A decade leading **Australia's energy transition**

INVESTING
TOWARDS NET ZERO

cefc

10 YEARS

Annual Report **2021–22**

Australian Government

Australian Government

27 September 2022

Senator the Hon Katy Gallagher
Minister for Finance

The Hon Chris Bowen MP
Minister for Climate Change and Energy

Parliament House
CANBERRA ACT 2600

Dear Ministers,

Clean Energy Finance Corporation Annual Report 2021-22

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2021-22*.

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 117th meeting on 27 September 2022.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely,

Steven Skala AO
Chair

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Together with institutional investors, business, industry and cleantech innovators, **the CEFC has catalysed $37.15 billion in investment in Australia's low emissions economy in its first 10 years.**

In this report

About this report

The CEFC Annual Report for 2021–22 provides detailed information about our investments, performance, financial statements and governance.

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.

Read our Annual Report online
cefc.com.au

INVESTING TOWARDS NET ZERO

10 YEARS

The 2021–22 reporting year has been nothing short of momentous for the clean energy sector and, by extension, the CEFC. In Australia, a new commitment to net zero emissions by 2050 was locked in, as we confronted extreme weather events and faced unprecedented disruption in our energy markets.

COP26 refocused global attention on the pressing need for action on emissions, as did record-breaking temperatures across the northern hemisphere. For the CEFC, we marked a number of important milestones, reflecting our commitment as a specialist and innovative investor.

We completed 10 years of investment activity and exceeded $10 billion in lifetime commitments. We made our single largest investment in terms of dollars and our single largest transaction in terms of the expected level of emissions reduction.

And we worked to counter difficult headwinds in the renewable energy sector, while helping kickstart our promising green hydrogen economy of the future.

These milestones underscore our role as Australia's 'green bank', investing with commercial rigour on behalf of Australians to deliver on our national commitment to achieve net zero emissions by 2050.

Ian Learmonth
Chief Executive Officer, CEFC

A decade driving decarbonisation, transforming our economy

The CEFC began its important work 10 years ago, with a charter to increase investment in emissions reduction and a commitment to make a positive return for taxpayers.

As a specialist investor our role is to fill market gaps and collaborate with investors, innovators and industry leaders to spur substantial investment where it will have the greatest impact. This is essential for Australia to meet our 2050 net zero emissions ambitions.

Working together with the private sector as Australia's 'green bank', we are proud to report that our activity spans the economy, across various sectors, supply chains, technologies and businesses large and small.

After a decade of sustained investment activity, our commitment to rigorous investment and financial management remains a defining feature of our overall approach. This has seen lifetime repayments and returns of our investments reach $3.32 billion at 30 June 2022, capital that is available for reinvestment. As our portfolio matures, we expect the rate of capital repayments and returns to remain strong, further underpinning our continued capacity to invest.

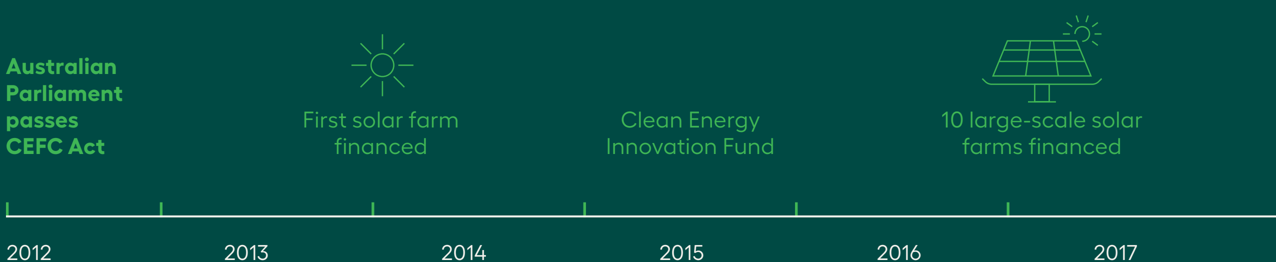
Backing the clean energy system of the future

- Renewable energy
- Grid infrastructure
- Energy storage
- Waste and bioenergy

Read more from page 38

$580m

Investing to transform critical grid infrastructure



Investing across the economic landscape

- Property
- Infrastructure
- Natural capital
- Industry and resources

Read more from page 48

~900,000 t CO_2-e

Annual abatement from two manufacturing-related commitments

Tapping into new investment models and opportunities

- Debt markets
- Alternatives
- Hydrogen
- Cleantech

Read more from page 60

Innovation Fund	Green bonds	Asset finance
49 transactions	20 bonds	Smaller-scale projects financed
$163.0m	$870m	~39,500

Record 39 commitments

2 GW wind milestone

First hydrogen investment

Lifetime transaction value $37.15b

2018 | 2019 | 2020 | 2021 | 2022

Australia’s decarbonisation challenge

Australia’s transition to net zero emissions requires substantial decarbonisation at a much faster pace than we are currently achieving. While national Greenhouse Gas Accounts show we reduced emissions by 21.6 per cent on 2005 levels in the year to March 2022, we must achieve a similar reduction in just eight years to reach our targeted 43 per cent reduction by 2030.

The CEFC recognises the urgent nature of the emissions challenge, and our important role in anticipating and responding to market conditions, developing new markets, building investor confidence and crafting tailored and innovative investment products to drive lower emissions.

Equally, we recognise our investment activities are just the start of what is required. While the size of the investment requirement is seismic, so too are the opportunities.

The natural resources which powered our economy in the past century will be replaced with new resources for the next century, where we have world-leading potential in renewable energy, green hydrogen and critical minerals.

Our strong and stable financial system is giving us vital access to domestic and global capital, including the fast-growing pool of green capital seeking to preference sustainable investment.

At the same time, a commitment to innovation is transforming the way we farm, manufacture, recycle and travel, addressing some of our toughest emissions challenges while reshaping future growth.

Capitalising on these opportunities will help Australia meet its climate change challenge and share the benefits of the clean energy transition across our economy, ensuring Australia is well placed to thrive in a net zero emissions future.

Investment leadership, commercial impact, economic reach

In our first decade of investment, the CEFC has prioritised emissions challenges across the wider Australian economy, working closely with business, investors, innovators, government and regulators to accelerate investment in our transition to net zero emissions. Our role is to anticipate and respond to market conditions, developing new markets, building investor confidence and crafting tailored and innovative investment solutions. In filling market gaps where the private sector is absent, we are helping position Australia to take advantage of the employment and economic potential of the low emissions economy of the future.

~200
million tonnes

Expected lifetime emissions abatement from CEFC investment commitments

Economic impact

$10.76b

Commitments

Clean energy impact

3.6 GW

Renewable energy capacity

Market impact

$37.15b

Transaction value

Technology impact

$5.91b

Powering renewable energy

All figures represent lifetime investment commitments to 30 June 2022.

$4.57b

Available capital

$3.32b

Capital returned to the CEFC

~265

Large-scale transactions

~39,500

Smaller-scale transactions financed

$2.42 $1.00

Private sector leverage

$163m

Cleantech innovation commitments

$878.2m

Backing low emissions technologies

$3.98b

Delivering energy efficiency

Clear focus, strong ambition to transform our emissions landscape

The CEFC began operating 10 years ago with access to $10 billion from the Australian Government. In investing an average of $1 billion each year into emissions reduction opportunities, the CEFC has earned the trust of our co-investors, business, industry and cleantech innovators. Just as CEFC capital and expertise has helped transform Australia's renewable energy sector, we are forging into new areas, decarbonising even the hardest sectors of our economy, including in industry, transport, infrastructure, resources and natural capital.

Backing the clean energy system of the future

Renewable energy

Accelerating delivery of 3.6 GW of new solar and wind generation

$2.65b
Lifetime commitment

42
Transactions

Investing across the economic landscape

Property

A greener future for landmark industrial, commercial and residential assets

$1.92b
Lifetime commitment

37
Transactions

Tapping into new investment models and opportunities

Debt markets

Australian-first climate bonds, green home loans and asset finance programs

$2.66b
Lifetime commitment

52
Transactions

Lifetime commitments to 30 June 2022. Details may be reflected across more than one category.

Grid infrastructure
Integrating clean energy into critical transmission and grid infrastructure

$580m
Lifetime commitment

3
Transactions

Energy storage
New storage solutions to strengthen our energy system

$209m
Lifetime commitment

2
Transactions

Waste and bioenergy
Creating new clean fuel sources and cutting growing waste emissions

$430m
Lifetime commitment

13
Transactions

Infrastructure
Transforming key national social, economic and transport assets

$1.15b
Lifetime commitment

24
Transactions

Natural capital
Re-positioning Australian agriculture for a regenerative and sustainable net zero future

$270m
Lifetime commitment

5
Transactions^

Industry and resources
Tapping into Australia's emerging critical minerals while cutting industrial and mining emissions

$266m
Lifetime commitment

8
Transactions

Alternatives
Mobilising new sources of private investment via listed and unlisted funds

$353m
Lifetime commitment

8
Transactions

Hydrogen
Kick-starting Australia's green hydrogen economy for global potential

$23m
Lifetime commitment

3
Transactions*

Cleantech
Backing entrepreneurs to commercialise new technologies and business models

$163m
Lifetime commitment

49
New and follow-on transactions

^ Includes $75 million commitment, closed just after 2021–22 year end.
* Includes $10 million follow-on commitment, closed after 2021–22 year end.

From Chair Steven Skala AO

In 2022, the CEFC marked 10 years of investment in Australia's clean energy transition. Built on solid foundations in its first five years, the business has grown very significantly over the past five years.

In the five years to June 2022, the CEFC has seen marked growth in dollars committed, dollars crowded in from private sector capital, annual carbon abated and profitable financial returns. Occurring against a backdrop of market gaps, market failures and new technologies, these are notable public policy achievements.

Reflecting on its impact over time, the CEFC has made lifetime commitments of $10.76 billion to 30 June 2022, driving total transaction value of $37.15 billion. It completes its first 10 years with access to a further $4.57 billion in investment capital from the Australian Government, in addition to the ongoing returns from its investment commitments.

Since inception, each dollar of CEFC capital committed has attracted $2.42 in additional capital, an important indicator of its success in drawing private capital to investments that are reducing emissions across the economy. CEFC capital committed in the five years to 30 June 2022 had a higher leverage of $2.54: $1.00.

Cumulatively, the CEFC portfolio of investment commitments is expected to yield estimated carbon abatement of more than 200 Mt CO_2-e. In 2021–22, this figure was buoyed by landmark investments in the manufacturing sector to support decarbonisation at Orica Limited and Manildra Group. Together, these investments are expected to eliminate some 900,000 tonnes of CO_2-e annually. These transactions are notable for driving change in the hard-to-abate manufacturing sector, enabling the companies to remain globally competitive while delivering a significant contribution to national decarbonisation efforts.

New commitments made by the CEFC in 2021–22 totalled $1.45 billion, with the CEFC recording $261.7 million of normalised surplus from operations in the year[1], a new record since it began investing.

In the reporting period, $837 million was received in principal repayments and capital returns and since inception $3.32 billion of capital has been returned or repaid to the CEFC from private sector sources. This is money that is effectively recycled from the private sector and becomes available to be reinvested by the CEFC in eligible investments.

Economic impact

$10.76b

Lifetime CEFC commitments

Market impact

$37.15b

Lifetime transaction value

The CEFC portfolio of investments at 30 June 2022 achieved a combined annualised rate of return (before expenses) since inception of 4.48 per cent, and an annualised rate of return (before expenses) over the past five years of 4.49 per cent.

