its ability to deliver on its purpose confirms that its unique business model is effective.

The CEFC is harmonising three separate investment goals successfully: it is investing directly in areas where there is innovation or an undeveloped market, it is doing so while also crowding in private sector investment to achieve important environmental and energy outcomes and substantiating the creation of markets; and it operates in a way that covers its cost of operations and, after taking into account imputed funding costs, generates a surplus for taxpayers.

New commitments made by the CEFC for 2020–21 totalled $1.37 billion, taking lifetime commitments to $9.54 billion, driving a total transaction value of $32.8 billion in clean energy investments.

The CEFC recorded $184.4 million of normalised surplus[1] from operations in 2020–21, a new record since it began investing and reflecting a steady increase over time, despite the constraints of COVID-19. From $30.7 million recorded in 2016–17, to the pleasing result this financial year, the CEFC financial performance in the past five years has been very sound, especially having regard to its core objectives and the limitations within which it operates.



Steven Skala AO
Chair, CEFC

1. The normalised surplus from operations excludes gains brought to account through holding bonds and loans at fair value, together with the non-cash expense and revenue related to concessional and loan modification charges and revenue received from government through appropriation.

In 2020–21, $823 million was received by the CEFC through debt amortisation and repayments together with bond and equity sales, achieving a lifetime figure of $2.5 billion. This is money that is effectively recycled and becomes available to be reinvested by the CEFC in clean energy investments.

It is notable that every dollar committed by the CEFC this year attracted $2.68 in private capital, with lifetime leverage of some $2.40. Also notable is that the CEFC portfolio of investments will yield an estimated carbon abatement of more than 8.7 Mt CO_2-e per annum on average. The CEFC portfolios of investments currently are achieving a combined annualised rate of return since inception of 4.62 per cent, and an annualised rate of return over the past five years of 4.63 per cent. This is a modest but positive return to taxpayers, that is sufficient to more than cover all the CEFC operating costs and an imputed cost for the funding provided by Australian Government, and reflects properly the risks and challenges of the CEFC operating in the clean energy space and within its policy overlays.

From the early years following inception, where the CEFC focused on catalysing the nascent solar and wind industries, to the current reporting period which is characterised by ground-breaking investments in transmission, hydrogen and storage, the cumulative effect of the CEFC investment impact grows year on year. The CEFC performance reflects a maturing organisation with effective leadership and a business model that deals with change through time.

The CEFC has been building steadily on the foundations established in its earlier years of operation to make significant progress on its public policy objectives. To continue this momentum, the CEFC now targets new technologies and harder-to-abate sectors, along with the challenge of investing in exciting innovations that can spearhead further decarbonisation.

The CEFC has a strong track record of investing in new technologies. Working alongside ARENA, the CEFC is confident that it can draw on this expertise to unlock new opportunities in priority technologies identified in the Australian Government Low Emissions Technology Statements (LETS). This year, in my capacity as Chair of the CEFC, I was pleased to join the Technology Investment Advisory Council, a new permanent advisory body established through the Department of Industry, Science, Energy and Resources (DISER) to provide advice, amongst other things, on Government technology investments priorities as articulated in the annual LETS.

In 2020–21 the CEFC made a number of investments that support the priority LETS technologies, including its first hydrogen transaction, an early-stage investment in Hysata. It also made its first investment in next generation lightweight solar PV technology and further investments in soil carbon technology and energy storage.

Looking ahead, a large range of dynamics have the potential to affect the pace, manner and profitability with which the CEFC delivers on its objectives in the coming years. These include the readiness for investment in technologies identified in the LETS, the evolution of voluntary carbon markets including those involving Australian Carbon Credit Units, uncertainty about the speed with which transmission networks can be upgraded to accommodate the build out of renewable energy, and technical advancements required to ensure that the grid can safely, reliably, securely and efficiently use the growing availability of renewable energy sources. In addition the publication of two more reports from the Intergovernmental Panel on Climate Change (scheduled over the next 12 months) and progress at the 26th meeting of the UN Climate Change Conference of the Parties in Glasgow show the scale of the opportunity for further investment to realise our climate goals.

Throughout the year the CEFC delivered on policies that demonstrate its commitment to good corporate citizenship. The CEFC launched its Environmental, Social and Governance Policy, which was approved and adopted by the Board to provide an ESG overlay linking established policies and guidelines. The policy recognises the fact that effective management of financial and reputational risks, including matters related to ESG, supports the CEFC objectives and mission. The Board has incorporated this perspective into investment decision processes and criteria.

The organisation is also aware that while its investments will always have a core focus on clean energy technologies through renewable energy, energy efficiency and/or low emission technologies, there is also opportunity for the CEFC to realise further positive impact through its investment activities. Illustratively, this year the CEFC made its first statement under the *Modern Slavery Act 2018* to guide it in identifying, assessing and mitigating the risks of modern slavery in supply chains and operations. As a Commonwealth corporate entity, the CEFC is committed to the objectives of the Act, and as a specialist investor operating on behalf of the Australian Government, it aspires to the highest standards of ethical behaviour in its operations.

The CEFC continues to work closely with the Minister for Energy and Emissions Reduction, the Hon. Angus Taylor MP and the Minister for Finance, Senator the Hon. Simon Birmingham, and their respective offices, DISER, the Department of Finance and officials. The CEFC appreciates their constructive support and interest.

I thank CEO Ian Learmonth, the Executive, and all the employees of the CEFC for their professionalism and ongoing commitment, and the hardworking Board members who dedicate their knowledge and experience, to help the CEFC deliver its public policy objectives on behalf of all Australians.

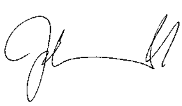
From CEO Ian Learmonth

In 2020–21 the CEFC completed another outstanding year of clean energy investment, spearheading Australia's efforts to cut emissions at a time when the imperative of our work is more urgent than ever.

With the release of the Sixth Assessment Report from the Intergovernmental Panel on Climate Change, we are again reminded of the scale of the emissions challenge. It is clear that the ability of the CEFC to connect a widening pool of willing capital with the clean energy investments and technologies capable of driving down emissions is critical to helping meet that challenge. We are at the forefront of an advance by private sector capital into impact investments that can pave the way to a net zero economy. The CEFC is well positioned to work with this capital in addressing decarbonisation at the urgent pace required.

Australia is blessed with abundant renewable resources, of solar, wind and critical minerals, along with the entrepreneurial spirit and skill required to push technological boundaries. CEFC capital is at the centre of these intersecting resources, with the unique ability to marshal them in the pursuit of decarbonisation. Our expertise in developing new markets, building investor confidence and crafting bespoke and innovative investment products is facilitating the transition to lower emissions. We are positioning Australia to take advantage of the clean energy opportunities for new jobs and economic growth, along with the environmental, social and health benefits that will also emerge.

In 2020–21 CEFC capital crossed new frontiers, accelerating investment in hard-to-abate sectors, overcoming financial hurdles and reaching into new areas of the economy that are key to driving down emissions. We were proud to make our first major transmission investment to help meet the rapidly evolving requirements of our energy network. This $125 million investment commitment for grid infrastructure critical to the nation-building Snowy 2.0 development was followed by a second transmission investment, in the landmark Project EnergyConnect,



Ian Learmonth
Chief Executive Officer, CEFC

which closed just after year end. This historic project is the single-largest CEFC transaction since we began investing and will help deliver an estimated 1,780 MW of renewable energy to accelerate the decarbonisation of Australia's electricity network. We also provided a $160 million limited recourse loan to finance the 300 MW Victorian Big Battery which is on track to be one of the largest storage facilities in the world. CEFC finance was vital to allowing these large-scale and complex projects to proceed, addressing grid security and supporting a greater uptake of renewables.

Our continued involvement in clean energy generation saw us work with Octopus Australia in a landmark joint venture to help accelerate the delivery of Gippsland's Perry Bridge and Fulham solar farms. In providing development capital to the joint venture, we are helping create an exciting clean energy future for the Gippsland community. And in demonstrating the ability of grazing and solar farming to co-exist, the projects can also provide a diversified revenue stream to local landholders.

The 2020–21 year was notable for a range of other firsts, including our inaugural hydrogen-related investment, our first direct investment in embodied carbon and our first investment through the Australian Recycling Investment Fund. In addition, landmark commitments across the financial sector saw the CEFC back a green bond linked to the first Australian forward-looking climate transition equity index. We also invested in a green residential mortgage-backed securitisation to deliver more sustainable housing through green home loans.

We continue to advance the development of Australia's cleantech ecosystem through our Innovation Fund, which helped match investors with leading Australian entrepreneurs whose technological breakthroughs are so important to the transition. The Innovation Fund marked its fifth year of operation with lifetime investment commitments of $117.6 million, driven by a record 11 investments in the 2020–21 year, including five follow-on investments. Right across the Innovation Fund portfolio, leading innovators are working to deliver a more sustainable economy, capturing the benefits of the clean energy transition. There is no single solution to cutting carbon emissions, which is why the diversity of these innovators is so important.

Our investment portfolio has shown impressive resilience throughout the COVID-19 pandemic. As a responsible investor, we are ever conscious of striking an appropriate balance between effective risk management and providing investment support to the broader clean energy economy. During 2020–21, we were pleased to support clients through the economic uncertainty that accompanied a second year of intermittent lockdowns, including working with clients to restructure transactions with suitable terms for the changing and often difficult market conditions.

The CEFC takes seriously our responsibility to foster greater knowledge of clean energy potential by sharing our insights. This year we made an important contribution to the understanding of a future domestic hydrogen market with the publication of the *Australian hydrogen market study*. Another report, *Energising resource recovery: the Australian opportunity*, identified an investment pipeline of up to $7.8 billion in our waste, bioenergy, recycling and resource recovery sectors. In parallel, we continued to share what we have learned from our broad range of investments through a series of webinars, podcasts and Investment Insights.

During the year, the Board and Senior Leadership Team looked closely at our five-year direction and outlook, with a view to building on the strong foundation we have established in our first nine years of investment. Importantly, we will continue to play a key role as a trusted leader in Australia's clean energy transition and aspire to retain our place as the 'world's most successful green bank'. Our five-year strategic framework sets ambitious targets, recognising the scale of the emissions challenge ahead, as well as the continued role of the CEFC in leading the market in catalysing the required investment. Our goal is to work alongside private sector capital in delivering more than $55 billion in total investment to low emissions opportunities. Importantly, these initiatives would potentially deliver annual emission reductions in five years of 13 Mt CO_2-e. We will continue to refine and develop this strategic vision over the coming years.

As we continue this important work, we greatly appreciate the guidance of the CEFC Board led by Chair Steven Skala AO and the close working relationship we enjoy with the Minister for Energy and Emissions Reduction, the Hon. Angus Taylor MP, the Minister for Finance, Senator the Hon. Simon Birmingham, and the Departments of Finance and Industry, Science, Energy and Resources.

Our strategy

The CEFC works with businesses, institutional investors and innovative entrepreneurs to accelerate investment in Australia's transition to net zero emissions. In operating within the parameters of the CEFC Act and Investment Mandate directions, we must also anticipate and respond to the environment and market conditions in which we operate. This means retreating where the private sector is operating effectively, and stepping up our investment activity to fill market gaps where the private sector is absent. Through our investment origination activities, framed around four decarbonisation pathways, we prioritise emissions challenges across the wider Australian economy.

Decarbonisation pathways

Low carbon electricity

Grid and renewable energy

CEFC finance is accelerating the delivery of cleaner, lower cost energy Australia-wide. We're investing in critical large-scale grid transmission projects, landmark battery storage, substantial renewable energy developments and innovative bioenergy opportunities.

Read more on page 34

Ambitious energy efficiency

Built environment

Investing in renewable energy, energy efficiency and low emissions solutions for the infrastructure, manufacturing and property sectors can deliver benefits right across the economy, from lower energy costs to increased efficiency, reducing demand on the energy network.

Read more on page 40

Electrification and fuel switching

Sustainable economy

We're working to electrify key sectors of our economy, from backing clean hydrogen as a new fuel source to investing in fuel switching technologies to decarbonise agriculture, industry, resources and transport.

Read more on page 44

Reducing non-energy emissions

Bio-sequestration, recycling, soil carbon

We're pursuing diverse opportunities to reduce non-energy emissions, from lowering embodied carbon in buildings to bio-sequestration and soil carbon initiatives in agriculture.

Read more on page 46

Low Emissions Technology Statement

The CEFC works to deliver policy outcomes for the Australian Government by supporting the development and commercialisation of priority low emission technologies identified in the annual Low Emissions Technology Statements, developed under the Technology Investment Roadmap.

Australian Government LETS objectives

1. **Accelerate the development of new and emerging technologies by making them economically competitive with established technologies, unlocking new opportunities across the country**

2. **Build on Australia's existing role as a trusted exporter of energy, resources and agricultural products, and secure continued prosperity in a low emissions global economy**

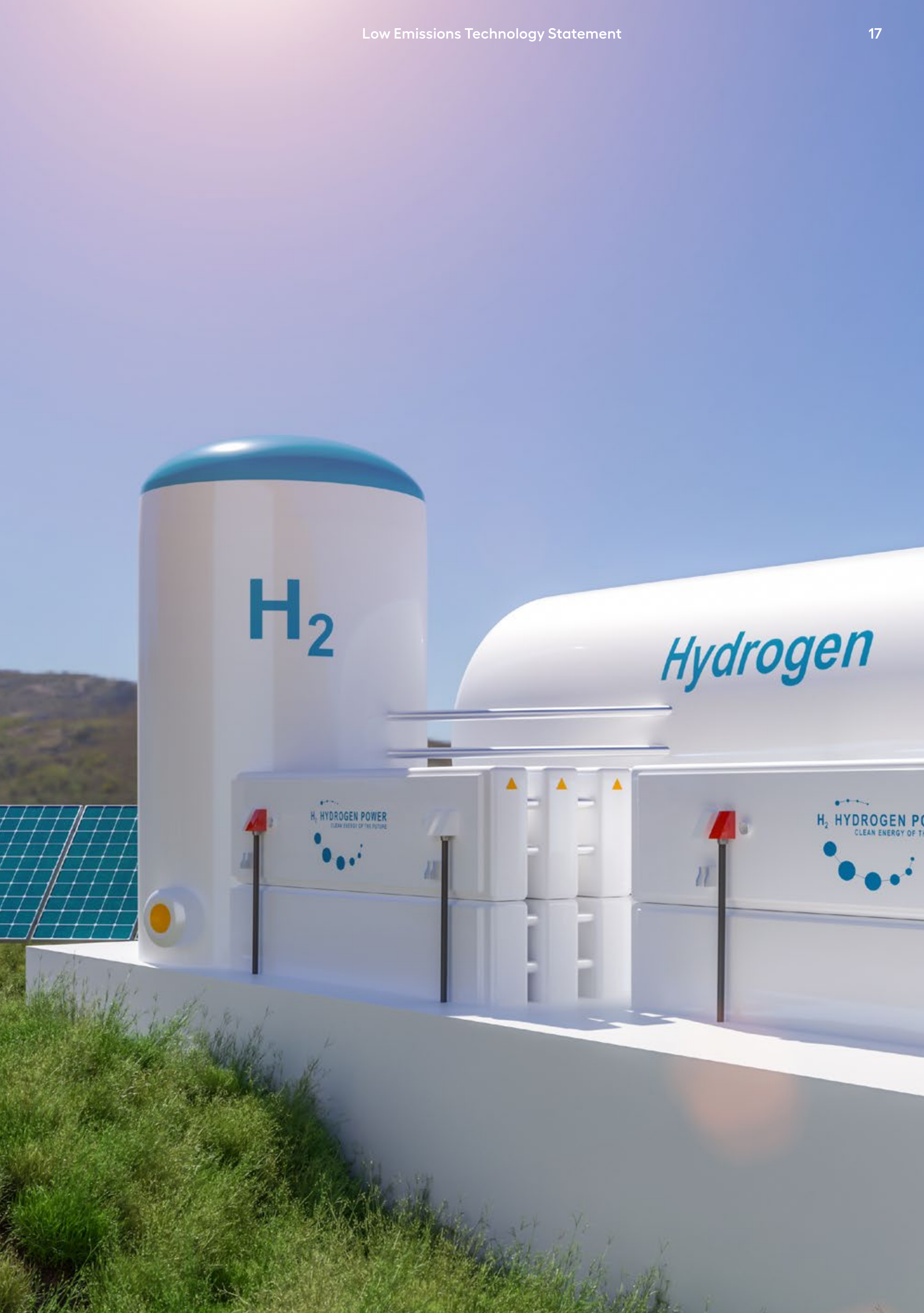
3. **Realise a lasting partnership between industry, investors, researchers, governments and the broader community to:**
   - Preserve and create jobs, capture new opportunities and revitalise Australia's regional economies
   - Lower household living expenses with abundant, clean and low-cost energy
   - Build competitiveness by leveraging our comparative advantages
   - Attract and retain the best minds in priority low emissions technology research fields.

CEFC contribution

The CEFC is represented on the Technology Investment Advisory Council *(ex officio)* by Chair Steven Skala AO, with senior staff involved in associated workstreams regarding investment and deployment pathways.

The first annual LETS identified five priority technologies as having significant emissions abatement and economic potential: clean hydrogen, energy storage, carbon capture and storage, low emissions materials (steel and aluminium) and soil carbon. CEFC investment commitments support a range of technologies identified in the LETS, including:

- Priority technologies (noting carbon capture and storage is a prohibited technology under the CEFC Act)
- Emerging and enabling technologies, or watching brief technologies
- Mature renewable energy technologies, making strategic investments, particularly where there is a clear market failure, where these investments secure jobs in key industries or in supporting the reliability and security of the current grid through work on enabling technologies such as distributed energy management and energy efficiency.


H2
Hydrogen
H2 HYDROGEN POWER

Performance

Performance statement and analysis

Introductory statement

The CEFC Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2020–21 Annual Performance Statements, as required under paragraph 39(1)(a) of the PGPA Act.

In our opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the CEFC and complies with subsection 39(2) of the PGPA Act.

Entity purpose

The object of the CEFC, as set out in the CEFC Act is "to facilitate increased flows of finance into the clean energy sector". Ultimately, this objective is achieved through investing alongside the private sector in eligible renewable energy, energy efficiency and low emissions technologies, businesses and projects.

Performance outcome

The CEFC delivered a strong performance in 2020–21, achieving or exceeding key strategic goals while maintaining its commercially rigorous approach to investment and risk matters. In a year of continued disruption caused by the COVID-19 pandemic, the CEFC further demonstrated its role as a catalyst for investment into emissions reduction initiatives, with a specific focus on addressing the main sources of emissions in the Australian economy. CEFC investment commitments also reflected government policy objectives, including those reflected in Investment Mandate Directions to the CEFC, and the Australian Government Technology Investment Roadmap.

Performance evaluation

The CEFC non-executive Board and its non-executive sub-committees monitor the performance of the CEFC throughout the year, in addition to conducting a full-year performance evaluation. For the 2020–21 year, the Board-approved Corporate Plan detailed five specific strategic objectives for the CEFC, and the associated activities required to deliver against these. The Board-approved annual performance measures reflect our broader mission to accelerate investment in Australia's transition to net zero emissions.

Taking into consideration our longer-term strategic framework, the measures include private sector leverage, our focus on attracting first-time clean energy investors, growing the scale of investment in the clean energy sector and increasing emissions abatement through our transactions. We also seek to maintain our leadership position in the clean energy sector through widespread knowledge sharing and positive engagement with our broad range of stakeholders.

Performance measures

The 2020–21 performance was measured against the performance targets established in the 2020–21 CEFC Corporate Plan, refer to page 16, and the relevant provisions of the 2020–21 Portfolio Budget Statements, refer to page 188.

1

Demonstrate entrepreneurship and catalyse investment in innovation and the rollout of (emerging and evolving) technologies, consistent with the Investment Mandate

Performance measure

Evidence of investment in innovation and the focus areas under the Investment Mandate, notably the security and reliability of the grid, the Advancing Hydrogen Fund and the Australian Recycling Investment Fund.

Evaluation

Exceeded

2020–21 technology commitments

$810m

Renewable energy

$493m

Energy efficiency

$65m

Low emissions technologies

Performance analysis

CEFC investment commitments in 2020–21 reached new areas of economic activity, innovative technologies and large-scale energy storage and grid transmission projects.

Grid-related investment commitments including finance for infrastructure critical to the Snowy 2.0 pumped storage project, as well as the development of the Victorian Big Battery. Other investments in the year included:

- First investment through the Australian Recycling Investment Fund to help deliver Circular Plastics Australia PET recycling facility in NSW
- First CEFC hydrogen-related investment, delivered through the Clean Energy Innovation Fund to Wollongong University start-up Hysata
- Investment in innovative financing models, including the first all-green residential mortgage-backed securitisation, the first forward-looking climate transition equity index and sustainability linked loans
- Investment in innovative technologies across the agriculture, property, resources and solar sectors.

Performance statement and analysis

2

Be financially sustainable and maintain an investment portfolio that, over the longer term, facilitates emissions reductions and generates positive returns within risk appetite

Performance measure
Achieve a total adjusted operating result of $90 million.

Evaluation

Exceeded

Performance analysis
The total adjusted operating result[1] for the 12 months ending 30 June 2021 was $178.8 million, significantly ahead of target. This result was driven by a $58.5 million positive variance in relation to net fair value gains on CEFC equity investments, a $12.7 million positive variance from lower than budgeted charges for impairment, reduced travel expenses and lower than budgeted staff costs.

Target	$90m
Result	$178.8m

98.7%

Increase on target

Performance measure
Achieve free cash flows from operations after the implied costs of government funding of $20 million.

Evaluation

Exceeded

Performance analysis
Free cash flows from operations[2] for the 12 months to 30 June 2021 were $155.6 million. After accounting for the implied costs of government funding of $85.7 million[3], the result was $69.9 million, significantly ahead of target. A major contributor to the result was the receipt of $26.6 million from previously capitalised interest and fees as a result of accelerated repayments in refinanced transactions that occurred during the year, together with higher revenues and lower costs.

Target	$20m
Result	$69.9m

249.5%

Increase on target

1. Adjusted operating result is a KPI performance-specific metric calculated as statutory operating result, adjusted for (1) administrative funding received from Government (2) Clean Energy Innovation Fund gains and losses, (3) concessionality and loan modification charges and unwinds, and (4) loan and bond mark-to-market revaluations.

2. Free cash flow from operations is defined as net cash flow from operations less capital expenditure and government appropriation revenue.
3. The implied cost of government funding is based on the relevant five-year Australian government bond rate on the date balances are drawn as equity from the CEFC Special Account.

Performance measure
Actively manage the portfolio and demonstrate sound navigation through heightened uncertainty; evidence that comparable elements of the portfolio, such as project finance in the renewables sector, compare favourably with the market.

Evaluation

Exceeded

$6.5b

CEFC investment portfolio at 30 June 2021

$9.5b

Lifetime commitments to 30 June 2021

Performance analysis
The CEFC has a large and complex portfolio of $6.5 billion at 30 June 2021, after allowing for almost $2.5 billion in amortisation and repayments on lifetime commitments of $9.5 billion. Active management of the portfolio in the year, with a particular emphasis on minimising the disruption of the pandemic and associated economic uncertainty and sectoral dynamics, saw a substantial improvement in the risk profile, with the share of the portfolio rated as performing below expectations falling from 14.6 per cent at 1 July 2020 to 5.1 per cent at 30 June 2021.

Of this 5.1 per cent, 3.6 per cent are debt investments where a full return of principal and interest is expected. These investments require closer monitoring and, in some cases, restructuring of terms to reflect current operating conditions. Mitigating actions may include de-leveraging. Once the investment is operating in line with expectations, the investment is re-rated.

The CEFC also benefited from $436.6 million in proceeds on the sale of bonds which had a face value of $397.5 million, generating a cash profit of $34.3 million. The bonds, originally acquired as part of the CEFC wholesale bank asset financing programs, were deemed surplus due to repayment of underlying loans.

Over the year, the CEFC worked collaboratively and engaged widely with counterparties and stakeholders to address project and industry related issues. In doing so, we maintained our standing with industry participants and alignment with private sector financiers while ensuring satisfactory risk outcomes.

Performance statement and analysis

3

Increase investment in clean energy technologies and infrastructure

Performance measure
Provide $0.8 billion of investment commitments to renewable energy, energy efficiency and low emission technology transactions.

Evaluation

Exceeded

Performance analysis
The CEFC made total investment commitments of $1.78 billion in the 2020–21 year, including $1.37 billion in new investment commitments and $410 million in capital committed and classified as a refinance or restructure of existing assets in the portfolio. The new investment commitments included $810.1 million for renewable energy technologies, with an additional $493 million to energy efficiency technologies and $65 million to low emissions technologies.

The $410 million of capital committed to refinancing and restructures helped support existing clients as they faced the challenges of COVID-19, particularly in renewable energy where grid constraints and the economic contraction saw lower wholesale electricity prices, which were further impacted by reduced demand due to mild summer temperatures. Supporting counterparties via restructuring and refinancing arrangements demonstrates the important role of the CEFC in ensuring capital continues to flow into the clean energy sector, particularly in periods of economic uncertainty.

Target	$0.8b
Result	$1.78b

Performance measure
Evidence of supporting the electricity grid's transition to a lower emissions energy market.

Evaluation

Exceeded

Performance analysis
Integrating new clean energy generation into the electricity grid requires significant investment in the transmission and distribution systems, including transmission interconnectors, storage technologies and grid stability technologies. These projects are necessarily complex, requiring considerable planning, development and investment.

The CEFC prioritises investments to support grid reliability and security across the portfolio, in addition to the specific funding programs established through Investment Mandate directions. New investment commitments of $365 million in grid infrastructure in the 2020–21 year included finance across four significant projects. These were the Victorian Big Battery; the extension of the Hornsdale Power Reserve large-scale battery in South Australia; capital for Snowy 2.0 grid infrastructure and investment in Australia's largest virtual power plant in South Australia.

$365m

Grid infrastructure commitments 2020–21

Performance measure
0.45 million tonnes per annum of estimated emission reductions from projects and activities funded by new investment commitments.

Evaluation

Exceeded

Target	0.45 Mt CO_2-e
Result	0.78 Mt CO_2-e

Performance analysis
New investment commitments in 2020–21 are estimated to achieve emission reduction of 0.78 Mt CO_2-e per annum against the 0.45 Mt CO_2-e target.

Emissions abatement achieved through direct CEFC investment commitments in renewable energy generation projects were the largest contributor to this result. It should be noted that CEFC investment commitments in grid enhancements and energy storage are not included in the CEFC estimate of emission reduction secured as part of our investment activities. These are very substantial investments and will play a critical role in unlocking additional investment in renewable energy to create a low emissions electricity grid, positively impacting emissions reduction at the user end. While we recognise the indirect link between CEFC commitments when they are made and the expected emissions outcome of grid and storage projects they will enable in the future, we have conservatively elected not to include an associated direct emissions estimate for these future projects at this early stage.

CEFC capital committed per tonne of estimated lifetime emission reductions for new investment commitments in 2020–21 was $78.00. The expected financial return per tonne of estimated lifetime emission reductions for 2020–21 investment commitments was $18.00. We continue to monitor the capital intensity and expected return ratio of abatement across our portfolio, in conjunction with an absolute abatement target per year, to ensure a balanced outcome.

Performance statement and analysis

4

Increase private sector capital flowing to the Australian clean energy sector and attract new investor classes into the sector

Performance measure
Achieve private sector leverage of $2 for every $1 of capital invested by the CEFC.

Evaluation

Exceeded

Performance analysis
Each dollar of CEFC capital invested in 2020–21 was matched by an additional $2.68 in private sector capital. This leverage saw the CEFC participate in new low emissions investments with a total value of $5 billion, delivering a significant lift in clean energy investment in the 2020–21 year despite the economic challenges of the year. While the CEFC reports leverage at the primary point of investment, it should be noted that secondary leverage also occurs as additional investors ultimately replace CEFC capital as our investments mature.

Target	$2.00 to $1.00
Result	$2.68 to $1.00

Performance measure
Evidence that the CEFC has attracted new private sector finance, including superannuation funds, domestic and international funds, insurance groups and family offices.

Evaluation

Exceeded

Performance analysis
During the 2020–21 year, CEFC investment commitments in five transactions attracted new private sector market participants. The total capital committed by these new market entrants was $288 million, across diverse investment areas, including in the resources and cleantech innovation sectors as well as new financing models. As with private sector leverage, attracting new investors into low emissions opportunities in Australia is an important indicator of the role of the CEFC in increasing the flow of finance into the clean energy sector.

$288m

Commitments by new market entrants 2020–21

5

Demonstrate leadership across the clean energy sector and positively contribute and adapt to Australia's COVID-19 situation

Performance measure

Be productive, available and support existing and prospective clients, and key stakeholders. Evidence of the CEFC participating in a post-pandemic recovery.

Evaluation

Exceeded

Performance analysis

The CEFC continued to invest across the economy in 2020–21. In addition to new investment commitments, capital deployment of $1.3 billion accelerated the delivery of emissions reduction activities, complemented by the provision of discounted finance for 5,800 smaller-scale asset finance projects, delivering new investment of $175 million.

The CEFC worked collaboratively with key stakeholders and counterparties to address project and industry related issues throughout the pandemic. The CEFC also contributed to the various workstreams under the National COVID Coordination Committee.

CEFC investment highlights 2020–21

$1.4b

Investment commitments

22

Transactions

$1.3b

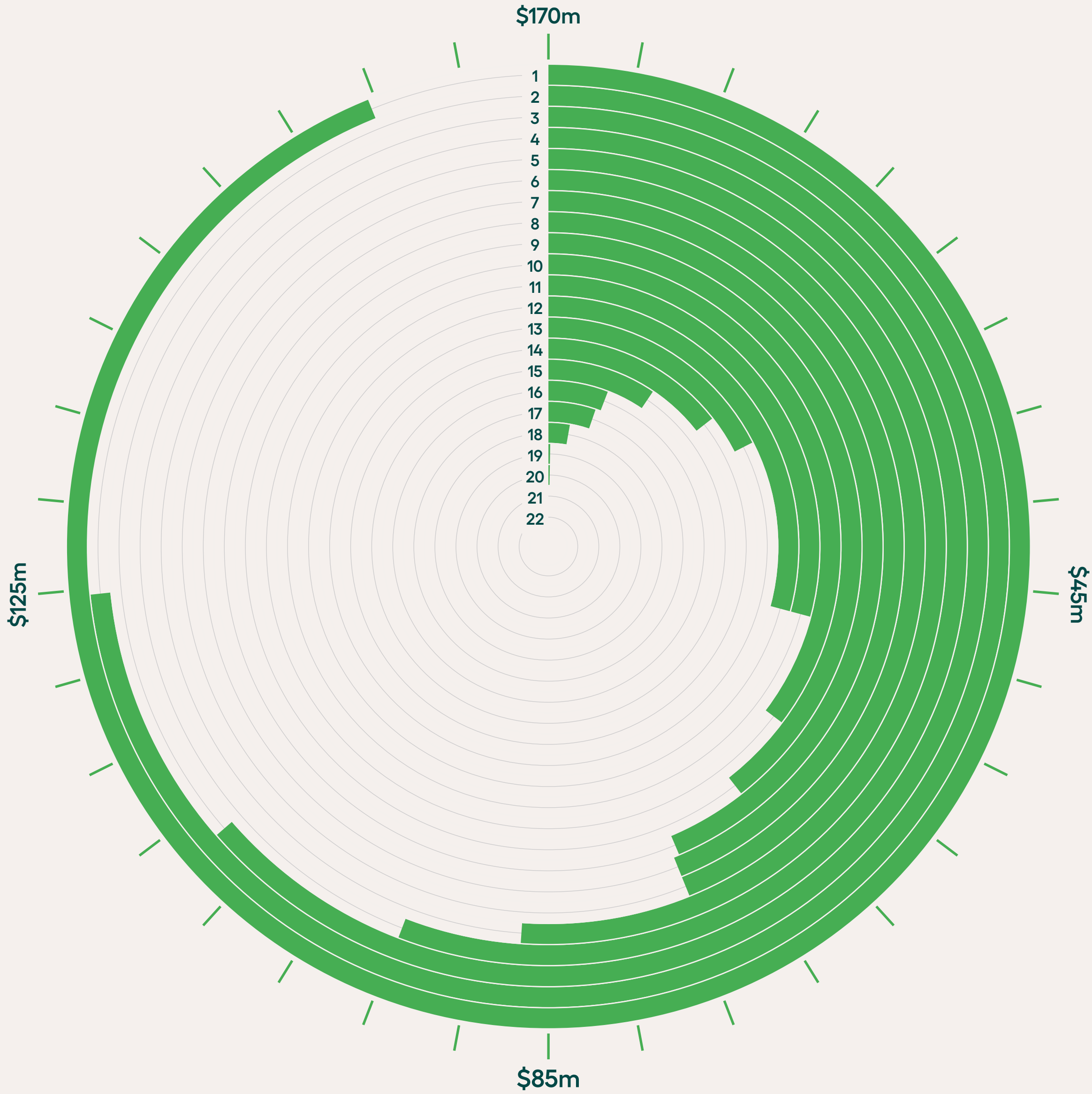
Capital deployed

Investment commitments: 2020–21

Figure 4: Investment commitments in detail 2020–21

Transaction	CEFC $m	Description
1 Neoen	160	Finance for the design, construction and operation of the Victorian Big Battery, one of the largest energy storage facilities in the world.
2 Lumea	125	Finance for grid infrastructure critical to the delivery of the Snowy 2.0 pumped hydro project, including 330 kV switching station and associated transmission lines.
3 Firstmac	108.5	In an Australian first, all the underlying mortgages in the securitisation were for environmentally friendly housing.
4 Roe Highway Logistics Park	95	First direct investment to reduce embodied carbon in property construction, to create Perth's most sustainable industrial estate.
5 Macquarie Specialised Accommodation Solutions	87	Investment in energy efficiency measures across specialist disability accommodation.
6 Ingenia Communities	75	Market leading sustainability measures across affordable accommodation for lifestyle and holiday communities.
7 Frasers Property	75	Innovative sustainability linked loan to drive sustainability in two industrial projects, with lower embodied carbon, onsite solar, storage and biodiesel.
8 Canadian Solar	74.4	Finance to enable the construction of two new large-scale solar farms in NSW, showcasing the next wave of innovation in solar technology.
9 Australian Salt Lake Potash	67.3	Investment to help build a world leading, low emissions fertiliser industry while supporting significant carbon abatement in agriculture and resources.
10 BNP Paribas	60	Cornerstone investment in a BNP Paribas green bond linked to the Australian Climate Transition Index, with a specific forward-looking focus on climate transition and decarbonisation.
11 Gunn Agri Partners	50	Cornerstone investment in regenerative farming using science-led sustainable farming initiatives.
12 Charter Hall Prime Industrial Fund	50	Equity investment to accelerate sustainability initiatives in one of Australia's largest industrial and logistics funds.
13 Tesla	30	An innovative program to deliver home energy systems to social housing tenants in South Australia, as part of Australia's largest virtual power plant.
14 Wesfarmers	25	Investment in inaugural sustainability-linked bonds with the interest rates linked to progress against specific renewable energy and emissions performance targets.
15 Circular Plastics Australia	16.5	Investment in Australia's largest PET plastic recycling plant, the first investment through the Australian Recycling Investment Fund.
16 Sunman	10	Investing in innovative lightweight and flexible eArc solar panels, which are cheaper to transport and easier to install on a broader range of buildings.
17 Zoomo	9.2	Financing the continued growth of Zoomo (formerly Bolt Bikes) and the development and deployment of its innovative e-bike model for low emissions deliveries.
18 AgriWebb	5	Investment in a world leading livestock management platform that supports sustainable cattle and sheep grazing, automating on-farm data collection.
19 Octopus Australia	0.86	Landmark joint venture to help accelerate the delivery of the proposed Perry Bridge and Fulham solar farms in Gippsland.
20 Hysata	0.75	Start-up commercialising innovative electrolyser production technology developed at the University of Wollongong.
21 Gridcognition	0.30	Innovative software to optimise distributed energy projects, microgrids and electric vehicle charging systems.
22 Startmate	0.30	Investing in six climate cohorts, to benefit very early-stage innovators and founders via a specialist climate accelerator program.

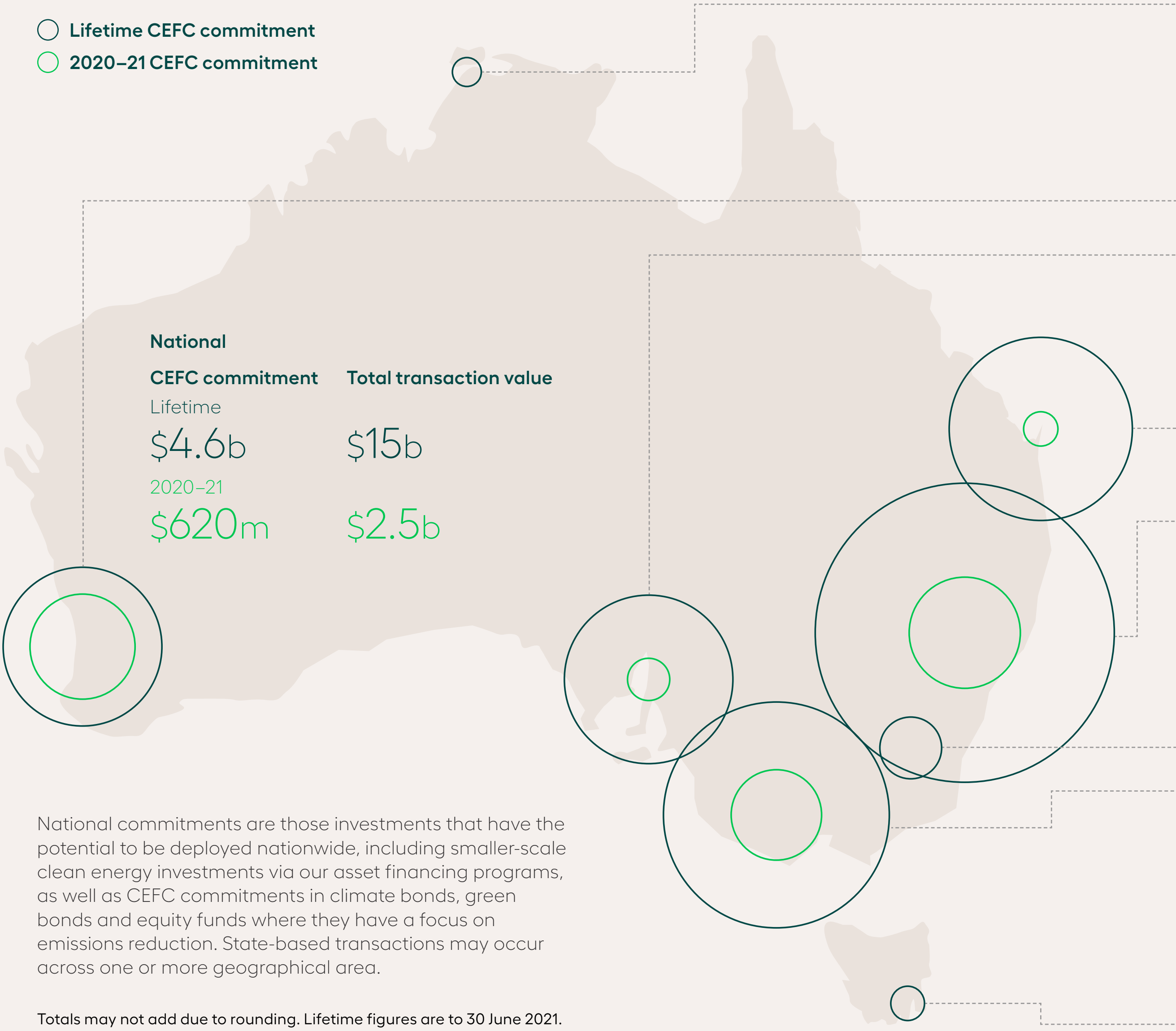
Note: Table excludes increases in existing commitments, refinancing and replacement of existing commitments, follow-on equity investment commitments and Project EnergyConnect (which closed just after year end).


