



Australian Government



CEFC Approach to Risk Management

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The CEFC is a corporate Commonwealth entity established by the Australian Government under the *Clean Energy Finance Corporation Act 2012* (CEFC Act).

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1. Introduction

The Clean Energy Finance Corporation (CEFC) operates in a complex and dynamic environment as a specialist public policy investor. Effective risk management is fundamental to how we deliver our purpose: facilitating increased flows of finance into the clean energy sector to support Australia's emissions reduction targets, while adopting a commercial approach to investing.

Risk management at CEFC is not a standalone activity. It is embedded into decision-making, governance, and day-to-day operations across the organisation.

2. Legislative and Policy Context

The CEFC is a corporate Commonwealth entity governed by the Public Governance, Performance and Accountability Act 2013 (PGPA Act), with an independent Board acting as the Accountable Authority.

We invest in accordance with:

- the Clean Energy Finance Corporation Act 2012, and
- the Clean Energy Finance Corporation Investment Mandate Direction, issued by the responsible Ministers.

Our risk management approach aligns with the Commonwealth Risk Management Policy, ISO 31000 – Risk Management, and relevant principles from APRA Prudential Standard CPS 220.

3. Our Risk Management Framework

CEFC's Risk Management Framework sets out the structures, systems, policies, processes and people used to identify, assess, monitor and manage risks across our activities.

We focus on material risks — risks that could have a significant financial or non-financial impact on CEFC, and its objectives. Risk assessment considers the likelihood of a risk occurring, and the potential consequences, including financial, operational, safety and reputational impacts.

4. Governance and Accountability

Board Oversight

The CEFC Board has ultimate responsibility for overseeing risk management. The Board:

- approves the Risk Management Framework and Risk Appetite Statement
- sets the level and types of risk CEFC is willing to accept

- monitors performance against risk appetite
- oversees risk culture and ensures appropriate resources are dedicated to managing risk

The Board is supported by its committees, including the Audit and Risk Committee, which has specific responsibility for risk oversight.

Three Lines of Defence

CEFC applies the three lines of defence model:

1. **First line – Risk ownership**
Business areas, including investment and asset management teams, are responsible for identifying and managing risks within their activities.
2. **Second line – Review, challenge and support**
Independent risk, compliance, investment risk and legal functions provide oversight, guidance, monitoring and reporting of material risks.
3. **Third line – Independent assurance**
Internal audit and other external assurance providers assess the effectiveness of risk management processes and controls.

5. Risk Appetite

CEFC's Risk Appetite Statement defines the boundaries within which we operate and guides decision-making across both financial and non-financial risks.

Risk appetite balances the delivery of public policy outcomes and a commercial approach to investing, consistent with our mandate.

Risk appetite is reviewed regularly by the Board and informs:

- investment decisions
- portfolio construction
- operational and corporate risk management.

6. Key Risk Areas

CEFC manages a broad range of risks arising from its operations and investments, including:

- **Strategic and business risks**
Risks related to achieving our purpose, operating within our mandate, and maintaining organisational capability.
- **Investment and portfolio risks**
Including credit risk, equity and valuation risk, portfolio concentration, capital availability and liquidity.

- **Environmental and social risks**
Including climate-related risks, environmental impacts, labour and human rights considerations, and social licence.
- **Compliance, conduct and financial crime risks**
Including legislative compliance, ethical conduct, fraud, corruption and conflicts of interest.
- **Information security and cyber risks**
Risks to the confidentiality, integrity and availability of systems and data.
- **Operational risks**
Including business continuity, third-party risk, systems, models, legal and contractual risks.
- **Work health and safety risks**
Including physical and psychosocial safety of our people and visitors.

7. Monitoring, Controls and Assurance

Risk is monitored through:

- regular reporting to management and the Board
- quantitative and qualitative risk indicators
- ongoing review of the effectiveness of controls

Controls include:

- policies and procedures
- approvals and delegations
- systems, monitoring and reporting
- capability, training and ethical standards

Independent assurance provides confidence that risks are being managed effectively and that controls operate as intended.

8. Risk Culture

A strong risk culture underpins effective risk management at CEFC. We promote a culture where:

- risk management is valued and respected
- risks and issues are identified and addressed proactively
- accountability is clear
- leaders model appropriate risk behaviours

Risk culture is reinforced through our Code of Conduct and Ethics, training programs, performance management and remuneration arrangements.

9. Continuous Improvement

CEFC's Risk Management Framework is reviewed regularly and independently for assurance that it remains effective, proportionate and aligned with evolving and better practices.

About the CEFC

The CEFC is Australia's specialist climate investor, helping cut emissions in the race towards net zero by 2050. We invest in the latest technologies to generate, store, manage and transmit clean energy. Our discounted asset finance programs help put more Australians on the path to sustainability, in their homes and on the road. CEFC capital is also backing the net zero transformation of our natural capital, infrastructure, property and resources sectors, while providing critical capital for the emerging climate tech businesses of tomorrow. With access to more than \$33 billion from the Australian Government, the CEFC invests with commercial rigour and is governed by an independent board.