The shorter-term results in part reflect tightening economic conditions. Clearly, more challenges will emerge in an environment that is now subject to rising interest rates and inflation, a nationwide skills shortage and supply chain disruption resulting in materials and timing uncertainty.

In addition, Australia is not immune from the ripple effect of changing geopolitical circumstances that amplify some of these pressures. These include the significant effect on global energy supplies and prices. In 2021–22 the recovery from the economic effects of the COVID-19 pandemic has been impacted by economic shocks connected with Russia's invasion of Ukraine. Many nations are contending with a significant disruption to their energy supplies. It is a timely reminder of how important a stable and secure energy supply is to the economic circumstances that ensure the standard of living we have come to expect.

Australia's transition to low emissions energy requires both an elevated sense of ambition and clear-eyed realism about the path ahead. The accelerated pace at which Australia seeks to meet its decarbonisation objectives presents a formidable challenge especially if it is to do so in an orderly fashion.

An enormous injection of capital, rapid development of storage and necessary emerging technologies, timely and affordable availability of material and labour to develop essential grid infrastructure and clean energy generation, an efficient resolution of national and state regulatory hurdles and sustained and timely community support are key factors in determining the path to, and pace of, success.

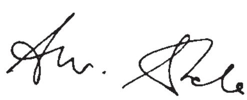
For its part, the CEFC is well positioned as it prepares to help the Australian Government deliver its $20 billion Rewiring the Nation policy. Backed by investment and sector expertise that this year helped kickstart two significant transmission projects – EnergyConnect and the Southern Downs Renewable Energy Zone – the CEFC will play an important role in Australia's decarbonisation journey in the coming decade.

Cooperation with Australia's energy agencies, ARENA and many co-investors is also critical. Over the course of the past decade, the CEFC has built strong relationships with these key parties.

The CEFC has enjoyed the support of the department, known in the relevant period as the Department of Industry, Science, Energy and Resources, and a good working relationship with the previous responsible Ministers, the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP and the Minister for Finance, Senator the Hon Simon Birmingham. It now enjoys the support of the Department of Climate Change, Energy, the Environment and Water, and a good working relationship with the Minister for Climate Change and Energy, the Hon Chris Bowen MP and the Minister for Finance; Minister for Women; Minister for the Public Service, Senator the Hon Katy Gallagher.

The CEFC is well served by experienced and hardworking Board members, and I thank them for their commitment and support. This year the CEFC Board welcomed David Jones AM and Matt Howell and extended its thanks to outgoing Board members Laura Reed and Philip Coffey for their significant contribution. I thank CEO Ian Learmonth, the Executive and all CEFC employees for their continuing enthusiasm, focus and good work during the year.

The entire team is proud of the CEFC legacy and is dedicated to ensuring that the CEFC continues to deliver for all Australians.



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. This normalised surplus from operations was achieved after taking into account an increase in the impairment provision across the CEFC portfolio, including coverage for the first significant CEFC loss in 10 years. Refer to page 127.

From CEO Ian Learmonth

The CEFC has now been at the vanguard of Australia's clean energy transition for 10 years and in 2022 exceeded $10 billion in cumulative investment commitments to accelerate the nation's push to net zero emissions by 2050.

These two significant milestones demonstrate the ongoing value of the unique CEFC model in helping tackle the emissions reduction challenge that is so critical to our future. Drawing on the firm foundations that were laid where we were established in 2012, the CEFC has helped transform the clean energy sector, and evolved in response to that transformation to strengthen our role as a market leading investor driving decarbonisation.

This first decade of investment leaves the CEFC in a powerful position to capitalise on the growing appetite in Australia to reduce emissions.

As we embark on our second decade of operation, the CEFC has the deep sector experience, investment expertise and portfolio strength to deliver on Australia's ambitious new decarbonisation targets. These include a new emissions reduction target of 43 per cent from 2005 levels by 2030 and the goal of 82 per cent renewables by the end of the decade.

Australia's renewed focus comes as the world continues to seek consensus on how to tackle this global challenge. In November I will attend the 27th meeting of the UN Climate Change Conference of the Parties in Egypt, on behalf of the CEFC. It follows COP26 in 2021 where I was privileged to be part of the Australian delegation in Glasgow, and it was encouraging to see increased interest in the CEFC model, with many leaders keen to learn from our experience as Australia's 'green bank'.

The growing global determination to decarbonise will only succeed if accompanied by sustained progress on a wide range of market, regulatory, economic and engineering challenges. These are many, but not insurmountable, and the CEFC can bridge the gap between our ambitions for the future and the constraints of the present. Just as we forged ahead of markets 10 years ago to help establish the solar and wind sectors in Australia, in the next decade the CEFC will continue to push open new doors across transmission, storage hydrogen and more, so that private sector capital has a clear path to future investment.

10-year record

~265

Large-scale transactions financed

Capital returned

$3.32b

Lifetime repayments and capital returned

Investment in renewable energy generation is increasingly essential given the current economic challenges and the pressing requirement to meet the shortfall in supply left by the expected retirement of coal-fired generation, which is exiting the grid more rapidly than forecast.

The Minister for Climate Change and Energy, the Hon Chris Bowen MP has named the CEFC as an agency that will play a key role in helping deliver the Government's $20 billion Rewiring the Nation policy, an acknowledgement of our expertise in leading the investment push required to deliver nation-building infrastructure.

This financial year was bookended by two transformational investments in transmission infrastructure that highlight the flexible nature of our capital and how it can fill market gaps.

Our single largest investment to date of $295 million to develop EnergyConnect, a vital piece of energy infrastructure spanning more than 900 kilometres and a significant first step in the delivery of the AEMO Integrated System Plan, was followed almost 12 months later by a $160 million commitment to the Southern Downs Renewable Energy Zone (REZ). Importantly, the CEFC capital will enable Powerlink to future-proof the REZ by developing it at scale keeping connection costs down for the initial or foundation generators.

Our ongoing support for the renewable energy sector recognises the critical role that it will play in Australia's future energy mix, as well as the headwinds it currently faces, including supply chain disruptions and rising inflation and interest rates. Our investments in 2021–22 ranged across the nation, from Blue Grass Solar Farm in Queensland to our work with Octopus Australia to develop the Blind Creek Solar and Battery project in NSW and the Gippsland Renewable Energy Park in Victoria.

The CEFC is also focused on sectors where the challenge is greatest, including agriculture and natural capital, transport and the built environment. I am pleased that this year we have successfully invested in agricultural assets alongside Goodman Group and private equity firm Greenpoint Group in a hybrid sustainable grazing model, with the goal of delivering carbon credits alongside enhanced biodiversity protection.

And we will continue to back Australia's cleantech innovators whose ideas are so vital to decarbonisation. In the 2021–22 financial year, CEFC investments through the Innovation Fund backed the development of plastics recycling, sharkskin-inspired technology to reduce aviation and shipping drag, sustainable lithium production, and soil carbon measurement solutions to cut agriculture emissions. We also continued to support investments from earlier years as successful companies in the portfolio continued to grow rapidly.

We took the bold step this year of externalising management of our Innovation Fund portfolio, with the establishment of Virescent Ventures, an exciting new clean tech manager that is now seeking to raise its first fund by crowding in private sector capital into this important asset class.

The CEFC enjoys the support of Minister Bowen and the Minister for Finance; Minister for Women; Minister for the Public Service, Senator the Hon Katy Gallagher, who we welcomed to their roles in 2022. We continue our positive relationships with Government agencies, including the renamed Department of Climate Change, Energy, the Environment and Water. We also acknowledge and appreciate the guidance of the CEFC Board, ably led by our Chair Steven Skala AO.

Ian Learmonth
Chief Executive Officer, CEFC

Market drivers, investment priorities, performance measures: 2021–22

Market environment

Our purpose

We are a specialist 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.

Operating environment

The CEFC reacts and responds to the markets in which we operate – retreating when the private sector is operating effectively, but stepping up to fill gaps when the private sector is absent and takes confidence in investing alongside us.

Risk oversight and management

The CEFC Board has established an enterprise-wide Risk Management Framework to monitor and manage all areas of risk relevant to our organisation, including strategic, investment and financial risks, operational risks and regulatory risks.

Capability

Our ability to deliver on our strategic objectives relies on the quality and skills of our people, enabled by secure and efficient business systems.

Collaboration

We have an important role to play in supporting the energy system transition, in working with governments, industry, regulators, project sponsors, businesses and private sector financiers to provide the finance required.

Our Values

Impact
We're driven to positive outcomes
We work to ensure the decisions we make today have a positive impact for generations to come.

Collaboration
We harness the power of many
We value diverse ideas, deep experience and expert delivery to bring new perspectives and solutions.

Integrity
We work openly and honestly
We show respect for others, with our performance founded on integrity, transparency and accountability.

Innovation
We have the courage to lead
We seek to lead the market, facing challenges and opportunities with confidence.

Where we invest

Backing the clean energy system of the future

Australia requires significant new investment to support a substantial uplift in renewable energy generation and storage. We're investing in critical large-scale grid transmission projects, landmark battery storage, large-scale renewable energy developments and innovative bioenergy opportunities.

Read more from page 38

Investing across the economic landscape

Investing in low emissions solutions in property, infrastructure, industry, natural capital and resources can deliver benefits right across the economy, from lower energy consumption to alternative approaches to production, reducing demand on the energy network and abating carbon emissions.

Read more from page 48

Tapping into new investment models and opportunities

Developing new financial markets and products, building investor confidence and crafting tailored and innovative investment solutions for new and emerging industries to help Australia meet the challenges of decarbonisation and create a strong low emissions economy of the future.

Read more from page 60

ESG factors

Environmental

Decarbonisation

Climate risk disclosure

Industry engagement and collaboration

Resource efficiency and circular economy

Reef catchment

Social

First Nations peoples and social engagement

Community connection

Local job creation and socioeconomic impacts

Governance

ESG performance

Read more from page 81

Performance measures 2021–22

Catalyse private sector capital

Catalyse increased private sector capital flowing to the Australian clean energy sector and attract new investor classes.

Read more on page 26

Reduce emissions by investing in innovation, technologies, infrastructure

Demonstrate entrepreneurship by increasing investment in innovation, clean energy technologies and infrastructure that facilitates emission reductions, consistent with Investment Mandate Directions and the CEFC ESG Policy.

Read more on pages 27, 28

Financial sustainability

Deliver our legislated policy outcomes at no cost to the taxpayer through financial discipline and sound risk management across the organisation. Employ commercial rigour to generate positive risk adjusted returns. Actively manage the portfolio to manage risk and hold counterparties accountable for their commitments.

Read more on page 29

Demonstrate leadership and broaden relationships

The organisation's ability to demonstrate leadership and broaden relationships across governments, regulators, industry, the research sector and investor communities to accelerate the energy transition.

Read more on page 30

Investment commitments in detail: 2021–22

In the 12 months to 30 June 2022, the CEFC made new and follow-on investment commitments of $1.45 billion. In attracting an additional $2.30 for each dollar of CEFC finance committed, total transaction value for the year reached some $4.79 billion.