$170m
$45m
$85m
$125m
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Investing Australia-wide

The CEFC operates with a national focus, with our investment commitments stretching across Australia, including national and state-based projects and programs.

Lifetime CEFC commitment
2020–21 CEFC commitment



National

	CEFC commitment	Total transaction value
Lifetime	$4.6b	$15b
2020–21	$620m	$2.5b

National commitments are those investments that have the potential to be deployed nationwide, including smaller-scale clean energy investments via our asset financing programs, as well as CEFC commitments in climate bonds, green bonds and equity funds where they have a focus on emissions reduction. State-based transactions may occur across one or more geographical area.

Totals may not add due to rounding. Lifetime figures are to 30 June 2021.

NT

	CEFC commitment	Total transaction value
Lifetime	$18m	$22m

WA

	CEFC commitment	Total transaction value
Lifetime	$540m	$2.9b
2020–21	$238m	$933m

SA

	CEFC commitment	Total transaction value
Lifetime	$607m	$2.1b
2020–21	$40m	$112m

QLD

	CEFC commitment	Total transaction value
Lifetime	$720m	$2.1b
2020–21	$27m	$16m

NSW

	CEFC commitment	Total transaction value
Lifetime	$1.9b	$5.2b
2020–21	$267m	$1.2b

ACT

	CEFC commitment	Total transaction value
Lifetime	$84m	$343m

VIC

	CEFC commitment	Total transaction value
Lifetime	$1.1b	$4.7b
2020–21	$176m	$305m

TAS

	CEFC commitment	Total transaction value
Lifetime	$25.5m	$306m

Decarbonisation pathways

The CEFC seeks to contribute to the delivery of Australia's Nationally Determined Contribution under the Paris Agreement. Our activities are guided by the CEFC Act, Investment Mandate Directions and Australian Government policy, including the Technology Investment Roadmap and the Low Emissions Technology Statement.

These factors feed into our investment decisions, which are also informed by investor, market and technology trends, all of which continue to rapidly evolve. In investing to reduce emissions across the economy, our investments target four areas or "pathways" of decarbonisation, which have the greatest potential for emissions reduction.

Decarbonisation pathways

1. Low carbon electricity
2. Ambitious energy efficiency
3. Electrification and fuel switching
4. Reducing non-energy emissions

As in previous years, the CEFC is careful not to claim that this abatement occurs independently of other policy measures, such as government grants or procurement settings, or regulatory settings such as the Renewable Energy Target.

Projects we have invested in are forecast to avoid 7.9 Mt CO_2 of emissions in the year 2030, up from a forecast 7.1 Mt CO_2 last year, factoring new investment commitments made in 2020–21.

To facilitate comparability, we report avoided emissions based on a horizon year of 2030, consistent with Australia's biennial reporting to the United Nations Framework Convention on Climate Change. The CEFC financed projects, and the emissions they are expected to avoid, will play an important role as Australia seeks to meet and exceed its 2030 emissions reduction target of a 26 per cent to 28 per cent reduction on its 2005 emissions level. Meeting the target will require emissions to fall by some 50 Mt CO_2 annually from 499 Mt CO_2 in 2020[1] to between 443 and 455 Mt CO_2-e in 2030[2].

In assessing our impact on emissions reduction, the CEFC considers only those projects where we have a direct abatement impact, such as through our investments in additional renewable energy generation. As demonstrated in the 2020–21 year, the CEFC is increasingly investing in significant decarbonisation projects where abatement is not readily measurable, including transmission, storage and grid balancing projects. These strategic grid-related projects are an essential precursor to enable future renewable generation to access the grid. These investments complement our direct abatement activities and will facilitate future investment in the decarbonisation of the electricity grid as well as the broader economy.

1. https://www.industry.gov.au/news/australias-greenhouse-gas-emissions-december-2020-quarterly-update
2. https://www.industry.gov.au/sites/default/files/2020-12/australias-emissions-projections-2020.pdf

Figure 5: Strategic investment focus 2020–21

1. Low carbon electricity

Renewable energy, energy storage, demand management

$426m

CEFC commitment

2. Ambitious energy efficiency

Agribusiness, industry, infrastructure, property, transport

$458m

CEFC commitment

3. Electrification and fuel switching

All modes of electric transport, hydrogen, biofuels

$33m

CEFC commitment

4. Reducing non-energy emissions

Recycling, low emissions materials, soil carbon

$205m

CEFC commitment

Note: Table excludes increases in existing commitments, refinancing and replacement of existing commitments, follow-on equity investment commitments and Project EnergyConnect (which closed just after year end).

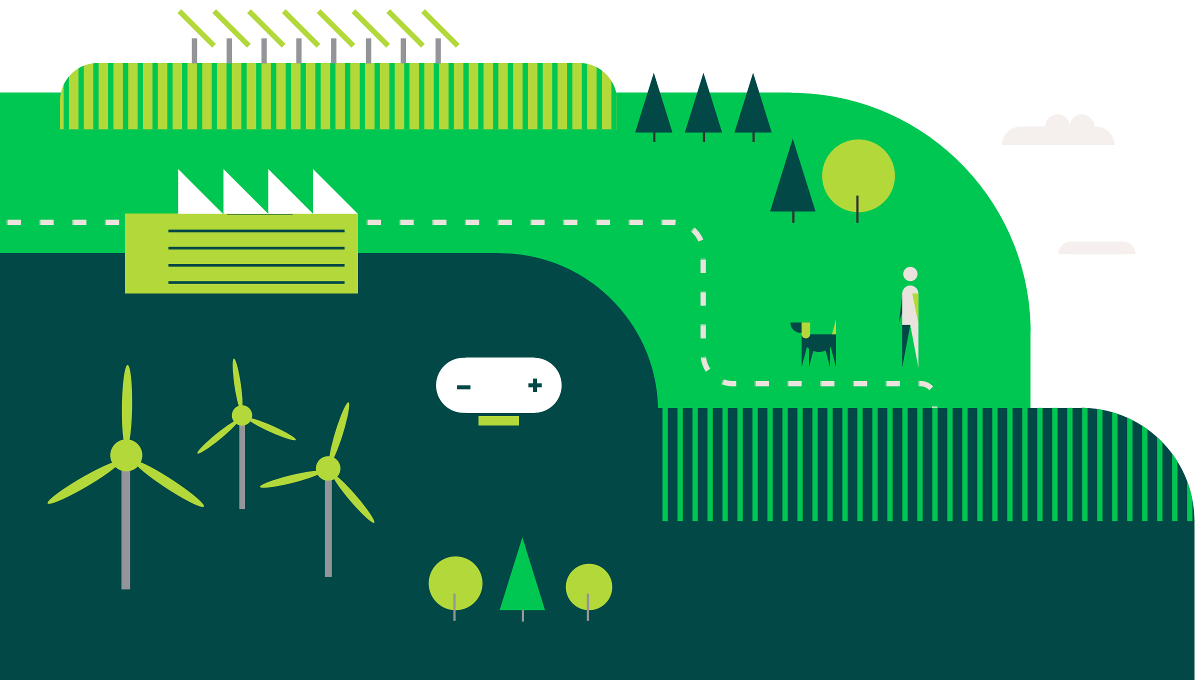
Low carbon electricity

Transforming transmission

The CEFC continues to prioritise investments that support grid reliability and security, in addition to the specific funding programs established through the Investment Mandate. This organisation-wide focus builds on our extensive experience as an early investor in solar and wind developments.

The low emissions transformation of Australia's electricity grid continues to pose challenges and opportunities for the renewable energy sector, investors and energy markets generally. While Australia has abundant untapped potential for low-cost, clean renewable energy, solar and wind developments are constrained in their ability to deliver this energy to markets via an ageing and congested electricity grid that is not yet suited to the characteristics of intermittent and distributed energy generation.

Integrating new clean energy into the grid requires significant investment in the transmission and distribution systems, including transmission interconnections, storage technologies and grid balancing synchronous condensers. These projects are necessarily complex, requiring considerable planning, investment and development.



Lifetime CEFC investment commitments to these large-scale grid and storage projects exceeded $376 million at 30 June 2021 with a further $561 million invested in renewable energy projects that included components of storage and grid firming and balancing technologies. These numbers exclude the value of our single largest investment to date, the $295 million commitment to the Project EnergyConnect transmission project, which closed just after year end.

The excitement around these very large nation-building projects is complemented by the emerging grid-firming opportunities we are seeing in the cleantech innovator space, where CEFC investment is backing the new technologies and business models required to orchestrate distributed generation.

These investments, largely through the Clean Energy Innovation Fund, are providing innovative Australian entrepreneurs with the opportunity to participate in both domestic and global energy markets, underscoring the diverse opportunities across the clean energy economy.

$376m

CEFC lifetime commitments to grid infrastructure and large-scale storage

$561m

CEFC lifetime commitments to grid firming and balancing technologies

Low carbon electricity

Investment highlights

Snowy 2.0 gets critical grid infrastructure

$125m

CEFC investment commitment

Lumea will draw on CEFC finance to design, construct, operate and maintain a new 330 kV switching station and associated transmission lines to support Snowy 2.0, Australia's largest renewable energy project. The expansion will deliver an additional 2,000 MW of fast-start, dispatchable energy capacity and provide 350,000 MWh of large-scale storage, enough to power the equivalent of 500,000 homes for over a week during peak demand. Snowy 2.0 is expected to create about 4,000 jobs during construction and support new Renewable Energy Zones in southern NSW, including 1,900 MW of renewables projects in construction or under development. Lumea is part of TransGrid.

Victorian Big Battery targets stronger grid, more renewables

$160m

CEFC investment commitment

The 300 MW Victorian Big Battery is on track to be one of the largest energy storage facilities in the world and will provide a critical boost to Victoria's grid security, drive down power prices and support more renewable energy. The project is being developed by Neoen, one of the world's leading independent producers of exclusively renewable energy. The project is a world-class example of how large-scale batteries can help electricity networks support a higher penetration of renewable energy, providing dispatchable resources to underpin the increasing share of clean energy expected to power Australia in the future.

Unlocking cheaper, cleaner electricity with Project EnergyConnect

$295m

CEFC investment commitment

Project EnergyConnect is a vital piece of energy infrastructure spanning more than 900 kilometres across three states. TransGrid is building the NSW portion of the interconnector, which will connect the energy grids of NSW and SA, with an additional link to northwest Victoria. The project is expected to unlock as much as 1,800 MW of renewable energy generation, including 800 MW in SA, 600 MW in Victoria and 400 MW in NSW. Importantly for energy consumers, the development is expected to deliver estimated annual energy savings of about $100 to SA households and $60 to NSW households. Businesses can also expect energy savings, proportional to their energy use. The largest CEFC investment commitment to date, this transaction closed just after year end.

Delivering Australia's largest virtual power plant

$30m

CEFC investment commitment

An innovative program to deliver home energy systems to social housing tenants in South Australia will see the installation of solar and battery storage systems across more than 3,000 homes, driving down tenant energy bills while delivering Australia's largest virtual power plant. The centrally controlled group of solar-powered, battery-backed homes will act as a single "power plant", with the ability to send excess lower cost renewable energy to the grid. Housing SA tenants who sign up to the virtual power plant will receive the lowest electricity rate in SA, with a 5 kW rooftop solar and 13.5 kWh Tesla Powerwall battery system installed at their home at no cost to them. The solar-plus-battery storage systems will deliver about 80 per cent of a tenant's annual electricity requirements.

Low carbon electricity

Renewable energy

The renewable energy sector marked a significant milestone in 2020, with renewables responsible for a record 27.7 per cent of total generation. Small-scale solar added 3 GW of new capacity, complementing an additional 2 GW in large-scale solar capacity. New wind generation of 1,097 MW comfortably surpassed the 837 MW record set in 2019.

Generator operations series

In 2016, ARENA and the CEFC invested in 14 large-scale solar projects that have played an important role in accelerating the early development of the large-scale solar industry in Australia and the integration of utility-scale renewable energy generation in the NEM. During 2020–21 we were pleased to contribute to the development of two ARENA-led analyses of these projects, as part of the *Generation operations series*.

1 **Report 1: Large-scale solar operations**

This report includes detailed operational data from these early projects to provide a valuable perspective on how actual project performance differed from forecasts used as part of investment decisions.

2 **Report 2: Ramp rates for solar and wind generators on the NEM**

This report includes empirical analysis on wind and solar ramp rates to assist developers and operators to better optimise the design of hybrid power systems and the appropriate storage, forecasting and other strategies required to best manage generation variability.

For the CEFC, new renewable energy investment commitments of $810 million in 2020–21 represented a 53 per cent increase on the $529 million of the previous year, reflecting our investments in large-scale battery projects and the landmark Snowy 2.0 grid infrastructure expansion. Over our lifetime, we have committed more than $5.35 billion to renewable energy investments, contributing to the delivery of more than 3.5 GW of low emissions generating capacity at 30 June 2021.

$5.3b

CEFC lifetime commitments to renewable energy

New CEFC investment commitments into large-scale generation projects were limited in the 2020–21 year, reflecting difficult market conditions. This was offset by substantial CEFC investments in related areas, including essential grid and transmission infrastructure, large-scale energy storage and demand management solutions.

A notable feature of CEFC renewable energy investment commitments in the 2020–21 year was the lift in related investments in the property and infrastructure sectors in particular. Technology developments and declining costs are increasingly leading asset owners, tenants and developers to invest in onsite generation, storage and demand management systems as a key feature of new developments. We were also pleased to back innovative renewable energy technologies, including the next generation of solar panels, complemented by our first investment in the exciting area of green hydrogen, a promising clean energy fuel of the future.

1. Clean Energy Council – Clean Energy Australia Report 2021.

Investment highlights

Innovative bifacial solar panels point to the future

$74m

CEFC investment commitment

Two new solar farms in regional NSW will feature bifacial solar panels that can significantly increase generation capacity. The panels create energy by converting solar irradiation reflected off the ground to the underside of the panels. The 110 MW (AC) Gunnedah Solar Farm and the 150 MW (AC) Suntop Solar Farm, west of Wellington, will feature almost 980,000 bifacial solar panels. Together, the projects are expected to generate enough electricity to power more than 100,000 homes, abating more than 390,000 tonnes of carbon emissions in their first year of operations. Bifacial solar panels can increase generation capacity significantly for the same project size compared with traditional single-sided panels, reducing the levelised cost of energy produced through large-scale solar generation.

Gippsland begins transition to greener future

$860k

CEFC commitment to development funding

The CEFC announced a landmark joint venture with Octopus Australia to help accelerate the delivery of the proposed Perry Bridge and Fulham solar farms, which will support the Gippsland region transition to renewable energy. Octopus Australia and the CEFC have purchased the rights to develop the projects from local Gippsland based developer Solis Re, and the three parties will work together to bring the projects to financial close. The development, construction and operation of the two solar farms is expected to create more than 250 direct jobs during the construction period. The projects are also expected to showcase the ability of sheep grazing and solar farming to co-exist, providing a diversified revenue stream for local landholders.

Ambitious energy efficiency

Transforming our built environment

Australia's infrastructure and property sectors have the potential to deliver enormous emissions savings through the adoption of ambitious energy efficiency goals. These assets fulfil critical functions in transport, telecommunications and energy infrastructure, as well as industrial, commercial and residential property. We are working with investors, asset owners and tenants to accelerate measures to reduce their carbon footprint and operating costs.

Investment highlights

Green mortgage-backed securitisation

$108m

CEFC investment commitment

In an Australian first, Firstmac has raised $750 million through a green mortgage-backed securitisation where all the underlying mortgages are backed by environmentally-friendly housing. The securitisation attracted significant investment support of $637.5 million from leading Japanese bank, Norinchukin. Firstmac, Australia's largest non-bank financial institution, will make available the full $750 million of finance to offer its first Green Home Loan product, which will be available Australia-wide. Qualifying green home loans will enable borrowers to benefit from a 0.4 per cent finance discount for up to five years on loans of up to $1.5 million.

Market leading sustainability linked loan

$75m

CEFC investment commitment

An Australian-first sustainability linked loan to Frasers Property will accelerate the deployment of a range of sustainability features in two Australian industrial projects, reducing embodied carbon, cutting operating emissions and delivering zero carbon energy electricity for tenants at no additional cost. Sustainable features to cut carbon emissions to zero including passive design, LED lighting with advanced controls, energy monitoring systems and building electrification. In addition, the company's Real Utilities licensed energy retailer, will own and operate a solar, battery storage and biodiesel generation system to deliver 100 per cent Climate Active Certified carbon neutral power to tenants at no additional cost compared with conventional grid electricity.

Ambitious energy efficiency

Investment highlights

Affordable living gets green makeover

$75m

CEFC investment commitment

Ingenia Communities has committed to reduce its carbon emissions by 30 per cent in the next five years as it targets a carbon neutral operation by 2035. The CEFC finance will spur market-leading sustainability measures across new and existing affordable accommodation for lifestyle and holiday communities, helping lower carbon emissions and reduce electricity costs. Ingenia Communities is investigating a range of sustainability measures, including rooftop solar on existing homes and clubhouses and the replacement of low efficiency lighting, hot water systems and air conditioners with more energy efficient models. It is also exploring energy supply agreements to deliver clean energy benefits to residents and in common areas.

Flagship industrial and logistics fund achieves net zero emissions

$50m

CEFC investment commitment

Charter Hall Prime Industrial Fund is one of Australia's largest industrial and logistics funds, with 75 assets across Australia, including warehouses, industrial estates and distribution centres. The Fund is considering multiple innovative sustainability solutions, including solar PV panels on its two million square metres of roof space, carbon neutral developments in embedded networks, batteries and waste diversion strategies. Charter Hall has achieved its 100 per cent net zero target for Scope 1 and 2 emissions, having already delivered some $500,000 in reduced energy costs across its customer tenancies. It is working with its industrial and logistics tenants to further reduce Scope 3 emissions.

Electrification and fuel switching

Transforming our sustainable economy

The global shift to electrification and fuel switching is gathering pace, with diverse sectors of the economy moving to capture the benefits of low cost and low carbon electricity. This includes agriculture, industry, transport and resources in particular, where the use of diesel and fossil fuels is widespread. CEFC finance is backing mode switching from road to rail, the electrification of urban transport, the introduction of vehicle charging infrastructure and the development of finance options for fleet and residential electric vehicles. Fuel switching to clean hydrogen also offers exciting opportunities for hard-to-abate sectors, providing a clean fuel source to power critical areas of the economy.

Investment highlights

Shaping the future of the delivery economy

$9.2m

CEFC investment commitment

Sydney based start-up Zoomo is accelerating its expansion from Australia into Europe, the UK and US, further electrifying light electric vehicle fleets. With a range of innovative light electric vehicle designs, Zoomo is enabling the rise of the on-demand delivery economy while simultaneously decarbonising it. The Zoomo e-bike has an innovative design and integration system that enables couriers to deliver packages with a smaller carbon footprint compared with deliveries made via delivery cars and vans powered by internal combustion engines. Investing through the Clean Energy Innovation Fund, the CEFC was pleased to participate in the two successful funding rounds Zoomo completed during 2020–21, that took its total capital raising to $34 million in two years.

Wesfarmers advances sustainability bond market

$25m

CEFC investment commitment

In an Australian first, Wesfarmers raised $1 billion through a sustainability-linked bond issuance. The bond received strong investor support and was oversubscribed by approximately 2.5 times. The interest rate on the bonds are linked to Wesfarmers' progress against two sustainability performance targets. These include increasing the use of renewable energy in the group's retail divisions and reducing the emissions intensity of ammonium nitrate production in its Chemicals, Energy and Fertilisers division, which operates in hard-to-abate sectors of the economy. CEFC involvement in this transaction was to support an important new investment product related to emissions reduction. Sustainability-linked bonds are a new type of general corporate purpose bond in which investor coupons are tied to an issuer's sustainability key performance indicators such as decarbonisation.

Reducing non-energy emissions

Transformation through technology

Reducing non-energy emissions is critical to the goal of achieving net zero emissions. In fact, these emissions account for around 20 per cent of Australia's emissions. Non-energy emissions can be created through industrial and manufacturing processes, agriculture and livestock production, and waste management practices. We're pursuing diverse investment opportunities to tackle these emissions, including working with manufacturers where exciting technology solutions are emerging. Together with our co-investors, CEFC finance is backing the use of low embodied carbon materials in buildings as well as improvements in recycling and waste management processes. In agriculture, CEFC investments in regenerative farming, bio-sequestration and soil carbon are also aiming to reduce non-energy emissions.

Investment highlights

Regenerative farming offers higher yields

$50m

CEFC investment commitment

Australian farms will seek higher yields while lowering their carbon output under a new regenerative farming initiative led by Kempen SDG Farmland Fund, a global agricultural fund. The science-led sustainable farming initiative will be operated by Faulkner Farming and managed by Gunn Agri Partners, an Australian-based specialist farming and agricultural investment management business. Using agronomic research from the CSIRO, the $100 million Transforming Farming Platform will focus on underperforming rainfed or dryland small to medium farms throughout Australia. A significant portion of Australian arable land achieves actual yield below its potential, pointing to the importance of optimised farm management practices, which can be achieved alongside proven emissions reduction initiatives.

Backing sustainable cattle and sheep grazing

$5m

CEFC investment commitment

Australian-based agtech start-up AgriWebb supports sustainable cattle and sheep grazing through its world-leading livestock management platform. AgriWebb's digital tools include automated on-farm data collection to help farmers manage resources more efficiently and produce livestock at its ideal weight while avoiding overgrazing. The data also provides a digital paper trail to make it easier for farmers to target value-adding certifications such as carbon neutral beef, as well as to participate in carbon sequestration schemes. Used by more than 7,000 farmers worldwide, with oversight of more than 15 million animals, the AgriWebb platform is expanding by more than 250 new users each month. This investment was made through the Clean Energy Innovation Fund.

Reducing non-energy emissions

Investment highlights

SOP targets world leading fertiliser development for WA

$67m

CEFC investment commitment

Sulphate of potash (SOP) is a premium specialist fertiliser used to improve the quality of high-value crops such as fruit and vegetables. Unlike other forms of potash, SOP does not increase the chlorides in the soil upon application, making it useful in regions prone to salination and drought. WA-based SO4 will produce premium SOP by extracting hypersaline brine from beneath salt lakes, concentrating the brine in a series of solar evaporation ponds to produce potassium-rich harvest salts, which can then be converted to SOP for the domestic and international markets. The brine operation has the potential to cut SOP production emissions by more than 30 per cent compared with alternative non-brine production methods. The SO4 processing plant will be part powered by renewable energy, with a 5 MW solar farm and a 2 MW battery.

Low carbon construction materials transform warehouses

$95m

CEFC investment commitment

The use of low carbon construction materials across at least five new warehouses will help create a carbon neutral development at Perth’s 56-hectare Roe Highway Logistics Park. The focus on low carbon construction materials can influence construction industry supply chains, offering a new pathway to cut Scope 3 emissions. The development will include up to 2 MW of solar PV across new and existing warehouses, alongside smart inverters and meters, power factor correction and voltage control. Additional sustainability initiatives include onsite water recycling, low energy lighting and specialist insulation to improve heating control.

Equity investment portfolio

Transforming substantial asset portfolios

The CEFC equity investment strategy seeks to extend the influence of our finance across a larger range of investors and assets, including by shaping the emissions targets of investment funds across their broader portfolios. These large-scale equity investments have had a particular impact in the agriculture, infrastructure and property sectors.

The CEFC equity portfolio continued to strengthen in the 2020–21 year, with $227 million in new commitments. This included 10 new transactions and six follow-on transactions. Lifetime equity investments reached $1.9 billion at 30 June 2021, with investments in specialist industry and large institutional funds complemented by smaller-scale equity investments made through the Clean Energy Innovation Fund.

Notable large-scale equity commitments in 2020–21 point to the diversity of this investment channel, with CEFC finance contributing to funds extending the benefits of clean energy to specialist disability accommodation; supporting science-led sustainable farming on underperforming small to medium farms; and transforming 75 industrial and logistics assets across Australia with innovative carbon neutral developments.

As a part of these investments, CEFC teams play an active role in fund decarbonisation activities. Together with asset managers we help identify asset-specific opportunities for low carbon energy, enhanced energy efficiency and measures to reduce Scope 3 emissions. These collaborative arrangements have additional benefits for the CEFC, providing us with practical insights into successful decarbonisation efforts that can be deployed more broadly.

Based on the progress of our existing equity investments, we have created a specialist Impact Capital team to expand capital availability to companies in the post venture capital/pre-initial public offering stage of their development.

CEFC equity portfolio at 30 June 2021

Infrastructure	Property	Agriculture
$816m	$630m	$150m
CEFC commitments	CEFC commitments	CEFC commitments
09	10	02
Funds	Funds	Funds

Investment highlights

Equity-linked green bond delivers unique climate transition index

$60m

CEFC investment commitment

An equity-linked green bond issuance from BNP Paribas has created the Australian Climate Transition Index (ACT Index), the first Australian equities index with a specific forward-looking focus on climate transition and decarbonisation. The ACT Index will identify companies that are likely to perform well in a world undergoing a 2°C climate transition, as part of assessing those companies which are best suited to play an important part in the Australian economy in the future. This includes 100 Australian companies from within the ASX 300 that will support the transition, adapt and thrive, or be least affected by the expected changes. The Index uses a methodology developed through a two-year collaboration between BNP Paribas, ClimateWorks Australia, sustainability analysts ISS ESG and the Monash University Centre for Quantitative Finance and Investment Strategies.

Green homes for specialist disability accommodation platform

$87m

CEFC investment commitment

A specialist disability accommodation platform, created and managed by Macquarie Asset Management, will deliver customised homes for people with high physical support needs, combined with sustainable technology and features to help lower their carbon footprint. Location specific features will include high-performing glass, insulated floors, walls and ceilings, window shading, energy efficient air-conditioning, ceiling fans and solar panels. The measures will deliver a material carbon benefit over the lifetime of the dwellings, with the platform aiming to be carbon neutral within two years. Tenants with a disability may face financial barriers in modifying their homes to suit their needs and in implementing energy efficiency measures.

Asset finance programs deliver

Transforming smaller-scale investments

The specialist CEFC asset finance program continued to evolve in 2020–21, with this innovative investment model being adopted by other financial institutions. These CEFC investments are made through the provision of wholesale debt facilities to co-financiers, with the benefits of the discounted CEFC finance passed on to their customers – an effective mechanism to extend the reach of our finance to smaller-scale investors.

Eligible projects range from small-scale rooftop solar and battery storage to energy efficient manufacturing and farm equipment, as well as building insulation, heating and cooling, demand management systems and low emissions vehicles. Investors have included small businesses, agribusiness, property and manufacturing.

We saw a slight contraction in activity during the reporting year, reflecting the low interest rate environment and the dampening effect of the pandemic. Nevertheless, with 5,800 projects delivering new investment of $175 million in 2020–21, the programs continued to contribute to economic activity and emissions reduction.

The success of these CEFC programs has seen co-financiers and other providers increasingly deploy funds into these smaller-scale clean energy investments. This has included referencing the CEFC model, where borrowers are incentivised to choose best-in-class low emissions options for new equipment purchases, property fit-outs and fleet vehicle replacements.

As this market progresses, the CEFC is continuing to develop alternative wholesale finance products to facilitate emissions reductions in more challenging sectors, through new markets and business models, and with new market entrants.

Investing in clean energy assets

2020–21

~5,800

Projects

$175m

Lifetime commitments

~23,700

Projects

$1.4b

Clean Energy Innovation Fund

Advancing Australia's cleantech ecosystem

The Clean Energy Innovation Fund is the largest dedicated cleantech investor in Australia, created to invest $200 million in early-stage clean technology companies. The Innovation Fund marked its fifth year of investment with a record 11 investments in 2020–21, including five follow-on investments.

Lifetime investments to 30 June 2021 reached $117.6 million, with $26 million in realised proceeds from investments available for reinvestment. This includes $14 million of invested capital returned, along with $12 million in net gains on the disposal of investments. Significantly, each dollar of Innovation Fund capital has attracted an additional $2.60 in private sector investment. The Innovation Fund has participated in financing rounds which have raised more than $408 million at 30 June 2021, as portfolio companies secure early growth opportunities.

$200m

Clean Energy Innovation Fund

In addition to direct investments in 17 cleantech businesses, Innovation Fund capital has reached almost 100 earlier stage innovators, alongside specialist co-investors Artesian and Tenacious Ventures, and the Startmate accelerator program. These investments are helping spur company creation and larger capital raising rounds, attracting capital from both domestic and international investors.

Innovative and entrepreneurial cleantech businesses will play an increasingly vital role in the transition to a low emissions economy, both because of the scale of the challenge and growing recognition that there is no single solution to lowering emissions. Innovation Fund capital is therefore deployed across multiple sectors of the economy, supporting homegrown innovation in agriculture, transport, grid stability, solar PV, soil carbon capture and energy management systems.

Refer Appendix H for additional information.

Investment highlights

Backing innovation in emerging hydrogen industry

$750k

CEFC investment commitment

In our first hydrogen-related investment, we committed $750,000 to Hysata's initial capital raise of $5 million, alongside cornerstone investor IP Group, a global technology investor specialising in the commercialisation of university research. The Hysata technology was developed by a team of researchers at the University of Wollongong. The company has strong laboratory, academic and commercialisation experience and is actively investigating potential applications for its breakthrough technology. Clean hydrogen, produced using renewable energy rather than fossil fuels, has the potential to significantly reduce emissions in several hard-to-abate industries. These include methanol, fertiliser and chemicals production, steel manufacturing, industrial heating and long-haul freight transport.

Powering the next wave of Australian solar

$10m

CEFC investment commitment

Sunman is developing technology with the potential to revolutionise the use of solar PV in Australia, producing lightweight, flexible panels that can be used across a wider range of applications than existing glass panels. Its innovative eArc solar panels made from a lightweight polymer composite material, are 70 per cent lighter than a glass panel, making them cheaper to transport and easier to install because they can be glued to a surface. The eArc panels can be moulded to contoured surfaces offering potential for use beyond conventional rooftops, as mobile power generation for remote sites and vehicles, and in construction materials to encase buildings.

Clean Energy Innovation Fund

Investment highlights

Backing a fully decarbonised, decentralised energy system

$350k

CEFC investment commitment

Perth-based Australian energy tech start-up Gridcognition provides software to plan and optimise distributed energy projects, including microgrids, virtual power plants, community energy projects, electric vehicle charging systems and behind-the-meter renewable power plants. By creating a sophisticated digital twin of existing and future energy projects, the Gridcognition technology can run thousands of simulations in a single click, optimising technology and commercial decisions across far more variables than was previously possible, to drive positive environmental and financial outcomes.

Australia's next wave of cleantech start-ups

$300k

CEFC investment commitment

Startmate is boosting its climate accelerator program, which supports climate-focused start-ups working on innovative technologies that aim to reduce emissions. Along with a $75,000 investment, start-ups in the cohort are part of a three-month program that sees founders fast track their ideas through Startmate's global network of mentors, investors and founders.

Capturing the benefits of the clean energy transition

The Clean Energy Innovation Fund sees increasing awareness about the role innovative companies can play in the economy-wide transition to lower carbon emissions, both from investors and innovators. Their shared focus is on developing innovative solutions to new and difficult challenges, as well as creating businesses with long-term investment, employment and economic potential. Cleantech investors are motivated by the positive environmental impact of cleantech innovation, in addition to robust business fundamentals and the huge commercial potential of their emerging technologies.

Innovation Fund strategic areas of focus

Clean energy transition

Low cost renewables, decentralised generation, widespread electrification

Food and agriculture

Supply chain redefined to feed more with less, enrich and build resilient soils

Mobility and smart cities

Multiple modes of transportation, optimised built environment, focus on embodied carbon

Circular economy and industry

Efficient production, industrial improvements, reuse and recycle to address the waste crisis

Follow-on investments signal strength

The Innovation Fund was pleased to make five follow-on investments in portfolio companies during the year, with a combined CEFC investment commitment of $8.46 million. Companies that secured Innovation Fund follow-on investments were Morse Micro, Omni Tanker, Wattwatchers, Zen Ecosystems and Zoomo.

These follow-on investments attracted an additional $35 million in private sector capital, reflecting early market successes and maturing business plans. The strong investor interest in follow-on investment rounds is a critical indicator of the commercial potential of these emerging businesses.

$35m

Additional private sector capital

Advancing Hydrogen Fund

A new clean energy source for Australian industry

Momentum to identify Australia's emerging green hydrogen opportunities gathered pace in 2020–21, with the CEFC working across the market to progress large-scale investment opportunities through the $300 million Advancing Hydrogen Fund. We are confident of making our first investment through the Fund in the 2021–22 year.

While large-scale investments in new technologies necessarily take time to develop, we were pleased to make our first hydrogen-related investment in Hysata, a new company created to commercialise innovative electrolyser production technology. Reflecting the start-up nature of Hysata, this investment was made through our Clean Energy Innovation Fund, rather than the Advancing Hydrogen Fund.

Refer to page 55.

$300m

Advancing Hydrogen Fund

Cost competitiveness of green hydrogen on the horizon

With Australia's hydrogen industry in its infancy, we are working to lift understanding about investment opportunities among producers, large-scale energy users and investors. Our Australian hydrogen market study provided detailed analysis of the economic, technology and infrastructure factors that will underpin the green hydrogen economy.

Key findings:

Green hydrogen is already approaching cost competitiveness for heavy trucking, buses and remote power

Parallel advances in production and distribution costs, as well as ongoing technology evolution, will accelerate the commercial attractiveness of green hydrogen across key areas of the economy

Large-scale development would be critical to driving down installation and commissioning costs, similar to the accelerated development experienced by Australia's large-scale renewable energy sector

Australian Recycling Investment Fund

Investing in the circular economy

Waste is responsible for some two per cent of Australia's emissions, largely from methane gas produced by decaying organic waste in landfill. Through the $100 million Australian Recycling Investment Fund, we have a particular focus on large-scale, commercial projects to increase the recycling of plastics, paper, glass and tyres.

The waste sector covers emissions from the disposal of organic materials to landfill and wastewater emissions from domestic, commercial and industrial sources. Effective waste management can deliver positive renewable energy outcomes and improve the security of energy supply, as well as the diversion of waste from landfill, which is also critical to reducing emissions and creating usable by-products such as compost.

With investment in proven technologies, the CEFC works with companies to turn urban and industrial waste into new energy sources and valuable products, creating an important revenue stream while also reducing landfill gas emissions. Our investment approach aligns with the principles of the circular economy. We finance projects using proven clean energy technologies to reuse, recycle or reprocess waste, producing compost or alternative fuels, as well as recovering energy and other materials where possible.

Refer to Appendix H for additional information.

$100m

Australian Recycling Investment Fund

One billion PET bottles recycled into a second life

In the first investment through the Australian Recycling Investment Fund, we committed up to $16.5 million to the Circular Plastics Australia polyethylene terephthalate (PET) recycling facility in Albury, NSW. The new plant will recycle the equivalent of some one billion PET bottles a year, producing more than 20,000 tonnes of new bottles and food packaging. The recycling plant is only the second of its kind in Australia and will reduce our reliance on both new and imported recycled plastics. The Circular Plastics Australia facility is a joint venture between Cleanaway, the Pact Group, Asahi Beverages and Coca-Cola Europacific Partners.

$16.5m

CEFC investment commitment

Sustainable Cities Investment Program

More than 75 per cent of Australians live in our major cities, making us one of the most urbanised countries in the world. While our cities are major contributors to national economic activity, they also play a substantial role in emissions intensity, largely as a result of infrastructure, property and transport related activities.

With all sectors experiencing growing levels of emissions, driven by economic and population factors, the CEFC continues to prioritise investment opportunities in diverse technologies and projects to help counter this trend.

Lifetime investments that were eligible for classification under the Sustainable Cities Investment Program reached $3.9 billion to 30 June 2021, boosted by new commitments of $485 million across some 2,550 large- and small-scale projects in 2020–21.

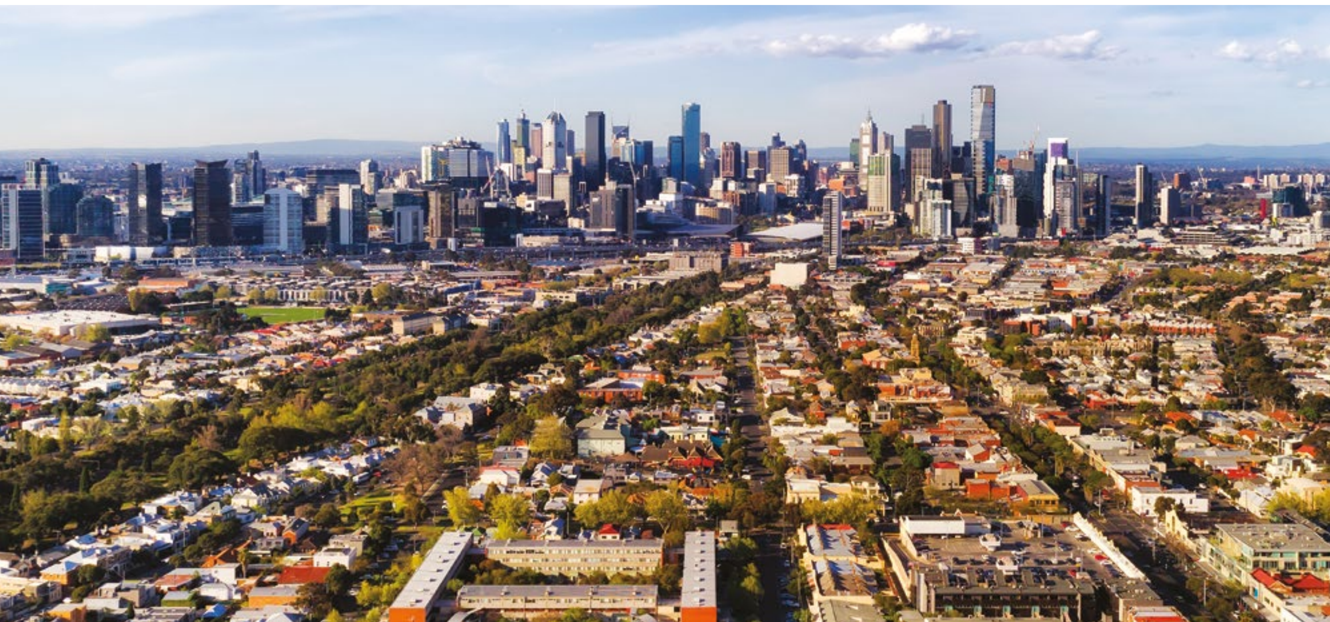
$485m

CEFC commitments 2020–21

These investments attract substantial co-investment, further extending the reach of CEFC finance. In 2020–21, each dollar of CEFC finance through the Sustainable Cities Investment Program was matched by an additional $3.73 from other investors, compared with a lifetime leverage of additional investment of $3.16 for each dollar of CEFC finance committed.