New commitments	Purpose	CEFC $m
Transgrid	Single largest CEFC commitment by value, to develop the essential EnergyConnect grid infrastructure for NSW, SA and Victoria	295
Novalith	Australian company targeting global lithium market with ground-breaking Australian-made processing technology that could revolutionise the global battery supply chain	1.91
All G Foods	Australian company developing plant-based and alternative proteins to support sustainable food production	5
Metro	Melbourne 8-star housing development featuring the latest clean energy technologies, including low carbon concrete	54
Ark Energy	First investment through the Advancing Hydrogen Fund, to produce green hydrogen in Townsville to power what are expected to be the world's heaviest hydrogen fuel cell electric trucks	12.50
Zenobe	Financing Australia's first electric bus fleet, driving down vehicle noise and emissions in NSW	25
Artesian	Expanding Australia's clean energy fixed income sector via cornerstone investment in Green and Sustainable Bond Fund	25
Xpansiv	Backing growth of innovative platform to develop, register, transact and price ESG commodities, unlocking new sustainability-focused investment product	20
3ME Technology	Investment backing cutting-edge battery management systems to electrify mining operations and replace diesel engines	5
Woolworths Group	Cornerstone investment in sustainability-linked bond setting new decarbonisation standards in the retail sector	30
Orica	One of the largest CEFC abatement investments, in an Australian-first project to abate potent nitrous oxide emissions in manufacturing	25
QIC	Investment in QIC Global Infrastructure Fund to accelerate its trajectory to net zero emissions across core infrastructure assets	72
Forza Capital	Green energy makeover to cut emissions by as much at 55 per cent at 25-year-old B-grade Brisbane commercial office building	30
Optus	Australian-first sustainability-linked bond by a telecommunications company to cut Scope 1 and 2 emissions by 25 per cent by 2025	60
IFM Investors	Cornerstone investment in Private Equity Growth Partners Fund to support decarbonisation of Australian-based mid-market growth companies	80

$1,387.40m
New commitments

$59.55m
Follow-on commitments

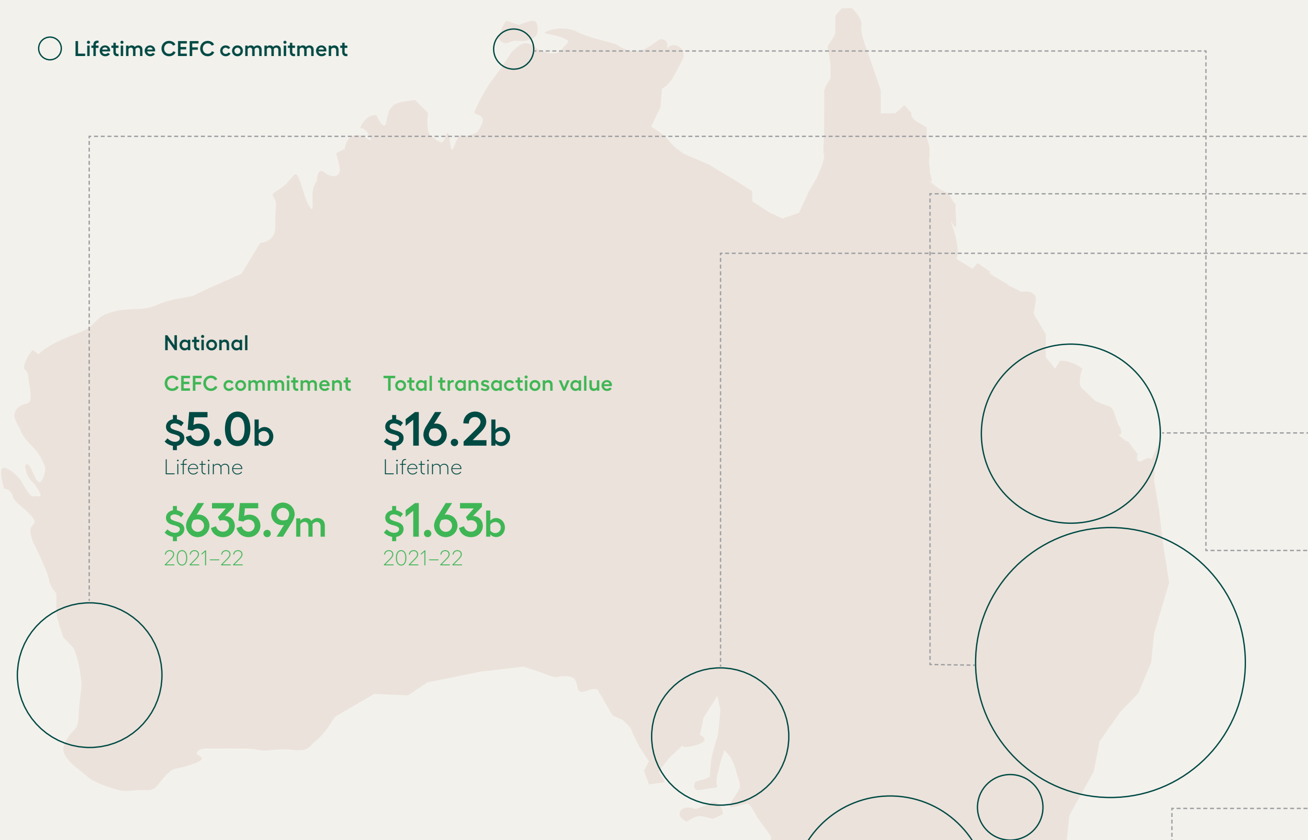
$1,446.95m
Total investment commitments

New commitments	Purpose	CEFC $m
Blue Grass Solar Farm	Ultra-efficient Queensland solar project featuring bifacial panels and half-cut cells technology to deliver substantial clean energy and emissions reduction	37
Plenti	Asset-backed securitisation to provide discounted finance to encourage consumer and business uptake of electric vehicles	45
Samsara Eco	Australian developed technology to support infinite plastics recycling by returning them to their original "building blocks"	0.75
Downforce Technologies	Commercialisation of innovative technology solution to cut the cost of measuring and monitoring soil health and carbon levels, a key component in addressing land-based emissions	1.62
Manildra Group	Targeting substantial emissions reduction in industrial processes for Australia's largest wheat processor and ethanol manufacturer	85
Virescent Ventures	Creation of the first CEFC specialist fund manager, to substantially lift the amount of investment capital available for cleantech start-ups	0.06
Octopus Australia	Development of ground-breaking, renewable energy platform for institutional and wholesale investors	4.20
MicroTau	Advanced manufacturing company bringing an innovative solution to aviation and shipping emissions	2
Ellerston Capital	Specialist fund backing small to mid-sized companies that develop technology and solutions critical to achieving net zero emissions	50
NBN Co	First green bond issued by an Australian telco or government business enterprise	50
Scipher Technologies	First CEFC investment in recycling solutions for mounting e-waste problem	7.50
Wyuna Regenerative Ag	First CEFC investment in specialist hybrid farming model to promote carbon and regenerative farming in sustainable red meat production	4.50*
ANZ	Discounted finance to encourage small to medium-sized businesses to invest in best-in-class clean technology to cut their emissions	200
Powerlink	Landmark investment supporting critical transmission infrastructure for the Southern Downs Renewable Energy Zone connecting multiple clean energy assets in Queensland to the National Electricity Market	160

Note: Table excludes increases in existing commitments, refinancing and replacement of existing commitments, follow-on equity investment commitments. * Portion of CEFC commitment of up to $30m.

National investment approach, Australia-wide impact

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



National commitments are those investments that have the potential to be deployed nationwide, including smaller-scale clean energy investments via our asset co-financing programs with banks and other finance providers, 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 areas.

Totals may not add due to rounding. All figures are to 30 June 2022.

Expected lifetime abatement (tonnes CO_2-e)

~200 million

WA

CEFC commitment Lifetime	Total transaction value
$598m	$3.0b

NSW

CEFC commitment Lifetime	Total transaction value
$2.4b	$7.7b

SA

CEFC commitment Lifetime	Total transaction value
$528m	$2.0b

QLD

CEFC commitment Lifetime	Total transaction value
$965m	$2.6b

NT

CEFC commitment Lifetime	Total transaction value
$18m	$23m

VIC

CEFC commitment Lifetime	Total transaction value
$1.2b	$4.9b

ACT

CEFC commitment Lifetime	Total transaction value
$83m	$343m

TAS

CEFC commitment Lifetime	Total transaction value
$26m	$306m

Performance

In this section

Performance statement and analysis

The CEFC Board, as the accountable authority of the CEFC, presents the 2021–22 Annual Performance Statements, as required under paragraph 39(1)(a) of the PGPA Act. In our opinion, the Annual Performance Statements are 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 evaluation process

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 2021–22 year, the Board-approved CEFC Corporate Plan detailed three specific strategic objectives for the CEFC, and the associated activities required to deliver against these.

2021–22 Strategic objectives:

1 **Catalyse private sector capital**

2 **Invest in innovation, clean energy technologies and infrastructure**

3 **Financial sustainability**

Our strategy harnesses the power of public capital to drive private sector investment in our national emissions reduction priorities.

CEFC Corporate Plan 2021–22

The CEFC Corporate plan 2021–22 established seven quantitative and two qualitative performance indicators, against which CEFC performance has been evaluated. The Board-approved performance measures reflect the broader CEFC 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 into the market, growing the scale of investment in the clean energy sector and increasing emissions abatement through our transactions.

The 2021–22 indicators also included a target in respect of the CEFC ESG policy, which was formally adopted in the prior year, along with an ongoing focus on maintaining our leadership position in the clean energy sector through consistent positive engagement with our broad range of stakeholders.

Overall performance outcome

The CEFC delivered a strong performance in 2021–22, achieving or exceeding eight of the nine performance indicators, while maintaining a commercially rigorous approach to investment and risk matters. In relation to the indicators and targets set out in the CEFC Corporate Plan, the organisation was assessed as:

- exceeding in seven performance indicators
- achieved in one performance indicator
- below target for one performance indicator.

Overall performance measures

The 2021–22 performance was measured against the performance targets established in the 2021–22 CEFC Corporate Plan. In some instances, targets were also included in the 2021–22 Portfolio Budget Statements and these have been noted by way of footnote for reference. In all circumstances, the targets in the Portfolio Budget Statements were lower than the targets set out in the CEFC Corporate Plan.

2021–22 Strategic influences:

1 **The CEFC Act and Investment Mandate**

2 **Australia's emissions reduction challenge**

3 **Opportunities to invest capital in the Australian market**

1. Catalyse private sector capital

Performance measure 1.1

Financial leverage – ratio of private sector capital to CEFC capital

Below target

Performance analysis

Each dollar of CEFC capital invested in 2021–22 was matched by an additional $2.30 in private sector capital. This leverage result was eight per cent below the bottom end of our target range of $2.50: $1.00. This lower result was largely attributable to two of the three largest transactions accounting for nearly 25 per cent of the 2021–22 capital commitments, attracting leverage of less than $1.00. The two transactions were those involving PowerLink and the ANZ. Refer to pages 43 and 63. Across the portfolio, CEFC investment commitments in the 2021–22 year contributed to total transaction value of $4.79 billion, reflecting additional private sector investment. While the CEFC reports leverage at the primary point of investment, it should be noted that secondary leverage also occurs as additional investors or financiers replace CEFC capital as our investments mature.

1. For this indicator the 2021–22 Portfolio Budget Statements target was $2:00.

Target	$2.50–$3.00[1]
Result	$2.30

8%

Below the lower end of the target range

Performance measure 1.2

Amount of new capital leveraged or unlocked that invests in Australian clean energy technology, business models or financial structures and/or products for the first time

Exceeded

Performance analysis

During the 2021–22 year, 11 CEFC investment commitments attracted new private sector market participants. The total capital committed by these new participants was $439 million, across diverse investment areas, including agriculture, property, renewable energy generation, private equity and cleantech innovation. These new investors included property investors, fund managers and superannuation funds.