New investment commitments in 2020–21 that were eligible for classification under the Sustainable Cities Investment Program included $165 million in a range of greener housing options, and $145 million in initiatives to lift the sustainability of large-scale industrial parks.

Refer to Appendix H for additional information.



Reef Funding Program

The Reef Funding Program was created to help finance emissions reduction activities in the Great Barrier Reef Catchment Area, supporting delivery of the Australian Government Reef 2050 Plan.

To 30 June 2021, lifetime CEFC commitments that were eligible Reef Funding Program investments reached an estimated $403 million, across just over 545 transactions in projects with a total value of more than $1.2 billion.

New investments in 2020–21 were all small-scale in nature, typically supporting rooftop solar and energy efficiency machinery and equipment purchases in the agribusiness, manufacturing and small business sectors. As with all CEFC investments, projects must include renewable energy, energy efficiency or low emissions technologies.

With new investment in large-scale renewable energy projects facing challenging market conditions in the Reef area, the CEFC was pleased to extend our investments in the north Queensland Clermont, Hamilton and Whitsunday large-scale solar farms.

Refer to Appendix H for additional information.

$403m

CEFC lifetime commitments

Market trends and risk

The CEFC works closely with other investors, businesses and project developers to achieve emissions reduction. In investing to accelerate the decarbonisation of the Australian economy, we seek to address market gaps and financing impediments. As a specialist investor, we operate in a rapidly changing market environment, with policy, technology and changing capital markets offering challenges and opportunities. These factors are among the key matters considered as part of our risk management processes.

Investor trends

The marked shifts in energy policy, technology and market dynamics are driving an unparalleled shift in the investor approach to clean energy investments. Increased capital availability is occurring alongside increased regulatory scrutiny. Analysis from the Responsible Investment Association Australasia put the total value of impact investment in Australia at $1.28 trillion at 31 December 2020, up from $983 billion a year earlier. Related analysis from the Australian Council of Superannuation Investors found 49 of Australia's largest listed companies have established net zero emissions targets, up from 14 a year earlier, covering half the market capitalisation of the ASX 200. This reflects the increasing importance of climate reporting and disclosure for investors and regulators, both globally and in Australia.

Finance market dynamics

With debt finance accounting for some 75 per cent of the CEFC investment portfolio, we closely monitor finance market dynamics which may impact the ability of borrowers to repay principal and interest. Credit risk is influenced by a number of external factors, including general economic conditions and developments specific to particular industries. The disruption of the pandemic caused multiple pressures across the economy in 2020–21. In the energy sector, wholesale power prices persisted at historically low levels for much of the year, reducing revenues for electricity generation assets and borrowers. In contrast, we saw favourable market conditions in the property sector, where CEFC investments are driving emission reductions investments across a range of assets.

Energy market dynamics

Electricity emissions were down compared with previous years, influenced by an unprecedented growth in rooftop solar and record levels of renewable energy generation across the country. Coupled with a mild summer, renewable energy growth contributed to relatively low prices in the National Electricity Market for much of the year, however prices spiked in the March quarter 2021, with cooler weather and major outages at the Callide and Yallourn power stations. In the Western Australian electricity market, renewable energy growth contributed to lower balancing prices for much of the year.

Despite the welcome trends in emissions and renewable energy, delivery of the generation, energy storage and transmission needed to accommodate the exit of ageing coal-fired generation poses a very substantial and sustained investment task. Delivery of upgraded grid transmission infrastructure is becoming more necessary to transport increasing flows of new low-cost renewables generation and storage to businesses and communities. In that context, the development of renewable energy zones that incorporate renewables, storage and grid transmission is becoming more important as a means to transition the energy system at lowest cost. In addition, the accelerated adoption of rooftop solar is driving an enhanced focus on demand management solutions, including virtual power plants and distribution network solutions.

Technology advances

The market has seen profound advances in low emissions technology solutions in the 2020–21 year, across multiple sectors of the economy. Established technologies, such as large-scale renewables, are benefiting from the introduction of more large-scale, efficient and higher performing models, while rapid improvements in battery technologies are seeing large-scale storage become an increasingly important and competitive part of the energy system. A global shift to low carbon transport is gathering pace, from freight infrastructure to the increased uptake of electric vehicles, creating diverse investment opportunities in rail, hydrogen production and charging infrastructure. The growing focus on embodied carbon and Scope 3 emissions is driving the adoption of low carbon construction materials, while advances in on-farm management are accelerating innovation in soil carbon and bio-sequestration.

Global influences

As a mature industrialised economy, global investment flows play a critical role in Australia's emissions transition, reflecting both the strength of the national economy and the scale of the national emissions challenge. Increasingly, CEFC capital is working alongside that of global institutional investors and experienced large-scale project developers. This includes bringing established technologies to Australia as well as capitalising on emerging areas such as hydrogen and cleantech innovation, including soil carbon, measures to address embodied carbon and innovative demand management solutions. Increasingly, global investor sentiment is being influenced by evolving international regulatory and disclosure regimes with respect to both climate risk and ESG investment exposures, as well as climate policy in the context of the COP26 global climate summit.

Market engagement

The CEFC continues our active engagement with industry and regulatory processes where they relate to emissions reduction, clean energy and associated investment matters.

Regulatory developments can have a significant impact on the flow of finance into the clean energy sector. The CEFC engages with regulatory processes in order to provide the perspective of a financial investor to inform regulatory changes. The views and approach of the financial investment community are critical to Australia's ability to cost-effectively finance our energy transition.

We participated in technical working groups and stakeholder consultations, including with the Energy Security Board, the Australian Energy Market Operator and the Australian Energy Market Commission. For example, drawing on our specialist market investment expertise, we provided input into the development of the new AEMC framework for Designated Network Assets, which may facilitate investment in shared connection assets and an ability for multiple market participants to use these. This has the potential to deliver a more efficient grid, ultimately benefiting consumers by lowering the cost solution for connection assets through scale efficiencies, and increasing contestability by attracting more investors to the asset type.

We were also pleased to work with the Materials Embodied Carbon Leaders' Alliance, created to encourage the voluntary use of low emission building materials, as well as the Australian Sustainable Finance Initiative, the Clean Energy Council and other sector leaders.

Engagement highlights 2020–21

Responsible Investment Leader

Recognised by the Responsible Investment Association Australasia

Industry dialogue

Presentations, webinars, industry roundtables

Investment Insights

Discussing clean energy trends, technologies and investment opportunities

Transaction updates

Information about CEFC investments

Cleantech Catchup

Connecting start-ups with venture capital investors

Markets Update

Weekly summary of global and domestic trends

Market recognition

CEFC finance is playing a role in multiple award-winning investments, with our counterparties receiving recognition for their leadership in cutting emissions.

A selection is included below. We extend our congratulations to all our counterparties on their 2020–21 achievements.

Award-winning investments: 2020–21 achievement

Bank Australia Clean Energy Home Loan Mozo Experts Choice Green Home Loan

Calvary Adelaide Hospital SA Development of the Year, Property Council of Australia

Greenway Views ACT Development of the Year, Property Council of Australia

Morse Micro Best Wi-Fi Start-up, Best Wi-Fi IoT Product, 2020 Wi-Fi NOW Awards; Best in Show Award, 2021 Embedded World Conference

Relectrify Lee Kuan Yew Infinity Prize, Singapore Management University Institute of Innovation and Entrepreneurship

Sixty Martin Place NSW Development of the Year, Property Council of Australia

CEFC teams have a commitment to innovation and impact, reflecting our values. During the year we were pleased to receive the following recognition for our activities.

2020–21 Award recognition

Brand Transform Awards 2021, Gold (brand development); Gold (financial services visual identity); Silver (energy and utilities visual identity)

Annual Report Silver, 2019–20 Australasian Reporting Awards

Website Finalist, Australian Web Awards

Environmental, social and governance

As a for-purpose investor, with a central focus on cutting emissions, the CEFC has a longstanding commitment to environmental, social and governance matters. During the 2020–21 year, the CEFC Board approved our inaugural ESG Policy, which identifies the material ESG factors which are to be factored into investment and risk management decisions.

ESG is integrated into our investment approach, demonstrated through:

1. **Environmental impacts, measured via emissions reduction**
2. **Social impacts, as we increase the flow of finance into Australia's successful transition to a low emissions economy**
3. **Our governance approach, which underpins the commercial rigour of our investment activities**

ESG policy

The ESG policy came into effect in February 2021. The policy requires the CEFC to "maximise impact" through our investment commitments; to "do no harm" with respect to indirectly related areas, and to apply an "exclusions" screen covering prohibited technologies and criminal and other activities where the CEFC will not participate. The CEFC has not identified any instances of non-compliance with either the "do no harm" or "exclusions" provisions of the policy in the reporting year.

Maximising our impact

Through our investment activities, the CEFC directly contributes to positive ESG outcomes, particularly by accelerating the decarbonisation of our economy while working to deliver a positive return for taxpayers across our portfolio. Since we began investing, CEFC investment commitments have contributed to a $33 billion lift in investment to deliver emissions abatement.

Our activities also deliver broader ESG outcomes, in addition to decarbonisation and financial measures. With the introduction of the ESG policy we are committed to reporting against nine material ESG factors where we can maximise impact. Many of these areas are discussed in detail throughout this Annual Report and on the CEFC website, including specific investments and their impacts.

Progress around the "maximise impact" requirement is reflected in Figure 7.

Figure 6: Material ESG factors

Environmental

Objective

We have a deep sense of purpose: to be at the forefront of Australia's successful transition to a low emissions economy.

Material ESG factors

1. **Do no harm**

- Ecological impacts

2. **Maximise impact**

- Decarbonisation
- Climate risk
- Reef catchment
- Resource efficiency and circular economy
- Industry engagement and collaboration

Social

Objective

We seek to extend the benefits of our investment activities across the Australian community.

Material ESG factors

1. **Do no harm**

- Labour practices and employee health and safety
- Modern slavery
- Diversity and inclusion
- Equality and remuneration

2. **Maximise impact**

- Local job creation and socio-economic impacts
- First Australians and social engagement
- Community connection

Governance

Objective

We are committed to achieving sustainable outcomes across our business, founded on the highest standards and ethical behaviour.

Material ESG factors

1. **Do no harm**

- ESG compliance
- Anti-corruption

2. **Maximise impact**

- ESG performance

Environmental, social and governance

Figure 7: Maximising our ESG impact 2020–21

Environmental

Decarbonisation

$810m
new investment in renewable energy

$65m
commitments to low emissions technologies

$493m
investment in energy efficiency

7.9Mt CO_2-e
estimated avoided emissions in 2030

Climate risk

$1b
property, infrastructure assets aligned with the TCFD reporting framework

Reef catchment

$13.1m
Investments through Reef Funding Program

$1.2m
~130 smaller-scale clean energy projects

Resource efficiency and circular economy

Research report
Energising resource recovery

Greenius Cleanaway improving recycling habits campaign

1st
Investment through the Australian Recycling Investment Fund

Industry engagement and collaboration

Contribution to multiple industry and regulatory bodies

07
CEFC Green Room webinars

Australian hydrogen market study

112 market presentations

Social

Local job creation and social-economic impacts

$5b

Total transaction value of CEFC commitments in 2020–21

~100

Start-ups backed

Australia's largest cleantech investor

Direct construction jobs on renewable energy projects

$175m

Investment

Supporting 5,800 smaller-scale investments

First Australians and social engagement

Investment screening procedure

focused on impacts on First Nations peoples

90%

Staff participation

First Nations Cultural Awareness training

Inaugural roundtable

First Nations Heritage Protection Alliance and Responsible Investment Association Australasia

Community connection

$87m

green housing solutions for people with disability

~1,100

members

Women in Sustainable Finance group

Australia's largest Virtual Power Plant

SA community housing

Governance

ESG performance

100%

Participation

Code of Conduct and Ethics compliance training

Responsible Investment Leader

riaa Responsible Investment Association Australasia

1st Modern Slavery policy

1st ESG policy Published

4th consecutive year

Climate Active Certification

Climate Active

Governance

Governance

The CEFC is governed by an independent Board, whose members are jointly appointed by its two responsible Ministers. The Board reports to the Australian Parliament through the responsible Ministers.

Purpose

The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector. Consistent with the object of the *Clean Energy Finance Corporation Act 2012* (CEFC Act), the CEFC:

- Invests in clean energy technologies, projects and businesses
- Leverages its investments to attract additional investment from the private sector
- Shares market and investment experiences, insights and expertise with project sponsors, co-investors, public sector agencies, the energy sector and other industry bodies.

The CEFC is an independent statutory authority, with access to $10 billion in capital from the Australian Government to invest in clean energy technologies, projects and businesses.

Our Board

Steven Skala AO, Chair

Mr Skala has a distinguished career on the boards of public, private, not-for-profit and government organisations, with more than 40 years' experience in law, business and banking. He is Vice Chairman, Australia of Deutsche Bank AG, a Member of the Foreign Investment Review Board and the Technology Investment Advisory Council, and an Alternate Director of Hexima Limited. Mr Skala served as a partner focusing on commercial, corporate and corporate financing law in two leading Australian law firms for more than 20 years. A former Chairman of Film Australia Ltd, Island Food Company Ltd and Wilson Group Ltd, Mr Skala is also a former Acting Chairman and Director of the ABC, a Director of the Channel Ten Group and Max Capital Group Ltd, and a founding panel member of Adara Partners (Australia) Pty Ltd.

Mr Skala currently Chairs the Heide Museum of Modern Art, is Deputy Chair of the General Sir John Monash Foundation, a Director of The Centre for Independent Studies and a Member of the International Council of the Museum of Modern Art, New York. Mr Skala holds BA and LLB (Hons) degrees from the University of Queensland and a BCL from the University of Oxford. Mr Skala was appointed an Officer of the Order of Australia in 2010 in recognition of his service to the arts, business and commerce and to the community.

Appointed 7 August 2017 for five years.

Leeanne Bond

Ms Bond is one of Australia's leading engineers, with more than 30 years' experience in executive and professional company director roles. Ms Bond is Chair of Mining3 and serves on the boards of Snowy Hydro, Aurecon Group, Synertec Corporation and QADO Services. Ms Bond is an advisory board member for the University of Queensland Master of Sustainable Energy and the Australian National University Battery and Grid Integration Program. Ms Bond has also served on the boards of public, private and government entities and was named Australian Professional Engineer of the Year in 2007. She is a Chartered Professional Engineer, an Honorary Fellow of Engineers Australia, a Fellow of the Australian Academy of Technology and Engineering, a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

Appointed 7 August 2017 for five years.

Our Board

Philip Coffey

Mr Coffey has extensive experience across the financial services sector, with a distinguished career in senior roles in banking, including funds management, balance sheet management and risk management. Mr Coffey is a non-executive Director of Macquarie Group Limited and Macquarie Bank Limited, and a non-executive Director of Lendlease Corporation. He is a former Director of Hastings Management. Mr Coffey began his career at the Reserve Bank of Australia and held a number of executive positions at Westpac, including Deputy Chief Executive Officer and Chief Financial Officer of Westpac Banking Corporation and Group Executive, Westpac Institutional Bank. Mr Coffey is a graduate member of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Appointed 1 February 2018 for five years.

Laura Reed

Ms Reed has more than 20 years' experience in the energy infrastructure sector, including as Chief Executive Officer/Managing Director of Spark Infrastructure. Ms Reed is Chair of Epic Energy, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a Director of Canadian Utilities, QS Maps Group, ATCO Australia Pty Ltd and ATCO Gas Australia GP Pty Ltd. She is a former Director of Ausgrid. Ms Reed spent nine years at Envestra Limited (now Australian Gas Networks) in a number of senior financial roles, including Chief Financial Officer. Ms Reed holds an MBA from Deakin University and a Bachelor of Business (Accounting). She is a fellow of Certified Practising Accountants Australia.

Appointed 1 February 2018 for five years.

Andrea Slattery

Mrs Slattery is a recognised leader in Australia's financial services, superannuation, investment and infrastructure sectors. She led the transformational growth of the Self-Managed Super Fund sector as founder and former Managing Director/CEO of the SMSF Association. An experienced non-executive Director, Mrs Slattery has served on boards and advisory committees in public, private and government sectors. Mrs Slattery is a non-executive Director of AMP Limited and AMP Bank, and is also Chair of the AMP Limited and AMP Bank Audit Committees. She is a non-executive Director of Argo Global Listed Infrastructure and the Deputy Chair of the Woomera (Prohibited) Area Advisory Board. Mrs Slattery has a Bachelor of Accounting, a Masters of Commerce, is a fellow of Certified Practising Accountants Australia, a member of CAANZ, a fellow SMSF Specialist Advisor and a fellow of the Australian Institute of Company Directors. She was named Australian Woman of the Year in the Australian Women in Financial Services Awards in 2014.

Appointed 1 February 2018 for five years.

Samantha Tough

Ms Tough is Chair of Horizon Power, the COAG National Energy Selection Panel and a Director of Fluence Corporation and 3D Metal Forge. She is also Pro Vice Chancellor of Industry Engagement, University of Western Australia. Ms Tough previously Chaired the Retail Energy Market Company, Structerre, Molopo Energy, Aerison and Southern Cross Goldfields. She is also a former Director of Synergy, Saracen Mineral Holdings Ltd, Cape LLC, Strike Resources Ltd, Murchison Metals Ltd, Ox Mountain, Buru Energy Ltd and VHM Ltd. Ms Tough held executive roles at Woodside Energy, Hardman Resources, Commonwealth Bank and Pilbara Power Project. She has a Bachelor of Laws and a Bachelor of Jurisprudence from the University of Western Australia and is a Fellow of the Australian Institute of Company Directors.

Appointed 7 August 2017 for five years.

Nicola Wakefield Evans

Ms Wakefield Evans is a non-executive Director of Macquarie Group Limited and Macquarie Bank Limited, Lendlease Corporation, Metlife Insurance, Viva Group Energy and the national board of the Australian Institute of Company Directors. She is a member of the Takeovers Panel, on the board of the University of NSW Foundation and a Director of the Goodes O'Loughlin Foundation. She was previously non-executive Director of Chief Executive Women, BUPA, Asialink and Asialink Business. As a partner of King & Wood Mallesons, Ms Wakefield Evans held a variety of management positions, including responsibility for the development and growth of the international practice and the Hong Kong, China and London offices. Ms Wakefield Evans' key areas of industry expertise include resources and energy, infrastructure, airports, financial services, technology and media and communications.

Appointed 7 August 2017 for five years.

Board operations

Private sector principles of good corporate governance characterise the Board's approach in providing oversight and direction to the Executive. A Code of Conduct and Ethics, complemented by investment and organisational policies and procedures, establish appropriate controls and a sound decision-making framework for the CEFC. Board committees further contribute to effective governance.

Board Audit and Risk Committee

The Board Audit and Risk Committee (ARC) advises and assists the Board in financial governance, financial performance, audit, annual reporting, compliance and all aspects of risk management. The ARC undertakes a quarterly assessment of the performance of the investment portfolio against Board guidelines and limits. It also maintains regular oversight of the AML/CTF compliance program, the application of CEFC Investment Policies and the risk management function.

In the 2020–21 year, the ARC reviewed the CEFC impairment provisioning methodology, governance around Board papers and the CEFC response to the pandemic. With CEFC staff working from multiple distributed locations rather than CEFC offices, the ARC also undertook a review of the organisation's cyber security management processes.

Board People and Culture Committee

The Board People and Culture Committee (PCC) advises and assists the Board in establishing people, culture and compensation strategies, policies and initiatives for the CEFC. This includes setting, monitoring and evaluating achievement against the annual corporate key performance indicators (KPIs), setting the KPIs of the CEO, and considering executive remuneration decisions.

In the 2020–21 year, there was a specific focus on the CEFC approach to remuneration in the context of the Australian Government review of performance bonuses. Refer to Appendix G. The PCC worked with management in establishing a guiding remuneration philosophy for the organisation. The PCC also reviewed the talent management strategy, provided oversight of the variable compensation plan and undertook an analysis of gender pay equity. The PCC was involved in one Executive-level recruitment during the year, with respect to the Chief Risk Officer.

Charters for the Board and its committees are available on the CEFC website.

Committee membership

All CEFC Board members are non-executive members. Board members, with the exception of the Board Chair, serve on one of the Board Committees. Committee meetings are open to all Board members, with only Committee Members having voting rights.

Figure 8: Board committee memberships 2020–21

Board Member	Audit and Risk Committee	People and Culture Committee
Leeanne Bond		Member
Philip Coffey	Member	
Laura Reed	Chair	
Andrea Slattery		Member
Samantha Tough		Chair
Nicola Wakefield Evans	Member	

Board meeting attendance

During the year, the CEFC Board held nine meetings, the Audit and Risk Committee held five meetings and the People and Culture committee held six meetings.

Figure 9: Board member meeting attendance 2020–21

	Board		Audit and Risk Committee		People and Culture Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Steven Skala AO	9	9	4	5*	4	6*
Leeanne Bond	8	9	3	5*	6	6
Philip Coffey	9	9	5	5	1	6*
Laura Reed	8	9	5	5	1	6*
Andrea Slattery	9	9	5	5*	5	6
Samantha Tough	9	9	2	5*	6	6
Nicola Wakefield Evans	9	9	5	5	0	6*

* Represents non-committee members, whose attendance is optional.

Board operations

Board remuneration and allowances

Under the CEFC Act and the *Remuneration Tribunal Act 1973*, remuneration and travel allowances for Board members are independently determined by the Australian Government Remuneration Tribunal.

Figure 10: Remuneration Tribunal Determinations 2020–21

Determinations: Remuneration and Allowances	Date of effect	Ceased	Notes
Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2020 (as amended from time to time)	1 July 2020	1 July 2021	No change to Board member remuneration during the period
Remuneration Tribunal (Official Travel) Determination 2020 (as amended from time to time)	25 August 2019	Remains in effect	

Under the *Determinations: Remuneration and Allowances*, Board members received an annual fee (rather than per day or by meeting). Superannuation is payable in addition to these amounts at the rate of 9.5 per cent (10 per cent from 19 June 2021) in accordance with the *Superannuation Guarantee Charge Act 1992*. Actual amounts paid to Board members during the reporting period are disclosed in Note 5.2 in the Financial Statements. Non-executive Board members who are members of the Audit and Risk Committee and/or the People and Culture Committee do not receive additional remuneration for their membership of these Committees.

Figure 11: Board remuneration 2020–21

Office	Annual remuneration
Chair	$110,860
Board member	$55,430

Travel and expense reimbursement

Board members, the Executive and staff are indemnified and reimbursed for reasonable travel and work-related expenses incurred in the performance of their duties, based on verified claims and in accordance with relevant CEFC policies and Remuneration Tribunal determinations for Board Members.

Related entity transactions

The CEFC considers matters regarding potential conflicts and related entity transactions in accordance with the CEFC Act and the PGPA Act. The CEFC has policies and procedures in place to manage these matters. This includes the requirement that the Board, Executive and staff declare material personal interests that relate to the affairs of the CEFC. The Executive and staff must comply with a personal trading policy which prohibits trading in entities with which the CEFC may be doing business and/or holding material non-public price-sensitive information. Declarations of any new material personal interests are a standing agenda item at each Board and Investment Committee meeting.

The Audit and Risk Committee reviews all related entity transactions disclosed in accordance with the relevant accounting standards at Note 5.3 within the Financial Statements.

Indemnities and insurance premiums

The CEFC has provided certain indemnities and insurances to 'officers' of the Corporation, including Board members and senior managers.

Figure 12: Indemnities and insurance premiums for officers 2020–21

Indemnity/insurance	Officers covered	Coverage period	Premium/fees
Comcover Insurance for Directors' and Officers' Liability	All Board members and Officers	1 July 2020 to 30 June 2021	$16,369
Deed of Access, Indemnity and Insurance	All Board members, the CEFC Executive and staff appointed by the CEFC to an external board	Date of execution until seven years after ceasing to be either a Director or Officer of the CEFC, or appointed by the CEFC to an external board	Nil: indemnity only
Supplementary Directors' and Officers' non-indemnifiable loss insurance	All Board members and Officers	14 June 2013 to 30 June 2021	$590,665
Comcare Workers' Compensation Insurance	All Board members and Officers	1 July 2020 to 30 June 2021	$39,694
Indemnification for reasonable travel and expenses	All Directors, Officers and staff	Ongoing	Nil: indemnity only

Comcover and Comcare insurance

Insurances provided by Comcover and Comcare have general application that includes Board members, the Executive and staff as per the ordinary insurances required of Commonwealth entities.

How we operate

The CEFC is a small organisation with a deep sense of purpose: to be at the forefront of Australia's successful transition to a low emissions economy, investing on behalf of the Australian government to deliver a positive return across our portfolio.

Our approach to our work is founded on our shared values:

- to make a positive **impact**
- to **collaborate** with others to make a difference
- to champion **integrity** by being open and honest
- to embrace **innovation** by being open to new approaches and solutions.

Members of the CEFC team have broad commercial expertise, deep market knowledge and a commitment to deliver on our public purpose in investing on behalf of the Australian community.

We embrace diversity and inclusion across our organisation, supporting a diverse cultural profile and offering staff flexible work arrangements, paid parental leave and purchased leave, reflecting the range of needs and preferences of our people.

The CEFC actively promotes and encourages individual professional development as a core contributor to our market impact, as well as broadening and deepening the skills of our people.

Through our Reconciliation Action Plan (RAP) we are at the start of our reconciliation journey, with a commitment to draw on our expertise to contribute to First Nations peoples. We are also founding members of the Women in Sustainable Finance forum, which grows from strength to strength.

Our Executives

Ian Learmonth

Chief Executive Officer

Mr Learmonth has more than 30 years' experience as a financier and investor, having worked in Australia, Asia and Europe across clean energy and major infrastructure projects, as well as pioneering social impact investments. Prior to taking the role at the CEFC, Mr Learmonth established Social Ventures Australia's Impact Investing business which included raising impact and affordable housing funds as well as launching Australia's first Social Impact Bond in 2013. Previously an Executive Director of Macquarie Group, Mr Learmonth has investment banking experience in Sydney, Hong Kong and London. He established and led various Macquarie businesses, notably European renewable energy and carbon credit investments, as well as cross-border structured finance and asset financing in Asia and Europe. Mr Learmonth has degrees in Law and Commerce from the University of Queensland.

Michael Johnston

Chief Risk Officer

Mr Johnston is responsible for internal and external risk management. This includes the credit analysis and risk assessment of new investment opportunities, as well as the management and reporting of the credit and investment risks within the existing investment portfolio. Mr Johnston has more than 30 years' experience working in the Australian banking industry for both Australian and international banks. He has led a number of origination teams, primarily in the leveraged and acquisition space, and has participated in the debt financings for a number of management and leveraged buyouts. Prior to joining the CEFC, Mr Johnston was head of credit at Lloyds International, previously BOSI International. Mr Johnston holds a Bachelor of Economics from Macquarie University and a Graduate Diploma from the Securities Institute of Australia. Mr Johnston transitioned to a part time role with the CEFC after year end.

Sara Leong

Chief Asset Management Officer

Ms Leong is Chief Asset Management Officer with responsibility for the management of a diverse and growing portfolio of debt, equity, funds and early-stage investments. Ms Leong has extensive experience in infrastructure, project and structured finance and asset, portfolio and funds management, having invested in infrastructure on behalf of pension funds. Prior to joining the CEFC, Ms Leong worked at Deutsche Bank, Macquarie Group and ANZ Bank, in Australia and the UK. Ms Leong has a Master of Laws (Corporate and Commercial) from the University of NSW, a Bachelor of Laws (First Class Honours) and a Bachelor of Business (Finance) from the University of Technology, Sydney. She is a graduate member of the Australian Institute of Company Directors.

Our Executives

Paul McCartney

Chief Clean Futures Officer

Mr McCartney leads the specialist Clean Futures Team, which is focused on unlocking investment opportunities critical to Australia's clean energy transition. These include grid augmentation, hydro power, green hydrogen, large-scale battery storage, virtual power plants and non-energy related emissions. Mr McCartney has more than 25 years' experience working across clean energy, commercial property, funds management and IT services. He has worked in the mergers and acquisitions area, in addition to chief financial officer roles for listed and unlisted companies. Mr McCartney is a Certified Practising Accountant and holds a Bachelor of Accountancy from RMIT University. He is also a graduate of the Australian Institute of Company Directors.

Leanne McDonald

Chief People and Culture Officer

As Chief People and Culture Officer, Ms McDonald leads people capability activities which empower the CEFC to make a positive impact. Ms McDonald has held senior human resources roles in energy, resources, financial services, IT and telecommunications. She has designed and implemented industry-recognised change initiatives, to enable the business strategy of Australian and global organisations. As a management consultant, Ms McDonald also led strategic change initiatives for clients in the financial services, manufacturing and public sectors. Ms McDonald holds a Bachelor of Science with Honours in Psychology, and a Master of Commerce in Organisational Behaviour from the University of NSW.

Andrew Powell

Chief Financial Officer

Mr Powell has more than 30 years of business experience, working within industry and public accounting both in Australia and the United States. Mr Powell is experienced in all aspects of financial accounting, as well as mergers and acquisitions, public listings and transaction and deal structuring. Mr Powell was previously founding Chief Financial Officer and Company Secretary of Low Carbon Australia Limited, where he also contributed to strategic direction. Mr Powell has previously held the role of Senior Vice President of Finance for NASDAQ-listed Symyx Technologies, Inc. and senior roles with EY (formerly Ernst & Young) in both Australia and the United States. Mr Powell is a Chartered Accountant, holds a Bachelor of Economics from Macquarie University, and is a Graduate Member of the Australian Institute of Company Directors.

Ludovic Theau

Chief Investment Officer

Mr Theau is responsible for the origination and execution of CEFC investments, including leading the successful financing of a number of market-leading renewable energy and energy efficiency projects. Mr Theau has more than 25 years' experience in delivering large transactions in infrastructure, utilities and public/private partnership, with a particular focus on the clean energy transition. Prior to joining the CEFC, Mr Theau worked in Europe and Australia in financial advisory, funds management, asset management, commercial and investment banking, including with Hastings Funds Management, Westpac, ABN AMRO, Macquarie Bank, UBS and BNP Paribas. Mr Theau holds a Master of Engineering from École Centrale de Paris, France.

Jay Tolson

General Counsel and Company Secretary

Mr Tolson provides legal and company secretary support to the Board and Executive with respect to CEFC investments, corporate legal matters, governance and reporting. Mr Tolson is an experienced leader within the financial services industry. As General Counsel for Credit Suisse in Australia, he worked across a broad range of complex financing, investment banking and capital markets transactions. He previously held senior legal positions with National Australia Bank and Commonwealth Bank of Australia. In private practice, Mr Tolson worked for Linklaters as a banking and finance solicitor in London and Singapore. Mr Tolson completed his legal studies in England and is admitted to practice in New South Wales, England and Wales.

Craig Whalen

Chief Risk Officer

Mr Whalen joined the CEFC in September 2021, with responsibility for internal and external risk management, credit analysis and risk assessment, on new and existing investments. Mr Whalen has more than 25 years' experience in finance, including transaction origination and execution and portfolio management. He has served on the boards of several renewable energy projects, as well as Flinders Ports, where he was Treasury Committee chair. Prior to joining the CEFC, Mr Whalen was an Executive Director at Infrastructure Capital Group, and held positions at ANZ, Macquarie Group, Bankers Trust and King + Wood Mallesons. Mr Whalen holds Bachelor of Commerce and Law degrees from the University of Queensland, is admitted to the Supreme Court of Queensland and is a graduate member of the Australian Institute of Company Directors.

Our People

Executive committees

The CEO has responsibility for the day-to-day management of the CEFC, assisted by the Executive and its committees:

- Executive Investment Committee: reviews all investment proposals, excluding those of the Clean Energy Innovation Fund
- Joint Investment Committee: operated in conjunction with ARENA, reviews all investment proposals relating to, and the performance of, the Clean Energy Innovation Fund
- Asset Management Committee: oversees the management and performance of the CEFC investment portfolio
- Executive Risk Committee: oversees performance and risk management matters relating to CEFC investments and for the CEFC itself.

Terms of employment

The CEFC is committed to attracting and retaining talented and committed professionals to deliver on our purpose. The terms and conditions of CEFC employment relationships are formalised with individual employment agreements based on the National Employment Standards. Non-executive employees are also covered by the *Australian Government Industry Award 2016*.

The CEFC offers flexible work arrangements to all employees, as well as paid parental leave and purchased leave, reflecting the diverse needs and preferences of our people. CEFC employees receive a total compensation package of fixed and variable remuneration. Remuneration is reviewed annually, referenced against market data from the Financial Industry Remuneration Group.

The CEFC Variable Compensation Plan recognises the individual performance of eligible employees, including behaviours that contribute to the achievement of corporate and individual key performance indicators, and the growth and sustainability of the CEFC.

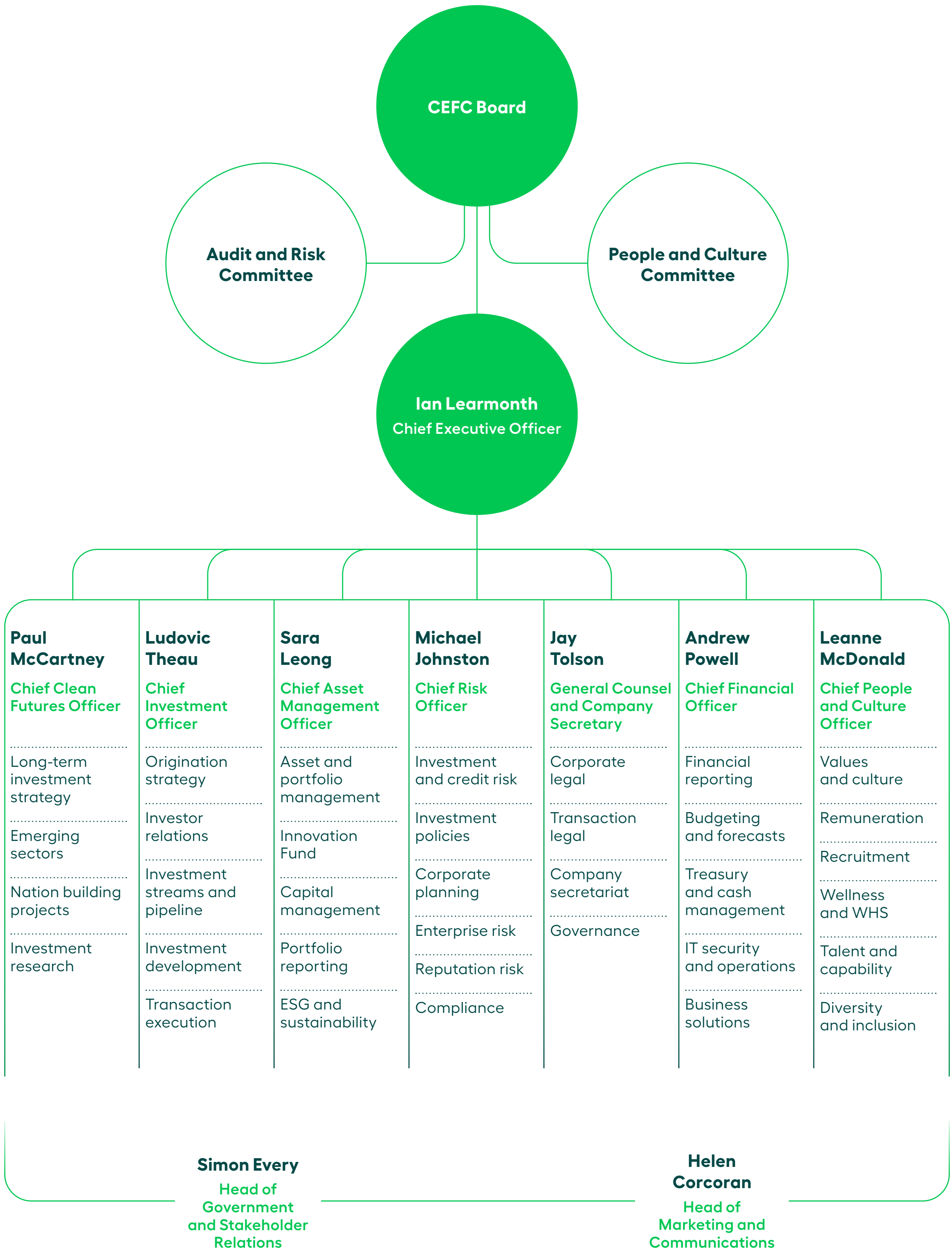
Structure

The Chief Executive Officer is appointed by the Board, in consultation with the responsible Ministers. The CEO is a statutory officer, with the Executive and staff employed under terms and conditions determined by the Board.

The CEFC has staff in Brisbane, Canberra, Melbourne, Perth and Sydney. Key organisational activities include investment origination, transaction execution, portfolio and asset management, support for early-stage innovative technologies and financing projects, with the support of corporate functions across legal, finance, IT, compliance and risk management, marketing and communications, investment research, stakeholder relations, people and culture, and administration.

The CEFC holds 100 per cent of the issued share capital in two subsidiaries: CEFC Investments Pty Limited (ACN 616 070 430) and Clean Energy Investment Management Pty Limited (ACN 628 443 854).

Figure 13: CEFC organisational structure 2020–21



Our People

Organisational developments

During the 2020–21 year, we strengthened areas of the organisation, to capture new market opportunities and manage our evolving investment portfolio. Key developments included:

Creation of an Impact Capital team to develop opportunities to expand capital availability to companies in the post–venture capital/pre-initial public offering stage of their development

Expansion of the Credit and Risk function, to support an increased focus on equity transactions

Appointment of additional venture capital expertise to accelerate the progress of the Clean Energy Innovation Fund

Increased capacity to assist in the assessment of complex energy markets and transmission matters

Additional investments in data analytics and reporting, information technology and digital collaboration tools

Adoption of a CEFC ESG policy, providing an ESG overlay to established CEFC investment policies and guidelines

Refurbished and extended our Sydney office working environment, accommodating recommended COVID-19 physical-distancing requirements while taking advantage of favourable office leasing conditions.

Adapting to the pandemic

CEFC staff continued to adjust to the ongoing disruption of the pandemic in 2020–21, with the organisation pivoting to a new 'agile working environment', featuring a complementary focus on business and personal priorities.

CEFC staff are supported in working within flexible, technology-enabled teams to deliver against our business goals efficiently and successfully. In addition, staff are supported in achieving a balance between work and home life, enabling a greater sense of wellbeing and underpinning a strong and collaborative workplace culture.

The introduction of the agile working environment was complemented by a range of initiatives to encourage employee engagement during the year, including wellbeing initiatives around mental health, physical fitness and resilience. Two small-scale employee surveys encouraged staff to provide feedback on the changed working environment and the impact of the pandemic. We were pleased to see an increase in positive perceptions relating to wellbeing, from 64 per cent to 75 per cent in a six-month period, following the introduction of some of these initiatives.

A more in-depth employee survey during the year, which achieved a 93 per cent participation rate, ranked CEFC employee alignment and engagement levels in the top quartile of benchmarked organisations.

Diversity and inclusion

At the end of the 2020–21 year, the CEFC had 124 employees, an increase of eight on the prior year. As a specialist financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42.65 years. The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas is steady at 46 per cent, including 57 employees from 26 countries, in addition to those born in Australia. Refer to Appendix B for additional information..