Target	$250m–$400m
Result	$439m

9.75%

Above the top end of the target range

2. Invest in innovation, clean energy technologies and infrastructure

Performance measure 2.1

Total capital committed to clean energy technologies

Target met

Performance analysis

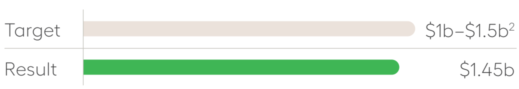
The CEFC made total new investment commitments of $1.45 billion in the 2021–22 year. This was at the top end of the performance target range and compares favourably with the $1.37 billion of new investment commitments made in the previous financial year.

These commitments included $455 million for essential grid and transmission infrastructure projects, including the Queensland Powerlink project in the Southern Downs and the EnergyConnect development in NSW, Victoria and South Australia. A combined $110 million in investments in two major Australian manufacturers, Manildra and Orica, aim to deliver significant operational and emissions benefits and demonstrate opportunities to address "hard-to-abate" sectors.

CEFC investment commitments also extended to large-scale renewables and energy storage, with an additional $53 million in commitments, including innovative bifacial solar panels and half-cut cells, as well as early-stage renewable energy developments.

A record $45.4 million in new and follow-on investments through the Clean Energy Innovation Fund included backing for MicroTau, which has developed a shark skin–inspired film coating to reduce transport emissions and Samsara Eco, which is developing an innovative process using modified enzymes to support infinite plastics recycling.

2. For this indicator the 2021–22 Portfolio Budget Statements target was $0.8b to $1.0b.



97%

Top end of target range achieved

2. Invest in innovation, clean energy technologies and infrastructure

Performance measure 2.2

Estimated emissions reduction per annum for new investment commitments

Exceeded

Performance analysis

New investment commitments in 2021–22 are estimated to achieve emission reduction of 1.4 Mt CO_2-e per annum, being 40 per cent higher than the target range.

Emissions abatement achieved through direct CEFC investment commitments to two Australian manufacturers contributed nearly 65 per cent of total estimated annual emissions reduction. The next most significant contributor to emissions reduction was investments in renewable energy.

It should be noted that CEFC investment commitments in grid enhancements and energy storage are not included in the estimate of direct emissions reduction under this performance metric. However, these investments are critical in unlocking the additional investment in renewable energy required to create a low emissions electricity grid in the future.

CEFC capital committed per tonne of estimated lifetime emissions reduction for new investment commitments in 2021–22 was $51.00. The expected financial return per tonne of estimated lifetime emissions reduction for 2021–22 investment commitments was $12.00[4].

Target	0.6 Mt CO_2-e – 1.0 Mt CO_2-e[3]
Result	1.4 Mt CO_2-e

40%

Above the top end of the target range

Performance measure 2.3

Percentage of new investment commitments that have at least 2 "positive impact" material ESG factor scores

Exceeded

Performance analysis

The CEFC Environmental, Social and Governance (ESG) Policy identifies material ESG factors assessed as being the most relevant for CEFC. The material ESG factors are identified as material investment and/or corporate risks and opportunities for the CEFC under a two-step process. Firstly, areas most relevant to our activities are identified where we seek to cause no harm. Secondly, we identify the material ESG factors where we can maximise our impact. The performance target is focused on the investment commitments we make and their potential to maximise impact in addition to our core decarbonisation emphasis. During 2021–22, 86 per cent of new investment commitments were assessed as having at least two positive impact material ESG factors in addition to the core decarbonisation factor, against the target of 70 per cent. Refer to page 82.

3. For this indicator the 2021–22 Portfolio Budget Statements target was >0.45Mt CO_2-e.
4. These figures are estimated using updated Emission Intensity Factors, reflecting the accelerated decarbonisation forecast by the Department of Industry, Science, Energy and Resources. On the same basis, CEFC capital committed per tonne of estimated lifetime emission reductions for new investment commitments in 2020–21 was $126 (reported $78 in Annual Report 2021), and the expected financial return per tonne of estimated lifetime emission reductions for 2020–21 investment commitments was $29 (reported $18 in Annual Report 2021).

Target	70%
Result	86%

22%

Above the top end of the target range

3. Financial sustainability

Performance measure 3.1

Total operating result adjusted for concessionality, loan modification charges, bond revaluations and Innovation Fund revaluations[5]

↑ **Exceeded**

Performance analysis

The adjusted operating result of $219.6 million was significantly better than the target range of $95 million to $120 million. The adjusted operating result of $219.6 million largely comprises $215.6 million of own-source revenue (excluding unwind of concessional discount, loan and modification changes) and $91.3 million net positive fair value gains on equity investments and derivatives in the core portfolio. This was partially offset by a $40 million increase in the provision for impairment and $51.5 million in operating expenses.

Revenues were significantly higher than planned, reflecting higher dividends and trust distributions, along with higher interest and fee income as a result of higher average loan balances, market interest rates increasing sooner than expected and fees associated with the early refinance of a number of loan facilities. Fair value gains and losses on equity and derivatives were not forecast in the 2021–22 Corporate Plan, given the high levels of uncertainty associated with the economic impacts of the COVID-19 pandemic.

Operating expenses of $51.5 million were lower than planned, due to lower than forecast employee headcount, and savings in consulting, professional fees and travel related expenditures.

Target	$95m–$120m[6]
Result	$219.6m

83%

Above the top end of the target range

Performance measure 3.2

Free cash flows from operations after the implied costs of funds

↑ **Exceeded**

Performance analysis

Free cash flows from operations[8] for the 12 months to 30 June 2022 were $174.6 million. After accounting for the implied costs of government funding of $85.1 million[9], the net result was an $89.5 million surplus, significantly ahead of target. This result was also an improvement on the prior year result of $69.9 million. As with the adjusted operating result, higher dividends and trust distributions, along with higher commitment and establishment fees, were the most significant drivers of out-performance against target.

5. Adjusted operating result is a self-defined corporate performance metric and is calculated as the 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.
6. For this indicator the 2021–22 Portfolio Budget Statements target was >$80m.
7. For this indicator the 2021–22 Portfolio Budget Statements target was >$0m.
8. Free cash flow from operations is defined as net cash flow from operations less capital expenditure and government appropriation revenue.
9. The implied cost of government funding is based on the relevant five-year Australian government bond rate associated with amounts drawn and returned as equity from/to the CEFC Special Account.

Target	$20m–$30m[7]
Result	$89.5m

198%

Above the top end of the target range

4. Qualitative performance indicators

Performance measure 4.1

The organisation's ability to demonstrate leadership and broaden relationships across governments, regulators, industry, the research sector and investor communities to accelerate the energy transition

↑ **Exceeded**

Performance analysis

The CEFC non-executive Board and its non-executive sub-committees reviewed the performance of the Corporation and concluded that performance had exceeded stakeholder expectations in leadership and the broadening of relationships. In addition to the investment commitments made during the year, this was demonstrated through:

- Strong engagement with the Australian Government on a number of priority policy areas, including the proposed Rewiring the Nation policy
- Active engagement with the Australian Energy Market Commission (AEMC) through the Transmission Planning and Investment review process, including briefing commissioners
- Engagement with the Australian Building Codes Board regarding minimum residential energy efficiency standards for the 2022 National Construction Code
- Recognition as a Responsible Investment Leader 2021 by the Responsible Investment Association Australasia
- Engagement with NSW EnergyCo in the planning and delivery of the first NSW Renewable Energy Zone which had progressed to final bidder stage at the time of reporting
- Collaboration with the NSW and Queensland Governments in relation to the delivery of new Renewable Energy Industrial Precincts
- Participation in the Australian delegation to COP26 in Glasgow
- Creation of Virescent Ventures as a new venture capital manager to leverage new sources of third-party capital into the cleantech sector.

Performance measure 4.2

The effectiveness of the organisation with regards to the active management of the portfolio to deliver positive financial and emissions reduction outcomes

↑ **Exceeded**

Performance analysis

Active management of the portfolio is an important element of our operations, contributing to the realisation and delivery of positive financial and emissions reduction outcomes from our investment commitments. Effective and active management of the portfolio was demonstrated through:

- Ongoing management of, and support across our portfolio of renewable energy assets, particularly those affected by low energy pricing and curtailment throughout the year
- Refinancing of a wind farm with a lower retained exposure for the CEFC and the successful refinancing and exit from another de-risked wind farm, demonstrating an ability to support projects at an early stage and until their risk profile is attractive to the broader debt markets
- Negotiation of restructures and/or debt prepayments across specific projects designed to mitigate future risk
- Early termination of an aggregation partnership that had experienced challenges demonstrating adherence with program requirements
- Participation in the restructure of an existing equity fund investment to deliver a broader ESG focus.

Financial outcomes 2021–22

The CEFC takes a commercially-rigorous approach to our investment activities as well as the operation of our own business, guided by our investment policies and prudent risk management. This approach has been an enduring characteristic of CEFC throughout our first decade.

Capital deployment

$1.77b

Deployment

The CEFC deployed $1.77 billion in capital during the 2021–22 year, including $85 million for smaller-scale projects. Lifetime deployment reached $9.15 billion to 30 June 2022.

Repayments and returns

$837m

Repayments and returns

The CEFC investment portfolio received $837 million in repayments and returns of capital during the year. Lifetime repayments were $3.32 billion at 30 June 2022, with this capital available for CEFC reinvestment.

Capital leverage

$4.8b

Total transaction value

Each dollar of CEFC capital committed in 2021–22 attracted an additional $2.30 in private sector finance, with a total transaction value of $4.8 billion. With lifetime leverage of $2.42: $1.00 on CEFC capital, the transaction value related to lifetime CEFC investment commitments was $37.15 billion at 30 June 2022.

Operating performance

$189.5m

Operating surplus

The CEFC returned an operating surplus of $189.5 million (normalised $261.7 million) in 2021–22, reflecting higher revenues and fair value gains from equity investments, lower concessional and loan modification charges and reduced operating costs.

Clean energy technologies

53.3%

Investment in renewable energy 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 2022, investments in renewable energy technologies represented 53.3 per cent of the CEFC on-risk portfolio.

On risk investments

$7.15b

Current investment commitments

The CEFC portfolio of on-risk investment commitments stood at $7.15 billion at 30 June 2022.

Portfolio Benchmark Return

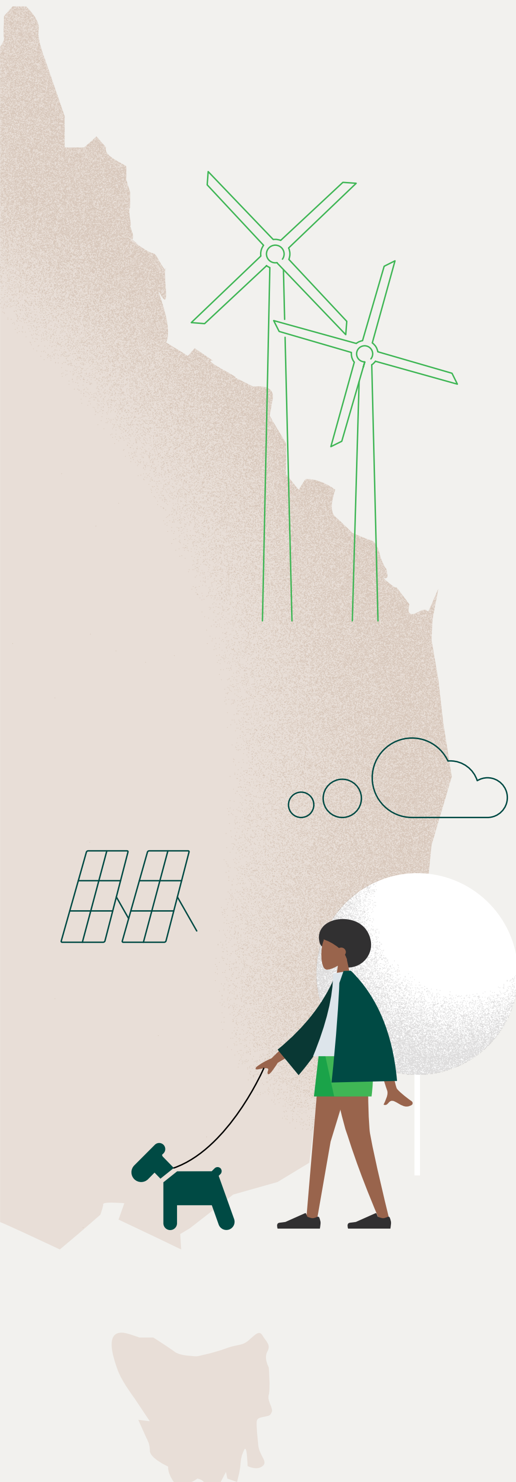
4.38%

Lifetime annualised PBR

Across our portfolio we invest to deliver a positive return for taxpayers. The Portfolio Benchmark Return (PBR) is a medium- to long-term target set by the Australian Government in the Investment Mandate. The targeted PBR for the core portfolio, established in Investment Mandate Direction 2020, is the five-year Australian Government bond rate plus 3 to 4 per cent. The core portfolio annualised PBR target from inception to 30 June 2022, was 4.99 to 5.99 per cent, with an annualised cumulative return of 4.38 per cent from inception to 30 June 2022. Refer to Section 3 – Financial information.

Impairment provisions

As a specialist investor, the CEFC recognises the challenges faced by companies bringing new technologies and greenfield projects to market. CEFC impairment provisions were lifted to $165.8 million in 2021–22 ($125.4 million in 2020–21), reflecting the increased scale and complexity of our on-risk portfolio. This provision includes coverage for the first significant CEFC loss in 10 years, relating to the US$47 million commitment to Salt Lake Potash Limited (SO4) for the Lake Way project. SO4 was placed into voluntary administration in 2021. KordaMentha, receivers and managers, advised the Lake Way project was sold to Sev.en Global Investments Pty Ltd in September 2022, subject to certain conditions precedent. Lenders are expected to receive a modest return of capital, subject to transaction costs.



Where we invest

In this section

Market context

Emissions ambition challenged by unprecedented climate, market shocks

Far-reaching global and national developments shaped the emissions landscape in the 2021–22 year, from global and national energy shocks to supply chain challenges, rising interest rates and unprecedented climate events. These factors weighed heavily on an already subdued economy, yet to fully emerge from the pandemic. Despite the negative effects of these macro challenges, 2021–22 carried clear signals about the escalating ambition toward net zero emissions.

Global environment

1. The COP26 Glasgow Climate Pact committed to a decade of climate action to 2030, including strengthened efforts to build resilience to climate change, curb emissions and provide the necessary finance for both. CEFC CEO Ian Learmonth was part of the Australian delegation.
2. BloombergNEF reported global investment in the energy transition was a record US$755 billion in 2021. In contrast, the Australian Clean Energy Council reported a significant slowdown in the pipeline for new large-scale renewable energy projects, with financial commitments falling by more than 17 per cent to $3.7 billion.

National considerations

1. The National Greenhouse Accounts showed a 1.5 per cent increase in emissions in the 12 months to 31 March 2022, to 487 million tonnes. Declining electricity emissions due to renewable energy generation was more than offset by increases in transport, manufacturing and agriculture emissions. The figures put national emissions at 21.6 per cent below 2005 levels, meaning half Australia's midterm emissions reduction task must be achieved in just eight years to meet the targeted 43 per cent below 2005 levels by 2030.
2. The Rewiring the Nation policy proposes $20 billion of grid-related investment to drive least cost, reliable new energy production, revitalise traditional industries and support new sectors such as hydrogen and battery production. The CEFC is working with the Australian Government on elements of the program.

Investor landscape

1. The value of Australian assets managed using a rigorous, leading approach to responsible investment has hit a record $1.54 trillion, now accounting for 43 per cent of the total market, according to the 2022 Responsible Investment Benchmark Report. A record 45 per cent of investment managers are also holding companies to account on matters relating to environmental and social issues, and reporting back to investors on the outcomes achieved.
2. The Australian Council of Superannuation Investors reported that 70 per cent of the ASX200 by market capitalisation ($1.59 trillion) was covered by net zero commitments at March 2022. This was across 95 companies, almost double the number the prior year.

3. The Intergovernmental Panel on Climate Change reported inevitable and irreversible human-induced climate changes, with temperatures likely to rise by more than 1.5°C above pre-industrial levels within two decades. Australia faced more frequent extreme fire weather days, heavy rainfall and river floods, coastal erosion, shoreline retreat, sand and dust storms.

4. In its July 2022 World Economic Outlook, the International Monetary Fund reported increasingly gloomy developments in 2022, with global output contracting as several shocks hit an already weakened post-pandemic world economy. Higher-than-expected inflation worldwide had triggered tighter financial conditions, alongside a worse-than-anticipated slowdown in China and further negative spillovers from the war in Ukraine.

3. The Australian Energy Market Operator forecast Australia will need to install more than 10,000 kilometres of new transmission to connect consumers with geographically and technologically diverse, low-cost renewable generation and firming capacity in its 2022 Integrated System Plan. With grid electricity demand expected to nearly double, to 320 TWh by 2050, AEMO is forecasting a nine-fold increase in grid capacity, from 16 GW of large-scale renewables to 44 GW in 2030 and 141 GW by 2050. At the same time, storage capacity would need to increase by a factor of 30, to 61 GW by 2050.

3. Investors and regulators are placing increased emphasis on long-term policy frameworks, with growing levels of scrutiny around the effectiveness of emissions reduction programs as well as the veracity of related claims and achievements. Evolving reporting standards and obligations reflect the increasing market preference for products that appropriately explain their green credentials, a factor in building confidence in emissions-related investment activity.

4. Investors and large emitters are considering the role of carbon markets in meeting ambitious sustainability goals, potentially offsetting hard-to-abate emissions alongside regenerative farming, soil carbon and sequestration.

Backing the clean energy system of the future

Australia requires significant new investment to support a substantial uplift in renewable energy generation and storage. We're investing in critical large-scale grid transmission projects, landmark battery storage, large-scale renewable energy developments and innovative bioenergy opportunities.

- Renewable energy
- Grid infrastructure
- Energy storage
- Waste and bioenergy

Renewable energy

CEFC context

Accelerating delivery of 3.6 GW of new solar and wind generation

The CEFC has played a major role in nurturing the development of the large-scale renewable energy sector, crowding in substantial private sector investment and supporting the entry of new developers, contractors, suppliers and offtakers to the Australian market. Increasingly, CEFC capital is backing renewable developments alongside energy storage and grid-balancing technologies, as well as early-stage projects. As with any new sector, participants have experienced a range of challenges, from locking in long-term power purchase agreements to underpin revenues and secure appropriate financing models to early mover learnings in construction and connection issues due to the unique characteristics of the Australian grid. These factors, together with the recent energy market turbulence and supply chain challenges, underscore the important role of the CEFC as a counter-cyclical investor, particularly given the size of the renewable energy investment task. CEFC investment commitments in the 2021–22 year are notable for the innovative and diverse approach of each of the transactions, in terms of technology, cost and stage of development.

$2.65b

CEFC lifetime investment commitment

Market context

Large-scale solar and wind generation is critical to delivering the clean energy that will power our low emissions economy

Renewable energy will underpin the electrification of a vast range of existing commercial, industrial and residential activities, enable our electric vehicle transition and lay the foundations for our emerging green hydrogen industry. AEMO is forecasting grid annual electricity demand will double by 2050, as transport, heating, cooking and industrial processes are electrified, with 60 per cent of current coal-fired powered generation to exit the grid at an accelerated rate. The unprecedented pace and scale of this change points to the urgent need for new investment and development, to take the grid from 16 GW of large-scale renewables to 44 GW in 2030 and 141 GW by 2050 – a nine-fold increase. However, a range of recent factors are impeding much needed investment in large-scale renewables, including grid connection and offtake challenges, supply chain constraints, increased interest rates and escalating raw materials and transportation costs.

141 GW

AEMO forecast renewable energy capacity required by 2050

Blue Grass Solar Farm

$37m

CEFC commitment

ESG factors

- Local job creation and socioeconomic impacts
- Community connection
- Industry engagement and collaboration

Blue Grass Solar Farm is an ultra-efficient Queensland solar project in the Darling Downs Renewable Energy Zone. It will feature 375,000 bifacial solar panels, which have an increased generation capacity compared with existing panels, as well as half-cut cell technology which reduces the cell to half the normal size. The smaller cells produce half the current, reducing power loss and improving efficiency to produce more energy. The project supports *Solar 30 30 30*, an ARENA-led initiative targeting 30 per cent efficiency at 30 cents per installed watt by 2030. The Blue Grass Solar Farm is the first Australian project for experienced renewables developer X-Elio, bringing a substantial new investor into the Australian market. US tech giant Salesforce has committed to purchase 25 per cent of the solar output, in what is its first renewable energy offtake agreement in Australia.

Octopus Australia

$4.2m

CEFC commitment

ESG factors

- Local job creation and socioeconomic impacts
- Community connection

The Blind Creek Solar and Battery Project in NSW is a farmer-led project that combines understanding of the land, farming practices and knowledge of the local community with renewable energy expertise. The solar farm will co-exist with rotational grass-fed lamb production, allowing for very short periods of intensive grazing. Suitable grass species will be planted immediately below the solar panels. Panel spacing will allow tractor access and grassland enhancements for grazing lambs. The project will also support regenerative agriculture, a soil carbon sequestration project, restoration of biodiversity and green waste humus production. The project won the 2022 Clean Energy Council Community Engagement Award for its benefit sharing scheme and agri-solar initiatives.

Grid infrastructure

CEFC context

Integrating clean energy into critical transmission and grid infrastructure

The CEFC is prioritising investments to accelerate the integration of new, clean energy generation into Australia's grid infrastructure. These projects are necessarily complex, requiring considerable planning, investment and development. CEFC investment priorities include grid balancing technologies such as energy storage and transmission interconnectors, as well as the development of Renewable Energy Zones (REZs), which enhance the grid closer to the point of generation, to support both renewable energy generation and grid integration. Reflecting our role as a specialist investor, the CEFC is working to address financing and cost-gap challenges through the development of tailored financing solutions, concessional finance and bespoke structured instruments. The CEFC focus on this critical aspect of the energy transition is clearly reflected in our first and final transactions of the 2021–22 financial year, which were both substantial investments in grid expansion, complementing our earlier investment in grid infrastructure to support the Snowy 2.0 expansion. For 2022–23 and beyond, we are actively looking to investments in actionable transmission projects under the AEMO Integrated System Plan 2022, supported by contestable REZ projects to provide the necessary infrastructure to enable 82 per cent renewables by 2030.