Gender equity

At 30 June 2021, 71 per cent of the CEFC Board and 25 per cent of the CEFC Executive Team were female and 33 per cent of senior management positions were held by women. Women were awarded nine (56 per cent) of the 16 promotions in 2020–21, taking female representation at the Executive Director level to 29 per cent. Overall, gender diversity improved in the reporting year, at 52 per cent male (down two per cent) and 48 per cent female (up two per cent).

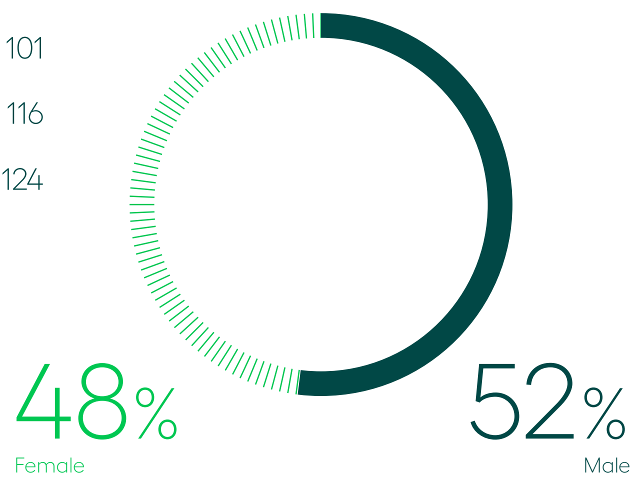
The gender pay gap at the end of 2020–21 was 26 per cent in favour of men, calculated using the average of all salaries (excluding the CEO). While this was a slight deterioration on the 22.6 per cent gap of the prior year, the 2020–21 position compared favourably with the 36.5 per cent gap in favour of men reported by the Workplace Gender Equality Agency for similar-sized financial services organisations. At the CEFC, this gap is due to a larger proportion of men being in higher paying positions compared with women. A more precise measure of gender pay equity, across like-for-like positions, showed a six per cent absolute average pay gap across 12 positions where a gender pay gap could be calculated, compared with the previous seven per cent gap. For eight of the 12 positions, women were paid slightly higher on average than men, indicating that systemic gender bias is not present at the CEFC.

Related initiatives around gender equity in the 2020–21 year included:

- Maintaining our leadership role in the 1,100 member Women in Sustainable Finance initiative, which included supporting events discussing transport decarbonisation and measures to deliver an equitable transition net zero emissions
- Hosting CEFC Board member Nicola Wakefield Evans for an International Women's Day staff presentation about her career and advocacy work to increase the number of women on the boards of Australia's largest listed companies
- Participating in the Annual Women in Finance awards, with two staff members selected as finalists.

Employees

Gender



Our People

Reconciliation Action Plan

The CEFC completed the *Reflect* phase of our Reconciliation Action Plan (RAP) in 2020–21. We recognise that stronger cultural understanding and relationships with Aboriginal and Torres Strait Islander peoples is central to ensuring we are better informed in the decisions we make as a responsible investor, procurer, employer and industry leader. Key actions during the year included:

Appointment of an external RAP Advisory Committee to guide CEFC RAP endeavours

Development and implementation of a First Nations investment screening procedure, to consider the potential impacts of CEFC investments on First Nations communities, and to identify opportunities to engage with First Nations peoples on whose land we work

Hosted the first roundtable between the First Nations Heritage Protection Alliance and the Responsible Investment Association Australasia, to facilitate discussion with institutional investors on the protection of Australia's Indigenous heritage

Provided continued support for CareerTrackers, a national non-profit organisation creating career pathways and support systems for Aboriginal and Torres Strait Islander young adults

Featured Acknowledgement of Country recognition and presentations at staff Town Hall meetings

Completed our inaugural First Nations Cultural Awareness staff training program, which achieved a 90 per cent participation rate

Welcomed an Aboriginal Elder to conduct a traditional cleansing ceremony at the opening of our refurbished Sydney premises, where the names of meeting rooms reflect the local language of the First Nations peoples of the Eora Nation, on whose land the building sits.

Risk management

The CEFC Board has oversight of risk management, supported by the Audit and Risk Committee and the Executive Committees. Central to effective risk management is recognition that the CEFC does not accept risks that may compromise the integrity of the organisation.

Code of Conduct and Ethics

The CEFC Code of Conduct and Ethics shapes the CEFC risk culture, setting the required standards of behaviour for the Executive and staff consistent with the highest professional and ethical standards. This includes requiring CEFC personnel to consistently consider "should we" act as distinct from "can we" act.

Risk Management Framework

Consistent with section 68 of the CEFC Act, the Board has established an integrated approach to risk management, founded on a Risk Management Framework (RMF), to monitor and manage strategic, investment and financial, reputational, operational and regulatory risks. This framework uses a "three lines of defence" model, with responsibility across all staff, the independent CEFC credit risk function and internal audit process.

The RMF recognises the fundamental linkage between strategic objectives and the impact that uncertainty (or risk) may have on the achievement of those objectives and more importantly, the performance of the CEFC. The RMF promotes a holistic approach to managing risk, starting with strong governance structures that promote transparent decision-making, guided by a well-developed and well-executed strategy that remains cognisant and informed about the risks embedded in that strategy.

Refer to the discussion on market trends and risk on page 62.

Risk Appetite Statement

The Risk Appetite Statement (RAS) is the key operational document that facilitates the RMF. The RAS goes to the heart of how the CEFC pursues its strategic objectives and the types of investments it considers. The RAS also sets out the risk limits (or tolerances) that are applied to both financial and non-financial consequences of accepting the risks outlined in the RAS.

The CEFC, as with any prudent investor or financier, must take risks to achieve returns. For the CEFC, a heightened level of risk, beyond what is deemed acceptable by a commercial financier, may be appropriate in specific circumstances in pursuit of broader public policy objectives. In contrast to some other investors, the CEFC has limited opportunities to diversify its portfolio by sector, particularly given the requirement to have at least 50 per cent of the portfolio invested in renewable energy technologies from 1 July 2018, thereby concentrating exposure in the clean energy sector.

Role of Investment Committees

Due diligence is a key feature of CEFC risk assessment with respect to investment decisions:

- Transaction teams are required to review, screen and develop structures to mitigate potential financial and reputational risks that may be associated with proposed investments
- The Chief Risk Officer/Credit team independently review and challenge this risk assessment and ensure that the proposed investment is consistent with the RAS, Investment Policies and risk limits and guidelines
- Investment Committees then make a case-by-case assessment of the merits of proposed investments, their assessed risk and their returns.

Legislative and government information

CEFC Act

The CEFC Act establishes the Clean Energy Finance Corporation, sets out the organisation's purpose and functions, and establishes arrangements for the Board, CEO and staff. The objective of the CEFC under the CEFC Act is "to facilitate increased flows of finance into the clean energy sector". The main function of the CEFC is to invest, directly and indirectly, in clean energy technologies (the investment function). The CEFC Act also specifies a number of other functions, including:

- Liaising with relevant individuals, businesses, agencies and State and Territory governments to facilitate the CEFC investment function
- Performance of any other functions conferred by the CEFC Act or any other Commonwealth law
- Anything incidental or conducive to the performance of the investment function or the other functions.

Clean energy technologies are broadly defined in the CEFC Act to be energy efficiency, renewable energy and low-emission technologies. The Act expressly excludes CEFC investment in carbon capture and storage, nuclear technology and nuclear power.

During 2020–21 there were no amendments to the CEFC enabling legislation. On 30 October 2019 the Australian Government announced its intention to amend the CEFC enabling legislation to provide for the creation of a $1 billion Grid Reliability Fund (GRF).[1] On 27 August 2020, the *Clean Energy Finance Corporation Amendment (Grid Reliability Fund) Bill 2020* was introduced into the Australian Parliament to give effect to the GRF. At the time of writing, the Bill was still before the Parliament.

Responsible and nominated Ministers

Under the CEFC Act, the CEFC has two responsible Ministers, who agree which is the nominated Minister with additional powers and functions under the CEFC Act. The Hon. Angus Taylor MP, Minister for Energy and Emissions Reduction was the nominated Minister throughout the reporting period.

Figure 14: Responsible and nominated Ministers

	Responsible Ministers	Nominated Minister
1 July 2020 – 30 October 2020	The Hon. Angus Taylor MP, Minister for Energy and Emissions Reduction Senator the Hon. Mathias Cormann, Minister for Finance	The Hon. Angus Taylor MP, Minister for Energy and Emissions Reduction
30 October 2020 – 30 June 2021	The Hon. Angus Taylor MP, Minister for Energy and Emissions Reduction Senator the Hon. Simon Birmingham, Minister for Finance	The Hon. Angus Taylor MP, Minister for Energy and Emissions Reduction

1 Prime Minister, Minister for Finance, Minister for Energy and Emissions Reduction Media Release: ***$1 billion boost for power reliability***, 30 October 2019.

Ministerial powers of direction

The CEFC Act is structured in such a way as to maximise operational independence, particularly with respect to investment decision-making.

Investment Mandate Directions

Ministerial powers to direct the CEFC Board are primarily limited to Investment Mandate Directions, issued by responsible Ministers under sub-section 64(1) of the CEFC Act. Mandate Directions provide instruction as to the policies to be pursued by the CEFC in performing its investment function, provided this does not have a purpose of directing the CEFC to make or not make a particular investment and is not inconsistent with the CEFC Act (including the object of the CEFC Act). The *Clean Energy Finance Corporation Investment Mandate Direction 2020*, which came into effect from 2 May 2020, remained in place throughout the 2020–21 reporting period.

CEFC Special Account directions

Ministers may also direct the CEFC to pay surplus funds to the CEFC Special Account. The Hon. Greg Hunt MP, then Minister for the Environment, and Senator the Hon. Mathias Cormann, then Minister for Finance, issued a Ministerial Direction to repay surplus monies to the CEFC Special Account on 5 May 2016. This remained in place throughout the 2020–21 reporting period. Additional information about movements into and out of the Special Account can be found in Section 3.

Government policy orders

The PGPA Act allows the Australian Government to issue directions to the CEFC by means of a Government Policy Order (GPO). No GPOs applied to the CEFC during 2020–21.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2020–21 year.

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2020–21 that have had, or may have, a significant effect on the operations of the CEFC. There were also no particular reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner. The Commonwealth Ombudsman Annual Report for 2019–20 disclosed the CEFC as an agency which had not received any public interest disclosures.

The CEFC was mentioned in the following reports of parliamentary committees:

- Standard reporting of CEFC appearances at Senate Estimates proceedings of the Environment and Communications Legislation Committee, including Budget Estimates (December 2020) and Additional Estimates (May 2021)
- The Senate referred the provisions of the *Clean Energy Finance Corporation Amendment (Grid Reliability Fund) Bill 2020* to the Environment and Communications Legislation Committee for inquiry on 3 September 2020. A majority Committee report in November 2020 recommended the Bill be passed.

Passing references to the CEFC were also made in the following Parliamentary reports:

- December 2020: House of Representatives Standing Committee on Industry, Innovation, Science and Resources' report *From Rubbish to Resources: Building a Circular Economy*
- April 2021: Senate Report of the Select Committee on the effectiveness of the Australian Government's Northern Australia agenda
- February 2021: Senate Environment and Communications Legislation Committee *Annual reports (No. 1 of 2021)*
- June 2021: House of Representatives Standing Committee on the Environment and Energy Advisory Report on the *Climate Change (National Framework for Adaptation and Mitigation) Bill 2020* and *Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020*.

Legislative and government information

Procurement

Commonwealth Procurement Rules are not applicable to the CEFC. Procurement occurs via the most efficient, effective, economical and ethical means possible, which can involve direct engagement of service providers based on quotes, select tenders, engagement of external advisors, and in some instances joining Australian Government procurement arrangements. Under section 74 of the CEFC Act, the CEFC must specify in the Annual Report the details for each procurement contract on foot within the financial year valued at above $80,000.

Figure 15: CEFC procurement contracts in place: 2020–21

Contract date	Value $	Expensed $	Contracting party	Purpose of contract
June 2013	590,665	70,953	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
March 2016	4,331,218	507,444	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
March 2021	5,890,131	402,104	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2021 to 28 February 2026
May 2017	4,046,431	752,773	Riverside Development Pty Ltd	Lease of premises at Level 25, 71 Eagle Street, Brisbane from 18 May 2017 to 30 September 2022
July 2017	568,836	89,942	Knight Frank Australia Pty Ltd	Lease of premises at Level 13, 222 Exhibition Street, Melbourne from 1 July 2017 to 30 June 2022
January 2018	218,763	73,491	Reval.com Inc	Three-year licence fee renewal, maintenance and support for Loan Management System
March 2020	181,479	181,479	Commtract Communication Services	Media advisory services
July 2020	120,485	120,485	Arnold Bloch Leibler	Legal advice and legal fees incurred for an investment project for the period 1 July 2020 to 30 June 2021
July 2020	204,886	204,886	Australian Government Comcover	General, professional indemnity, D&O, property including business interruption and travel insurance for the period 1 July 2020 to 30 June 2021
July 2020	105,537	105,537	Australian Transaction Reports and Analysis Centre	Industry contribution for the period
July 2020	250,429	250,429	Bloomberg Australia Pty Ltd	Bloomberg terminal and NEF All Insight Package Level III
July 2020	468,770	468,770	Datacom Systems Pty Ltd	IT support, applications and hardware for the period 1 July 2020 to 30 June 2021, including provision of an onsite resource for part of the year
July 2020	146,295	146,295	Designate Group Pty Ltd	Design, development and production of the 2019–20 CEFC Annual Report, development of marketing-related materials, and contribution to development of CEFC values and capability framework
July 2020	565,492	565,492	Glass and Co Pty Ltd	Provision of information technology outsourced consulting services, in accordance with individual statements of work

Contract date	Value $	Expensed $	Contracting party	Purpose of contract
July 2020	208,944	208,944	Herbert Smith Freehills	Legal fees incurred for various investment projects, and Australian Financial Services Licence advice for the period 1 July 2020 to 30 June 2021
July 2020	121,000	104,500	Houston Kemp Pty Ltd	Advice on regulatory reforms affecting the landscape for the clean energy sector
July 2020	193,321	193,321	Intalock Technologies Pty Ltd	Information technology security threat monitoring and response services
July 2020	155,237	155,237	Johnson Winter & Slattery	Legal fees incurred for various investment projects for the period 1 July 2020 to 30 June 2021
July 2020	236,950	236,950	KPMG	Four individual contracts covering Environmental, Social and Governance; IT leadership; Modern Slavery and investment valuation services
July 2020	120,244	120,244	Macquarie Telecom Pty Ltd	Telecommunications, data and hosting for the period 1 July 2020 to 30 June 2021
July 2020	275,000	275,000	Pricewaterhouse Coopers	Internal Audit engagement for the period 1 July 2020 to 30 June 2021
July 2020	124,104	124,104	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2020 to 30 June 2021 under the whole of government travel procurement program
July 2020	217,375	217,375	Technology One Ltd	Annual maintenance and support, ongoing development costs and fees for software and cloud services
July 2020	145,324	145,324	Wiliam Pty Ltd	Maintenance, programming and technical services associated with the CEFC website, and digital production and deployment of the 2019–20 CEFC Annual Report
August 2020	146,251	146,251	Advisian Pty Ltd	Australian Hydrogen Market Study Report
October 2020	105,600	105,600	Paul Dowling	Investment research advisory services
December 2020	123,200	123,200	Vine Partners Pty Ltd	Permanent recruitment for executive role
January 2021	1,964,822	117,525	MPA Construction Group Pty Ltd	Design, construction and fit-out of Sydney premises
February 2021	172,128	13,855	One Diversified (Aust) Pty Ltd trading as Diversified	Supply and installation of audiovisual equipment for Sydney premises
June 2021	312,400	312,400	Australian National Audit Office	Audit of financial statements for year ended 30 June 2021
June 2021	143,712	4,045	CBRE (C) Pty Ltd	Lease of premises at Level 14, 191 St Georges Terrace, Perth from 1 June 2021 to 31 May 2024
Total	**22,455,029**	**6,543,955**		

Other legislation, policies and governance events

PGPA Act

As a corporate Commonwealth entity, CEFC activities are governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and its subordinate instruments. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board, both as a collective and as individuals, and on the CEFC Executive and employees. Note 1 to the Financial Statements contains information about how the PGPA Act impacts the financial governance of the organisation and the preparation of the accounts. There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2020–21.

Modern Slavery Act 2018

As an Australian-based and operating entity with annual consolidated revenue exceeding $100 million, the CEFC is required to comply with the *Modern Slavery Act 2018*. Under section 16 of the Act, we report annually on modern slavery risks in our operations and supply chains, and actions taken to address these.

The first Board-approved CEFC Modern Slavery Statement, for the period ending 30 June 2020, was provided to the Minister for Home Affairs prior to 31 March 2021, as required under section 13 of the Act. The Statement considered modern slavery risks across three main areas of CEFC activity. These were procurement, investment activities and collaboration arrangements with external parties.

The second CEFC Modern Slavery Statement, relating to the reporting period ending 30 June 2021, will be provided to the Minister for Home Affairs on or before 31 December 2021 as required.

Other government policy

The CEFC works closely with the Department of Industry, Science, Energy and Resources and several portfolio agencies, including ARENA, to contribute to the delivery of Australian Government policy initiatives relating to emissions reduction. In 2020–21, specific examples included the representation on the Technology Investment Advisory Council and the formal secondment of CEFC employees to the Underwriting New Generation Investments program.

As a corporate Commonwealth entity the CEFC is not formally bound by other Australian Government policies, including the *Public Service Act 1999*. The CEFC nevertheless considers policy guidance issued by central authorities having regard to particular CEFC circumstances, in areas such as workplace bargaining and remuneration. In 2020–21, the CEFC aligned with wage restraint guidelines provided by the Australian Public Service Commission.

A review of performance bonus arrangements for Commonwealth senior executives was initiated by the Assistant Minister to the Prime Minister and Cabinet in November 2020. The scope of the Review included existing performance bonus arrangements for SES-level Australian Public Service employees, as well as officials of corporate Commonwealth entities (such as the CEFC) and Commonwealth companies. Agencies received an interim report and initial draft guidelines in March 2021, and a final draft in June. The final document was issued in August 2021, just after year end. The *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies (2021)*, will take effect in the 2021–22 year and will be reflected in relevant CEFC decisions. Refer to Appendix G.

Other statutory requirements

As a corporate Commonwealth entity, the CEFC complies with a range of other statutory reporting requirements. An Index to these other Annual Reporting Requirements can be found at Appendix A.

Independent review of investment decision

On 2 March 2020, the Minister for Energy and Emissions Reduction requested the Secretary of the Department of Industry, Science, Energy and Resources to prepare an *Independent Review of the Clean Energy Finance Corporation decisions in relation to RateSetter* (since renamed Plenti). The review considered:

- Whether the CEFC complied with the CEFC Act in awarding seed funding to RateSetter in 2016–17
- The role of the CEFC in the appointment of RateSetter as delivery partner for the SA Home Battery Program and the pilot NSW Empowering Homes Program
- Arrangements for current and future projects between the CEFC and RateSetter.

In its final report, released on 29 September 2020, the review found that:

- All CEFC project and investment decisions relating to RateSetter complied with its legislative obligations and Investment Mandate
- There was no evidence the CEFC facilitated improper preferential treatment for RateSetter around the SA and NSW programs
- There was no evidence to suggest arrangements for current and future projects between the CEFC and RateSetter were inappropriate.

Having made no adverse findings, the review made no recommendations.

ANAO performance audit

The Australian National Audit Office (ANAO) undertook a performance audit "to assess the effectiveness of the selection, contracting and ongoing management of investments by the CEFC and the extent to which the CEFC is meeting its legislated objective".

The Auditor-General Report No. 26 of 2020–21 *Investments by the Clean Energy Finance Corporation*, issued on 17 December 2020, found that the CEFC:

- Has suitable arrangements in place to assess and approve investments and for their ongoing management
- Has met its legislative requirement to invest at least 50 per cent of funds into renewable technologies
- Has not yet met either of the target medium to long-term benchmark rates of return set by the Investment Mandate
- Has largely effective risk management processes in place
- Has facilitated increased funding into the clean energy sector, but the extent is unclear.

The CEFC welcomed the ANAO report and has since implemented or substantially progressed all but one of the ANAO recommendations. The CEFC has provided advice to the ANAO with respect to its view on the remaining matter. Refer to Figure 16.

Other legislation, policies and governance events

Figure 16: ANAO recommendations and CEFC response

	ANAO recommendation	CEFC response
1	The CEFC develop a more a comprehensive statement of its investment policies in regard to environmental, social and governance (ESG) issues in order to meet the requirement of section 16 of the Investment Mandate.	Agreed and implemented
2	The CEFC include in its annual performance statements a carbon abatement capital efficiency metric as an additional performance measure.	Agreed and implemented
3(a)	To help decision-makers take account of all mandated requirements when assessing investment proposals, the CEFC include in its screening documentation for all projects: *specific consideration of the potential effect on other market participants and the efficient operation of the Australian financial and energy markets.*	Agreed and implemented
3(b)	To help decision-makers take account of all mandated requirements when assessing investment proposals, the CEFC include in its screening documentation for all projects: *a comparison of the rate of return with the relevant benchmark average rate of return in the Investment Mandate*	Not agreed The CEFC analyses investment returns on an individual versus portfolio basis. The Portfolio Benchmark Return is defined in the Investment Mandate and then managed consistently on a portfolio basis. It is the view of the CEFC that this is not an integral part of each individual investment decision. Individual investment decisions more appropriately reference the relevant market-equivalent rate of return and the maximum rate that can be achieved while ensuring achievement of the appropriate public policy outcome.
4	The CEFC benchmark its performance in terms of clean energy outcomes and leverage against one or more other “green banks”.	Agreed and implemented

	ANAO recommendation	CEFC response
5	The CEFC: a. Ask responsible Ministers to clarify in the Investment Mandate the intention of the requirement in subsection 14(2) that the CEFC make available up to $1 billion of investment finance over 10 years for the Sustainable Cities Investment Program b. In reporting on investments included in each fund or program, include amounts that have been included in other funds or programs.	Agreed and implemented
6	The CEFC document procedures for calculation of benchmarks and actual rates of return against the benchmarks and ensure that the calculation spreadsheets include references to all source data.	Agreed and implemented
7	The CEFC keep responsible Ministers informed of action it is taking to meet the target rates of return and any concerns it has about its ability to achieve the target rates.	Agreed and implemented
8(a)	The CEFC develop a metric that provides an aggregate estimate of risk at the portfolio level.	Agreed to continue to investigate the feasibility of developing such a metric, given the complexities of having a combined debt and equity portfolio. Work is in progress.
8(b)	The CEFC include in the quarterly Enterprise Risk Performance Report a specific statement as to the CEFC's assessment of risk against the mandated requirement to develop a portfolio that in aggregate has an acceptable but not excessive level of risk.	Agreed and implemented

Financial information

Summary financial data

This summary financial data is in addition to, and does not form part of, the Audited Financial Statements.

Figure 17: New commitments, deployment and recycled capital ($m)

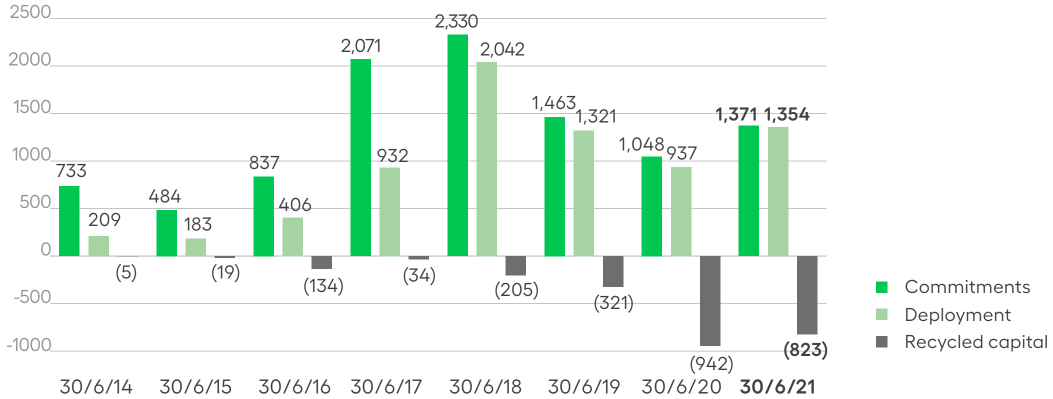


Figure 18: Revenue ($m)

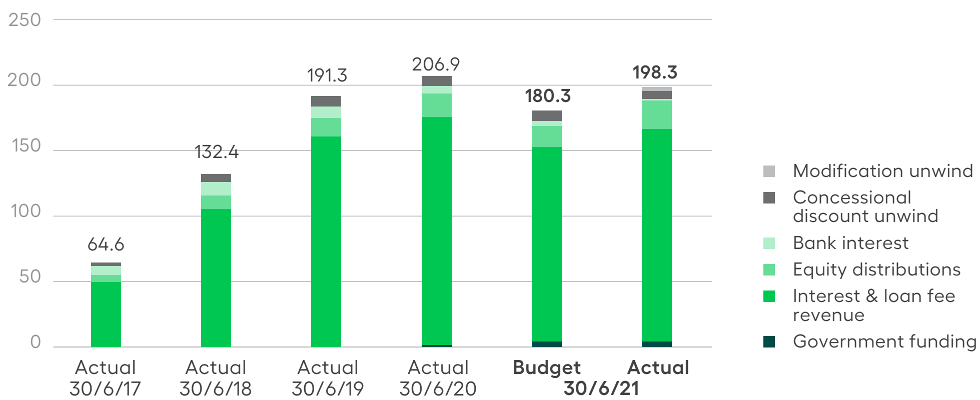


Figure 19: Operating expenses, impairment, concession, modification ($m)

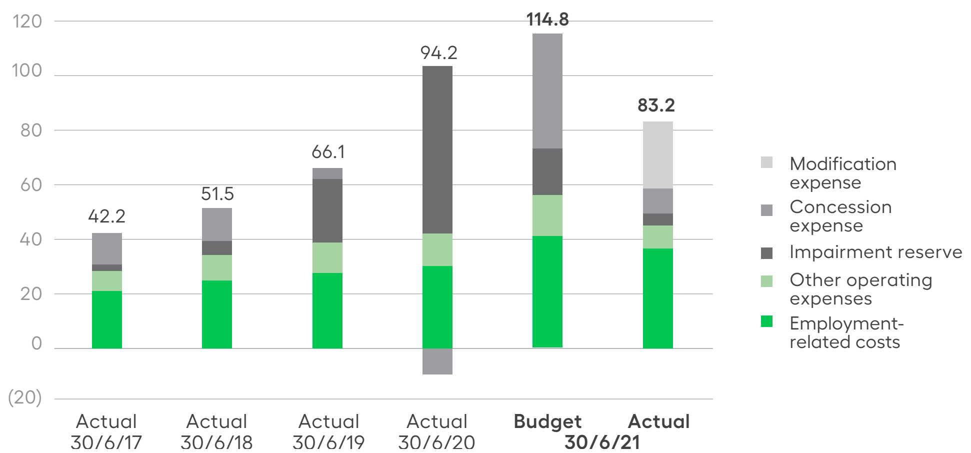


Figure 20: Normalised surplus from operations ($m)

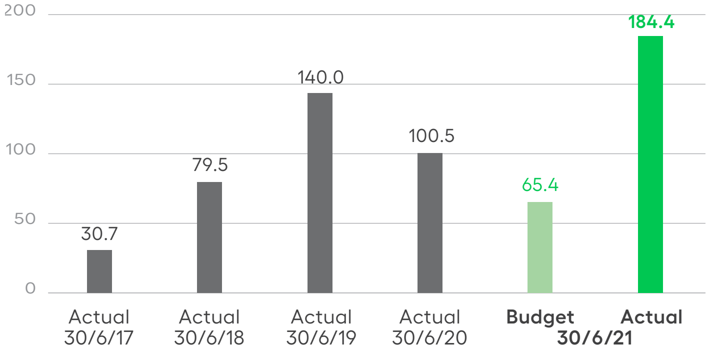


Figure 21: Reconciliation of surplus from operations to normalised surplus from operations ($m)

	Actual 30/6/2017	Actual 30/6/2018	Actual 30/6/2019	Actual 30/6/2020	Budget 30/6/2021	Actual 30/6/2021
Reported surplus from operations	21.7	73.7	218.8	153.8	35.5	**144.5**
Less: Funding received from the Australian Government	–	–	–	(1.9)	(4.3)	**(4.3)**
Less: Fair value (gains)/losses from loans and bonds at Fair Value through Profit and Loss (FVTPL) net of realised gains on sale	–	–	(75.1)	(34.7)	–	**19.2**
Less: Concessional discount unwind	(2.4)	(6.2)	(7.6)	(7.3)	(7.8)	**(6.0)**
Add: Concessional expense	11.4	12.0	3.9	(9.4)	42.0	**9.2**
Less: Loan modification unwind	–	–	–	–	–	**(2.7)**
Add: Loan modification expense	–	–	–	–	–	**24.5**
Normalised surplus from operations	**30.7**	**79.5**	**140.0**	**100.5**	**65.4**	**184.4**

Notes

Normalised surplus from operations represents the underlying financial performance of the Corporation and excludes:

a. Operational funding received from the Australian Government

b. The non-cash concessional and loan modification charges together with the unwind of these as revenue

c. The impact of fair value gains and losses arising from the mark-to-market of loans and bonds, since these movements are largely a function of changes in market interest rates and not a good indicator of the underlying financial performance of the CEFC.

Figure 22: CEFC portfolio benchmark return (PBR) [1] (%)

	30/06/21 Actual	30/06/21 Normalised
Cumulative return[2]	4.63[3,4]	4.16[4]
PBR	5.16–6.16	5.16–6.16
Annual return	4.27[5,6]	4.67[6]
Annual PBR	4.79–5.79	4.79–5.79

Notes

1. The targeted portfolio benchmark return for the core portfolio, established in the Investment Mandate Direction 2020, is the five-year Australian Government bond rate + 3–4 per cent.
2. Since inception.
3. Includes 0.47 per cent fair value gains on bonds and loans at FVTPL net of realised gains on sale of bonds and loans.
4. Net of 0.65 per cent relating to impairment allowance for portfolio losses.
5. Includes 0.40 per cent fair value losses on bonds and loans at FVTPL net of realised gains on sale of bonds and loans.
6. Net of 0.09 per cent relating to impairment allowance for portfolio losses.

Figure 23: Clean Energy Innovation Fund portfolio benchmark return (PBR)[1] (%)

	30/06/2021 Actual
Cumulative return[2]	(1.30)
PBR	2.92
Annual return	7.45
Annual PBR	2.52

Notes

1. The Clean Energy Innovation Fund targeted portfolio benchmark return, established in the Investment Mandate Direction 2020, is the five-year Australian Government bond rate + one per cent.
2. Lifetime returns include the impact of fair value adjustments on early-stage equity commitments, where negative returns may be anticipated in the early years of investment.

The Advancing Hydrogen Fund targeted portfolio benchmark return, established in the Investment Mandate Direction 2020, is the five-year Australian Government bond rate + one per cent. No actual portfolio benchmark return has been established for the Advancing Hydrogen Fund at 30 June 2021.

Independent audit report

INDEPENDENT AUDITOR'S REPORT

To the Minister for Energy and Emissions Reduction

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation and its subsidiaries (together the 'Consolidated Entity') for the year ended 30 June 2021:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Consolidated Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Consolidated Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive Officer and Chief Financial Officer;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement; and
- Notes to the consolidated financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Consolidated Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Consolidated Entity, the Members of the Board of the Corporation ("Board") are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Consolidated Entity to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Consolidated Entity audit. I remain solely responsible for my audit opinion.

Independent audit report continued

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Brandon Jarrett

Senior Executive Director

Delegate of the Auditor-General

Canberra

27 August 2021

Statement by the Accountable Authority, Chief Executive and Chief Financial Officers

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* ('PGPA Act'), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Clean Energy Finance Corporation will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

Steven Skala AO
Chair of the Board

27 August 2021

Laura Reed
Board member

27 August 2021

Ian Learmonth
Chief Executive Officer

27 August 2021

Andrew Powell
Chief Financial Officer

27 August 2021

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	33,494	29,518
Suppliers	2.1B	8,677	9,835
Depreciation and amortisation	3.2A	3,033	2,806
Finance costs	2.1F	22	27
Concessional loan charges	2.1C	13,105	4,044
Impairment loss allowance on financial instruments	2.1D	4,271	61,400
Total expenses		**62,602**	**107,630**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	2.2A	172,427	187,203
Distributions from trusts and equity investments	2.2B	21,578	17,789
Total own-source revenue		**194,005**	**204,992**
Gains and losses			
Fair value losses on financial instruments	2.1E	(68,118)	(48,707)
Fair value gains on financial instruments	2.2C	64,316	43,130
Profit from sale of assets	2.2D	36,989	44,387
Loss on modification of financial assets	2.1G	(24,525)	–
Reversal of prior period concessional loan charges	2.1C	3,872	13,410
Total net gains/(losses)		**12,534**	**52,220**
Total own-source income		**206,539**	**257,212**
Net contribution by services		**143,937**	**149,582**
Revenue from government	2.3	4,270	1,925
Share of associates and joint ventures	3.1F	(3,699)	2,260
Surplus from continuing operations		**144,508**	**153,767**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain/(loss) taken to equity on cashflow hedge	2.4A	5,461	(6,967)
Total other comprehensive income		**5,461**	**(6,967)**
Total comprehensive income		**149,969**	**146,800**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	774,351	848,179
Trade and other receivables	3.1B	15,361	17,629
Loans and advances	3.1C	2,771,879	2,273,066
Other debt securities	3.1D	1,066,400	1,447,706
Equities and units in trusts	3.1E	788,171	520,757
Equity accounted investments	3.1F	258,024	180,104
Derivative financial assets	3.1G	12,316	–
Total financial assets		**5,686,502**	**5,287,441**
Non-financial assets			
Property, plant and equipment	3.2A	9,169	3,208
Computer software	3.2A	283	413
Prepayments		407	535
Total non-financial assets		**9,859**	**4,156**
Total assets		**5,696,361**	**5,291,597**
LIABILITIES			
Payables and deferred revenue			
Suppliers	3.3A	2,860	5,515
Deferred revenue	3.3B	40,975	39,195
Other payables	3.3C	11,139	7,491
Derivative financial liabilities	3.3D	2,223	1,887
Total payables and deferred revenue		**57,197**	**54,088**
Interest bearing liabilities			
Leases	3.4	6,884	2,808
Total interest-bearing liabilities		**6,884**	**2,808**
Provisions			
Employee provisions	5.1	4,228	3,391
Other provisions	3.5	6,214	4,441
Total provisions		**10,442**	**7,832**
Total liabilities		**74,523**	**64,728**
Net assets		**5,621,838**	**5,226,869**
EQUITY			
Contributed equity	4.1	4,913,363	4,668,363
Reserves	2.4A	(1,428)	(6,889)
Retained surplus		709,903	565,395
Total equity		**5,621,838**	**5,226,869**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Opening balance								
Balance carried forward from previous year	565,395	411,628	(6,889)	78	4,668,363	4,408,363	5,226,869	4,820,069
Adjustments for changes in accounting policies	–	–	–	–	–	–	–	–
Adjusted opening balance	**565,395**	**411,628**	**(6,889)**	**78**	**4,668,363**	**4,408,363**	**5,226,869**	**4,820,069**
Comprehensive income								
Surplus for the year	144,508	153,767	–	–	–	–	144,508	153,767
Other comprehensive income	–	–	5,461	(6,967)	–	–	5,461	(6,967)
Total comprehensive income	**144,508**	**153,767**	**5,461**	**(6,967)**	**–**	**–**	**149,969**	**146,800**
Transactions with owners								
Contributions by owners								
Net equity injection from CEFC Special Account	–	–	–	–	245,000	260,000	245,000	260,000
Total transactions with owners	**–**	**–**	**–**	**–**	**245,000**	**260,000**	**245,000**	**260,000**
Closing balance as at 30 June	**709,903**	**565,395**	**(1,428)**	**(6,889)**	**4,913,363**	**4,668,363**	**5,621,838**	**5,226,869**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from government		4,270	1,925
Interest and fees		179,388	151,406
Income distributions from trusts and equity investments		19,313	17,065
Total cash received		**202,971**	**170,396**
Cash used			
Employees		29,097	29,090
Suppliers		10,922	9,082
Interest payments on lease liabilities		22	27
Total cash used		**40,041**	**38,199**
Net cash from operating activities		**162,930**	**132,197**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		315,392	689,263
Sale of other debt securities		539,304	55,329
Sale of equities and units in trusts		1,284	251,145
Sale of investment in associates and joint ventures		4,408	10,487
Distributions from associates and joint ventures		130	1,791
Total cash received		**860,518**	**1,008,015**
Cash used			
Loans made to other parties		856,424	484,644
Purchase of other debt securities		178,448	134,779
Purchase of equities and units in trusts		232,505	237,697
Investment in associates and joint ventures		63,417	42,884
Purchase of derivative financial assets		6,731	–
Purchase of property, plant and equipment		2,363	384
Purchase of computer software		461	598
Total cash used		**1,340,349**	**900,986**
Net cash from/(used by) investing activities		**(479,831)**	**107,029**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		595,000	500,000
Total cash received		**595,000**	**500,000**
Cash used			
Return of equity		350,000	240,000
Principal payments of lease liabilities		1,927	1,808
Total cash used		**351,927**	**241,808**
Net cash from financing activities		**243,073**	**258,192**
Net increase/(decrease) in cash held		**(73,828)**	**497,418**
Cash and cash equivalents at the beginning of the reporting period		848,179	350,761
Cash and cash equivalents at the end of the reporting period	**3.1A**	**774,351**	**848,179**

The above statement should be read in conjunction with the accompanying notes.

Table of the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1: Overview

1.1: Objectives of the Corporation

The Clean Energy Finance Corporation ('CEFC' or 'the Corporation') was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* (Cth) ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit Australian Government controlled entity with medium to long-term portfolio benchmark return targets (before operating expenses).

Working with co-financiers, the Corporation's object is to facilitate increased flows of finance into the clean energy sector, by:

1. Applying commercial rigour, invest, directly and indirectly, in solely or mainly Australian-based clean energy technologies and projects, which can be any one or more of the following.
   - Renewable energy technologies and projects, which include hybrid technologies that integrate renewable energy technologies and technologies (including enabling technologies) that are related to renewable energy technologies
   - Energy efficiency technologies and projects, including technologies that are related to energy conservation technologies or demand management technologies (including enabling technologies)
   - Low emissions technologies and projects.
2. Liaising with relevant persons and bodies, including the Australian Renewable Energy Agency ('ARENA'), the Clean Energy Regulator, other Commonwealth agencies and State and Territory governments, for the purposes of facilitating its investment function
3. Working with industry, banks and other financiers, and project proponents, to accelerate Australia's transformation towards a more competitive economy in a carbon-constrained world, by acting as a catalyst to increase investment in the clean energy sector
4. Doing anything incidental or conducive to the performance of the above functions.

Under s64 of the CEFC Act, the responsible Ministers may give the Board directions (i.e. an **Investment Mandate**) about the performance of the CEFC's investment function.

During the year ended 30 June 2021, no new Investment Mandates were received.