10,000kms

AEMO forecast new transmission requirements by 2050

Market context

Australia's energy network is under increasing pressure from a range of factors

Short-term global fuel supply issues are putting upward pressure on power prices on the east coast. The earlier than expected retirement of domestic coal-fired power stations is further threatening energy security, while escalating demand for accelerated investment in new low-cost renewable energy generation. These challenges require urgent attention and are a potential barrier to the achievement of the economy-wide electrification required to achieve net zero emissions. AEMO has forecast Australia will need to install more than 10,000 kilometres of new transmission to connect consumers with geographically and technologically diverse, low-cost renewable generation and firming. This will need to occur alongside the reconfiguration of the grid to support two-way energy flows. The proposed Australian Government $20 billion Rewiring the Nation policy seeks to accelerate the delivery of additional grid infrastructure in order to achieve net zero emissions by 2050.

$580m

CEFC lifetime investment commitment

Powerlink

$160m

CEFC commitment

ESG factors

- Local job creation and socioeconomic impacts
- First Nations peoples and social engagement
- Industry engagement and collaboration

In its first investment to support the development of a Renewable Energy Zone, the CEFC is backing critical infrastructure that will connect multiple clean energy assets in Queensland to the National Electricity Market. Powerlink will build new transmission infrastructure to unlock over 1,500 MW of network capacity in the Southern Downs REZ, of which 1,000 MW will support the MacIntyre Wind Precinct. The precinct, including the 103 MW Karara Wind Farm and the 923 MW MacIntyre Wind Farm, is set to be one of the world's largest onshore wind farms. In a significant shift that demonstrates a new way to deliver a REZ, the project marks the first time that generator contributions will cover the cost of building critical REZ assets. This new financing model connects renewable generation in a way that minimises costs and risks for Queensland businesses and households. Importantly, the CEFC capital will also enable Powerlink to future proof the REZ by developing it at scale while keeping down connection costs for the initial or foundation generators.

EnergyConnect

$295m

CEFC commitment

ESG factors

- Local job creation and socioeconomic impacts
- First Nations peoples and social engagement
- ESG performance

The CEFC made its largest single investment commitment in the reporting year, backing the development of EnergyConnect. This essential grid infrastructure project will unlock renewable energy projects across SA, NSW and Victoria and accelerate the decarbonisation of the National Electricity Market. The CEFC commitment was via an innovative subordinated note instrument, contributing to the crowding in of further private sector debt. Spanning 900 kilometres, EnergyConnect is forecast to unlock as much as 1,800 MW of renewable energy generation and create thousands of jobs in the construction phase. Following the CEFC investment in this project, the Australian Government provided more than $180 million in underwritten funds to build a component of EnergyConnect at a larger capacity, removing the need to duplicate lines for the VNI West interconnector when it is constructed. Building a single line with larger capacity will save consumers hundreds of millions of dollars, while minimising the infrastructure impact on landholders.

Energy storage

CEFC context

New storage solutions to strengthen our energy system

Large-scale energy storage projects require substantial, tailored investment solutions, reflecting their high start-up capital costs and emerging and untested revenue models. Changes in the interest rate environment and supply chain constraints for large-scale lithium-ion batteries due to competition with the rapidly growing electric vehicle market pose additional challenges. The CEFC has played a market leading role in the financing of Australia's two largest batteries, in SA and Victoria, where accelerated development models have produced positive early results in terms of investment returns and grid stability, including providing new grid services such as synthetic inertia. The CEFC has a particular interest in supporting sponsors considering co-located renewable energy and storage facilities, which are emerging as a standard asset class. We are also looking to invest in battery storage projects which provide valuable grid services such as grid-forming inverters, crowding in private sector co-financiers to grow market confidence in merchant storage revenue streams.

61 GW

AEMO forecast storage capacity required by 2050

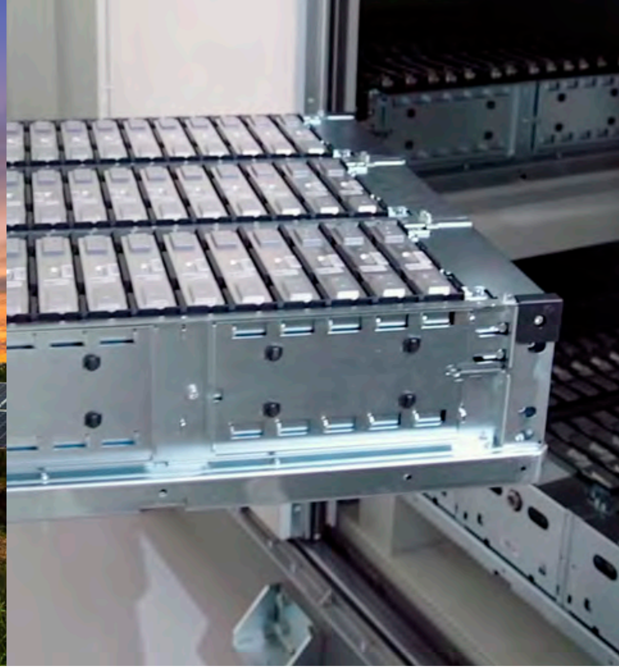
Market context

Energy storage is an emerging industry in Australia expected to play an increasingly crucial role in the electricity market's clean energy transition

Strong sector interest is reflected in more than 920 MW of large-scale battery storage currently under construction. According to AEMO, Australia has just 2 GW of storage capacity, which must increase to 61 GW by 2050 through a combination of utility-scale batteries, hydro storage and virtual power plants. A fleet of rapid-responding storage assets, both short and long duration, will be an important part of underpinning a balanced grid of the future. In particular, energy storage can capitalise on Australia's unparalleled renewable energy generation potential, supporting effective load shifting to ensure renewables resources are plentiful at peak demand periods.

$209m

CEFC lifetime investment commitment



Gippsland Renewable Energy Park

$7.7m

CEFC commitment

Octopus Australia and the CEFC have entered into a joint venture to develop renewable energy assets that will help the Gippsland region transition into a green superpower. Projects delivered in the coming years through the landmark development joint venture will boost the Gippsland economy following bushfires, drought and the decline of local industries including timber and coal-based energy generation. The joint venture has attracted investment in the Gippsland Renewable Energy Park from leading superannuation fund Hostplus, which is participating via an Octopus Australia-managed platform. The Hostplus investment represents a pioneering investment by a super fund in an early-stage renewable energy project. The Gippsland Renewable Energy Park is a multi-staged project and will investigate the deployment of various technologies at utility scale, including solar, wind, battery storage and the potential of green hydrogen[1].

Relectrify

$4.4m

CEFC commitment

The CEFC has committed $4.4 million to Melbourne-based Relectrify, including a $1.15 million follow-on commitment in the reporting year. Relectrify has developed breakthrough technology in battery control, which results in up to 30 per cent increased battery lifetime and a 30 per cent decline in the cost of electronics. The successful 2021–22 growth investment round also attracted support from a consortium of global energy investors and leading energy companies. Relectrify was named Asia Pacific Company of the Year in the 2022 Global Cleantech 100 list. Its solutions have attracted interest from global energy storage manufacturers, power utilities, VW Group Germany and Nissan US. The CEFC follow-on investment is through the Clean Energy Innovation Fund. Refer to Appendix H.

1. Transaction announced in the 2021–22 year; value of commitment included in 2020–21 year data.

Waste and bioenergy

CEFC context

Creating clean fuel sources, cutting waste emissions, embedding the circular economy

Australia's waste and bioenergy sectors are diverse and relatively under-developed compared with other markets, whether in the context of bioenergy and biofuels production, waste and landfill management or recycling and resource recovery. CEFC investments in the sector have focused on bringing innovative and first-in-class finance models to market, to accelerate the deployment of established technologies in the Australian context. Innovative CEFC financing structures are proving particularly important in the development and delivery of complex large-scale waste management and recycling facilities.

$430m

CEFC lifetime investment commitment

Market context

Waste: Analysis by the respected Ellen MacArthur Foundation estimates only 55 per cent of the global emissions challenge can be solved by renewable energy and energy efficiency. The remaining 45 per cent needs to be addressed via circular economy principles governing the way we make and consume products and food. A PwC report, *Building a more circular Australia*, estimates that by adopting a circular economy model, Australia could generate $1.86 trillion in direct economic benefits over 20 years and abate 165 million tonnes of CO_2-e by 2040. By re-using and recycling materials, manufacturing and agricultural processes can avoid higher embodied carbon "virgin" input materials. Recycling also supports 9.2 jobs per 10,000 tonnes of material recycled, compared with 2.8 jobs per 10,000 tonnes disposed to landfill.

Bioenergy: Bioenergy can play a key emissions reduction role in the hard-to-abate industrial and transport sectors by providing lower emissions energy solutions, including in the critical area of biofuels, as an alternative to high emissions aviation fuels. Bioenergy can also drive more effective waste management, diverting waste from landfill and repurposing it as an alternative lower emissions fuel. The ARENA Bioenergy Roadmap forecasts the sector could contribute an additional $10 billion to Australia's GDP annually within the coming decade. This would create 26,200 jobs, reduce emissions by about nine per cent, divert an extra six per cent of waste from landfill and enhance fuel security.

~165 Mt CO_2-e

Potential abatement to 2040 via circular economy model

Scipher Technologies

$7.5m

CEFC commitment

ESG factors

- Resource efficiency and circular economy
- Local job creation and socioeconomic impacts
- Industry engagement and collaboration

In its first investment in e-waste recycling solutions, the CEFC is backing Australian e-waste recycler Scipher Technologies to increase its processing capacity by investing in new and upgraded recycling infrastructure. Scipher is targeting direct emissions abatement of more than 20,000 t CO_2-e annually by increasing its processing ability and extending its capacity to mobile phones, lighting equipment, large household appliances and solar panels. E-waste recycling is a relatively under-developed part of Australia's waste and recycling sector. This investment was made via the Australian Recycling Investment Fund. Refer to Appendix H.

Samsara Eco

$4.10m

CEFC commitment

ESG factors

- Resource efficiency and circular economy
- Industry engagement and collaboration
- ESG performance

Samsara Eco has won the backing of the CEFC to tackle the traditional limitations of plastics recycling, allowing plastics to be recycled infinitely using an enzyme that dramatically accelerates the breakdown of plastic. The manufacture of plastics is a significant source of carbon emissions, in part due to the fossil fuels used during the extraction and transportation processes. Current approaches see only about nine per cent of plastics recycled, creating a major global pollution challenge. Samsara Eco also attracted investment from CSIRO's Main Sequence and W23, the Woolworths venture capital and innovation fund. The CEFC investment in Samsara Eco is via the Clean Energy Innovation Fund. Refer to Appendix H.

Investing across the economic landscape

Investing in low emissions solutions in property, infrastructure, industry, natural capital and resources can deliver benefits right across the economy, from lower energy consumption to alternative approaches to production, reducing demand on the energy network and abating carbon emissions.

- Property
- Infrastructure
- Natural capital
- Industry and resources

Property

CEFC context

A greener future for landmark industrial, commercial and residential assets

The CEFC is an active investor across the property sector. This extends from commercial office, retail and industrial segments through to alternative and emerging asset classes, including student housing, retirement living and residential markets. The CEFC also invests across the capital stack, using debt and equity instruments. CEFC cornerstone investments in new property funds continue to demonstrate the positive link between financial returns and ESG outcomes. In order to optimise emissions performance and achieve long-term sustainability targets, the CEFC operates as a "patient" investor, recognising there are opportunities to reduce emissions across the investment lifecycle, from the development approval process to design, procurement and construction, then finally into operations.