Throughout the year, the *Clean Energy Finance Corporation Investment Mandate Direction 2020* (**Investment Mandate 2020**) was in effect. Among other things, the Investment Mandate 2020 required the Corporation to:

- Make available up to:
  - $1 billion of investment finance over 10 years for a Reef Funding Program (**RFP**) in support of *The Reef 2050 Plan*
  - $1 billion of investment finance over 10 years for a Sustainable Cities Investment Program (**SCIP**)
  - $100m for an Australian Recycling Investment Fund with the same risk and return settings as the core fund (similar to the RFP and the SCIP)
  - $200 million for debt and equity investment through the Clean Energy Innovation Fund (**Innovation Fund**), which (unlike the notional reserves above) has a greater risk and a lower Portfolio Benchmark Return target than the CEFC's core fund
  - $300m for an Advancing Hydrogen Fund for concessional finance designated in respect of hydrogen technologies with risk and return settings similar to the Innovation Fund.
- Include in its investment activities a focus on technologies and financial products as part of the development of a market for firming intermittent sources of renewable energy generation, as well as supporting emerging and innovative clean energy technologies. In supporting clean energy technologies, the Corporation is strongly encouraged to prioritise investments that support reliability and security of electricity supply
- Take into consideration the potential effect on reliability and security of supply when evaluating renewable energy generation investment proposals, and if commercially feasible, consider investment in proposals that support reliability or security of supply.

1.2: Basis of preparation of the financial statements

The consolidated financial statements of the Clean Energy Finance Corporation (the parent) and its subsidiaries (collectively, the Group) are general purpose financial statements and are required by:

a) section 42 of the PGPA Act; and

b) section 74 of the CEFC Act.

The consolidated financial statements have been prepared in accordance with:

a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* ('FRR'); and

b) Australian Accounting Standards ('AAS') and Interpretations – Reduced Disclosure Requirements ('RDR') issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period, with more extensive disclosures for Financial Instruments.

The consolidated financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain financial assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The accounting policies adopted in the preparation of these Financial Statements are consistent with the prior year's Financial Statements.

The consolidated financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Further disclosures about the parent company and its subsidiaries can be found at Note 7.

1.3: Coronavirus (COVID-19) impact

Background

The COVID-19 pandemic is primarily a public health issue, but it is also having a major impact on the economy and the financial system. In response to the pandemic, countries have restricted the movement of people across borders and implemented social distancing measures. The result has been major disruptions to economic activity across the world. This is likely to remain the case for some time yet as efforts continue to contain the virus.

The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

Given the dynamic and evolving nature of COVID-19, changes to the estimates and outcomes that have been applied in the measurement of the Consolidated Entity's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Impact of COVID-19 on the macroeconomic outlook

In response to the COVID-19 pandemic, governments have implemented various measures to help entities that are experiencing financial difficulty stemming from the pandemic and the Reserve Bank has put in place a set of monetary policy measures to lower funding costs and support the supply of credit to the economy. These stimulus measures will eventually have to be wound back and it is not clear how the economy will respond, how the global markets will react and whether the current growth outlook for the local economy can be maintained.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the Consolidated Entity's forward-looking assumptions for the purposes of its expected credit loss (ECL), has been provided in Note 3.1 to the financial statements.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Notes to the Consolidated Financial Statements

Note 1: Overview continued

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, the Group has:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above
- Updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities
- Reviewed external market communications to identify other COVID-19 related impacts
- Reviewed public forecasts and experience from previous downturns
- Conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes
- Assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19
- Run multiple stress testing scenarios to assess the potential impacts of the COVID-19 pandemic on its portfolio to assist in the organisation's prudent risk management
- Considered the impact of COVID-19 on the Group's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Key statements of financial position sheet items and related disclosures that have been impacted by COVID-19 were as follows.

Loans and advances and Other debt instruments

In response to COVID-19 the Group undertook a review of its credit portfolio and other financial asset exposures, carried at Amortised Cost, and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology, Significant Increase in Credit Risk (SICR) thresholds, and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weightings, together with the determination of the staging of exposures were however revised. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Notes 2.1D and 3.1.

Should the current growth outlook for the local economy start to face pressure, or an economic downturn result as economic support measures are wound back, this may increase the risk that entities breach financial covenants. This can also affect the classification of a liability as current or non-current.

Equities and units in trusts

The Group reviewed the appropriateness of the valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of exposures in the fair value hierarchy. The Group's financial investments include a portfolio of unlisted equity investments which are measured at fair value through profit or loss (FVTPL). The determination of the investments' carrying value included a consideration of the impact of COVID-19. In the first part of the financial year, independent property valuations covering the assets within the funds in which we have invested have typically incorporated immediate/short-term cashflow implications (e.g. rental abatements) rather than revisions to core assumptions such as capitalisation and discount rates (in the absence of market comparable data and given ongoing market uncertainty). In view of the improved outlook for the economy and market transaction evidenced later in the financial year, some of the fund valuations have benefited from a tightening in capitalisation and discount rates for prime assets. We expect the latter to be assessed continuously and this could see volatility in the valuation of our interests in equities and units in unit trusts over the ensuing months.

Interest in associates and joint ventures and investments in subsidiaries

The Group and the Corporation test the carrying amount of each of their investments for impairment, by comparing the investment's recoverable amount with its carrying value. In addition to the Corporation assessing its investments in subsidiaries for impairment, the Corporation and Group re-affirmed that there were no circumstances as a result of COVID-19 that would affect the existing control or significant influence conclusion for these investments. Refer to note 3.1F.

Property, plant and equipment and right-of-use assets

Given the impact of COVID-19, the Group's fixed assets were subject to impairment testing, which concluded that no material impairment was required. Refer to Note 3.2.

Intangible assets

Consistent with the Group's accounting policies, the Group has tested intangible assets (comprising computer software) for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets. Such assessment incorporated a consideration of COVID-19. Refer to Note 3.2.

1.4: Taxation

The Corporation is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Corporation's wholly owned subsidiaries, CEFC Investments Pty Limited and Clean Energy Investment Management Pty Ltd, are not exempt from income tax, however, they have accumulated income tax losses at 30 June 2021, and no certainty as to whether any benefit from those losses would ever be realised as they have incurred losses for the year ended 30 June 2021.

Revenues, expenses and assets are recognised net of GST except:

a) Where the amount of GST incurred is not recoverable from the Australian Taxation Office
b) For receivables and payables.

The net amount of GST payable to the Australian Taxation Office is included as part of the payables or commitments.

The financial statements have been prepared on the basis that the Corporation is generally not entitled to input tax credits for GST included in the price of goods and services acquired because financial supplies, such as loans, are input taxed.

Notes to the Consolidated Financial Statements

Note 1: Overview continued

1.5: New Accounting Standards

New Australian Accounting Standards and amendments to Australian Accounting Standards that are either effective in the current financial year or have been early adopted.

Standard/Interpretation	Application date for the Group
AASB Revised Conceptual Framework for Financial Reporting	1 July 2020

The AASB Conceptual Framework applies to for-profit entities. As the CEFC is a not-for-profit Australian Government controlled entity, the AASB Revised Conceptual Framework for Financial Reporting is not applicable.

New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year.

Standard/Interpretation	Application date for the Group
AASB 2020–1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 July 2022

This Standard amends AASB 101 *Presentation of Financial Statements* (July 2015) as a consequence of the issuance of International Financial Reporting Standard *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* by the International Accounting Standards Board (IASB) in January 2020.

The Group has disclosed current/non-current assets and liabilities in Note 8.1 to these Financial Statements.

Accounting standards and interpretations issued but not yet effective are not expected to impact the Group's financial disclosures.

1.6: Events after the reporting period

There have been no significant events subsequent to balance date.

Note 2: Financial performance

This section analyses the financial performance of the Group for the year ended 30 June 2021.

2.1: Expenses

	2021 $'000	2020 $'000
2.1A: Employee benefits		
Wages and salaries	30,743	26,684
Superannuation		
Defined contribution plans	1,863	1,708
Leave and other entitlements	838	845
Separation and redundancies	50	281
Total employee benefits	**33,494**	**29,518**

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Group is estimated to be less than the annual entitlement for sick leave.

When an employee has rendered service to the Group during the period, the Group recognises the undiscounted amount of short-term benefits expected to be paid in exchange for that service as a liability, calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Group's employer superannuation contribution rates.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The Group recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The Group's staff are members of various defined contribution plans to which the Group must contribute in accordance with the *Superannuation Guarantee (Administration) Act 1992* (Cth). The liability for superannuation recognised as at 30 June represents outstanding contributions for the final payroll periods of the year.

Notes to the Consolidated Financial Statements

Note 2: Financial performance continued

	2021 $'000	2020 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	225	155
Consultants and contractors	2,558	2,477
Custody, facility and filing fees	1,229	776
Data feeds and other subscriptions	731	688
Facility services and outgoings	369	334
Financial statement audit services	343	307
Information technology services	673	639
Insurance	276	263
Internal audit services	275	330
Legal fees	182	972
Marketing and communications	287	488
Recruitment services	444	531
Staff training and development	222	238
Telecommunications	213	157
Travel and incidentals	219	893
Other	340	525
Total goods and services supplied or rendered	**8,586**	**9,773**
Goods supplied	133	239
Services rendered	8,453	9,534
Total goods and services supplied or rendered	**8,586**	**9,773**
Other suppliers		
Rental expense – external parties	58	33
Workers compensation expenses	33	29
Total other suppliers	**91**	**62**
Total suppliers	**8,677**	**9,835**

Leasing commitments

The Group has entered into operating leases for office premises which expire between June 2022 and February 2026. Since the adoption of AASB 16 on 1 July 2019 payments in connection with these rental agreements are disclosed as follows.

	2021 $'000	2020 $'000
Rental paid is recognised as:		
Rental expense	58	33
Finance cost	22	27
Reduction in lease liability	1,927	1,808
Total premises lease payments	**2,007**	**1,868**
The amount expensed for premises rental is recognised as:		
Rental expenses	58	33
Finance cost	22	27
Depreciation of right of use asset	1,733	1,594
Total premises lease expense	**1,813**	**1,654**

	2021 $'000	2020 $'000
2.1C: Concessional loan charge/(reversal)		
Concessional loan charges on commitments during the year	13,105	4,044
Reversal of concessional loan charges on prior period commitments, due to expiration or early termination of concessional loan arrangements	(3,872)	(13,410)
Total concessional loan charge/(reversal)	**9,233**	**(9,366)**

Accounting policy

The Group is required to record a non-cash concessional loan charge when it makes a loan at a discount to the prevailing market equivalent rates or terms. This non-cash charge is recorded as a liability at loan origination and offset to loans and advances when the loan is drawn down. The charge will unwind over the term of the underlying loan and be shown as concessional loan income. Over the full life of the loan, the impact on the reported profit or loss of the Group from the charge and income will net to $Nil. When a concessional loan is terminated earlier than anticipated and therefore the full amount of concession is no longer being granted, any unamortised concessional charge is reversed against the concessional loan charge.

Notes to the Consolidated Financial Statements

Note 2: Financial performance continued

Accounting judgements and estimates

For each investment, the Group will attempt to maximise its return and provide only the level of discount from market rates/terms that is required to ensure the project proceeds, however, this may involve the Group taking a position that is not generally offered by other market participants (e.g. longer term fixed-rate debt, subordinated debt, unsecured or mezzanine debt, lending to thinly capitalised entities or companies with less strong credit ratings, etc.) and at rates that are below those that an equivalent market participant would demand if it were to participate in this market. The Group is required to record a concessional loan discount in relation to such loans and this requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan. This involves benchmarking to market rates for similar facilities and adjusting for specific differences in tenor, creditworthiness, security, etc. Further judgement is also required to be exercised in relation to the anticipated pattern under which loans will be drawn down, as well as the rate at which they are expected to amortise, so the extent of concessionality being offered in the transactions can be estimated.

	2021 $'000	2020 $'000
2.1D: Impairment loss allowance on financial instruments		
Impairment charge on loans carried at Amortised Cost	5,844	59,740
Impairment (reversal)/charge on other debt securities carried at Amortised Cost	(1,573)	1,660
Total impairment on financial instruments	**4,271**	**61,400**

Accounting judgements and estimates

Impairment charge on loans and debt securities carried at Amortised Cost

Please also see discussion of the impact of COVID-19 in Note 1.

The Group reviews its individually significant loans carried at Amortised Cost at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and other debt securities at Amortised Cost that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. The calculation of the impairment provision under AASB 9 includes judgements about:

- Shadow Credit Ratings (SCR) and Forward-looking macro-economic indicators, from which the Probability of Default (PD) is derived
- Loss given default (LGD)
- Future cash flows, used to determine Exposure at Default (EAD)
- Performance rating and indicators of a Significant Increase in Credit Risk (SICR), which determines whether an asset is moved to provisioning Stage 2
- Portfolio segmentation
- Scenarios and their relative weighting.

The Group has selected a combination of Performance Rating (PR) and change in Shadow Credit Rating (SCR), beyond predetermined thresholds, as the primary indicators of SICR.

Loans and other debt securities with the following performance ratings are deemed to have a SICR for the purpose of calculating AASB 9 statistical impairment provision:

- PR3 or worse for loans with current SCR BB+ and below
- PR4 or worse for loans with current SCR AAA to BBB-

The current SCR of each debt instrument is compared with the SCR at origination and the following notch downgrades are taken as indicators of SICR.

- Three notch downgrade in loans with origination SCR's of AAA to A+
- Two notch downgrade in loans with origination SCR's of A to BBB+
- One notch downgrade in loans with origination SCR of BBB and below

All significant loans carried at Amortised Cost are also assessed for other indicators of a SICR which may not (yet) be reflected in a downgrade of either the PR or SCR ratings, and where appropriate are advanced to provisioning Stage 2.

The Group's impairment provisioning methodology is discussed further in note 3.1

	2021 $'000	2020 $'000
2.1E: Fair value losses on financial instruments		
Fair value losses on loans carried at FVTPL	1,177	1,254
Fair value losses on other debt securities carried at FVTPL	26,125	166
Fair value losses on equities and units in trusts carried at FVTPL	3,918	22,829
Reversal of prior years' fair value gains now realised on disposal (refer note 2.2D)	36,898	24,458
Total fair value losses on financial instruments	**68,118**	**48,707**

Accounting judgements and estimates

Fair value losses on loans and financial investments carried at FVTPL

Loans and Financial Investments carried at FVTPL are individually revalued (marked-to-market) each period-end with any decrease in value recorded as a Fair value loss.

Further information on the valuation methodology can be found at Note 2.2C: Fair value gains on Financial Instruments.

	2021 $'000	2020 $'000
2.1F: Finance costs		
Interest on lease liabilities	22	27
Total finance costs	**22**	**27**

The above lease disclosures should be read in conjunction with notes 2.1B and 3.4.

	2021 $'000	2020 $'000
2.1G: Loss on modification of financial instruments		
Loans measured at amortised cost	24,525	–
Total loss on modification of financial instruments at amortised cost that were not derecognised	**24,525**	**–**

Notes to the Consolidated Financial Statements

Note 2: Financial performance continued

Accounting policy

The Group accounts for substantial modification of terms of an existing asset or part of it as an extinguishment of the original financial asset and the recognition of a new asset. Further information on derecognition can be found at Note 3.1.

Where the Group exchanges, with the existing borrower, one debt instrument into another one without substantially different terms, such exchange is accounted for as a modification of the original financial asset rather than an extinguishment and recognition of a new financial asset.

If the modification is not substantial, the difference between: (1) the carrying amount of the asset before the modification; and (2) the present value of the cash flows after modification, discounted at the effective interest rate of the original facility is recognised in the Statement of Comprehensive Income as a modification gain or loss within other gains and losses.

The loan modification is unwound as interest and loan fee revenue, using the effective interest rate method, over the life of the modified facility.

Accounting judgements and estimates

For all loan modifications we consider if either, or both, of the following two tests are met, as they are indicators of a 'substantial' modification under AASB 9:

a) Quantitative assessment or '10% test' – the net present value of cash flows, including any fees under the new terms, discounted at the original effective interest rate is at least 10% different from the carrying amount of the original debt

b) Qualitative assessment – a significant change in the terms and conditions that is so fundamental that immediate derecognition is required with no additional quantitative analysis.

The qualitative assessment of what constitutes a significant change in the terms and condition is subjective by nature and requires the exercise of significant judgement. The quantitative assessment is less subjective, but given the CEFC is often a fixed rate lender and also may be a sole financier, the quantitative assessment is not viewed in isolation of the qualitative assessment.

2.2: Own-source revenue and gains

	2021 $'000	2020 $'000
2.2A: Interest and loan fee revenue		
Interest and fees from loans and advances	122,415	131,826
Interest from other debt securities	39,903	41,997
Interest from cash and short-term investments	1,380	6,115
Unwind of concessional interest rate discount	6,020	7,265
Unwind of loan modification loss	2,709	–
Total interest and loan fee revenue	**172,427**	**187,203**

Accounting policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method as set out in AASB 9 *Financial Instruments*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Deferred income received in cash at the start of a loan is brought to income on an effective yield basis over the life of the loan by reducing the carrying amount.

Interest revenue on assets held at FVTPL is calculated with reference to the amortised cost of the asset, ignoring the impact of fair value gains and losses on the asset's carrying value.

Establishment fees

Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

Commitment fees

Commitment fees are recognised on an accrual basis over the period during which the credit is made available to the customer but is not drawn down.

	2021 $'000	2020 $'000
2.2B: Distributions from trusts and equity investments		
Distributions from trusts and equity instruments	21,578	17,789
Total distributions from trusts and equity investments	**21,578**	**17,789**

Accounting policy

Distributions from trusts and equity investments are recognised as revenue upon the Group becoming irrevocably entitled to the relevant distributions.

	2021 $'000	2020 $'000
2.2C: Fair value gains on financial instruments		
Fair value gains on other debt securities carried at FVTPL	3,378	34,885
Fair value gains on equities and units in trusts carried at FVTPL	56,177	8,245
Fair value gains on derivatives for investment carried at FVTPL	4,761	–
Total fair value gains on financial instruments	**64,316**	**43,130**

Notes to the Consolidated Financial Statements

Note 2: Financial performance continued

Accounting judgements and estimates

Loans, Other Debt Securities (comprising Bank and other bonds) and Equities and Units in Trusts carried at FVTPL are individually revalued to their fair value each period-end with any increase in value recorded as a Fair value gain.

In revaluing these assets, the Group uses publicly-quoted prices (for example from Bloomberg in the case of Bank and other publicly traded bonds) at the period end wherever possible.

Where quoted prices are not available for a particular asset the Group adopts an internally generated valuation. Judgement is applied in selecting some of the variables applied in arriving at a valuation.

For non-publicly traded bonds and loans, the valuation is determined by applying the most appropriate market interest rate curve to the predicted future cash flows from the instrument.

For unquoted equities valuations are undertaken consistent with the APRA Prudential Practice Guide SPG 531 – Valuation and the International Private Equity and Venture Capital Valuation Guidelines recommended by the Australian Investment Council (formerly Australian Private Equity and Venture Capital (AVCAL)).

	2021 $'000	2020 $'000
2.2D: Profit from sale of assets		
Realised gains on sale of Financial investments carried at FVTPL		
Investments in trusts and equity instruments	151	41,890
Investments in debt securities	36,838	2,497
Total profit on sale of investments	**36,989**	**44,387**

$36.9m (2020: $24.5m) of the profit from sale of assets had been recognised in prior years through the Statement of Comprehensive Income as Fair Value gains. Refer note 2.1E.

Accounting policy

In accordance with AASB 9, financial assets carried at FVTPL are measured at fair value with unrealised gains or losses recognised as fair value gains/(losses) on financial instruments until the asset is derecognised, at which time the cumulative gain or loss is recognised as a profit/(loss) on disposal of assets.

2.3: Revenue from government

	2021 $'000	2020 $'000
Contribution from Department of Industry, Science, Energy and Resources towards operating costs of the proposed Grid Reliability Fund	4,270	1,925
Total revenue from government	**4,270**	**1,925**

2.4: Gains/(losses) included in other comprehensive income and reserves

	Cashflow hedge $'000	Total $'000
2.4A: Reconciliation of unrealised gains/(losses) in reserves at 30 June 2021		
Unrealised losses included in reserves, 1 July 2020	(6,889)	(6,889)
Unrealised gains/(losses) recorded in other comprehensive income during 2021	5,461	5,461
Unrealised gains/(losses) included in reserves, 30 June 2021	**(1,428)**	**(1,428)**

Note 3: Financial position

This section analyses the Group's assets used to conduct its operations and the operating liabilities incurred as a result.

(Employee-related information is disclosed in the People and Relationships section).

3.1: Financial assets

Accounting policy for financial assets

Classification

The Group classifies its Financial Assets into the following categories.

a) Amortised Cost

b) Fair value through profit or loss ('FVTPL')

c) Fair value through other comprehensive income ('FVOCI').

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. The two principal tests applied in determining which of the above categories a financial asset falls into are:

- The Business Model test and
- The Cash Flows test

The Business Model test considers whether or not an asset is held in a business model where the objective is to hold financial assets in order to collect contractual cash flows.

The Cash Flows test considers whether or not the future cash flows from an asset are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet both the Business Model and the Cash Flows test are classified as Amortised Cost. The Group has classified financial assets that do not meet these tests as FVTPL. The Group does not currently have any financial assets recognised at fair value through other comprehensive income.

Recognition and measurement

Financial assets at amortised cost are initially recognised at their fair value after taking into account any concessionality. After initial recognition, they are measured at amortised cost using the effective interest method less any impairment recorded. Interest is recognised by applying the effective interest rate.

Financial assets at FVTPL are carried at fair value with any gains or losses resulting from a change in fair value recorded as a gain/(loss) in the Statement of Comprehensive Income.

Purchases of Financial Assets are accounted for at settlement date.

The Group may use derivative financial instruments to manage exposures to interest rate and foreign exchange risk. These include foreign exchange contracts, interest rate and cross-currency swaps, futures contracts and forward rate agreements. Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive (in the money) and as liabilities when their fair value is negative (out of the money). Any gains and losses arising from changes in the fair value of derivatives, except those that qualify for hedge accounting, are recorded in the Statement of Comprehensive Income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a) The Group has transferred substantially all the risks and rewards of the asset, or
  b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains or losses on the disposal of a financial asset are recorded in the Statement of Comprehensive Income.

Note 3: Financial position continued

Impairment of financial assets held at amortised cost

The Group adopts a three-stage approach to impairment provisioning as follows.

- Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition
- Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition
- Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

Refer to note 2.1D for further information on the impairment provisioning stages.

Judgements and estimates

Please also see discussion of the impact of COVID-19 in Note 1.

The Group is required to ascertain the extent to which its loans and other debt securities held at amortised cost are likely to be recoverable. Given the risk position that may be assumed by the Group in its various loans (e.g. senior debt, unsecured debt, subordinated or mezzanine debt, longer terms, policy risk in relation to the Renewable Energy Target, electricity price volatility, etc) it is considered possible that the Group will not fully recover 100% of the principal relating to all the loans it makes, although the Group has not identified any individual loans that are not expected to be recoverable at the reporting date (2020: nil).

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is in default and impaired and, therefore, falls under Stage 3 of the AASB 9 impairment provisioning methodology. A financial asset or a group of financial assets is impaired (and impairment charges are recognised) if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events.

a) Significant financial difficulty of the issuer or obligor

b) A breach of contract, such as a default or delinquency in interest or principal payments

c) For economic or legal reasons relating to the borrower's financial difficulty, the Group granting to the borrower a concession that the Group would not otherwise consider

d) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation

e) The disappearance of an active market for that financial asset because of financial difficulties

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   i) adverse changes in the payment status of borrowers in the group

   ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The expected credit loss (ECL) of assets at provisioning Stage 3 is measured as the difference between the contractual and expected future cash flows from the individual exposure, discounted using the effective interest rate for that exposure.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. These assets are classified as being in either:

- Stage 1 – the recognition of 12-month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition; or
- Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition.

For loans at Stage 1, ECL is measured as the product of the 12-month Probability of Default (PD), the Loss Given Default (LGD) and Exposure at Default (EAD), adjusted for forward-looking information.

For loans at Stage 2, ECL is measured as the product of lifetime PD, LGD and EAD, adjusted for forward-looking information.

Loans that are in Stage 3 and, therefore, individually assessed for impairment are not included in a collective assessment of impairment.

The statistically calculated impairment provision for each financial asset is determined with reference to the EAD net of any concessionality balance at the period end.

The expected credit loss also considers forward looking information to recognise impairment allowances earlier in the lifecycle of an investment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The Group has further stratified its Amortised Cost portfolio into Corporate Loans and Project Finance and into Electricity, Financial Services, Infrastructure, Property and Other sectors for impairment provisioning purposes.

The Group has identified the following as forward-looking macroeconomic risk indicators for different segments within our Amortised Cost loan portfolio:

- Electricity prices
- Foreign Exchange rate
- Interest rates
- GDP growth rate
- Property prices

The Group's impairment provisioning model uses four scenarios, with a probability assigned to each of them, in calculating the impairment provision. The impairment provision adopted is based on the weighted average of the provisions calculated under each of these scenarios:

Scenario	**Weighting 2021**	Weighting 2020
Base case	60%	60%
Upside	10%	10%
Downside	25%	25%
Electricity price collapse	5%	5%
Total statistically calculated provision	**100%**	**100%**

While the weighting ascribed to each of the scenarios is the same for both 2021 and 2020, the assumptions in each scenario have been updated since 1 July 2020. This change in assumptions includes lower electricity price forecasts, improved GDP forecasts (noting that the Australian economy was in recession at 30 June 2020), as well as updates to interest rate and property price expectations.

The provision at 30 June 2021, under each of these scenarios would have been between $72.4m and $251.3m and has been calculated on a weighted average basis as $105.1m as follows.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

Scenario	Key assumptions at 30 June 2021	Statistical provision $m	Weighted value $m
Base case	• Electricity prices: Most recent quarterly forecast of wholesale prices sourced from an independent consultancy in both 2021 and 2020. 2021 forecasts are lower than 2020. • Foreign Exchange rate: June quarterly forecasts sourced from a financial information service at 30 June 2021 and 2020. • Interest rates: Average June quarterly forecasts sourced from a financial information service at 30 June 2021 and 2020. • GDP growth rate: Real GDP forecast sourced from a financial information service at 30 June 2021 and 2020. In 2020 the base case assumed a recession which is no longer the case in 2021. • Property prices: In line with market expectations (2020: anticipated to decrease from 1 July 2019 to 30 June 2021 and then recover by 30 June 2025).	89.8	53.8
Upside	Electricity prices are assumed to be 20% higher than the Base case from 1 July 2022 onwards. Property prices increase by 2% more than the Base case (2020: decrease less than the Base case and recover by 30 June 2022). GDP and interest rates are the same as the Base case.	72.4	7.2
Downside	Electricity prices are 20% lower than the Base case. Property prices are from 10% to 25% lower than market expectations (2020: 25% lower than market expectations in all years/decrease more than the Base case and do not recover in the near term). Interest rates increase from 1 July 2024 (2020: 1 July 2022) onwards. GDP growth is 50% of Base case (2020: recession is anticipated to continue for longer than in the Base case).	125.9	31.5
Electricity price collapse	As for Downside scenario, however, bundled electricity prices drop to $40/MWh and remain at that level.	251.3	12.6
Total provision calculated with reference to above scenarios (AASB 9 stages 1 and 2)			**105.1**
Specific provision for financial instruments considered to be credit impaired (AASB 9 stage 3)			20.3
			125.4

The total impairment provision of $125.4m is disclosed as $125.1m against loans and advances (refer note 3.1C) and $0.3m against other debt securities (refer note 3.1D):

In addition to the statistically modelled output, two Management adjustment overlays have been applied. These are a model overlay and a sector-specific risk overlay. The purpose of these overlays is to compensate for the unique risks of the Group's portfolio as well as specific model and data limitations. The sector specific risk overlay relates to financial risks specific to electricity generation projects (such as significant reductions in wholesale electricity prices across the NEM in both the 2020–21 and 2019–20 financial years, delays being experienced in construction and in connection to the network and some failures of and difficulties experienced by EPC contractors) that impact multiple loans but have not resulted in a SICR for any specific loan. This has been calculated with reference to a number of modelled scenarios.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of comprehensive income.

	2021 $'000	2020 $'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	774,351	848,179
Total cash and cash equivalents	**774,351**	**848,179**

Accounting policy

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes:

a) Cash on hand

b) demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, and demand deposits in bank accounts with an original maturity of three months or less, to maintain liquidity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

	2021 $'000	2020 $'000
3.1B: Trade and other receivables		
Goods and services receivables		
Trade debtors – external parties	1	138
Other receivables		
Interest and fees	10,707	14,720
Dividends and distributions	4,184	1,925
Accrued revenue	**14,891**	**16,645**
Unbilled receivables	467	805
Other receivables	2	41
Total other receivables	**15,360**	**17,491**
Total trade and other receivables (gross)	**15,361**	**17,629**
Less: Impairment allowance	**–**	**–**
Total trade and other receivables (net)	**15,361**	**17,629**

Credit terms for goods and services were within 30 days (2020: 30 days).

Interest receivable is due monthly, quarterly or upon maturity, depending on the terms of the investment.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

3.1C: Loans and advances

	2021 Amortised Cost $'000	2021 FVTPL $'000	**2021 Total $'000**
Gross funded loans and advances	2,926,300	–	**2,926,300**
Concessional loan discount on drawn loans	(7,533)	–	**(7,533)**
Unamortised loan modification charge	(21,816)	–	**(21,816)**
Funded loans, net of concessionality and modification discount	2,896,951	–	**2,896,951**
Less impairment allowance	(125,072)	–	**(125,072)**
Net loans and advances	2,771,879	–	**2,771,879**

	2020 Amortised Cost $'000	2020 FVTPL $'000	**2020 Total $'000**
Gross funded loans and advances	2,349,751	45,541	**2,395,292**
Concessional loan discount on drawn loans	(3,911)	(263)	**(4,174)**
Cumulative fair value adjustments	–	1,176	**1,176**
Funded loans, net of concessionality discount	2,345,840	46,454	**2,392,294**
Less impairment allowance	(119,228)	–	**(119,228)**
Net loans and advances	2,226,612	46,454	**2,273,066**

Maturity analysis loans and advances, net of concessionality and modification discount:

	2021 $'000	2020 $'000
Overdue or impaired	83,168	–
Due in 1 year	215,041	14,602
Due in 1 year to 5 years	1,655,794	887,672
Due after 5 years	942,948	1,490,020
Funded loans, net of concessionality and modification discount	**2,896,951**	**2,392,294**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2021 was for an amount of $175.7 million (2020: $196.1 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2021			2020		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10m	27	66,870	2%	37	47,049	2%
$10m–$50m	23	655,463	23%	20	462,670	19%
$50m–$100m	16	1,228,119	42%	15	1,043,303	44%
>$100m	7	946,499	33%	6	839,272	35%
Funded loans, net of concessionality and modification discount	**73**	**2,896,951**	**100%**	**78**	**2,392,294**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June by credit quality. Since the loans made by the Group are (in the main) to entities that will not have a formal credit rating, the Corporation has developed a Shadow Credit Ratings ('SCR') system. These are internal risk indicators used by the Group to assess the default risks of its debt instruments. The SCR assesses the probability of seeing the counterparty default under its obligations. The SCR is determined by a risk matrix based on internal risk assessments of the counterparty involved, the business risk it faces and the financial risk it has as a result of the debt it carries (including all new debt proposed in the investment opportunity).

	2021		2020	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AAA	3,017	0%	3,665	0%
AA+ to AA-	31,268	1%	75,836	3%
A+ to A-	317,918	11%	92,216	4%
BBB+ to BBB-	670,944	23%	527,948	22%
BB+ to BB-	1,850,131	64%	1,671,178	70%
B+ to B-	23,673	1%	21,451	1%
Total loans and advances, net of concessionality and modification discount	**2,896,951**	**100%**	**2,392,294**	**100%**

Risk factors are discussed further in note 6.2.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

Impairment allowance

Reconciliation of the impairment allowance

Movements in relation to loans and advances	2021 Stage 1 (12 month ECL)	2021 Stage 2 (lifetime ECL)	2021 Stage 3	2021 Total $'000
As at 1 July 2020	**39,655**	**79,573**	**–**	**119,228**
(Decrease)/Increase recognised in impairment loss allowance on financial instruments	(31,117)	23,305	13,656	5,844
Change from Stage 1 to Stage 2	(3,025)	3,025	–	–
Change from Stage 2 to Stage 1	38,090	(38,090)	–	–
Change from Stage 2 to Stage 3	–	(6,628)	6,628	–
Closing balance at 30 June 2021	**43,603**	**61,185**	**20,284**	**125,072**

	2020 Stage 1 (12 month ECL)	2020 Stage 2 (lifetime ECL)	2020 Stage 3	2020 Total $'000
As at 1 July 2019	**45,664**	**13,824**	**–**	**59,488**
Increase recognised in impairment loss allowance on financial instruments	290	59,450	–	**59,740**
Change from Stage 1 to Stage 2	(6,299)	6,299	–	**–**
Change from Stage 2 to Stage 1	–	–	–	**–**
Closing balance at 30 June 2020	**39,655**	**79,573**	**–**	**119,228**

The Group did not have any amounts past due but not impaired at 30 June 2021 or 30 June 2020.

Changes from Stage 1 to Stage 2 relate to project finance loans that are identified as having a SICR due to circumstances arising during the current year.

Changes from Stage 2 to Stage 1 relate to loans that had been identified as having a SICR at 1 July being cured during the current financial year.

Changes from Stage 2 to Stage 3 relate to loans considered to be credit impaired at 30 June.

3.1D: Other debt securities

	2021 Amortised Cost $'000	2021 FVTPL $'000	**2021 Total $'000**
Gross funded debt securities	315,163	709,448	**1,024,611**
Concessional loan discount	(1,335)	(5,144)	**(6,479)**
Cumulative amortisation of bond discount/(premium)	895	905	**1,800**
Cumulative fair value adjustments	–	46,815	**46,815**
Debt securities before impairment allowance	314,723	752,024	**1,066,747**
Impairment allowance	(347)	–	**(347)**
Net Other debt securities	314,376	752,024	**1,066,400**

	2020 Amortised Cost $'000	2020 FVTPL $'000	**2020 Total $'000**
Gross funded debt securities	383,027	969,752	**1,352,779**
Concessional loan discount	(650)	(7,710)	**(8,360)**
Cumulative amortisation of bond discount/(premium)	716	(1,918)	**(1,202)**
Cumulative fair value adjustments	–	106,410	**106,410**
Debt securities before impairment allowance	383,093	1,066,534	**1,449,627**
Impairment allowance	(1,921)	–	**(1,921)**
Net Other debt securities	381,172	1,066,534	**1,447,706**

Maturity analysis of debt securities:

	2021 $'000	2020 $'000
Overdue or impaired	–	–
Due in 1 year	139,377	82,960
Due in 1 year to 5 years	341,785	535,088
Due after 5 years	585,585	831,579
Other debt securities before impairment allowance	**1,066,747**	**1,449,627**

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

Concentration of risk – Other debt securities

Other debt securities are primarily investments in bank and corporate bonds. During the financial year, the Group recorded a reduction in the impairment charge of $1.57 million (2020: impairment charge of $1.66 million) in respect of its holding of other debt securities.

The largest single exposure in the other debt securities at 30 June 2021 was for an amount of $90.5 million (2020: $116.3 million).

The following table shows the diversification of other debt securities at 30 June.

	2021			2020		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
<$10m	5	38,254	3%	1	5,484	1%
$10m–$50m	14	348,021	33%	18	541,328	37%
$50m–$100m	11	680,472	64%	12	786,467	54%
>$100m	0	–	0%	1	116,348	8%
Total other debt securities	**30**	**1,066,747**	**100%**	**32**	**1,449,627**	**100%**

The following table shows the diversification of Other debt securities at 30 June 2021 and 2020 by SCR.

	2021		2020	
	Value $'000	%	Value $'000	%
Corporation's Shadow Credit Rating				
AAA	6,448	1%	10,842	1%
AA+ to AA-	640,150	60%	1,150,253	79%
A+ to A-	223,221	21%	156,556	11%
BBB+ to BBB-	196,928	18%	111,604	8%
B+ to B-	–	0%	20,372	1%
Total Other debt securities	**1,066,747**	**100%**	**1,449,627**	**100%**

Risk factors are discussed further in note 6.2.

Impairment allowance – Other debt securities

	2021 $'000	2020 $'000
Reconciliation of the Impairment Allowance:		
Movements in relation to Other debt securities		
As at 1 July	1,921	261
(Decrease)/Increase recognised in impairment loss allowance on financial instruments	(1,574)	1,660
Utilised for loan written off	–	–
Closing balance at 30 June	**347**	**1,921**

All Other debt securities are in impairment provisioning Stage 1 (12 months ECL).

3.1E: Equities and units in trusts

	2021 $'000	2020 $'000
Gross funded Equities and units in trusts	731,637	516,422
Cumulative fair value adjustments	56,534	4,335
Equities and units in trusts	**788,171**	**520,757**

All equities and units in trusts are held at FVTPL in 2021 and 2020.

Concentration of risk and impairment – Equities and units in trusts

Equity investments are amounts held by way of shares in publicly-listed entities, units in unincorporated unit trust structures or direct holdings in unlisted companies where the Group is not deemed to have significant influence.

The largest single exposure in the Equities and Units in Trusts portfolio at 30 June 2021 was for an amount of $113.9 million (2020: $92.9 million).

The following table shows the diversification of Equities and Units in Trusts at 30 June:

	2021			2020		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
<$10m	16	42,685	5%	11	21,547	4%
$10m–$50m	3	58,698	7%	3	75,156	15%
$50m–$100m	8	572,896	73%	6	424,054	81%
>$100m	1	113,892	15%	–	–	–
Total Equities and units in trusts	**28**	**788,171**	**100%**	**20**	**520,757**	**100%**

The Group does not assign a SCR to investments in equities and units in trusts.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

3.1F: Equity accounted investments

	2021 $'000	2020 $'000
Balance at 1 July	180,104	153,631
Investments made during the year	63,664	43,199
Distributions received during the year	(197)	(1,666)
Share of income/(loss) of Associates and Joint Ventures		
– through Profit and Loss	(3,699)	2,260
– through Other Comprehensive Income	6,257	(6,833)
Disposals made during the year	(4,409)	(10,487)
Reclassifications from FVTPL	16,304	–
Balance at 30 June	**258,024**	**180,104**

	2021		2020	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity accounted investments				
Artesian Clean Energy Seed Fund	7,048	37.8%	4,266	37.9%
Australian Hospitality Opportunity Fund II	7,259	23.8%	–	0.0%
Fulham Solar Farm	–	45.0%	–	0.0%
Gippsland Renewable Energy Park	–	40.0%	–	0.0%
Transforming Farming Trust	251	50.0%	–	0.0%
High Income Sustainable Office Trust	24,515	35.8%	22,768	35.8%
Jet Charge Pty Ltd	3,296	20.3%	3,490	20.4%
Kiamal Solar Farm	57,800	42.5%	56,289	42.5%
My Specialised Accommodation Solutions Holdings	50	25.0%	–	0.0%
Mirvac Australian BTR Club – A	65,977	43.0%	51,010	43.0%
Morrison Growth Infrastructure Fund	53,251	25.9%	20,722	29.9%
Perry Bridge Solar Farm	–	45.0%	–	0.0%
Relectrify Technologies Ltd	2,500	22.2%	3,043	22.2%
Ross River Solar Farm	18,351	25.0%	18,226	25.0%
Tenacious Ventures Management Partnership	766	22.9%	290	29.0%
Zen Ecosystems Holdings Pty Ltd*	8,578	21.7%	–	N/A
Zoomo International Ltd	8,382	21.8%	–	0.0%
Total investments accounted for using the equity method	**258,024**		**180,104**	

* During the year, the Group's ownership in this investment surpassed 20.0%, resulting in the reclassification of the investment held at FTVPL in the prior period to an Associate in the current period.

The following table summarises the Group share of the aggregated financial information of the above equity accounted investments.

	2021 $'000	2020 $'000
Statement of financial position		
Current assets	20,565	24,288
Non-current assets	412,265	344,279
Current liabilities	17,934	28,404
Non-current liabilities	175,088	165,239
Statement of comprehensive income		
Revenue	30,148	15,788
Net (deficit)/surplus	(3,699)	2,260
Other comprehensive income	6,257	(6,833)
Total comprehensive income	**2,558**	**(4,573)**

The Group has not made any loans to Associates and Joint Ventures at 30 June 2021 (2020: $Nil). The Group procured a $5 million bank Letter of Credit on behalf of Kiamal Solar Farm, with an expiry date of 31 August 2020, to facilitate the business activities of CEFC Investments Pty Ltd. There are no guarantees outstanding at 30 June 2021 (2020: $5 million).

At 30 June 2021 the Group had committed to invest up to a further $301 million (2020: $210 million) in the above equity accounted investments.

Accounting policy

Investments in Associates

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, investments in the associates are carried in the Group's statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates.

Jointly controlled entities

Interests in jointly controlled entities in which the entity is a venturer (and so has joint control) are accounted for using the equity method.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

3.1G: Derivative financial assets

	2021 $'000	2020 $'000
Derivative financial assets held for investment purposes (FVTPL)	11,303	–
Derivative financial assets held for hedging purposes (FVOCI)	1,013	–
Derivative financial assets	**12,316**	**–**
Maturity analysis of derivative financial assets:		
Maturing within 1 year	–	–
Maturing in 1 year to 5 years	1,013	–
Maturing after 5 years	11,303	–
Total derivative financial assets	**12,316**	**–**

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cashflow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

3.2: Non-financial assets

3.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2021

	Property, plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2020			
Gross book value	6,627	1,060	7,687
Accumulated depreciation and amortisation	(3,419)	(647)	(4,066)
Total as at 1 July 2020	**3,208**	**413**	**3,621**
Additions:			
By purchase or internally developed	8,404	460	8,864
Depreciation and amortisation expense	(2,443)	(590)	(3,033)
Disposals:			
Gross book value	(2,343)	(402)	(2,745)
Accumulated depreciation and amortisation	2,343	402	2,745
Total as at 30 June 2021	**9,169**	**283**	**9,452**
Total as at 30 June 2021 represented by:			
Gross book value	12,688	1,118	13,806
Accumulated depreciation and amortisation	(3,519)	(835)	(4,354)
Total as at 30 June 2021	**9,169**	**283**	**9,452**

No indicators of impairment were found for property, plant and equipment or computer software.
No property, plant or equipment or computer software are expected to be disposed of within the next 12 months.

Accounting policy

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Group where an obligation exists to restore premises to original condition. These costs are included in the value of the Group's leasehold improvements with a corresponding provision for the 'make good' recognised.

The Group's computer software comprises purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. The valuation is based on internal assessment by Management to ensure that the carrying amount of the assets do not differ materially from their fair values. As at 30 June 2021, the carrying amount of property, plant and equipment approximates their fair value.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of 'asset revaluation reserve' except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Group using, in all cases, the straight-line method of depreciation.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

Property, plant and equipment

Right of use assets	the duration of the lease
Office equipment	3 to 5 years
Leasehold improvements	5 years (or the remaining lease period if shorter)
Furniture and fittings	5 years (or the remaining lease period if shorter)
Computer equipment	2 to 3 years
Computer software	straight-line basis over anticipated useful lives (typically 2 to 3 years)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

An item of software is derecognised when the license expires or when no further future economic benefits are expected from its use or disposal.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

3.3: Payables and deferred revenue

	2021 $'000	2020 $'000
3.3A: Suppliers		
Trade creditors and accruals	2,860	5,515
Total suppliers	**2,860**	**5,515**

Settlement of supplier balances was usually made within 30 days.

	2021 $'000	2020 $'000
3.3B: Deferred revenue		
Deferred establishment fees income	40,975	39,195
Deferred revenue expected to be recognised:		
No more than 12 months	9,100	7,005
More than 12 months	31,875	32,190
Total deferred revenue	**40,975**	**39,195**

	2021 $'000	2020 $'000
3.3C: Other payables		
Wages and salaries	10,930	7,310
Superannuation	178	159
Other	31	22
Total other payables	**11,139**	**7,491**

Accounting policy

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised upon 'trade date'.

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings and trade creditors/accruals, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade creditors and accruals and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

	2021 $'000	2020 $'000
3.3D: Derivative financial liabilities		
Cross-currency swaps	2,223	1,887
Total derivative financial liabilities	**2,223**	**1,887**
Maturity analysis of derivative financial liabilities:		
Due within 1 year	–	1,887
Due in 1 year to 5 years	2,223	–
Total derivative financial liabilities	**2,223**	**1,887**

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cashflow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

Notes to the Consolidated Financial Statements

Note 3: Financial position continued

3.4: Interest bearing liabilities

	2021 $'000	2020 $'000
Lease liability falling due within 1 year	2,116	1,582
Lease liability falling due between 1 and 5 years	4,768	1,226
Total interest bearing liabilities	**6,884**	**2,808**

The lease liability relates to office premises leases which expire between June 2022 and February 2026. Information on repayments and expenses booked during the year can be found in Note 2.1B and information on the corresponding right-of-use asset can be found in Note 3.2

3.5: Other provisions

	Provision for concessional investments $'000	Provision for make good $'000	Total $'000
As at 1 July 2020	**4,084**	**357**	**4,441**
Additional provisions made	8,259	37	8,296
Amount reversed upon cancellation of loan facilities	(1,841)	–	(1,841)
Offset to Loans and advances and Other debt securities	(4,682)	–	(4,682)
Total at 30 June 2021	**5,820**	**394**	**6,214**

Provision for concessional investments relates to the cumulative concessional loan charge, discussed in Note 2.1C, that has been recognised for commitments that have not yet been funded. The provision is offset against loans and advances as they are funded.

Note 4: Funding

This section identifies the Group's funding structure.

4.1: Contributed equity

Equity from CEFC Special Account

The Department of Industry, Science, Energy and Resources maintains the CEFC Special Account established in accordance with section 45 of the CEFC Act.

	2021 $'000	2020 $'000
Appropriations credited during the year to the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources	–	–
Funds drawn during the year as an equity contribution from the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources	595,000	500,000
Funds returned during the year to the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources	(350,000)	(240,000)
Net amount drawn from the CEFC Special Account	**245,000**	**260,000**

Accounting policy

The Corporation's investment funds are provided for by a special appropriation under section 46 of the CEFC Act. Funds credited to the CEFC Special Account are held by the Department of Industry, Science, Energy and Resources and are released to the Corporation in accordance with the CEFC Act when the CEFC identifies investments that it intends to make. Surplus funds are returned to the CEFC Special Account held by the Department of Industry, Science, Energy and Resources for reinvestment by the CEFC or payment of a dividend to ARENA in accordance with the CEFC Act.

Equity injections

Amounts received from the Australian Government as drawings out of the CEFC Special Account held by the Department of Industry, Science, Energy and Resources are designated as 'equity injections' and recognised directly in contributed equity in that year.

Other distributions to owners

The CEFC Act provides that any amounts returned to the Commonwealth must be retained in the CEFC Special Account held by the Department of Industry, Science, Energy and Resources and may only be used to make payments to the Corporation, or to make payments to ARENA from retained earnings of the Corporation if requested by the Corporation and authorised by the nominated Minister. Amounts returned to the CEFC Special Account will be designated as either a return of equity in the case of capital being returned or a distribution of profits in the case of accumulated profits being transferred to the CEFC Special Account.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Australian Government entity under restructuring of administrative arrangements are adjusted directly against contributed equity.

	2021 $'000	2020 $'000
Summary of contributed equity		
Opening balance – 1 July	4,668,363	4,408,363
Equity injection from CEFC Special Account	595,000	500,000
Return of equity to CEFC Special Account	(350,000)	(240,000)
Closing contributed equity balance – 30 June	**4,913,363**	**4,668,363**

Notes to the Consolidated Financial Statements

Note 5: People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

5.1: Employee provisions

	2021 $'000	2020 $'000
Annual and long service leave	4,228	3,391
Total employee provisions	**4,228**	**3,391**

5.2: Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group has determined the key management personnel to be the seven non-executive Board members, and the Executive team comprising the Chief Executive Officer, Chief Financial Officer, the General Counsel and Company Secretary, the Chief Investment Officer, the Chief Clean Futures Officer, the Chief Risk Officer, the Chief Asset Management Officer and the Chief People and Culture Officer.

	2021 $	2020 $
Short-term employee benefits		
Non-executive Board member fees	445,145	446,851
Executive base salaries	3,252,762	3,165,049
Performance based compensation	1,263,634	364,400
Annual leave (paid)/accrued, net	71,292	83,117
Total short-term employee benefits	**5,032,833**	**4,059,417**
Post-employment benefits		
Superannuation contributions on behalf of Board members and executives	215,326	196,633
Total post-employment benefits	**215,326**	**196,633**
Other long-term employee benefits		
Performance based compensation	421,211	767,797
Long service leave (paid)/accrued, net	69,987	48,887
Total other long-term employee benefits	**491,198**	**816,684**
Termination benefits		
Separation and redundancy payments	–	–
Total termination benefits	**–**	**–**
Total key management personnel remuneration expenses	**5,739,357**	**5,072,734**

The total number of key management personnel that are included in the above table are:

	2021 No.	2020 No.
Summary of key management personnel		
Non-executive Directors	7	7
Executives	8	9
Total key management personnel	**15**	**16**

5.3: Related party disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements. The Group has determined its related parties include:

The Responsible Ministers

The Hon. Angus Taylor MP

Senator the Hon. Simon Birmingham from 30 October 2020

Senator the Hon. Mathias Cormann until 30 October 2020

Board Members

Mr Steven Skala AO

Ms Leeanne Bond

Mr Philip Coffey

Ms Laura Reed

Mrs Andrea Slattery

Ms Samantha Tough

Ms Nicola Wakefield Evans

Key management personnel

Mr Ian Learmonth, CEO

Mr Michael Johnston

Ms Sara Leong

Mr Paul McCartney

Ms Leanne McDonald

Mr Andrew Powell

Mr Ludovic Theau

Mr Saxon (Jay) Tolson

Other federal government agencies

Investments that are classified as Associates and Joint Ventures as disclosed in Note 3.1F: Equity Accounted Investments.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group has not entered into any direct transactions with key management personnel other than in relation to remuneration for services provided, as disclosed in Note 5.2.

During the financial year ended 30 June 2021, Michael Johnston's wife provided a series of weekly classes for CEFC employees during the transition to work from home required as a result of the COVID-19 pandemic for a total cost of $1,600 (2020: $800).

Notes to the Consolidated Financial Statements

Note 5: People and relationships continued

Transactions with Director-related entities

Mr Philip Coffey and Ms Nicola Wakefield Evans are independent non-executive directors of Lendlease Corporation Limited and Lendlease Responsible Entity Limited, where the CEFC has a $97m equity investment at 30 June 2021 (2020: $93m) in Lendlease Real Estate Investments Limited managed Australian Prime Property Fund Commercial.

Mr Philip Coffey and Ms Nicola Wakefield Evans are also independent voting directors of Macquarie Group Limited and Macquarie Bank Limited. The CEFC has $100m invested in fixed rate bonds with Macquarie Bank Limited as at 30 June 2021 (2020: $100m) and committed $87m of equity at 30 June 2021 (2020: $Nil) to My Specialised Accommodation Solutions Holding Trust managed by Macquarie Infrastructure and Real Assets (MIRA), the infrastructure business of Macquarie Group Limited. The CEFC has also provided a $90m debt facility at 30 June 2021 (2020: $85m) to the Avertas Energy Kwinana project, a co-development between Macquarie Capital and Phoenix Energy, and owned by Macquarie Capital and Dutch Infrastructure Fund. Through its wholly owned subsidiary, CEFC Investments Pty Ltd, the CEFC has invested $94m at 30 June 2021 (2020: $56m) in Macquarie Agriculture Fund – Crop Australia managed by Macquarie Agricultural Funds Management Limited and has committed a further $100m of equity investment at 30 June 2021 (2020: $100m) to Macquarie Australian Infrastructure Trust (MAIT) managed by MIRA.

Ms Andrea Slattery is an independent non-executive director of AMP Limited. CEFC has a $67m equity investment at 30 June 2021 (2020: $62.5m) in the AMP Capital Wholesale Office Fund, for which the trustee is AMP Capital Investors Limited, a controlled entity of AMP Limited.

Ms Leeanne Bond is a director of Snowy Hydro Limited which has provided a Power Purchase Agreement (PPA) to the Lincoln Gap Wind Farm, to which the CEFC has provided a debt facility. The CEFC has also provided a debt facility to Lumea (previously known as TransGrid Services) to help finance the development of grid infrastructure critical to the delivery of Snowy Hydro Limited's Snowy 2.0 pumped hydro project.

The directors named above took no part in the relevant decisions of the Board in regards to these related-party transactions.

The CEFC is not aware of any trading transactions entered with director-related parties during the financial year ended 30 June 2021 (2020: Nil).

Transactions with other related entities

During the year the Corporation has loaned funds to a subsidiary, CEFC Investments Pty Ltd, on commercial terms. Balances arising from these transactions are disclosed in the Corporation's stand-alone financial statements in Note 7 and have been eliminated in these Consolidated Financial Statements.

Under the CEFC Act, the Corporation has a number of transactions with the Commonwealth. The principal transactions are those related to the amounts drawn from or repaid into the CEFC Special Account administered by the Department of Industry, Science, Energy and Resources.

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2021.

Related party	Purpose	2021 $	2020 $
Purchases from related parties:			
Comcover	General insurance premiums	204,886	188,747
Comcare	Workers compensation insurance premiums	39,694	37,730
Department of Defence	Security vetting of executives	1,406	3,515
Department of the Environment and Energy	Certification fee for the Carbon Neutral Program	–	2,563
Department of Industry, Science, Energy and Resources	Certification fee for the Carbon Neutral Program	2,627	–
Receipts from related parties:			
Department of the Environment and Energy	Staff secondment fees	–	134,461*
Department of Industry, Science, Energy and Resources	Staff secondment fees	125,045**	–
Department of Industry, Science, Energy and Resources	Administrative funding for the Grid Reliability Fund program	4,270,000	1,925,000

* $Nil of this balance was outstanding at 30 June 2021 (2020: $52,525).
** $1,293 of this balance was outstanding at 30 June 2021 (2020: $Nil).

Notes to the Consolidated Financial Statements

Note 6: Managing uncertainties

This section analyses how the Group manages financial risks within its operating environment.

6.1: Contingent assets and liabilities

Quantifiable contingencies

The Group had no significant quantifiable contingencies as at 30 June 2021 or 2020 that are not disclosed elsewhere in these accounts.

Unquantifiable contingencies

At 30 June 2021 and 2020 the Group had no significant unquantifiable contingencies.

Accounting policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability where the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not more than likely and contingent liabilities are disclosed when settlement is greater than remote.

Concessionality that may arise in relation to contingent credit facilities, in the situation where the Group has retained discretion as to whether it will fund these future commitments (i.e. they are subject to the occurrence of future uncertain events), is not recorded until such time as the loan commitments become non-contingent.

Financial guarantee contracts are accounted for in accordance with AASB 9 *Financial Instruments*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

6.2: Financial instruments

6.2A: Categories of financial instruments

Financial Assets

Financial Assets 30 June 2021	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2021 $'000
Cash and cash equivalents	774,351	–	–	774,351
Trade and other receivables	15,361	–	–	15,361
Financial investments				
Loans and advances	2,771,879	–	–	2,771,879
Other debt securities	314,376	752,024	–	1,066,400
Equities and units in trusts	–	788,171	–	788,171
Derivative financial assets	–	11,303	1,013	12,316
Total financial investments	**3,086,255**	**1,551,498**	**1,013**	**4,638,766**
Carrying amount of financial assets	**3,875,967**	**1,551,498**	**1,013**	**5,428,478**

Financial Assets 30 June 2020	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2020 $'000
Cash and cash equivalents	848,179	–	–	848,179
Trade and other receivables	17,629	–	–	17,629
Financial investments				
Loans and advances	2,226,612	46,454	–	2,273,066
Other debt securities	381,171	1,066,535	–	1,447,706
Equities and units in trusts	–	520,757	–	520,757
Total financial investments	**2,607,783**	**1,633,746**	**–**	**4,241,529**
Carrying amount of financial assets	**3,473,591**	**1,633,746**	**–**	**5,107,337**

Financial Liabilities

Financial Liabilities 30 June 2021	**Amortised Cost $'000**	**FVTPL $'000**	**FVOCI $'000**	**Total 2021 $'000**
Trade creditors and accruals	2,860	–	–	2,860
Provision for concessional investments	–	5,820	–	5,820
Derivative financial liabilities	–	–	2,223	2,223
Lease liability	6,884	–	–	6,884
Carrying amount of financial liabilities	**9,744**	**5,820**	**2,223**	**17,787**

Financial Liabilities 30 June 2020	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2020 $'000
Trade creditors and accruals	5,515	–	–	5,515
Provision for concessional investments	–	4,084	–	4,084
Derivative financial liabilities	–	1,887	–	1,887
Lease liability	2,808	–	–	2,808
Carrying amount of financial liabilities	**8,323**	**5,971**	**–**	**14,294**

Notes to the Consolidated Financial Statements

Note 6: Managing uncertainties continued

6.2B: Net gains or losses on financial assets

	2021 Amortised Cost $'000	2021 FVTPL $'000	**2021 Total $'000**	2020 Total $'000
Cash and cash equivalents				
Interest from cash and short-term investments	1,380	–	1,380	6,115
Net gains on cash and cash equivalents	**1,380**	**–**	**1,380**	**6,115**
Loans and advances				
Interest income and fees	121,495	920	122,415	131,824
Unwind of concessional interest rate discount	4,604	264	4,868	2,903
Fair value gains	–	–	–	–
Fair value losses	–	(1,177)	(1,177)	(1,254)
Reversal of prior period concessional loan charges	1,816	–	1,816	11,805
Net gains on loans and advances	**127,915**	**7**	**127,922**	**145,278**
Other debt securities				
Interest income from debt securities	12,044	27,859	39,903	41,997
Unwind of concessional interest rate discount	339	3,522	3,861	4,362
Profit on sale	–	36,838	36,838	2,497
Fair value gains	–	3,378	3,378	34,885
Fair value losses	–	(62,963)	(62,963)	(1,412)
Reversal of prior period concessional loan charges	190	1,866	2,056	1,604
Net gains on other debt securities	**12,573**	**10,500**	**23,073**	**83,933**
Equities and units in trusts				
Income distributions from equities and units in trusts	–	21,578	21,578	17,789
Profit on sale	–	151	151	41,890
Fair value gains	–	56,177	56,177	8,245
Fair value losses	–	(3,978)	(3,978)	(46,041)
Net gains on equities and units in trusts	**–**	**73,928**	**73,928**	**21,883**
Derivative financial assets				
Fair value gains	–	4,760	4,760	–
Net gains on derivative financial assets	**–**	**4,760**	**4,760**	**–**
Net gains on financial assets	**141,868**	**89,195**	**231,063**	**257,209**

The total income from financial assets not at fair value through profit or loss was $141,868,000 (2020: $162,089,000).

6.2C: Credit risk

Credit risk arises from the possibility of defaults on contractual obligations, resulting in financial loss.

The Group manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Group has policies and procedures that guide employees' debt recovery techniques.

The Group evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- A floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital
- Specific or inter-locking guarantees
- Specific charges over defined assets of the counterparty
- Loan agreements which include affirmative and negative covenants and in some instances, guarantees of counterparty obligations.

The Group monitors exposures to counterparties and has set exposure limits for each counterparty.

Credit quality of financial instruments not past due or individually determined as impaired

	Note	**Not past due nor impaired 2021 $'000**	Not past due nor impaired 2020 $'000	**Past due or impaired 2021 $'000**	Past due or impaired 2020 $'000	**Total 2021 $'000**	Total 2020 $'000
Cash and cash equivalents	3.1A	774,351	848,179	–	–	774,351	848,179
Trade and other receivables	3.1B	15,361	17,629	–	–	15,361	17,629
Financial assets at:							
Amortised Cost:							
Loans and advances	3.1C	2,688,711	2,226,612	83,168	–	2,771,879	2,226,612
Other debt securities	3.1D	314,376	381,171	–	–	314,376	381,171
FVTPL:							
Loans and advances	3.1C	–	46,454	–	–	–	46,454
Other debt securities	3.1D	752,024	1,066,534	–	–	752,024	1,066,534
Equities and units in trusts	3.1E	788,171	520,757	–	–	788,171	520,757
Total financial assets		**5,332,994**	**5,107,336**	**83,168**	**–**	**5,416,162**	**5,107,336**
Committed loans and advances	6.5	832,345	701,442	–	–	832,345	701,442
Committed Other debt securities	6.5	36,688	65,059	–	–	36,688	65,059
Committed trust and equity investments	6.6	431,339	533,545	–	–	431,339	533,545
Total financial asset commitments		**1,300,372**	**1,300,046**	**–**	**–**	**1,300,372**	**1,300,046**
Total credit risk exposure		**6,633,366**	**6,407,382**	**83,168**	**–**	**6,716,534**	**6,407,382**

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia in accordance with the prudential controls set by the PGPA Act.

Non-financial assets, including property, plant and equipment, have not been included in the above table as there is no significant associated credit risk.

Notes to the Consolidated Financial Statements

Note 6: Managing uncertainties continued

6.2D: Liquidity risk

The Group's financial liabilities are trade creditors, operating leases, provisions for concessional loans and amounts owing to the Australian Taxation Office. The exposure to liquidity risk is based on the notion that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Group has significant cash balances (all invested short-term), access to government funding, and internal policies and procedures in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for financial liabilities 2021

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	>5 years $'000	Total $'000
Trade creditors and accruals	–	2,860	–	–	–	2,860
Provision for concessional loans	–	–	670	1,115	4,035	5,820
Derivative financial instruments	–	–	–	2,223	–	2,223
Lease liability	–	2,116	1,400	3,368	–	6,884
Total	**–**	**4,976**	**2,070**	**6,706**	**4,035**	**17,787**

Maturities for financial liabilities 2020

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	>5 years $'000	Total $'000
Trade creditors and accruals	–	5,515	–	–	–	5,515
Provision for concessional loans	–	–	96	1,071	2,917	4,084
Derivative financial instruments	–	1,887	–	–	–	1,887
Lease liability	–	1,582	1,003	223	–	2,808
Total	**–**	**8,984**	**1,099**	**1,294**	**2,917**	**14,294**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC Special Account that was funded in an amount of $2 billion per annum for each of the five years from 1 July 2013 to 1 July 2018. The Corporation has drawn amounts totalling $5,857.8 million (2020: $5,262.8 million) from this Special Account to fund its investments and has returned amounts totalling $1,031.8 million (2020: $681.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $4,826.0 million at 30 June 2021 (2020: $4,581.0 million).

6.2E: Market risk

As part of its normal operations, the Group may enter into a variety of transactions including loans, guarantees, bonds, and equity and trust investments, which may have exposure to market risk. Investment carrying values and revenue earned may be impacted as a result of changes in GDP growth rate, interest rates, electricity prices, property values and foreign exchange rates. Refer also to Note 1.3 for discussion about COVID-19 impacts.

The Group may enter into financial derivative transactions to protect against foreign exchange risks associated with its investment function. The Group does not enter into derivative instruments for speculative or trading purposes.

Derivative transactions may include:

- Interest rate swaps, forward rate agreements and futures contracts which protect against interest rate movements where the interest rate basis of the borrowing is different from that of the required liability to fund assets. These contracts are used primarily to convert between fixed rate and floating rate exposures
- Cross-currency swaps which protect the Group against interest rate and foreign exchange movements where the currency of the asset and interest receipts are not Australian dollars
- Forward foreign exchange contracts which are used to protect against foreign exchange movements in investments, loans and borrowings. The Group also conducts stress testing, including examining the impact on the credit portfolio of adverse movements in foreign exchange rates and interest rates.

a) Interest rate risk

The Group is involved in lending and therefore its revenues and the carrying value of its investments may be exposed to changes in interest rates.

The impact of a change in interest rates on the Group's interest income is not expected to be material as the majority of the Group's loans and advances are at fixed rates; however, interest receivable from cash and other financial assets will be impacted prospectively from a change in interest rates. The Group's primary exposure to interest rate risks of interest bearing financial assets and financial liabilities is set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

	2021 $'000	2020 $'000
Interest Bearing Financial Assets		
Classified as floating rate		
Cash and cash equivalents	774,351	848,179
Loans and advances	568,281	256,283
Other debt securities	193,604	119,774
Total classified as floating rate	**1,536,236**	**1,224,236**
Classified as fixed rate		
Loans and advances	2,328,670	2,055,895
Other debt securities	873,143	1,327,932
Total classified as fixed rate	**3,201,813**	**3,383,827**
Interest Bearing Financial Liabilities		
Classified as floating rate		
Provision for concessional loans	4,783	1,241
Total classified as floating rate	**4,783**	**1,241**
Classified as fixed rate		
Provision for concessional loans	1,037	2,843
Lease liability	6,884	2,808
Total classified as fixed rate	**7,921**	**5,651**

Notes to the Consolidated Financial Statements

Note 6: Managing uncertainties continued

The cash and cash equivalents and other financial assets are expected to be invested in loans and advances and other debt securities in the short-term, and the majority of these financial assets are expected to be classified as fixed rate. A +/-50bp change in the interest rate on floating rate financial assets would have approximately a $7.7 million (2020: $6.0 million) impact on the reported revenue and surplus.

For the Group's financial assets carried at amortised cost, any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss unless an investment is sold prior to maturity and crystallises a previously unrealised gain or loss.

In certain circumstances cashflow hedges may be entered into to hedge the exposure to variability in interest rate movements that are attributable to future interest cash flows. The Group has not currently entered into any interest rate hedges.

For the Group's financial assets carried at FVTPL, a +/-100bp change in the yield of the debt securities would have approximately a $29 million (2020: $59 million) impact on the fair value at which the instruments are recorded in the Consolidated Statement of Financial Position and fair value gains/losses in the Consolidated Statement of Comprehensive Income. As the coupon on the bonds is fixed, a change in prevailing interest rates would have no impact on the reported revenue.

b) Electricity prices

A significant portion of the Group's loans and advances are to borrowers in the renewable energy industry, whose revenues are dependent on the electricity prices. A significant change in the electricity price could have an impact on the borrowers' ability to service their debts to CEFC and also the value of the underlying security. The Australian Energy Regulator reported in April 2021 that regional spot wholesale electricity prices across the National Electricity Market (NEM) reduced by 21 to 67 per cent compared to Q1 2020, reaching their lowest average since 2015 (and lowest Q1 since 2012). The largest price reductions occurred in Victoria, falling from $79 per megawatt hour (MWh) in Q1 2020 to $25/MWh, and in New South Wales, falling from $86/MWh to $38/MWh. Q2 2021 (1 April to 30 June 2021), however, saw a dramatic turnaround in electricity prices following the exceptionally low Q1, largely as a result of the incident at Callide Power Station on 25 May 2021.

The Group manages this risk by establishing limits in relation to merchant energy price exposure, including gearing and covenant ratios within contractual arrangements on projects, monitoring the creditworthiness of the equity counterparties, and monitoring the exposure to individual electricity retailers and other parties who are providing power purchase off-take agreements for the renewable projects.

c) Property values

A portion of the Group's financial investments are in commercial property funds where the return and unit value are directly related to property values. The Group has also made loans and advances to borrowers in the property sector. A significant change in property values would impact on the carrying value and distributions from the AFS investments and could have an impact on the carrying value of loans and advances arising from the borrowers' ability to service their debts to CEFC and the value of the underlying security.

The Group manages this risk by establishing limits in relation to its exposure to the various property sectors (e.g. commercial, residential, office, retail, etc), including gearing and debt service covenants within contractual arrangements as well as monitoring the credit worthiness of the counterparties.

d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of foreign denominated assets and future cash flows may fluctuate because of changes in foreign exchange rates or the credit quality of the swap counterparty bank.

At year end, the Group had two US dollar denominated receivables and has entered into cashflow hedge relationships in relation to those loans. Movements in the foreign currency exchange rates are expected to have no impact on the reported profit or loss unless an investment is redeemed or the hedge broken prior to anticipated maturity and crystallises a previously unrealised gain or loss. The underlying hedged items are classified as loans and receivables at amortised cost.

Movement in the cashflow hedge reserve is as follows:

	2021 $'000	2020 $'000
Cashflow hedge reserve		
Opening balance cashflow hedge reserve	(6,889)	78
Increase in value of derivative financial liability	(336)	(374)
Net unrealised (loss)/gain on hedged asset	(460)	240
Net movement in share of Associates' cashflow hedge reserves	6,257	(6,833)
Closing balance cashflow hedge reserve	**(1,428)**	**(6,889)**

Fair value hedges are intended to hedge the exposure to variability in fair value movements that are attributable to future interest cash flows only. No fair value hedges are currently held.

The table below summarises, in Australian dollar equivalents, the Group's exposures to currencies other than the Australian dollar. USD was the only such currency in 2021 and 2020.

	Foreign currency fair value exposures	
	2021 AUD'000	2020 AUD'000
Financial assets exposures in foreign currencies at 30 June		
Cash and cash equivalents	882	–
Loans and advances	121,103	20,987
Derivative financial asset	1,013	–
Total financial assets exposures in foreign currencies	**122,998**	**20,987**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	119,893	19,100
Derivative financial liability	2,223	1,887
Total financial liabilities exposures in foreign currencies	**122,116**	**20,987**
Net foreign exchange exposures in foreign currencies	**882**	**–**

As shown by the above table, the net foreign exchange exposure as at 30 June 2021 is minimal and relates primarily to the short timing difference between the receipt of USD interest and its conversion into AUD. Any imbalance in this currency will arise largely due to movements in credit risk.

The exposure to foreign exchange rate movement is kept to a minimum as significant foreign currency denominated loans and advances are converted via cross-currency swaps into Australian dollars. The three main components that are exposed to foreign exchange movements relate to:

(i) Future fixed interest profit that has been taken to income in foreign currency

(ii) Future risk premiums and other residual components taken to income in foreign currency

(iii) The allowance for credit risk which is held in Australian dollars against loans predominantly in foreign currency.

Notes to the Consolidated Financial Statements

Note 6: Managing uncertainties continued

6.2F: Concentration of Exposure

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Group has a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian-based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same), with at least 50% of its investment in the renewables sector.

The Group has a relatively small number of investments (when compared to the commercial banks, for example) and therefore has a relatively concentrated exposure to individual assets, entities and industries. Default by a single borrower could have a material impact on the Group's results in a year.

6.3: Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured at fair value, or for which fair value is disclosed, by valuation method.

The different levels are defined below:

Level 1: Fair value obtained from unadjusted quoted prices in active markets for identical instruments

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly

Level 3: Fair value derived from inputs that are not based on observable market data.

Fair value hierarchy for financial instruments:

	Fair Value at 30 June 2021				2021 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
Loans and advances	–	–	–	–	–
Other debt securities	648,554	103,470	–	752,024	752,024
Equities and units in trusts	–	745,486	42,685	788,171	788,171
Derivative financial assets	–	12,316	–	12,316	12,316
Financial assets for which fair value is disclosed					
Loans and advances	–	2,073,535	882,292	2,955,827	2,771,879
Other debt securities	240,370	81,608	–	321,978	314,376
Total for financial assets	**888,924**	**3,016,415**	**924,977**	**4,830,316**	**4,638,766**
Financial liabilities at fair value					
Derivative financial liabilities	–	2,223	–	2,223	2,223
Provision for concessional investments	–	–	5,820	5,820	5,820
Total for financial liabilities	**–**	**2,223**	**5,820**	**8,043**	**8,043**

There was no transfer between levels.

	Fair Value at 30 June 2020				2020 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
Loans and advances	–	46,454	–	46,454	46,454
Other debt securities	905,535	160,999	–	1,066,534	1,066,534
Equities and units in trust	–	499,209	21,548	520,757	520,757
Financial assets for which fair value is disclosed					
Loans and advances	–	1,933,994	533,761	2,467,755	2,226,612
Other debt securities	346,380	34,791	–	381,171	381,171
Total for financial assets	**1,251,915**	**2,675,447**	**555,309**	**4,482,671**	**4,241,528**
Financial liabilities at fair value					
Derivative financial liabilities		1,887		1,887	1,887
Provision for concessional investments			4,084	4,084	4,084
Total for financial liabilities	**–**	**1,887**	**4,084**	**5,971**	**5,971**

There was no transfer between levels.

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management assessed that cash, cash equivalents, short-term investments, trade and other receivables, other financial assets, supplier payables, and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Note 6: Managing uncertainties continued

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following is a description of the determination of fair value for financial instruments using valuation techniques:

Loans and advances

- The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using the valuation technique of discounted cash flows through an external valuation system.
- Non-concessional loans are classified as Level 2 and the long-term fixed-rate and variable-rate receivables are valued by the Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1C: Loans and Advances. These SCRs are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board.
- Concessional loans together with any loans that are identified as requiring a specific impairment allowance are classified as Level 3 as the impact on the estimated fair value of the loan arising from the concessionality or a forecast shortfall in cash flows in the case of an impaired loan have to be derived from inputs that are not necessarily based on observable market data. Concessional loans include inputs such as the likely rate of deployment of capital by co-financiers and impaired loans will include inputs such as the likely recovery amount and date of realisation in respect of any security held. Concessional long-term fixed-rate and variable-rate receivables are also valued by the Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1: Financial Assets and these SCRs are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board. The impact of concessionality as well as recoverable amounts related to security on impaired assets are factored into the forecasts of future cash flows for each of the transactions.
- When it is likely that a loan or debt will not be recovered in full, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Financial investments

- Fair value of quoted debt securities is derived from quoted market prices in active markets
- Fair value of unquoted debt securities is derived in the same way as Loans and advances
- Fair value of quoted equities is derived from quoted market prices in active markets
- Fair value of unquoted equities has been estimated in accordance with the valuation methodologies outlined in the *APRA Prudential Practice Guide SPG 531 – Valuation* and the *International Private Equity and Venture Capital Valuation Guidelines* recommended by the Australian Investment Council (formerly Australian Private Equity and Venture Capital (AVCAL)).

Accounting judgements and estimates

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions.

6.4: Concessional loans

	2021 $'000	2020 $'000
Loan Portfolio		
Nominal value	945,868	642,823
Less principal repayment	(61,069)	(113,554)
Less unexpired discount	(29,349)	(4,174)
Less impairment allowance	(22,299)	(16,473)
Carrying value of concessional loans	**833,151**	**508,622**

6.5: Committed credit facilities

Commitments represent funds committed by the Group to third parties where the funds remain available but undrawn at year end. Commitments to provide credit may convert to loans and other assets in the ordinary course of business. As these commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

At 30 June 2021 the Group is irrevocably committed to fund loan facilities totalling $832 million (2020: $701 million) and to purchase bonds totalling $37 million (2020: $65 million). CEFC has procured a standby letter of credit from a commercial bank to support $55.7 million of the loan commitment.

At 30 June 2021 the Group had also entered into agreements to provide loan advances totalling $80 million (2020: $80 million) and purchase corporate bonds totalling $80 million (2020: $130 million) subject to the occurrence of future uncertain events. Due to the uncertainty around the occurrence of the future events, these amounts have been excluded from Committed Credit Facilities disclosed in note 6.2C.

At 30 June 2021 there was approximately $2.8 million (2020: $3.2 million) of possible future concessional interest rate charges to be recorded in relation to the above contingent credit facilities. The actual amount of concessionality cannot be determined until such time as the commitments become non-contingent.

6.6: Committed equity investments

At 30 June 2021 the Group had entered into agreements to make future equity investments totalling $732 million (2020: $743 million) comprising $301 million disclosed in Note 3.1F and $431 million disclosed in Note 6.2C.

Note 7: Parent entity information

The parent entity of the consolidated Group is the Clean Energy Finance Corporation.

7.1: Parent Entity Accounting Policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below.

Investments in subsidiaries are accounted for at cost.

Dividends received from subsidiaries are recognised in profit or loss when a right to receive the dividend is established, provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably.

Notes to the Consolidated Financial Statements

Note 7: Parent entity information continued

7.2: Parent Entity Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits		33,480	29,518
Suppliers		8,653	9,332
Depreciation and amortisation		3,033	2,806
Finance costs		22	27
Concessional loan charges		13,105	4,044
Impairment loss allowance on financial instruments		4,271	61,400
Total expenses		**62,564**	**107,127**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue		172,428	187,203
Interest on loans to subsidiaries	7.4B	25,316	16,078
Distributions from equity investments		16,400	15,082
Total own-source revenue		**214,144**	**218,363**
Gains and losses			
Fair value losses on financial instruments		(65,908)	(48,007)
Fair value gains on financial instruments		50,388	42,147
Profit from sale of assets		36,989	44,387
Reversal of prior period concessional loan charges		3,872	13,410
Loss on modification of financial assets		(24,525)	–
Total net gains		**816**	**51,937**
Total own-source income		**214,960**	**270,300**
Net contribution by services		**152,396**	**163,173**
Revenue from government		4,270	1,925
Share of associates and joint ventures		(3,171)	(1,342)
Surplus from continuing operations		**153,495**	**163,756**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Net fair value loss taken to equity on cashflow hedge		10	(7)
Total other comprehensive income		**10**	**(7)**
Total comprehensive income		**153,505**	**163,749**

The above statement should be read in conjunction with the accompanying notes.

7.3: Parent Entity Statement of Financial Position

as at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		774,138	847,918
Trade and other receivables	7.4C	28,100	27,018
Loans and advances		2,771,879	2,273,066
Loans to subsidiaries	7.4B	446,724	248,543
Other debt securities		1,066,400	1,447,706
Equities and units in trusts		548,719	430,237
Equity accounted investments		62,645	33,856
Investment in subsidiaries	7.4A	550	400
Derivative financial asset		12,316	–
Total financial assets		**5,711,471**	**5,308,744**
Non-financial assets			
Property, plant and equipment		9,169	3,208
Computer software		283	413
Prepayments		407	535
Total non-financial assets		**9,859**	**4,156**
Total assets		**5,721,330**	**5,312,900**
LIABILITIES			
Payables and deferred revenue			
Suppliers		2,805	5,330
Deferred revenue		40,975	39,195
Other payables		11,139	7,491
Derivative financial liability		2,223	1,887
Total payables and deferred revenue		**57,142**	**53,903**
Interest bearing liabilities			
Leases	3.4	6,884	2,808
Total interest bearing liabilities		**6,884**	**2,808**
Provisions			
Employee provisions		4,228	3,391
Other provisions		6,214	4,441
Total provisions		**10,442**	**7,832**
Total liabilities		**74,468**	**64,543**
Net assets		**5,646,862**	**5,248,357**
EQUITY			
Contributed equity		4,913,363	4,668,363
Reserves		80	70
Retained surplus		733,419	579,924
Total equity		**5,646,862**	**5,248,357**

The above statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 7: Parent entity information continued

7.4: Notes to Parent Entity Financial Statements

7.4A: Investment in subsidiaries

On 6 December 2016 the Corporation incorporated a new subsidiary, CEFC Investments Pty Ltd, and subscribed for 250,000 shares of $1 each, being 100% of the issued share capital.