$1.92b

CEFC lifetime investment commitment

Market context

Buildings account for more than 50 per cent of electricity consumption in Australia and contribute up to 25 per cent of national greenhouse gas emissions

Prime-grade assets held by institutional investors have made significant progress towards achieving net zero emissions, including those supported by the CEFC. However further investment and innovation is required in secondary-grade assets, particularly in the areas of building electrification, lowering tenant emissions and reducing embodied carbon. Analysis from the ClimateWorks Centre suggests that the property sector has the potential to reduce emissions by up to 73 per cent below 2020 levels by 2030, and approach full electrification across residential and commercial buildings by 2040.

~25%

Share of national emissions

Metro

$54m

CEFC commitment

ESG factors

- **Industry engagement and collaboration**
- **Community connection**
- **Local job creation and socioeconomic impacts**

A new 8-star housing development featuring the latest clean energy technologies, including low carbon concrete, is leading the way in showing how green design can help home buyers embrace the benefits of energy efficient living. Melbourne's Northcote Place, developed by Metro, has an average 8-star NatHERS rating, a level achieved by less than two per cent of new homes. The homes include a range of features, such as all-electric induction cooking, heat pump hot water, rooftop solar systems with the option to add battery storage, wiring to be electric-vehicle ready, and rainwater tanks connected to both toilets and laundries. The homes also feature Holcim ECOPact, a low carbon concrete that reduces embodied carbon by 30–60 per cent.

Forza Capital

$30m

CEFC commitment

ESG factors

- **Climate risk disclosure**
- **Industry engagement and collaboration**
- **Local job creation and socioeconomic impacts**

A 25-year-old B-grade commercial office building in Brisbane's CBD will be refurbished to cut emissions by as much as 55 per cent, achieving higher energy standards than many new properties. The 200 Creek Street building will undergo equipment and building services upgrades, including a combination of energy efficiency, renewable energy and energy conservation technologies and practices. The work will lift the building to a 5.5 star NABERS rating, a performance achieved by just six per cent of commercial office buildings Australia-wide. A significant portion of buildings anticipated to be standing in 2050 have already been built. Improving the energy performance of buildings is widely regarded as one of the most cost-effective ways of delivering reductions in carbon emissions and lowering energy consumption.

Infrastructure

CEFC context

Transforming key national social, economic and transport assets

Australia's progress in cutting emissions will be influenced by how fast and well we can tackle those areas of economic activity where emissions are hardest to abate, including infrastructure, transport, telecommunications and, increasingly, data centres. These sectors account for a significant portion of Australia's total greenhouse gas emissions. A key factor in achieving efficient, rapid and wide-scale decarbonisation is collaboration between asset owners and infrastructure users, together with industry. CEFC investments are supporting the decarbonisation of some of Australia's most important infrastructure assets. With global emissions from data centres already surpassing those of aviation, these are expected to double between 2020 and 2025, the CEFC is increasingly looking at this asset class as an investment priority.

$1.15b

CEFC lifetime investment commitment

Market context

The infrastructure sector accounts for a substantial portion of Australia's total greenhouse gas emissions, driven largely by fossil fuel consumption in energy generation and passenger and freight transport

According to analysis from the ClimateWorks Centre, infrastructure influences 15 per cent of Australia's emissions directly and 55 per cent indirectly. As institutional investors increasingly consider ESG factors in their investment decisions, infrastructure owners face new challenges in the way they manage the energy profile of their assets. CEFC finance supports best practice and market leading design, construction and operations. While proven technology solutions and operating models are available to cut emissions and lift productivity, considerable challenges remain, particularly in transport emissions. Infrastructure assets are often long-lived and provide critical services for modern societies. These assets offer significant potential for emissions abatement. Improvements made to existing asset operations, and efficiencies implemented at the design and construction stages, provide ongoing benefits.

~70%

Infrastructure share of national emissions, ClimateWorks

QIC Global Infrastructure Fund

$72.16m

CEFC commitment

ESG factors

- Climate risk disclosure
- Industry engagement and collaboration
- ESG performance

The QIC Global Infrastructure Fund is accelerating its trajectory to net zero emissions across its core infrastructure assets. The fund is seeking to halve its Scope 1 and 2 emissions by 2030 from a 2020 baseline, and has a 2040 net zero emissions target. The scale and diversity of its portfolio allows the fund to benefit from the deployment of a broad range of clean energy technologies across its 11 core and core-plus infrastructure assets, which span energy, transport and social infrastructure.

Zenobe

$24.53m

CEFC commitment

ESG factors

- Industry engagement and collaboration
- Climate risk disclosure

Australia's first electrified bus fleet, owned by Zenobe and Transgrid, is driving down vehicle noise and emissions in Sydney. The introduction of 40 electric buses will be supported by battery packs, fast-charging infrastructure and software, stationary battery energy storage and rooftop solar at the Leichhardt bus depot in Sydney, Australia's first fully integrated electric bus depot. Investment in the buses is expected to save 2,600 t CO_2-e annually and up to 39,000 t CO_2-e over the expected lifetime of the equipment.

Natural capital

CEFC context

Re-positioning Australian natural capital for a regenerative and sustainable net zero future

The CEFC is building on its longstanding focus on agriculture-related emissions with a broader focus on natural capital. This reflects both the complexity and particular urgency of improving the sustainability and competitiveness of the Australian agriculture sector, in conjunction with measures to regenerate and improve land, water and biodiversity. CEFC investments in natural capital range from providing discounted finance for smaller-scale energy efficiency and renewable energy improvements in agriculture production, to large-scale investments in specialised funds, notably across the cropping and livestock sectors. Increasingly, the CEFC is focusing on soil carbon opportunities, particularly through the Clean Energy Innovation Fund with its specialist focus on cleantech start-ups. CEFC investments in the sector saw the CEFC named Global Sustainable Investor and Asia Pacific Institutional Investor of the year in the 2021 Agri Investor Awards. The awards recognise CEFC leadership in driving investment towards sustainability-focused, low carbon agriculture.

$270m

CEFC lifetime investment commitment

Market context

According to the global Taskforce on Climate-related Financial Disclosure, more than half the world's economic output, representing some US$44 trillion of economic value generation, is moderately or highly dependent on nature

This includes agriculture-based activities and their associated revenues, as well as the value of biodiversity, ecosystems and soil carbon. In Australia, natural capital is dominated by the agriculture sector, which accounts for 55 per cent of Australia's land use, across diverse conditions and a highly variable climate. The value of agricultural production increased 19 per cent in the past 20 years in real terms, and is expected to reach a record $73 billion in 2021–22, due to better than expected seasonal conditions and prices. While this is positive for the sector, and the broader economy, the Australian Bureau of Agricultural and Resource Economics and Sciences has highlighted longer term concerns about the impact of climate change on agriculture production, noting annual farm profits had fallen 23 per cent in 2001–2020 relative to 1950–2000. Over the same period, the risk of very low farm returns due to climate variability had essentially doubled, from a one in 10 frequency to more than one in five.

>50%

Share of global economy moderately or highly dependent on natural capital

Paraway Pastoral

$75m

CEFC commitment

ESG factors

- Climate risk disclosure
- Industry engagement and collaboration
- ESG performance

Paraway Pastoral, one of Australia's largest pastoral operators, has committed to implement a range of initiatives to achieve a 30 per cent reduction in its emissions intensity by 2030, aligned with the principles of the Global Methane Pledge. Operating 28 pastoral and cropping farms across some 4.5 million hectares, across Australia, Paraway as the capacity to run more than 220,000 cattle and 250,000 sheep, as well as a mixture of dryland and irrigated cropping. The CEFC commitment, through an agricultural fund managed by Macquarie Asset Management, aims to cut methane and on-farm emissions. This transaction closed just after year end.

Wyuna Regenerative Ag

$30m

CEFC commitment

ESG factors

- Climate risk disclosure
- Industry engagement and collaboration
- First Nations peoples and social engagement

The Wyuna Regenerative Agriculture fund will use a regenerative farming model to support carbon sequestration alongside red meat production. The Fund will aggregate and operate farm assets across NSW and Queensland, transforming landscape outcomes and creating Australian Carbon Credit Units through its regeneration projects. Co-investors include global industrial property company Goodman Group and private equity firm GreenPoint Group. Wyuna will work with natural capital and carbon farming advisors to develop robust measurement techniques to improve biodiversity regeneration outcomes. Soil carbon measurement will be used to enhance sustainable land management techniques.

Downforce Technologies

$1.62m

CEFC commitment

ESG factors

- Industry engagement and collaboration
- Local job creation and socioeconomic impacts

Downforce Technologies has developed an innovative technology solution to cut the cost of measuring and monitoring soil health and carbon levels, a key component in cutting land-based emissions. Investor interest in the technology enabled Downforce to close a $3.2 million seed capital raise, so it can continue the development and growth of its globally-scalable platform. The unique approach to measuring soil organic carbon was described as a "novel and highly effective platform" in an independent validation by the Chief and Founding Editor of the International Journal of Agricultural Sustainability, Professor Jules Pretty. This investment was made through the Clean Energy Innovation Fund. Refer to Appendix H.

Industry and resources

CEFC context

Tapping into Australia's emerging critical minerals while cutting manufacturing, industrial and mining emissions

The CEFC is developing new financing solutions for heavy industry and resources, to capitalise on their outsize potential to cut emissions, while supporting their continued contribution to the national economy in the transition to net zero emissions. Manufacturing produces more than 11 per cent of Australia's direct emissions, with some 45 per cent of this coming from the manufacture of commodities. The 2021–22 year saw the CEFC complete two of its largest ever emissions-reduction transactions, working with substantial manufacturers to transform production processes. In addition, the CEFC has a strong focus on the resources sector, where mining-related emissions have increased at almost double that of the services, construction and transport sectors collectively. The CEFC sees substantial investment opportunities through the decarbonisation of existing mining operations, alongside efforts to accelerate the development of the critical minerals sector, which is central to the clean energy supply chain.

$266m

CEFC lifetime investment commitment

Market context

The substantial task of cutting emissions across the manufacturing and resources sectors is well recognised, due to its heavy reliance on fossil fuels as both a heat and transport energy source

However, fuel security issues, technology improvements and the relatively lower cost of renewable energy are challenging the status quo, together with escalating investor demand for substantial improvements to the emissions profile of their assets. Work by the Australian Industry Energy Transitions Initiative (ETI) found that Australia's industrial regions contribute significantly to the national economy but are also significant producers of hard-to-abate emissions. The ETI, which brings together industry and business leaders including the CEFC, forecast the potential to cut emissions by as much as 88 per cent in just five major industrial zones – including the Pilbara, Kwinana, Hunter, Illawarra and Gladstone. This is the equivalent to 70 Mt CO_2-e of abatement, or removing all emissions from cars and light commercial vehicles across Australia. To achieve this level of abatement, investment in these regions and enabling infrastructure required would be in the order of \$50 to \$100 billion. The required renewable energy infrastructure, green hydrogen and energy storage has the potential to create job opportunities for 178,000 to 372,000 Australians.