On 5 September 2018 the Corporation incorporated a new subsidiary, Clean Energy Investment Management Pty Ltd, and subscribed for 100,000 shares of $1 each, being 100% of the issued share capital. The Corporation has made further capital contributions totalling $200,000 to Clean Energy Investment Management Pty Ltd since its incorporation.

7.4B: Loans to subsidiaries

The Corporation has provided unsecured loan facilities to its subsidiary CEFC Investments Pty Ltd on the following terms:

- Weighted average interest rate at 30 June 2021: 6.70% (2020: 6.88%)
- Interest payment dates: 15 January and 15 July each year
- Maturity dates: ranging from 23 April 2023 to 27 May 2030

The balance outstanding at 30 June 2021 was $446.7 million (2020: $248.5 million) and interest receivable for the year amounted to $25.3 million (2020: $16.1 million).

7.4C: Trade and other receivables

	2021 $'000	2020 $'000
Accrued interest on loan to CEFC Investments Pty Ltd	15,102	9,834
Others	12,998	17,184
	28,100	**27,018**

Note 8: Other information

8.1: Current/non-current distinction for assets and liabilities

	2021 $'000	2020 $'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	774,351	848,179
Trade and other receivables	15,361	17,629
Loans and advances	215,518	626,687
Other debt securities	204,573	141,859
Prepayments	407	535
Total no more than 12 months	**1,210,210**	**1,634,889**
More than 12 months		
Loans and advances	2,556,361	1,646,379
Other debt securities	861,827	1,305,847
Equities and units in trusts	788,171	520,757
Equity accounted investments	258,024	180,104
Derivative financial assets	12,316	–
Property, plant and equipment	9,169	3,208
Computer software	283	413
Total more than 12 months	**4,486,151**	**3,656,708**
Total Assets	**5,696,361**	**5,291,597**
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	2,860	5,515
Deferred revenue	9,100	7,005
Other payables	9,065	5,432
Derivative financial liabilities	–	1,887
Leases	2,116	1,582
Employee provisions	3,035	2,525
Other provisions	–	4,220
Total no more than 12 months	**26,176**	**28,166**
More than 12 months		
Deferred revenue	31,875	32,190
Other payables	2,074	2,059
Derivative financial liabilities	2,223	–
Leases	4,768	1,226
Employee provisions	1,193	866
Other provisions	6,214	221
Total more than 12 months	**48,347**	**36,562**
Total Liabilities	**74,523**	**64,728**

Notes to the Consolidated Financial Statements

Note 8: Other information continued

8.2: Budgetary reports and explanation of major variances

The following tables provide a comparison of the original Budget for the Group, as presented in the 2020–21 Portfolio Budget Statements (PBS) for the Industry, Science, Energy and Resources Portfolio, to the Actual 2020–21 outcome as presented in accordance with AAS for the Group. The Budget is not audited.

8.2A: Budgetary reports

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	33,494	37,059	(3,565)
Suppliers	8,677	14,442	(5,765)
Depreciation and amortisation	3,033	4,226	(1,193)
Finance costs	22	122	(100)
Concessional loan charges	13,105	42,000	(28,895)
Write-down and impairment of financial instruments	4,271	17,000	(12,729)
Total expenses	**62,602**	**114,849**	**(52,247)**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	172,427	159,797	12,630
Distributions from trusts and equity investments	21,578	16,282	5,296
Total own-source revenue	**194,005**	**176,079**	**17,926**
Gains and losses			
Fair value losses on financial instruments	(68,118)	(30,000)	(38,118)
Fair value gains on financial instruments	64,316	–	64,316
Profit on sale of assets	36,989	–	36,989
Reversal of prior years' concessional loan charges	3,872	–	3,872
Loss on modification of financial assets	(24,525)	–	(24,525)
Total gains/(losses)	**12,534**	**(30,000)**	**42,534**
Total own-source income	**206,539**	**146,079**	**60,460**
Net contribution by services	**143,937**	**31,230**	**112,707**
Revenue from government	4,270	4,270	–
Share of associates and joint ventures	(3,699)	–	(3,699)
Surplus/(deficit) from continuing operations	**144,508**	**35,500**	**109,008**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain taken to equity on cashflow hedge	5,461	–	5,461
Total other comprehensive income	**5,461**	**–**	**5,461**
Total comprehensive income	**149,969**	**35,500**	**114,469**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2020–21 PBS for the Industry, Science, Energy and Resources Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.
2. Difference between the actual and original budgeted amounts for 2020–21. Explanations of major variances are provided after the tables in note 8.2B.

Consolidated Statement of Financial position
as at 30 June 2021

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	774,351	235,194	539,157
Trade and other receivables	15,361	16,211	(850)
Loans and advances	2,771,879	2,211,637	560,242
Other debt securities	1,066,400	1,350,932	(284,532)
Equities and units in trusts	788,171	1,040,549	(252,378)
Equity accounted investments	258,024	283,598	(25,574)
Derivative financial assets	12,316	–	12,316
Total financial assets	**5,686,502**	**5,138,121**	**548,381**
Non-financial Assets			
Property, plant and equipment	9,169	8,838	331
Computer software	283	138	145
Prepayments	407	535	(128)
Total non-financial assets	**9,859**	**9,511**	**348**
Total assets	**5,696,361**	**5,147,632**	**548,729**
LIABILITIES			
Payables and deferred revenue			
Suppliers	2,860	5,515	(2,655)
Deferred revenue	40,975	40,650	325
Other payables	11,139	7,569	3,570
Derivative financial liabilities	2,223	1,887	336
Total payables and deferred revenue	**57,197**	**55,621**	**1,576**
Interest bearing liabilities			
Leases	6,884	6,810	74
Total interest bearing liabilities	**6,884**	**6,810**	**74**
Provisions			
Employee provisions	4,228	3,391	837
Other provisions	6,214	4,441	1,773
Total provisions	**10,442**	**7,832**	**2,610**
Total liabilities	**74,523**	**70,263**	**4,260**
Net assets	**5,621,838**	**5,077,369**	**544,469**
EQUITY			
Contributed equity	4,913,363	4,483,363	430,000
Reserves	(1,428)	(6,889)	5,461
Retained surplus	709,903	600,895	109,008
Total equity	**5,621,838**	**5,077,369**	**544,469**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2020–21 PBS for the Industry, Science, Energy and Resources Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.
2. Difference between the actual and original budgeted amounts for 2020–21. Explanations of major variances are provided after the tables in note 8.2B.

Notes to the Consolidated Financial Statements

Note 8: Other information continued

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Retained Surplus			Reserves			Contributed Equity			Total Equity		
	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000
Opening balance												
Balance carried forward from previous year	565,395	565,395	–	(6,889)	(6,889)	–	4,668,363	4,668,363	–	5,226,869	5,226,869	–
Comprehensive income												
Surplus for the year	144,508	35,500	109,008	–	–	–	–	–	–	144,508	35,500	109,008
Other comprehensive income	–	–	–	5,461	–	5,461	–	–	–	5,461	–	5,461
Total comprehensive income	**144,508**	**35,500**	**109,008**	**5,461**	**–**	**5,461**	**–**	**–**	**–**	**149,969**	**35,500**	**114,469**
Transactions with owners												
Contributions by owners												
Equity injection from Special Account	–	–	–	–	–	–	245,000	(185,000)	430,000	245,000	(185,000)	430,000
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**245,000**	**(185,000)**	**430,000**	**245,000**	**(185,000)**	**430,000**
Closing balance as at 30 June	**709,903**	**600,895**	**109,008**	**(1,428)**	**(6,889)**	**5,461**	**4,913,363**	**4,483,363**	**430,000**	**5,621,838**	**5,077,369**	**544,469**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2020–21 PBS for the Industry, Science, Energy and Resources Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.
2. Difference between the actual and original budgeted amounts for 2020–21. Explanations of major variances are provided after the tables in note 8.2B.

Consolidated Cash Flow Statement

for the year ended 30 June 2021

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	4,270	4,270	–
Interest and fees	179,388	142,137	37,251
Distributions from trusts and equity investments	19,313	15,732	3,581
Total cash received	**202,971**	**162,139**	**40,832**
Cash used			
Employees	29,097	36,959	(7,862)
Suppliers	10,922	14,441	(3,519)
Interest payments on lease liabilities	22	122	(100)
Total cash used	**40,041**	**51,522**	**(11,481)**
Net cash from operating activities	**162,930**	**110,617**	**52,313**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	315,392	626,687	(311,295)
Sale of other debt securities	539,304	141,859	397,445
Sale of equities and units in trusts	1,284	–	1,284
Sale of investment in associates and joint ventures	4,408	–	4,408
Distributions from associates and joint ventures	130	–	130
Total cash received	**860,518**	**768,546**	**91,972**
Cash used			
Loans made to other parties	856,424	611,386	245,038
Purchase of other debt securities	178,448	200,000	(21,552)
Purchase of equities and units in trusts	232,505	400,183	(167,678)
Investment in associates and joint ventures	63,417	90,000	(26,583)
Purchase of derivative financial assets	6,731	–	6,731
Purchase of property, plant, equipment and computer software	2,824	3,750	(926)
Total cash used	**1,340,349**	**1,305,319**	**35,030**
Net cash from/(used by) investing activities	**(479,831)**	**(536,773)**	**56,942**

Notes to the Consolidated Financial Statements

Note 8: Other information continued

	Actual $'000	Budget[1] $'000	Variance[2] $'000
FINANCING ACTIVITIES			
Cash received			
Contributed equity	595,000	365,000	230,000
Total cash received	**595,000**	**365,000**	**230,000**
Cash used			
Return of equity	350,000	550,000	(200,000)
Principal payments of lease liabilities	1,927	1,829	98
Total cash used	**351,927**	**551,829**	**(199,902)**
Net cash from financing activities	**243,073**	**(186,829)**	**429,902**
Net increase/(decrease) in cash held	**(73,828)**	**(612,985)**	**539,157**
Cash and cash equivalents at the beginning of the reporting period	848,179	848,179	–
Cash and cash equivalents at the end of the reporting period	**774,351**	**235,194**	**539,157**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2020–21 PBS for the Industry, Science, Energy and Resources Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.
2. Difference between the actual and original budgeted amounts for 2020–21. Explanations of major variances are provided after the tables in note 8.2B.

8.2B: Major budget variance for 2020–21

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Comprehensive Income:	
Employee benefits	The Group has spent $3.6m less than budget on employee benefits. This is largely a result of hiring fewer new staff than budgeted as well as timing differences with new hires being made later in the financial year than budgeted.
Suppliers	The expense recorded against suppliers is $5.8m less than budget due to savings in expenses such as consulting fees, professional fees and travel-related costs.
Concessional loan charges, Reversal of prior years' concessional loan charges and Loss on modification of financial assets	The budget had assumed concessional loan charges of $42.0m but the actual net concession and loan modification charge was $33.8m, a positive variance of $8.2m (i.e. $28.9m on concession charge, $3.9m reversal of prior concession charge and -$24.5m on loan modification). The mix of transactions undertaken this year and the lower overall interest rate environment generally, have reduced the need for, and benefit from, providing as much concessionality on new loans as was anticipated. In most instances, the Group has been able to be appropriately compensated for the longer tenor or fixed rate aspects of new loans written, without jeopardising the project economics of the transactions. With the recent significant fall in interest rates, CEFC has been refinanced out of a number of fixed rate facilities at an earlier point in time than originally anticipated, and has therefore not provided the full amount of concession for which it was originally contracted, resulting in a reversal of $3.9m. The other side to the lower interest rate environment is that some borrowers have looked to renegotiate the rates on their existing facilities with the CEFC, resulting in a loan modification charge (akin to concession) of $24.5m in the year ended 30 June 2021.
Write down and impairment of financial instruments	The Group's impairment provision expense for the year was $4.3m resulting in a favourable variance of $12.7m in Write down and impairment of financial instruments. This is largely a result of the macroeconomic environment during the year being more favourable than had been anticipated when establishing the budget. This improvement in the macroeconomic environment requires a statistically lower impairment reserve.
Interest and loan fee revenue	Interest and loan fee revenue has a $12.6m favourable variance to budget. The largest contributor to this variance is the accelerated recognition of Establishment Fee revenue upon the unbudgeted early termination of certain loans (in accordance with accounting principles, loan Establishment Fees are deferred on the balance sheet and recognised as revenue over the life of the loan and not when received). This has been accentuated in the current year with the falling interest rates incentivising customers to refinance longer-term fixed-rate debt facilities offered by the CEFC.
Fair value gains and losses on financial instruments	Due to the inherent uncertainty in predicting future changes in the value of financial assets that are largely driven by macroeconomic indicators such as interest rates and property yields that are largely outside the control of the Corporation, the Budget included only a single $30m placeholder for Fair value losses in anticipation of a write-down of certain property related equity investments that were considered at a heightened risk of valuation decrease when the budget was established. The actual result was a net fair value loss of $3.8m. Fair value losses of $68.1m comprise the reversal of $37.0m of prior years' unrealised gains, now realised as Profit on sale of assets, and mark-to-market valuation of the Group's investment in longer-term fixed-rate bonds, included in Other debt instruments, held at FVTPL which have decreased in value as a result of the slight recovery in market interest rates since 1 July 2020. Fair value gains of $64.3m relate mostly to Equities and units in trusts which have continued to escalate in their fair market value, notwithstanding our concern that the risk was more on the down-side for valuation of these assets when the budget was established.
Profit on sale of assets	The positive variance of $37.0m realised on the sale of assets relates primarily to the disposal of Other debt securities no longer required in connection with the Corporation's SME lending programs through the commercial banks.

Notes to the Consolidated Financial Statements

Note 8: Other information continued

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity:	
Cash and cash equivalents	Cash and cash equivalents are $539.2m higher than budget, due largely to the increased drawing from the CEFC Special Account, in order to fund a $295.0m loan on 6 July 2021, and the investment variances discussed below.
Loans and advances	Loans and advances are $560.2m higher than budget. This is due to above budget deployment and lower than budgeted early repayments as discussed under Consolidated Cashflow Statement below.
Other debt securities	Other debt securities are $284.5m lower than budget due to the unbudgeted sale of certain bonds no longer required for policy purposes, as discussed for Profit on Sale of Assets above, and the partial unwind of prior periods' fair value gains, on bonds held at FVTPL as a result of the market interest rates increasing slightly since 1 July 2020.
Equities and units in trusts	Equities and units in trusts are $252.4m lower than budget. This is due to budgeted investments, primarily the Group's committed $250m equity investment into two infrastructure funds, not yet being drawn.
Equity accounted investments	Equity accounted investments are $25.6m lower than budget due to committed investments, classified as Associates & Joint Ventures, calling for funds at a slower rate than anticipated in the budget.
Contributed equity	During the year, the Corporation drew $230.0m more from the CEFC Special Account and returned $200.0m less to the CEFC Special Account than was budgeted, giving a total variance of $430.0m, due to the investment variances described above and in anticipation of funding a $295.0m loan on 6 July 2021.
Reserves	Reserves are $5.5m higher than budget, principally due to changes in the Group's share of the hedge reserves of investments classified as Associates.
Retained Surplus	The retained surplus at 30 June 2021 is $109.0m higher than budget due to the higher than budgeted surplus generated in the year, discussed under Consolidated Statement of Financial Income above.
Total equity	Total Equity at 30 June 2021 is $544.5m higher than budget due to: higher than budgeted Contributed equity $430.0m, Reserves $5.5m and Retained surplus $109.0m as described above.

Affected Line Items	Explanations of Major Variances
Consolidated Cash Flow Statement:	
Net cash from operating activities	The $52.3m positive variance to budget is largely a reflection of the higher than budgeted interest receipts (including previously capitalised interest and fees on loans that were repaid) and lower than budgeted employment related costs.
Principal loan repayments received	Principal loan repayments received are $311.3m lower than budget as the CEFC has remained a lender in a number of loans that were refinanced during the year, whereas the budget had assumed that a greater number of the borrowers would be refinancing with other lenders and repay the CEFC.
Sale of other debt securities	The $397.4m increase, compared to budget, includes the sale of various bank bonds no longer required to support those bank's on-lending to SME borrowers under their aggregation program due to amortisation of the underlying loans.
Sale of investment in associates and joint ventures	The $4.4m includes equalisation payments received from investments, where the Group is a cornerstone investor, upon those funds attracting additional investors. No budget is established for such cash flows as they are subject to the current state of the equity markets at any given point in time.
Loans made to other parties	Cash used to fund loans made to other parties is $245.0m above budget. This is partly due to an investment for $108.5m, that was budgeted to take the form of a bond, but finally being contracted as a loan, in addition to some new loans contracted during the year drawing at a faster rate that had been assumed in the budget.
Purchase of other debt securities	The amount invested in other debt securities during the year is below budget by $21.5m as a result of a $108.5m investment budgeted to take the form of a bond, being contracted instead as a loan, partly offset by the purchase of a new a green bond issued by a major retailer together with the subscription for an innovative index-linked green bond issued by a financial institution to help expand the market for such products.
Purchase of equities and units in trusts	The amount invested is $167.7m lower than budget largely as a result of the Group's committed equity investment into two infrastructure funds not yet being drawn.
Purchase of derivative financial assets	The $6.7m purchase of derivative financial assets relates to the index-linked green bond product described in Purchase of other debt securities above.
Contributed equity and Return of equity	The Corporation drew $230m more from the CEFC Special Account and returned $200m less to the CEFC Special Account than was budgeted, giving a total variance of $430m, due to the investment variances described above and in anticipation of funding a $295m loan on 6 July 2021.
Cash and cash equivalents at the end of the reporting period	Cash and cash equivalents are $539.2m higher than budget, due to the increased drawing from the CEFC Special Account, in order to fund a $295.0m loan on 6 July 2021, and the investment variances discussed above.

Appendices

Appendix A

Index of Annual Reporting requirements

Figure 24: Index of Annual Reporting requirements

Statutory requirement	Legislation reference	Section	Page
Index of requirements under the PGPA Act and PGPA Rule 2014 Annual Reporting Requirements			
Provision of Annual Report (including annual financial and performance statements) to responsible Minister by 15 October each year	PGPA Act, section 46	Letter of Transmittal	
Board statement of approval of Annual Report with section 46 of the PGPA Act	PGPA Act, section 46 PGPA Rule, section 17BB	Letter of Transmittal	
Annual performance statements	PGPA Act, section 39 PGPA Rule, section 16F and 17BE(g)	1	
Board statement of compliance of performance report with section 39 of the PGPA Act	PGPA Act, section 39 PGPA Rule, section 16F	1	
Annual financial statements for Commonwealth entities	PGPA Act, sections 42 and 43(4) PGPA (Financial Reporting) Rule 2015, Australian Accounting Standards	3	
Board statement of compliance of the financial statements with section 42(2) of the PGPA Act	PGPA Act, section 42(3), 43(4) PGPA (Financial Reporting) Rule 2015	3	
Parliamentary standards of presentation	PGPA Act, section 46(3) PGPA Rule, section 17BC	Full report	All
Publication on transparency.gov.au	PGPA Act, section 46(3) PGPA Rule, section 17BCA	Full report	All
Plain English and clear design, including glossary	PGPA Act, section 46(3) PGPA Rule, section 17BD	Full report	All
Details of the legislation establishing the entity	PGPA Act, section 46(3) PGPA Rule, section 17BE(a)	2	
Summary of the objects and functions of the entity as set out in the legislation	PGPA Act, section 46(3) PGPA Rule, section 17BE(b)(i)	2	
The purposes of the entity as included in the entity's corporate plan for the period	PGPA Act, section 46(3) PGPA Rule, section 17BE(b)(ii)	2	
Names and titles of responsible Ministers	PGPA Act, section 46(3) PGPA Rule, section 17BE(c)	2	
Directions given to the entity by a Minister under an Act or instrument	PGPA Act, section 46(3) PGPA Rule, section 17BE(d)	2	

Statutory requirement	Legislation reference	Section	Page
Government Policy Orders that applied in relation to the entity during the period under section 22 of the PGPA Act	PGPA Act, section 46(3) PGPA Rule, section 17BE(e)	2	
Particulars of non-compliance with a Ministerial direction or a Government Policy Order	PGPA Act, section 46(3) PGPA Rule, section 17BE(f)	No incidents reported	
Statement of any significant issue reported to the responsible Minister under section 19(1)(e) of the PGPA Act that relates to non-compliance with the finance law and an outline of the action that has been taken to remedy the non-compliance	PGPA Act, section 46(3) PGPA Rule, sections 17BE(h) and (i)	No incidents reported	
Information on the Board and Board members	PGPA Act, section 46(3) PGPA Rule, section 17BE(j)	2	
Outline of the organisational structure (including subsidiaries)	PGPA Act, section 46(3) PGPA Rule, section 17BE(k)	2	
Statistics on employees	PGPA Act, section 46(3) PGPA Rule, section 17BE(ka)	Appendix B	
Outline of the location of major activities or facilities	PGPA Act, section 46(3) PGPA Rule, section 17BE(l)	1	
Main corporate governance practices used	PGPA Act, section 46(3) PGPA Rule, section 17BE(m)	2	
Related entities, transactions and decision-making process	PGPA Act, section 46(3) PGPA Rule, sections 17BE(n) and (o)	2, 3	
Any significant activities and changes that affected the operations or structure	PGPA Act, section 46(3) PGPA Rule, section 17BE(p)	2	
Particulars of judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the operations	PGPA Act, section 46(3) PGPA Rule, section 17BE(q)	2	

Appendix A

Index of Annual Reporting requirements

Statutory requirement	Legislation reference	Section	Page
Particulars of any report on the entity given during the period by: – The Auditor General, other than a report under section 43 of the PGPA Act; or – A Committee of either House, or of both Houses, of the Parliament; or – The Commonwealth Ombudsman; or – The Office of the Australian Information Commissioner	PGPA Act, section 46(3) PGPA Rule, section 17BE(r)	2	
Explanation where required information is unable to be obtained from subsidiaries	PGPA Act, section 46(3) PGPA Rule, section 17BE(s)	N/A	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Act, section 46(3) PGPA Rule, section 17BE(t)	2	
Information about Executive remuneration	PGPA Act, section 46(3) PGPA Rule, section 17BE(ta), Subdivision C and Schedule 3	Appendix G	
A direct electronic address of the audit and risk charter determining the functions of the audit committee	PGPA Act, section 46(3) PGPA Rule, section 17BE(taa)(i)	2	
The name of each member of the audit committee during the period	PGPA Act, section 46(3) PGPA Rule, section 17BE(taa)(ii)	2	
The qualifications, knowledge, skills or experience of those members of the audit committee	PGPA Act, section 46(3) PGPA Rule, section 17BE(taa)(iii)	2	
Information about each of those audit committee members' attendance at meetings of the audit committee during the period	PGPA Act, section 46(3) PGPA Rule, section 17BE(taa)(iv)	2	
The remuneration of each of those audit committee members	PGPA Act, section 46(3) PGPA Rule, section 17BE(taa)(v)	2	
The list of requirements as set out in Schedule 2A of the PGPA Rule that references where those requirements are to be found in the Annual Report	PGPA Act, section 46(3) PGPA Rule, section 17BE(u)	Appendix A	
Publish report on entity website	PGPA Rule, section 30A	Full report	All

Statutory requirement	Legislation reference	Section	Page
Index of requirements under the CEFC Act			
Total value of section 63 investments, by reference to the class of clean energy technologies	CEFC Act, section 74(1)(a)	1	
Realisation of any section 63 investments	CEFC Act, section 74(1)(b)	Appendix F	
Explanation of why less than half of the funds are invested in renewable energy technologies	CEFC Act, section 74(1)(c)	N/A	N/A
Concessions given by the Corporation	CEFC Act, section 74(1)(d)	3	
Balance sheet setting out, as at the end of the financial year, the assets and liabilities and a statement of cash flows	CEFC Act, section 74(1)(e)	3	
Remuneration and allowances of Board members and senior staff	CEFC Act, section 74(1)(f)	2, 3, Appendix G	
Operating costs and expenses	CEFC Act, section 74(1)(g)	2, Appendix E	
Benchmark report of operating costs and expenses of other comparable entities	CEFC Act, section 74(1)(h)	Appendix E	
Procurement contracts of more than $80,000	CEFC Act, section 74(1)(i)	2	
Credits and debits to the CEFC Special Account	CEFC Act, section 74(1)(j)	3	
Reporting on each of the items referred to in sections 74(1)(d) to (i) of the CEFC Act for subsidiaries	CEFC Act, section 74(2)	2, 3	
Index of requirements under the Investment Mandate Direction			
Reporting on non-financial investment outcomes for all of its investments, including under each of the Advancing Hydrogen Fund, Australian Recycling Investment Fund, Clean Energy Innovation Fund, Reef Funding Program and Sustainable Cities Investment Program	Investment Mandate, section 15	1, Appendix H	
Index of other statutory reporting requirements			
Equal Employment Opportunity Report	EEO Act, section 9	Appendix B	
Work Health and Safety Report	WHS Act, Schedule 2, Part 4, section 4	Appendix D	
Environmental Performance and Ecologically Sustainable Development Report	EPBC Act, section 516A	Appendix C	

Appendix B

Equal Employment Opportunity

Reporting period

The CEFC reports its obligations under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act) annually. This Report covers the period 1 July 2020 to 30 June 2021 inclusive.

Approach to EEO

The CEFC seeks to reflect the diverse nature of the Australian community. The organisation is committed to developing and supporting positive working relationships and a healthy and safe workplace where employees are recruited, trained and promoted fairly, on merit, without discrimination. CEFC policies and procedures are underpinned by Equal Employment Opportunity (EEO) principles, in particular:

- The CEFC Code of Conduct and Ethics sets the standards for the way we work at the CEFC, including expectations in relation to standards of professional behaviour
- The CEFC Workplace Bullying, Discrimination and Harassment Policy reflects our commitment to provide a positive work environment, free from inappropriate workplace behaviour such as workplace bullying, discrimination and harassment.

EEO implementation

The CEFC has not identified any policies or practices that discriminate against, or any patterns of inequality of opportunity, in respect of women and designated groups. Workplace policies and the related procedures and practices are communicated via induction compliance training for all new employees, as well as annual compliance refresher training for all employees. These are also accessible via the employee intranet.

Annual compliance training includes EEO, the *Public Interest Disclosure Act 2013*, CEFC Code of Conduct and Ethics and CEFC workplace bullying, harassment and discrimination provisions.

EEO monitoring and evaluation

An Employee Engagement Survey, conducted every 12–18 months, is an important exercise in monitoring performance in EEO, diversity and inclusion. The most recent survey was conducted in April 2021. Key results include:

- My manager genuinely supports equality between women and men – 97 per cent
- At the CEFC people with diverse backgrounds can succeed regardless of race, gender, age, disability, religion, sexual orientation or cultural background – 86 per cent.

Paid parental leave

During the reporting period, seven employees used the CEFC paid parental leave scheme: five female employees and two male employees who use this benefit on a flexible basis to support their primary carer role. Two male employees also used the CEFC paid "dad and partner" leave scheme and, at 30 June 2021, one male employee had applied for future paid parental leave.

Flexible working arrangements

The CEFC offers flexible working arrangements under the National Employment Standards. Of the 124 CEFC employees at 30 June 2021, 10.5 per cent were employed on a part-time basis or working a compressed working week. Of these 13 employees, one was male. During the reporting period we extended the principles of flexible working arrangements to a new 'agile working' environment. This offers flexible working arrangements to all employees, whether working from home or the office, supported by enhanced technology. Refer to page 86 for additional information.

Gender pay equity

A gender pay analysis is conducted each March and July. The March analysis informs pay decisions during the annual remuneration review in June and the July analysis evaluates the impact of these decisions on gender pay equity. Refer to page 87 for additional information.

Diversity profile

At the end of the 2020–21 year, the CEFC had 124 employees, an increase of eight on the prior year. The proportion of employees born overseas was steady at 46 per cent, including 57 employees from 26 countries, in addition to those born in Australia. The CEFC had 19 employees (15 per cent) who reported English as their second language.

The CEFC Executive Team was 25 per cent female, with 33 per cent of senior management positions held by women. Women were awarded nine (56 per cent) of the 16 promotions in 2020–21, taking female representation at the Executive Director level to 29 per cent. Women also made up 11 (52 per cent) of the 21 new recruits in the year. Overall, gender diversity improved in 2020–21, at 52 per cent male (down two per cent) and 48 per cent female (up two per cent).

As a specialised financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42.65 years.

No employees identified as being Indigenous in the 2020–21 year. Separately, no employees identified as having a disability. These were unchanged on the previous year.

Appendix B
Equal Employment Opportunity

Particulars of directions by responsible Ministers

The CEFC has not received any directions made by responsible Ministers under section 12 of the EEO Act.

Figure 25: CEFC EEO reporting comparison

	30 June 2020		30 June 2021	
EEO designated group	Employees	%	Employees	%
Female	53	46	59	48
Born overseas	55	47	57	46
English as a second language	19	16	19	15

Figure 26: CEFC employee overview 2020–21

	Non-ongoing	Ongoing	Total
Gender			
Female	5	54	59
Male	1	64	65
Total	**6**	**118**	**124**
Employment status			
Full-time	4	110	114
Part-time	2	8	10
Total	**6**	**118**	**124**
Location			
Brisbane	2	52	54
Canberra	–	1	1
Melbourne	2	7	9
Perth	–	3	3
Sydney	2	55	57
Total	**6**	**118**	**124**

Appendix C
Environmental Performance and Ecologically Sustainable Development

Reporting period

The CEFC reports its obligations under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) annually. This Report covers the period 1 July 2020 to 30 June 2021 inclusive.

Ecologically Sustainable Development

The CEFC mobilises investment across diverse areas of the economy to support the development, deployment and commercialisation of decarbonisation initiatives. Complementing these investment activities, CEFC staff contribute to market leading research initiatives and share insights about our investments to promote greater understanding about the potential of low emissions investment. Refer to Section 1 Performance for additional information.

Figure 27: Environmental performance

Theme	Actions to reduce environmental impact	Further measures to review and improve outcomes
Energy efficiency and emissions reduction	The CEFC has a range of measures in place to increase its own energy efficiency and emissions reductions, including: – Sydney office lease has a 5.5 Star NABERS Energy Rating for the base building – Brisbane, Perth and Melbourne office leases each have a 5 Star NABERS Energy Rating for the base building – End-of-trip facilities are offered at each of our offices, with employees encouraged to walk, run, cycle, scoot or use public transport to and from work. COVID-19 restrictions have limited access to some facilities during the 2020–21 year – The CEFC does not offer corporate car parking or corporate vehicles to employees.	The CEFC maintains Climate Active Carbon Neutral Certification. The CEFC undertakes an annual third-party assessment of our organisational carbon footprint. We offset carbon emissions through an accredited scheme, as part of the Climate Active Carbon Offset Standard. The CEFC carbon footprint was assessed and audited at 974.1 tonnes CO_2-e for 2019–20, the latest available data. For 2020–21, we purchased 50,256 kWh of GreenPower. Relevant Public Disclosure Statements are available on the CEFC website.

Appendix C

Environmental Performance and Ecologically Sustainable Development

Theme	Actions to reduce environmental impact	Further measures to review and improve outcomes
Waste	The CEFC has a range of measures in place to reduce waste at its offices, including: – Waste recycling, using appropriate waste streams to reduce landfill – Coffee cup recycling – Use of organic waste streams – Provision of specialised e-waste collection systems – Support staff in soft plastics and stationery recycling.	The CEFC is an active investor in waste management initiatives that can deliver positive renewable energy outcomes, divert waste from landfill and/or create usable by-products such as compost. The CEFC supports the "reduce, reuse, recycle" recommendations of the international waste hierarchy and focuses on projects that seek to make a material reduction to Australia's waste-related emissions. Highlights during the reporting year: – First commitment through the Australian Recycling Investment Fund in the year. Refer to Section 1 – Delivery of the *Energising resource recovery: the Australian opportunity* research report into waste-related investment opportunities. Refer to CEFC website – Support for the development of Cleanaway's innovative Greenius national education platform, drawing on research into recycling behaviours and attitudes. Refer to CEFC website.
Water	CEFC office leases have the following NABERS water ratings: – Sydney 5.5 Stars – Melbourne 5 Stars – Perth 4.5 Stars – Brisbane premises not rated – Canberra N/A. One Canberra-based CEFC employee based in Departmental office.	Opportunities to improve water outcomes for CEFC offices are undertaken where available.

Appendix D
Workplace Health and Safety Report

Reporting period

The CEFC is a "public authority" under the *Work Health and Safety Act 2011* (WHS Act) and is required to report annually according to the particulars of Schedule 2, Part 4, section 4. This Report covers the period 1 July 2020 to 30 June 2021 inclusive.

Health, safety and wellbeing initiatives

The CEFC is committed to the safety and health of its employees and acknowledges its responsibilities under the WHS Act and the National Employment Standards. These cover standard hours of work, reasonable additional hours, flexible working arrangements, the provision of personal/carer's leave and compassionate leave. The standards underpin the CEFC commitment to providing safe working hours and adopting a holistic view of employee health and wellbeing.

Workplace health and safety training

New employees are provided with access to a range of induction materials, available through the CEFC intranet. This includes links to CEFC policies, including the CEFC Code of Conduct and Ethics, and policies relating to workplace bullying, discrimination and harassment and workplace health and safety. Mandatory online workplace health and safety (WHS) training covers a range of issues, including ergonomic workstation arrangements, the identification of workplace hazards, processes to report injuries and incidents, guidance on lifting heavy objects and dealing with hazardous or emergency situations.

All CEFC employees undertake mandatory annual refresher training covering the CEFC Code of Conduct and Ethics, discrimination and equal employment opportunity, workplace bullying, and workplace health and safety. Contractors and consultants must comply with all workplace laws and ensure that their subcontractors are also in compliance. The CEFC standard agreements with our contract suppliers contain clauses requiring compliance with workplace laws.

Public interest disclosure

The CEFC operates under the public interest disclosure scheme established by the *Public Interest Disclosure Act 2013* (PID Act). This establishes a whistleblower protection for Commonwealth Government employees, contractors and the employees of contractors who report wrongdoing within the Commonwealth public sector and Commonwealth entities. The Act applies to the CEFC as a corporate Commonwealth entity. Where the nature of a disclosure, or potential disclosure, suggests that an individual grievance or workplace conflict could be reasonably construed as a matter more broadly representative of a larger or systemic issue (such as employment matters that may be representative of a culture of bullying or harassment), further investigation may be appropriate.

WHS compliance

The CEFC Board is responsible for CEFC compliance with duties under statute and at law relating to WHS. The Board framework for managing WHS compliance includes:

- Maintenance of a Risk Management Framework and Risk Appetite Statement with respect to the organisation's tolerance for WHS incidents
- Reporting WHS incidents
- Maintaining corporate policies and procedures.

During 2020–21, the CEFC had up to eight emergency wardens across the Sydney, Brisbane and Melbourne offices. These CEFC emergency wardens conducted emergency response and evacuation training in accordance with requirements under relevant state laws. Toward the end of the reporting period, we transitioned from a serviced office into an independent lease arrangement in Perth, with emergency warden training to be implemented.

The CEFC also has nine certified First Aid Officers, who complete annual certification in accordance with best practice. Details of emergency evacuation procedures, emergency wardens and first aid officers are provided to CEFC employees and displayed throughout CEFC offices. In addition, first aid procedures and first aid equipment are available to all employees.

Appendix D

Workplace Health and Safety Report

COVID-19 response

The CEFC has implemented a COVID-19 Response Plan, to support employees, contribute to efforts to minimise community risk, and limit disruption in our business operations and external activities. The COVID-19 Response Team meets weekly, or more frequently when required, provides timely updates to CEFC employees, and hosts regular Q&A sessions on latest developments. We have introduced a traffic light system to clearly communicate arrangements around office-based working.

We continue to support staff in their work-from-home arrangements, giving consideration to physical and mental wellbeing. During the reporting period, WHS-related initiatives included:

- Introduction of agile working guidelines. Refer to page 86 for additional information
- Implementation of a daily check-in system to determine the work location of employees to assist with contact tracing if required
- Completion of employee 'pulse' surveys to monitor any issues related to productivity, connectedness and wellbeing
- WHS reviews of employee home workspaces, including optional follow-up ergonomic workstation assessments conducted by a physiotherapist
- Provision of home safety equipment and IT accessories as needed and support for employees needing to purchase an ergonomic chair for their home office
- Specialised resilience training and individual coaching for employees as required
- Inclusion of additional personal leave provisions, at CEO discretion, in the event of prolonged illnesses and/or significant carer responsibilities
- Live and on-demand meditation and mindfulness programs
- Enhanced employee communication and engagement activities
- Expanded access to the Employee Assistance Program and Manager Support Services.

WHS in the workplace

The CEFC continues to implement established WHS controls in our offices, to protect employees and their families, including where they may be more vulnerable to COVID-19 health impacts, such as through compromised immune systems or chronic illnesses. In addition to the initiatives which specifically address the WHS risks associated with the pandemic, the CEFC offers other ongoing facilities and initiatives which maintain the health, safety and wellbeing of our employees including:

- Access to competitive rates for fitness programs, as well as corporate fitness challenges and events
- Voluntary annual flu vaccinations
- Wellness rooms in our Sydney and Brisbane offices
- Promotion of 'R U OK? Day'
- Active engagement in men's health awareness through promotion of the 'Movember' campaign
- Lockers and end-of-trip facilities
- Restricted security pass access to offices and buildings
- Biennial Executive health checks.

The CEFC regularly tests and tags electronic equipment, fire warning and evacuation systems. During the reporting period a review was conducted to confirm access to defibrillators across all offices.

Workstation design and facilities reflect up-to-date safety features, such as ergonomic seats and adjustable computer monitor arms. Employees are provided with additional equipment as required, including foot stands, laptop stands, dual monitors, wrist supports and variable-height desks. The floor plan of the refurbished Sydney office was adjusted to accommodate the physical-distancing requirements for COVID-safe workspaces and meeting rooms.

The CEFC has a long-standing relationship with Drake WorkWise, which provides a confidential, employer-funded Employee Assistance Program (EAP) for employees and their families. The Board, Executive and employees are unified in their commitment to provide a caring work environment that reflects the CEFC values. The provision of a confidential EAP helps us achieve this goal.

Health and safety outcomes

The CEFC is required to report on health and safety outcomes, including the impact of injury rates of workers. During the reporting period, the CEFC had one workplace injury reported, involving a minor ankle injury sustained on a footpath outside the work premises.

Notifiable incidents

There were no notifiable incidents (such as deaths, serious injury or illness, or dangerous incidents) for the reporting period.

Investigations

The CEFC must report any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the WHS Act.

The CEFC has not received any notices, conducted any investigations, nor been investigated under the relevant provisions over the financial year and is a Nil report for all particulars.

Other matters under JCPAA guidelines

Under the WHS Act, the CEFC is required to report on other matters as required by guidelines approved on behalf of the Australian Parliament by the Joint Committee of Public Accounts and Audit (JCPAA).

At the end of the reporting period, the JCPAA had not specified additional requirements for the CEFC under this provision.

Appendix E

Summary of operating costs and expenses and benchmark

Reporting period

Under the CEFC Act, the CEFC must include in its Annual Report details of operating costs and expenses for the financial year (refer to Section 3) and a benchmark of operating costs and expenses against comparable entities for that financial year (Appendix E). This Report covers the period 1 July 2020 to 30 June 2021 inclusive.

CEFC overview

The CEFC is a corporate Commonwealth entity with an independent Board that makes investment decisions in eligible renewable energy, energy efficient and low emissions technologies. The CEFC cannot invest directly in non-financial assets and does not have a large cash investment function. At 30 June 2021, the CEFC had 124 employees located in Sydney (headquarters), Brisbane, Canberra, Melbourne and Perth. The CEFC has access to up to $10 billion through drawing rights against the CEFC Special Account which is maintained by the Department of Industry, Science, Energy and Resources.

Comparator entities

The comparator entities include three Australian Government owned entities that also have a public purpose and a commercial mode of operation, together with an offshore green bank:

- Future Fund Management Agency
- Export Finance Australia
- Northern Australia Infrastructure Fund
- New York Green Bank.

Note on comparisons

For the purposes of this comparison, the CEFC draws on the OECD definition of green banks, namely that they are a public, quasi-public or non-profit entity established specifically to facilitate private investment into domestic low carbon, climate resilient infrastructure. Direct comparisons of the CEFC with other entities are constrained by the following factors:

- There are very few Government-owned public purpose entities that perform a similar type of function
- The CEFC is at least double the size of the next largest green bank
- Each comparator entity has its own unique mandate specific to its particular market needs, such as target sectors, technologies, financial instruments, geographical limitations and access to capital
- The current financial year data on comparator entities may not be readily available
- Entities use different expense and data reporting categories, impeding like-for-like comparisons.

Future Fund Management Agency

The Future Fund was established under Division 2 of Part 5 of the *Future Fund Act 2006* and is governed by an independent board, which makes investment decisions according to ministerial directions via an Investment Mandate. The Fund pursues a broad sectoral spread in its investments, and is neither geographically nor sector limited in the same way as the CEFC. Latest available data, to 31 March 2021, showed the Fund had some $179 billion funds under management, across:

- Australian equities 7.0 per cent
- Global equities 25.1 per cent
- Private equity 14.6 per cent
- Property 6.0 per cent
- Infrastructure and timberland 7.3 per cent
- Alternative assets 14.4 per cent
- Debt securities 7.0 per cent
- Cash 18.6 per cent.

Refer to www.futurefund.gov.au for more details.

Export Finance Australia

Export Finance Australia is a corporate Commonwealth entity governed by an independent board. It operates on a commercial basis and partners with, but does not compete with, commercial banks. Its investments primarily relate to the issuing of loans, guarantees, bonds and insurance options, with 185 transactions completed in 2019–20, providing $1.1 billion in support, with exposures of some $2.8 billion. Its key functions are to:

1. Facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade
2. Engage in, encourage and facilitate overseas infrastructure financing
3. Encourage banks and other financial institutions in Australia to finance or assist in financing exports and overseas infrastructure development
4. Provide information and advice regarding insurance and financial arrangements to support Australian exports and regarding overseas infrastructure financing.

Refer to www.exportfinance.gov.au for more details.

Northern Australia Infrastructure Facility

The Northern Australia Infrastructure Facility (NAIF) is a corporate Commonwealth entity under the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act). Its commercially focused independent board makes investment decisions, subject to a right of veto by the responsible Minister and confirmation of support from the relevant State Government.

The NAIF offers up to $5 billion in equity, debt or alternative financing mechanisms, which may be on concessional terms. It acts as a catalyst for the transformation of the northern Australian economy and population. Infrastructure investments may include communication, energy, transport and water. NAIF may also support growth in food and agribusiness, international education, medical research, tourism, energy and resources.

Refer to www.naif.gov.au for more details.

Appendix E

Summary of operating costs and expenses and benchmark

New York Green Bank

The New York Green Bank (NYGB) is a state-sponsored specialised financial entity whose mission is to accelerate clean energy deployment in New York State. The US$1.0 billion entity works with the private sector to alleviate financing gaps in New York's clean energy markets. NYGB is a key component of the Clean Energy Fund (CEF), a 10-year, US$5.3 billion commitment by New York State to advance clean energy market growth.

NYGB works with project sponsors and financial institutions to deploy proven technologies and projects in renewable energy and energy efficiency. These are technologies and applications in projects that are in demand by clients and their respective customers, are economically viable, and can support a commercial cost of debt, but for which debt capital is not readily provided by the markets due to existing barriers.

Figure 28: Operating costs and expenses benchmark: comparison with Annual Reports[(a)]

	CEFC 2020–21		Future Fund 2019–20[(c)]		Export Finance 2019–20[(c), (d)]		NAIF 2019–20[(c)]		New York Green Bank 2020–21[(f)]	
	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%
Employee benefit expenses										
Wages and salaries	30,298		46,265		18,100		6,375		11,392	
Superannuation	1,821		3,000		1,800		572			
Leave and other entitlements	838		2,173		600		393			
Other expenses	50		–		1,000		204			
Total	**33,007**	**53**	**51,438**	**19**	**21,500**	**66**	**7,544**	**70**	**11,392**	**67**
Board remuneration[(e)]										
Wages and salaries	445		863							
Superannuation	42		103							
Total	**487**	**1**	**966**	**0**						
Total employee and Board remuneration and benefits	**33,494**	**54**	**52,404**	**20**	**21,500**	**66**	**7,544**	**70**	**11,392**	**67**

	CEFC 2020–21		Future Fund 2019–20[c]		Export Finance 2019–20[c], [d]		NAIF 2019–20[c]		New York Green Bank 2020–21[f]	
	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%
Other expenses										
Interest	22	0					1	0		
Provision for impairment	4,271	7			-600	-2				
Concessional loan discount[b]	13,105	21								
Professional fees and expenses	3,015	5	108,839	40	1,560	5	1,192	11		
Other investment portfolio expenses	1,960	3	27,136	10	700	2	11	0	783	5
Travel and incidentals	219	0			300	1	422	4		
Office facility costs	640	1			1,800	5	292	3		
Insurance	309	0					33	0		
Marketing and communications	512	1			900	3	83	1		
Depreciation and amortisation	3,033	5	6,280	2	4,300	13	118	1	197	1
Auditors' remuneration	343	0	239	0	240	1				
Administrative, IT and other expenses	1,679	3	76,723	28	1,900	6	1,097	10	4,660	27
Total expenses	**62,602**	**100**	**271,621**	**100**	**32,600**	**100**	**10,793**	**100**	**17,032**	**100**

Notes

a) Like-for-like comparisons are not strictly possible since different entities group and report costs differently.
b) Non-cash charge that reverses over the life of the underlying loans.
c) From 2019–20 Annual Report, the latest available at the time of preparing this report.
d) Costs are shown gross before national interest account allocation.
e) Board and employee remuneration are indistinguishable in some entity reports.
f) Translated from USD at an exchange rate of 0.747.

Appendix E

Summary of operating costs and expenses and benchmark

Green bank benchmarking

There are significant differences in the mandates and operations of green banks across the world, which include capital availability, mandate focus areas and geographic operational constraints. There may also be differences in the underlying methodologies for calculating items such as emission reductions. As such, a direct comparison between green bank institutions is not possible. However, we have endeavoured to provide a comparison: Refer Figure 29.

Figure 29: Green bank benchmark 2020–21

	CEFC	NY Green Bank
	To 30 June 2021	To 31 March 2021[a]
Commencement year	2013	2013
Capital available to invest (public capitalisation)	A$10b	US$1b
Capital committed since commencement	A$9.5b	US$1.3b
Total transaction values	A$32.8b	US$3.6b
Financial leverage per $1.00 invested	A$2.40	US$1.77
Estimated lifetime emission reductions (Mt CO_2-e)	196	29.3
Installed MW of renewable energy	3,900[b,c]	1,390
Capital committed per tonne of estimated lifetime emission reductions	A$49	US$44

Notes
a) From NY Green Bank Impact Report for the year ended 31 March 2021.
b) Figure excludes some small-scale renewable energy, such as rooftop solar finance through CEFC aggregation programs.
c) Includes large-scale generation and storage currently under construction or in commissioning.

Appendix F

Realised investments

The CEFC reports on new investment commitments each quarter and actively manages its investment portfolio. Changes in circumstances can often affect the final investment outcome. For example:

- Most investments are repaid or realised in the ordinary course of events. Some are sold or repaid earlier than expected due to borrower refinancing decisions.
- Some investment commitments are never drawn, for example, because the borrower fails to meet conditions precedent. These are reported in Figure 31, at the original commitment value for completeness.

Figure 30: Investment commitments realised through repayment or disposal in 2020–21

Counterparty	Description	Year	Commitment	Outcome
The Australian Environment Upgrade Fund 1	Finance for a range of energy efficient building upgrades	2012–13 2013–14 2014–15 2017–18	$6.5m	Loans fully repaid
Tumut Shire Council	Finance for energy efficient building upgrade	2012–13	$1.2m	Loan fully repaid
Commonwealth Bank originated Risk Participation transactions	Finance for a range of renewable energy and energy efficient projects	2013–14 2015–16	$4.4m	Loans fully repaid
deGrussa Solar Farm	Finance for remote renewable solar PV and battery storage	2015–16	$15.0m	Loan fully repaid
Barcaldine Solar Farm	Finance for 25 MW (20 MW) utility scale solar farm	2015–16	$20.0m	Facility reached maturity, CEFC remains one of the lenders in the replacement facility
Westpac Climate Bond	Investment in climate bond backed by a range of Australian and New Zealand assets	2015–16	$89.8m	Bond matured
Bodangora Wind Farm	Finance for a wind farm project	2016–17	$81.4m	Loan repaid early
Pilbara Minerals Limited	Bond to finance the production of a key renewable supply chain input	2016–17	$19.8m	Facility refinanced, CEFC remains one of the lenders in the replacement facility
Carbon Revolution	Shares in Geelong-based business that designs, manufactures and markets carbon fibre composite wheels	2016–17	$10.0m	On market sale of shares
Bannerton Solar Farm	Finance for 105 MW utility scale solar farm in Victoria	2017–18	$87.0m	Facility refinanced, CEFC remains one of the lenders in the replacement facility
Fleet Partners/Eclipx	Notes in a term ABS issue funding lower carbon vehicles	2017–18	$14.1m	Repaid

Appendix F

Realised investments

Counterparty	Description	Year	Commitment	Outcome
Wemen and Clermont Solar Farms	Portfolio financing of 110 MW solar farm in Wemen, Victoria and 90 MW solar farm in Clermont, Queensland	2017–18	$207.2m	Facility refinanced, CEFC remains one of the lenders in the replacement facility
Pro-invest Australian Hospitality Opportunity Fund	Finance for construction of an energy efficient hotel	2017–18	$39.0m	Loan repaid early
Windlab	Corporate debt facility to fund development of renewable energy projects	2018–19	$10.0m	Loan repaid early
Gannawarra, Whitsundays and Hamilton Solar Farms	Portfolio financing of three utility scale solar farms	2016–17	$78.1m	Facility refinanced, CEFC remains one of the lenders in the replacement facility

Note
Shows the total original investment commitment realised upon receipt of the final repayment or disposal being made in the current year. Excludes scheduled amortisation payments on loans that have not been realised in full in the current year.

Figure 31: Investment commitments partially realised, contractually cancelled, allowed to expire or reduced in 2020–21

Transaction	Detail	Year	Change	Explanation
Eclipx	Investment in fund for the operating and novated leases of fleet vehicles with lower carbon emissions	2015–16	$7.0m	Cancelled
University of Melbourne	Finance for renewable and energy efficiency upgrades for a university	2015–16	$0.4m	Cancelled
Westpac	Investment in bank bond to support energy efficient asset finance aggregation program	2015–16	$87.5m	Disposal of bonds due to amortisation of underlying loans in the aggregation program
Investa Commercial Property Fund Green Bond	Investment in commercial property fund certified climate bond issuance	2016–17	$2.6m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Oakey Solar Farm	Finance for a solar PV project	2017–18	$7.6m	Cancellation of unutilised limit
Zen Ecosystems Holdings	Follow-on equity investment in a smart energy management business, via the Clean Energy Innovation Fund	2018–19	$2.2m	Cancelled
QIC Shopping Centre Fund Green Bond	Investment into a shopping centre green bond issuance	2019–20	$3.3m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund

Transaction	Detail	Year	Change	Explanation
RateSetter	Finance for a peer-to-peer green lending platform	2019–20	$8.0m	Transferred as part of a CEFC investment to Plenti
Hornsdale Power Reserve Expansion	Finance for a utility-scale battery storage facility	2019–20	$1.3m	Cancellation of unutilised limit at financial close
Australian Salt Lake Potash	Finance for an energy efficient fertiliser production plant	2020–21	$17.0m	Sell down of a portion of debt to new commercial lenders via a syndication process
Gunnedah and Suntop Solar Farms	Finance for construction of a group of two utility-scale solar farms	2020–21	$2.4m	Cancellation of unutilised limit at financial close
NAB Climate Bond	Investment in climate themed bonds issued to raise finance specifically for climate change solutions	2014–15	$9.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
National RMBS 2018-1 – Green Tranche	Investment in a Climate Bonds Initiative-certified tranche within a larger securitisation backed by residential mortgage receivables	2017–18	$1.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
National Australia Bank	Investment in bank bond to support energy efficient asset finance aggregation program	2014–15 2016–17	$219.8m	Disposal of bonds and maturity of term deposit due to amortisation of underlying loans in the aggregation program
Commonwealth Bank	Investment in bank bond to support energy efficient asset finance aggregation program	2016–17 2017–18	$175.0m	Disposal of bonds due to amortisation of underlying loans in the aggregation program
Commonwealth Bank Climate Bond	Investment in certified climate bond financing a mix of green buildings, wind and low carbon transport	2016–17	$13.0m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Australia and New Zealand Bank (ANZ)	Investment in bank bond to support energy efficient asset finance aggregation program	2017–18	$90.0m	Disposal of bonds due to amortisation of underlying loans in the aggregation program
Woolworths Green Bond	Investment in a green bond, financing energy efficiency initiatives in retail properties	2018–19	$3.7m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund

Notes
* Includes the portion of the original investment commitment realised, cancelled, allowed to expire or reduced during the year.
* Excludes the scheduled amortisation payments on loans that have not been realised in full in the current year.

Appendix G
Executive remuneration reporting

Under PGPA Rule 2014, the CEFC is required to report on the remuneration approach for Key Management Personnel (KMP), including the CEFC non-executive Board and senior Executive Team, and Other Highly Paid Staff (OHPS). CEFC remuneration is calculated and disclosed in accordance with AASB 119 *Employee Benefits*. All amounts are calculated and disclosed on an accrual basis. This Report covers the period 1 July 2020 to 30 June 2021 inclusive.

Definitions

The CEFC defines Key Management Personnel (KMP) as Board Members and employees who have the authority and responsibility for planning, directing and controlling the activities of the CEFC, directly or indirectly. CEFC KMP include non-executive Board members, the CEO and the Executive Team. Refer to Figure 32.

The CEFC does not have any Senior Executives other than Key Management Personnel.

The CEFC defines Other Highly Paid Staff (OHPS) as CEFC employees whose total remuneration exceeded the $230,000 threshold for the 2020–21 year. KMP are not classified as OHPS.

Remuneration arrangements

Remuneration for non-executive Board members is determined by the Remuneration Tribunal, subject to the *Remuneration Tribunal Act 1973*.

Remuneration for the CEO, Executives and KMP is determined by the Board People and Culture Committee and approved by the non-executive Board. This committee develops, reviews and makes recommendations to the Board on:

- Remuneration, including base pay, incentive payments, superannuation and other retirement rights, and advises of any required Ministerial approvals
- Corporate goals and objectives relevant to remuneration and performance
- Changes to remuneration based on performance evaluation
- Recruitment, selection, retention and termination of the CEO and other Executives and KMP
- Specific individual contractual arrangements for the CEO and other Executives and KMP.

Remuneration for OHPS is governed by the CEFC Remuneration Philosophy and Variable Compensation Plan guidelines and is determined by the CEO in consultation with the Executive Team.

Approach to Executive remuneration

CEFC Executives are employed on individual contracts, with terms and conditions based on the National Employment Standards contained in the *Fair Work Act 2009*. KMP are not covered by the Australian Government Industry Award 2016, which applies to other CEFC employees, including OHPS. Refer to figure 32.

During 2020–21, the total reward for Executives included fixed remuneration or base salary plus superannuation, in addition to variable compensation.

Remuneration is determined with reference to market benchmarking data to support the recruitment and retention of Executives with the required skills to manage the diverse CEFC functional areas. Market remuneration data is provided by the Financial Industry Remuneration Group (FIRG), across large, medium and smaller organisations, both in the private and public sectors. FIRG market data provides comparisons for fixed remuneration as well as total reward, being fixed plus variable compensation.

Executive remuneration is reviewed annually and may be adjusted to reflect market relativities or a change in individual responsibilities. The CEFC Executive team agreed to temporary adjustments to their remuneration arrangements in response to an Australian Public Service Commission (APSC) request to exercise wage restraint in the context of the COVID-19 pandemic. As per APSC guidance this resulted in a freeze on fixed remuneration for senior Executives for 12 months and a more significant deferral of incentive payments.

At the conclusion of the 12-month freeze on fixed remuneration, subsequent APSC guidance recommended senior Executive fixed remuneration increases be capped at the June Wage Price Index (private sector) of 1.7 per cent. The CEFC agreed to follow this guidance for remuneration changes due to come into effect from 1 September 2021. Variable compensation payments to the Executives, KMP and senior OHPS will continue to have a deferral element of 25 per cent, in line with the CEFC Variable Compensation Plan.

A three-year CEFC agreement with the APSC under the Public Sector Workplace Bargaining Policy 2018 limited pay increases to two per cent of payroll on average over three years. The agreement expired at the end of the reporting year, with the CEFC transitioning to the *Public Sector Workplace Relations Policy 2020*, which requires Commonwealth public sector wage rises to keep pace with the private sector, as measured by the Australian Bureau of Statistics Wage Price Index.

Variable compensation

Executives are invited to participate in the CEFC Variable Compensation Plan. In developing the Variable Compensation Plan, consideration was given to the CEFC Act, the Investment Mandate, requirements of the charters of both the CEFC Board and Board People and Culture Committees, Australian Prudential Regulation Authority (APRA) standards and relevant legislation.

Variable compensation is a recognised part of employee remuneration in the market in which the CEFC operates. Variable compensation enhances the ability of the CEFC to attract and retain appropriately qualified and experienced staff, to originate new investments and to manage our significant portfolio.

Variable compensation awards are made annually, based on the performance of the CEFC and individuals, with reference to Key Performance Indicators (KPIs) which include defined targets and measures. The size of the available Variable Compensation Pool is entirely dependent on the achievement of the corporate KPIs.

On-target variable compensation for the CEO is 50 per cent of fixed remuneration and 30 per cent of fixed remuneration for other Executives, KMP and senior OHPS. On-target variable compensation for the balance of OHPS is 15–30 per cent, depending on career level. Higher percentage outperformance awards are available for all employees, excluding the CEO.

Variable compensation payments to the CEO, Executives, KMP and senior OHPS are weighted 75 per cent to the achievement of corporate KPIs and 25 per cent to individual achievements. Variable compensation payments to the balance of OHPS are based on a 100 per cent individual component.

In line with industry practice, payments to the CEO, other Executives, KMP and senior OHPS, are generally subject to a deferral, with a minimum 25 per cent of the annual variable compensation payment retained by the CEFC. The retained amount is paid in three equal instalments over three years, provided there are no adverse matters arising in relation to transactions, breaches of practice, reputational damage, acts of malice or fraud committed by the individual. The Board and CEO may claw back variable compensation payments where adverse matters have caused a reassessment of an individual's performance in a previous performance period.

The CEFC decisions around performance bonus arrangements reflect Australian Government Performance Bonus Guidance issues during the year. Refer to page 84 for additional information.

Superannuation Guarantee Levy

Effective 1 July 2021, the Superannuation Guarantee Levy increased from 9.5 per cent to 10 per cent. The CEFC Board determined that the CEFC would meet the cost of the 0.5 per cent increase as an employer expense, up to the maximum allowable $23,568 per year. This is consistent with the superannuation guarantee legislation. The incremental cost to the CEFC, based on existing headcount, is $118,612.

Appendix G

Executive remuneration reporting

Executive remuneration details

Figure 32: KMP Remuneration 2020–21

		Short-term benefits				
Name	Position	Annual fees[1] ($)	Base salary[2] ($)	Performance based compensation ($)	Movement in leave provisions[3] ($)	Other benefits and allowances[4] ($)
Non-Executive Board Members						
Steven Skala AO	Chair	111,287	–	–	–	–
Leeanne Bond	Director	55,643	–	–	–	–
Philip Coffey	Director	55,643	–	–	–	–
Laura Reed	Director	55,643	–	–	–	–
Andrea Slattery	Director	55,643	–	–	–	–
Samantha Tough	Director	55,643	–	–	–	–
Nicola Wakefield Evans	Director	55,643	–	–	–	–
CEO and Senior Executive Team						
Ian Learmonth	Chief Executive Officer	–	551,280	225,000	23,049	–
Michael Johnston	Chief Risk Officer	–	379,761	132,000	9,869	–
Sara Leong	Chief Asset Management Officer	–	399,838	155,475	15,449	–
Paul McCartney	Chief Clean Futures Officer	–	399,838	177,975	(8,127)	–
Leanne McDonald	Chief People and Culture Officer	–	344,621	126,956	4,614	–
Andrew Powell	Chief Financial Officer	–	399,838	143,850	15,567	–
Ludovic Theau	Chief Investment Officer	–	422,926	172,534	(10,319)	–
Saxon (Jay) Tolson	General Counsel and Company Secretary	–	354,660	129,844	21,190	–
Total		**445,145**	**3,252,762**	**1,263,634**	**71,292**	**–**

Notes:
1. Annual Board Fees includes an additional day of accrual this year based on the way the number of working days fell during 2021.
2. Base Salary is "grossed-up" for any amounts sacrificed by a KMP for the purchase of additional leave (maximum two weeks).
3. Movement in annual leave provisions is shown separately from Base Salary. KMPs accrue a maximum of four weeks annual leave per year. A positive movement means more leave was accrued than was taken in the year.
4. The CEFC does not provide benefits or allowances (such as car parking and motor vehicle benefits, housing benefits, and health benefits and the associated fringe benefits tax), resulting in $Nil consideration for the reporting period.

Post-employment benefits	Other long-term benefits			Termination benefits	Total remuneration
Superannuation contributions ($)	Performance based compensation ($)	Long service leave ($)	Other long-term benefits ($)	Termination benefits ($)	Total remuneration ($)
10,589	–	–	–	–	121,876
5,295	–	–	–	–	60,938
5,295	–	–	–	–	60,938
5,295	–	–	–	–	60,938
5,295	–	–	–	–	60,938
5,295	–	–	–	–	60,938
5,295	–	–	–	–	60,938
21,694	75,000	13,612	–	–	909,635
21,694	44,000	9,453	–	–	596,777
21,694	51,825	8,950	–	–	653,231
21,694	59,325	8,543	–	–	659,248
21,694	42,319	7,722	–	–	547,926
21,694	47,950	8,552	–	–	637,451
21,694	57,511	8,881	–	–	673,227
21,109	43,281	4,274	–	–	574,358
215,326	**421,211**	**69,987**	**–**	**–**	**5,739,357**

Appendix G

Executive remuneration reporting

Senior executives

The CEFC does not have any senior executives other than those already included within the KMPs disclosures in Figure 32.

Other Highly Paid Staff

Other Highly Paid Staff (OHPS) are CEFC employees (excluding KMPs and senior executives) whose total remuneration exceeds the $230,000 threshold for the 2020–21 year.

Figure 33: Remuneration of OHPS

		Short-term benefits			
Remuneration band	Number of OHPS	Average base salary [1,2] ($)	Average performance based compensation ($)	Average movement in leave provisions[3] ($)	Average other benefits and allowances[4] ($)
$230,001 to $245,000	4	176,475	37,804	5,689	–
$245,001 to $270,000	7	174,443	58,868	2,796	–
$270,001 to $295,000	5	182,806	73,905	1,237	–
$295,001 to $320,000	3	207,505	77,087	(276)	–
$320,001 to $345,000	3	217,960	90,000	661	–
$345,001 to $370,000	5	231,618	87,000	8,463	–
$370,001 to $395,000	6	248,872	93,209	1,874	–
$395,001 to $420,000	1	259,400	92,250	(1,031)	–
$420,001 to $445,000	3	286,074	97,917	(666)	–
$470,001 to $495,000	1	324,099	110,000	11,503	–
$495,001 to $520,000	3	321,702	125,942	5,248	–
$520,001 to $545,000	2	330,467	133,750	10,290	–
$545,001 to $570,000	1	383,145	105,000	(6)	–
$570,001 to $595,000	3	387,174	117,979	8,104	–

Notes:

1. Average Base Salary includes an additional day of accrual this year based on the way the number of working days fell during 2021.
2. Base Salary is "grossed-up" for any amounts sacrificed by an individual for the purchase of additional leave (maximum two weeks).
3. Movement in annual leave provisions is shown separately from Base Salary. Individuals accrue a maximum of four weeks annual leave per year. A positive movement means more leave was accrued than was taken in the year.
4. The CEFC does not provide benefits or allowances (such as car parking and motor vehicle benefits, housing benefits, and health benefits and the associated fringe benefits tax), resulting in $Nil consideration for the reporting period.

Post-employment benefits	Other long-term benefits			Termination benefits	Total remuneration
Average superannuation contributions ($)	Average performance based compensation ($)	Average long service leave ($)	Average other long-term benefits ($)	Average termination benefits ($)	Average total remuneration ($)
17,806	–	3,699	–	–	241,473
17,710	–	2,683	–	–	256,500
18,026	–	6,140	–	–	282,114
20,020	–	5,745	–	–	310,081
20,436	–	6,093	–	–	335,150
20,970	–	6,632	–	–	354,683
21,373	9,403	6,053	–	–	380,784
21,694	30,750	10,178	–	–	413,241
21,694	20,417	7,455	–	–	432,891
21,694	–	6,935	–	–	474,231
21,694	26,425	7,802	–	–	508,813
21,694	21,250	9,541	–	–	526,992
21,694	35,000	10,267	–	–	555,100
21,694	39,326	8,886	–	–	583,163

Appendix H
Special Investment Programs

The *Clean Energy Finance Corporation Investment Mandate Direction 2020* requires the CEFC to prioritise investments in particular areas, including under each of the Advancing Hydrogen Fund, Australian Recycling Investment Fund, Clean Energy Innovation Fund, Reef Funding Program and Sustainable Cities Investment Program. The grid focus area within the Investment Mandate, which is of general effect on the CEFC core fund, is not reported as a distinct investment program.

The programs draw on existing CEFC finance, with their activities contributing to the overall CEFC performance. Investment decisions are made in line with CEFC investment policies, and eligible renewable energy, energy efficiency or low emissions technologies as referenced in the CEFC Act.

The CEFC reports on the emissions abatement and financial leverage achieved through investment commitments made via the special investment programs, as well as where transactions may be included in more than one program. Emissions and leverage data is collected for individual large-scale projects and reported within each individual program. With respect to the substantial number of smaller-scale investments supporting these priority investment areas, emissions are aggregated across the portfolio mix. Financial leverage for small-scale projects is conservatively reported as zero, with the CEFC not having visibility of additional contributions that may be made at the individual borrower level.

The following information is provided to supplement CEFC investment reporting with respect to the Special Investment Programs under the Investment Mandate Direction. Additional information on these programs is provided in Section 1 of the Annual Report.

Advancing Hydrogen Fund

The fund did not make any investment commitments during the 2020–21 year, its first full year of operation.

Clean Energy Innovation Fund

	2020–21	Lifetime
Commitments	$31.9m	$117.6m
Transactions*	11	31
Transaction value	$117m	$408.2m
Leverage	$2.5:$1	$2.6:$1
Capital deployed	$34.7m	$102.0m
Estimated Mt CO_2-e annually	0.06	1.17

* Transactions in 2020–21 included five follow-on transactions.

Australian Recycling Investment Fund

The 2020–21 year was the first reporting year for this fund.

	2020–21
Commitments	$16.5m
Transactions	1
Leverage	$2.5:$1
Estimated Mt CO_2-e annually	0.03

Sustainable Cities Investment Program

	2020–21	Lifetime
Commitments	$485.3m	$3.9b
Transactions	~2,500	~9,000
Transaction value	$1.8b	$13.4b
Leverage	$3.73:$1.00	$3.16:$1.00
Estimated Mt CO_2-e annually	0.01	1.98

Leverage and emissions figures relate to direct investments only.

Reef Funding Program

	2020–21	Lifetime
Commitments	$13.1m	$403.0m
Transactions*	129	547
Transaction value	$1.5m	$1.2b
Leverage	N/A	$2.34:$1.00
Estimated Mt CO_2-e annually	~0	0.98

* Transaction value for 2020–21 excludes $11.9 million of additional finance made in existing portfolio investments. Leverage and emissions figures relate to direct investments only.

Additional reporting requirement

In the 2020–21 year, 383 transactions were reported in more than one program.

Program area	2020–21 transactions	CEFC commitment	Project value
Cities and Reef	374	$54.3m	$276.1m
Cities and Innovation	9	$30.3m	$95.9m

Glossary

Term	Description
Abatement	Refers to reductions in CO_2-e emissions.
Advancing Hydrogen Fund	Through the $300 million Advancing Hydrogen Fund the CEFC is working to support the growth of a clean, innovative, safe and competitive Australian hydrogen industry. Eligible projects can include advancing hydrogen production, developing export and domestic hydrogen supply chains and establishing hydrogen hubs. The fund can also consider investing in infrastructure for a hydrogen export industry as well as projects that assist in building domestic demand for hydrogen. The Advancing Hydrogen Fund draws on existing CEFC finance.
Aggregation programs	Through aggregation programs with banks, specialised lenders and funds, CEFC finance incentivises borrowers to preference best in class clean energy assets when considering new equipment purchases, property fit-outs and vehicles. The finance can cover up to 100 per cent of the cost of equipment, with projects typically valued at up to $5 million.
Australian Recycling Investment Fund	Through the $100 million Australian Recycling Investment Fund, the CEFC has a particular focus on large-scale projects which use clean energy technologies to support the recycling of waste plastics, paper, glass and tyres. The Australian Recycling Investment Fund draws on existing CEFC finance.
Clean Energy Finance Corporation Act 2012	The CEFC Act establishes the CEFC, sets out the organisation's purpose and functions and establishes arrangements for the Board, CEO and staff.
Clean Energy Innovation Fund	The Clean Energy Innovation Fund is the largest dedicated cleantech investor in Australia, created to invest $200 million in early-stage clean technology companies. The Innovation Fund portfolio companies are pursuing diverse opportunities ranging from mobility and smart cities to agriculture, the circular economy and innovative energy demand management solutions. The Clean Energy Innovation Fund draws on existing CEFC finance.
CO_2-e	Carbon dioxide equivalent is a standard measure that takes account of the different global warming potential of greenhouse gases and expresses the cumulative effect in a common unit, as defined in the Australian National Carbon Offset Standard.
Concessionality	Concessionality reflects the mark-to-market valuation of loans committed that financial year. It is measured as the difference between the net present value of each loan's future cash flows, discounted at market rates, and the net present value of each loan's future cash flows, discounted at the given concessional rate.
Cornerstone investor	A cornerstone investor is the principal investor in a fund or project whose commitment to invest gives confidence to others to invest. CEFC cornerstone investments reflect its role in catalysing additional private sector investment in low emissions opportunities, including working together with institutional investors or dedicated venture capital opportunities.

Term	Description
Corporate facility or corporate loan	Typically, a loan to a company (rather than a specific project) for smaller-scale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity.
Dollars ($)	All references to dollars are Australian dollars unless otherwise specified.
Ecologically sustainable development	A set of principles that corporations and government entities report against under the *Environment Protection and Biodiversity Conservation Act 1999.*
Energy efficiency technologies	Energy efficiency technologies, as defined in the CEFC Act, include technologies (including enabling technologies) that are related to energy conservation and demand management technologies.
Environment Protection and Biodiversity Conservation Act 1999	Australian Government environmental legislation providing a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.
External benefits	Benefits that are enjoyed by parties outside a transaction e.g. emissions reduction that benefits the environment.
Forecast lifetime yield	The annualised weighted average of forecast income on outstanding principal balance over the life of the investment.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Greenhouse gases	The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2-e), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Grid Reliability Fund	The proposed $1 billion Grid Reliability Fund will support Australian Government investment in new energy generation, storage and transmission infrastructure, including eligible projects shortlisted under the Underwriting New Generation Investments (UNGI) program.
Hybrid technology	A combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system.
Investment Mandate	A formal Ministerial Direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function.
Key Management Personnel (KMP)	Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the CEFC, directly or indirectly, including non-executive Board members, the CEO and other members of the senior Executive Team reporting to the CEO.
Lifetime abatement	The estimated amount of abated emissions over a project's useful life.
Low emissions technology	The CEFC Board considers low emissions technologies on a case-by-case basis. See the Investment Guidelines on the CEFC website: www.cefc.com.au
Low Emissions Technology Statement (LETS)	Annual low emissions statements showing progress against the Technology Investment Roadmap, and used to focus Australian Government investment in new and emerging technologies.

Glossary

Term	Description
Marginal Loss Factors (MLFs)	Marginal loss factors reflect the impact of electricity losses along the electricity network and are applied to market settlements in the National Electricity Market, affecting generator revenues.
National Australian Built Environment Rating System	A national ratings system that measures the environmental performance of a building or tenancy including energy efficiency, water usage, waste management and indoor environment quality.
Nationwide House Energy Rating Scheme	A national star-rating system that rates the energy efficiency of a home, based on its design.
National Electricity Market (NEM)	A regulated electricity trading market that interconnects the electricity grids of the States and Territories of New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory.
Portfolio Benchmark Return (PBR)	A long-term target rate of return established by the CEFC Investment Mandate, against which the performance of the CEFC investment portfolio is measured.
Positive externalities	Benefits which are not exclusive to the parties to a contract, such as an investment contract. May include reduced carbon emissions which benefit society as a whole. The CEFC Investment Mandate requires positive externalities be considered as part of CEFC investment decisions.
Power purchase agreement (PPA)	Also known as an offtake agreement, between an independent power generator and a purchaser/off-taker for the sale and supply of energy, such as solar and wind.
Project finance	Long-term financing of infrastructure and industrial projects (such as a utility scale generator or an onsite generation facility) which will be repaid from the projected cash flows of the project without recourse to the balance sheets of the sponsors.
***Public Governance, Performance and Accountability Act* (PGPA Act)**	The PGPA Act establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act applies to all Commonwealth entities and Commonwealth companies, including the CEFC.
Reef Funding Program	The Reef Funding Program is financing clean energy projects in the Great Barrier Reef Catchment Area, supporting delivery of the Reef 2050 plan and the long-term health of the Great Barrier Reef. CEFC finance is directed to eligible projects across renewable energy, energy efficiency and low emissions technologies.

Term	Description
Refinancing	Repayment of an existing loan with a new loan.
Renewable energy technologies	Clean energy technologies that are defined as 'renewable energy technologies' under the CEFC Act, and include hybrids that integrate renewable energy technologies, and technologies that are related to renewable technologies, including enabling technologies.
Renewable Energy Zones (REZ)	A REZ connects multiple renewable energy generators and battery storage facilities with transmission infrastructure in the same location to capitalise on economies of scale.
Roll-off	Investment amounts that exit the portfolio, through sale, repayment, cancellation of all or part of the facility, reduction in amount borrowed.
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt.
South West Interconnected System (SWIS)	The largest interconnected power system in Western Australia, delivering electricity to more than one million customers.
Special Account	A type of Australian Government account in which funds are held for a specified purpose. The CEFC Act creates a Special Account in order to fund the CEFC.
Subordinated debt	Where two or more financiers are involved in offering finance, one may take a 'subordinated' or 'junior debt' position relevant to the other ('senior debt') in the event of a loss (i.e. one financier may rank after the other financier in priority for recovery in the event the finance recipient becomes insolvent and cannot repay the loan).
Sustainable Cities Investment Program	Through the Sustainable Cities Program the CEFC invests in to accelerate the clean energy transition of Australia's 50 largest cities, such as clean energy benefits to commercial, industrial and residential property, low emissions transport and cleaner infrastructure.
t CO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Technology Investment Roadmap	An Australian Government strategy to accelerate the development and commercialisation of low emissions technologies.
Tenor	Length or term of a loan.

Abbreviations

Abbreviation	Full Name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AEMO	Australian Energy Market Operator
AMEC	Australian Energy Market Commission
AIPP	Australian Industry Participation Plans
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
ANAO	Australian National Audit Office
ARENA	Australian Renewable Energy Agency
ASX	Australian Securities Exchange
CEFC	Clean Energy Finance Corporation
CEFC Act	*Clean Energy Finance Corporation Act 2012*
CER	Clean Energy Regulator
CO_2	Carbon dioxide
EAP	Employee Assistance Program
EEO Act	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ERF	Emissions Reduction Fund
FOI Act	*Freedom of Information Act 1982*
FTE	Full-time equivalent
FVPL	Financial assets at fair value through profit and loss
GGS	General government sector
GHG	Greenhouse gases
GPO	Government Policy Order
GRF	Grid Reliability Fund
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HTM	Held to maturity
IPS	Information Publication Scheme

Abbreviation	Full Name
JCPAA	Joint Committee of Public Accounts and Audit
KMP	Key Management Personnel
KPI	Key performance indicators
kW	Kilowatt
LED	Light emitting diode
LETS	Low Emissions Technology Statement
MLF	Marginal Loss Factors
Mt CO_2-e	Million tonnes of carbon dioxide
MW	Megawatt
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Facility
NEM	National Electricity Market
NEPP	National Energy Productivity Plan
NGO	Non-government organisation
PBO	Parliamentary Budget Office
PBR	Portfolio Benchmark Return
PBS	Portfolio Budget Statement
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PID Act	*Public Interest Disclosure Act 2013*
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PV	Photovoltaic
REZ	Renewable Energy Zone
TARP	Total Annual Remuneration Package
TIR	Technology Investment Roadmap
WHS Act	*Work, Health and Safety Act 2011*

List of figures

Index

Index

Index

R

S

Index

RECYCLED
Paper made from recycled material
FSC® C018183

Cover stock: Impact is a 100% Recycled uncoated paper made Carbon Neutral.
Text stock: Revive Laser is 100% Recycled, and is manufactured from FSC® Recycled certified fibre.
Certified Carbon Neutral by the Department of Environment under the National Carbon Offset Standard (NCOS). Made in Australia by an ISO 14001 certified mill.

Sydney
Suite 1702, 1 Bligh Street,
Sydney NSW 2000

Brisbane
Level 25, Riparian Plaza,
71 Eagle Street,
Brisbane QLD 4000

Melbourne
Level 13, 222 Exhibition Street,
Melbourne VIC 3000

Perth
Level 14, Parmelia House,
191 St Georges Terrace,
Perth WA 6000

Contact officer
Mr S G Every, Head of Government
and Stakeholder Relations,
Clean Energy Finance Corporation

info@cefc.com.au

Clean Energy Finance Corporation
ABN: 43 669 904 352

cefc.com.au