~70 Mt CO_2-e

Potential abatement in five of Australia's industrial regions

Orica

$25m

CEFC commitment

ESG factors

- Climate risk disclosure
- Industry engagement and collaboration
- ESG performance

A pioneering CEFC investment in the manufacturing sector will reduce emissions of a greenhouse gas by deploying proven technology in an Australian-industry first. The investment will enable manufacturer Orica to upgrade processing plants used in the production of ammonium nitrate with technology designed to abate nitrous oxide emissions. It is the first major direct investment by the CEFC in the manufacturing sector and represents one of the largest single abatement projects financed by the CEFC. It aims to eliminate more than 567,000 tonnes per annum of CO_2-e through the abatement of nitrous oxide, a greenhouse gas that is 265 times more potent than carbon dioxide. Tertiary nitrous oxide abatement technology will be installed in three nitric acid plants at Orica's Kooragang Island facility in NSW, the first time the technology has been used in Australia.

Manildra

$85m

CEFC commitment

ESG factors

- Industry engagement and collaboration
- Local job creation and socioeconomic impacts

Australia's largest wheat processor and ethanol manufacturer will take a significant step toward reducing its greenhouse gas emissions. Manildra Group is transforming the way it generates steam and electricity, eliminating coal from its energy mix and replacing it with a gas-fired cogeneration plant. Installation of the combined heat and power plant is a further stage in the Manildra Group transition to low carbon manufacturing. The company will actively investigate green hydrogen to power the plant in the future, as well as more conventional renewable energy sources as the electrification of industrial steam production becomes more economic. The installation of cogeneration technology is expected to reduce emissions at the energy-intensive plant by about 40 per cent, abating an estimated 332,000 t CO_2-e annually.

Industry and resources continued

3ME Technology

$5m

CEFC commitment

ESG factors

Industry engagement and collaboration

Local job creation and socioeconomic impacts

3ME Technology is developing cutting-edge battery electric systems to electrify mining operations and replace diesel engines. 3ME is scaling up production of its Bladevolt battery system, which focuses on meeting the very high safety and operating demands of heavy vehicles used in the Australia's resources sector. The technology can be retrofitted into a range of vehicles, from small utilities to very large production vehicles, to help accelerate the electrification of mining vehicles and provide substantial opportunities for emissions reduction. In 2022, 3ME was recognised as a top five innovator in the mining, agriculture and utilities sector by the *Australian Financial Review* Boss Magazine.

Novalith

$1.91m

CEFC commitment

Novalith is an Australian climate technology start-up targeting the global lithium market with ground-breaking Australian-made processing technology that could revolutionise the global battery supply chain. Lithium is a key component of rechargeable batteries, used to electrify transport and decarbonise energy markets. The Novalith process for extracting lithium consumes carbon dioxide as a re-agent. This reduces emissions, eliminates the need for conventionally consumed chemicals and minimises waste. The approach also negates the need for extensive offshore processing, enabling Australian-produced lithium ore to be processed closer to mine sites, further strengthening the sustainability of the supply chain. This investment was made through the Clean Energy Innovation Fund. Refer to Appendix H.

Tapping into new investment models and opportunities

Developing new financial markets and products, building investor confidence and crafting tailored and innovative investment solutions for new and emerging industries to help Australia meet the challenges of decarbonisation and create a strong low emissions economy of the future.

- Debt markets
- Alternatives
- Hydrogen
- Cleantech innovation

Debt markets

CEFC context

Australian-first climate bonds, green home loans, electric vehicle and asset finance programs

The CEFC has an active role in shaping the emissions transition of Australia's sizeable debt markets. Tailored CEFC asset finance programs, developed with co-financiers, have contributed to the growth in discounted green finance products for smaller-scale agriculture, business, manufacturing, property and vehicle loans. CEFC investments have also helped drive the growth of Australia's important green and sustainability-linked bond market and the emergence of innovative securitisation models to kick-start the green home loans and electric vehicle markets. Market participants, including the CEFC, are increasingly looking to develop clear standards and frameworks to underpin the integrity of these instruments. In 2022, this saw the CEFC lead the creation of a Market Guideline on ESG Disclosure for the Australian Securitisation Forum, the leading industry body representing participants in the securitisation and covered bond markets. Over time, the Market Guideline is expected to drive a meaningful uplift in reporting and disclosure standards across the market.

$2.66b

CEFC lifetime investment commitment

Market context

The heightened focus on net zero emissions is seeing sustainability-themed issuances gain momentum, with issuers and investors increasingly including ESG considerations in their investment portfolios, policies and due diligence processes

Globally, BloombergNEF reported sustainable debt issuances reached US$1,605 billion in 2021–22, up 16 per cent on the previous year and reflecting post-pandemic market recovery. Overall, sustainable debt issuances in Australia reached US$42 billion (AU$61 billion) in the reporting year, a lift of 137 per cent, with the Australian market catching up on global trends towards sustainable finance. Sustainability-linked loans led issuances in the Australian market in 2021–22, at US$19 billion (AU$28 billion), up 265 per cent, evidence Australian issuers are recognising the substantial opportunities of this investment class. The Climate Bonds Initiative is forecasting continued market development, with an increase in adaptation and resilience-related issuances, as well as sovereign sustainability bonds. Renewable energy and low carbon–related technologies are expected to continue to dominate sustainability issuances, with investors also likely to increase their evaluation of the quality and clarity of issuers' net zero transition strategies. The global development in ESG taxonomies is expected to continue in 2022–23.

US$1,605b

Global sustainable debt issued: 2021–22

ANZ

$200m

CEFC commitment

ESG factors

- **Industry engagement and collaboration**
- **Resource efficiency and circular economy**
- **Reef catchment**

ANZ is expanding its specialist clean energy asset finance program for business customers, drawing on an additional $200 million investment commitment from the CEFC. The CEFC and ANZ will each contribute 0.25 per cent toward a 0.5 per cent discount per annum on loans for best-in-class measures to cut emissions. In an important innovation, at least 10 per cent of the CEFC finance will be directed towards eligible recycling equipment, to strengthen waste processing and resource recovery operations to reduce landfill emissions. The CEFC previously committed $250 million in two tranches to the ANZ clean energy asset finance program, which have delivered $66 million to agriculture-related investments, $31 million to manufacturing and almost $22 million to mining, among others.

Plenti

$45m

CEFC commitment

ESG factors

- **Industry engagement and collaboration**

The CEFC continues to develop new financing models to support the uptake of electric vehicles in Australia, which lags comparable markets. In 2021, just two per cent of cars sold in Australia were electric vehicles, despite half of all Australians expecting their next car purchase to be an electric vehicle. CEFC finance options have included developing operating leases, personal loans and finance leases through a wide range of financiers, including major banks, non-bank lenders and specialist financiers. In the 2021–22 year, the CEFC extended this support, working with consumer finance provider Plenti to deliver discounted finance to business and individual customers for the purchase of electric vehicles, plug-in hybrid electric vehicles and associated products, including electric vehicle chargers. The CEFC investment in an asset-backed securitisation is supporting the Plenti EV program that has finance of up to $100,000 for creditworthy borrowers.

Debt markets continued

NBN Co

$50m

CEFC commitment

ESG factors

- **Climate risk disclosure**
- **First Nations peoples and social engagement**
- **ESG performance**

NBN Co is the first Australian telco or government business enterprise to issue a green bond, raising $800 million to finance a range of energy efficiency and renewable energy projects. NBN Co has committed to a *Towards-Zero Carbon Ambition*, which includes an initial three-year pathway to substantially reduce annual energy use, achieve 100 per cent renewable electricity and switch to electric or hybrid vehicles where possible. NBN Co has also committed to set science-based emissions reduction targets via the global Science Based Targets initiative. The CEFC was a leading investor in the bond, demonstrating support for a new market entrant.

Optus

$60m

CEFC commitment

ESG factors

- **ESG performance**
- **Climate risk disclosure**

Optus is the first telecommunications company to issue a sustainability-linked bond in the Australian market. Sustainability-linked bonds allow companies to raise funds for a range of ESG purposes, without specifying individual capital expenditure projects. Instead, issuers pledge to improve their ESG performance against agreed sustainability targets, with these commitments directly linked to the coupon paid to investors. Where targets are not met within agreed timeframes, the coupon increases until the bond matures.

Artesian

$25m

CEFC commitment

ESG factors

- **Community connection**
- **ESG performance**
- **Climate risk disclosure**

The Artesian Green and Sustainable Bond Fund invests in a diversified portfolio of liquid, investment-grade fixed and floating rate green, sustainable and social corporate bonds. The first corporate-focused green bond fund developed by Artesian, the fund also counts Future Super as an investor. A feature of the fund will see sustainable metrics integrated into the investment research process, to improve impact reporting and increase the volume of labelled bond issuance, where investor demand exceeds supply.

Alternatives

CEFC context

Mobilising new sources of private investment via listed, unlisted and private funds

The CEFC is building a diverse portfolio of alternative investment products to broaden its reach into areas of the economy with the potential for significant emissions reduction. The approach reflects the complexity of decarbonisation at the sector-specific level and the need for a variety of investment approaches and technology solutions. As an equity investor, the CEFC is able to increase decarbonisation ambition levels through active engagement in asset selection and development, emissions management and reporting. CEFC investments in the alternatives space include large-scale institutional funds, backing for specialist new emissions-focused funds and expanding our involvement in private equity as a means of addressing the carbon footprint of mid-market companies. The CEFC is also seeking to expand impact and natural capital investment solutions, as well as invest in the development of Australia's carbon markets, where investable solutions are relatively immature. Refer to page 76.

$353m

CEFC lifetime investment commitment

Market context

Achieving net zero emissions is becoming the "new normal" for investors, lenders, customers, and regulators, as reflected in latest responsible investment data showing a 12-month $298 billion lift in the value of responsible assets under management in Australia

According to the Responsible Investment Benchmark Report Australia 2022, Australia's responsible investment market reached a record $1.54 trillion in assets under management in 2021, up from $1.28 trillion a year earlier. The increase in investment size was reflected in an increase in market share, which lifted to 43 per cent of the total market of professionally managed funds, up from 40 per cent the previous year.

While there is a mid-term focus on achieving net zero emissions by 2050, markets are facing increasing pressure to meet substantial nearer term goals, including halving emissions by 2030. In parallel, regulators across multiple jurisdictions are moving towards mandatory sustainability reporting. These factors are shaping alternative investment products, across listed, unlisted and private equity funds, as well as the emerging areas of natural and impact capital investments. Alternative investment products are uniquely positioned to drive the transition to net zero emissions, given their scale and scope, unique asset-level ownership stake and governance rights.

$1.54tr

Value of Australian responsible assets under management

IFM Investors

$80m

CEFC commitment

ESG factors

- Climate risk disclosure
- Industry engagement and collaboration
- ESG performance

The IFM Investors Private Equity Growth Partners Fund invests in and supports Australian-based mid-market growth companies. Investments will target growth companies that have the potential to facilitate widespread emissions reduction through their products and services, or through their own business operations. The Fund approach includes measuring the carbon footprint of each investee company at the point of acquisition, with a view to achieving net zero Scope 1 and 2 emissions within five years.

Ellerston Capital

$50m

CEFC commitment

ESG factors

- Industry engagement and collaboration

The Ellerston 2050 Fund backs small to mid-sized companies that develop technology and solutions critical to achieving net zero emissions. The open-ended wholesale fund, managed by Ellerston Capital, is aiming to deliver expert capital to accelerate the growth of this emerging asset class, enabling small- to mid-sized companies to capture the economic benefits of the transition to net zero, while contributing to economy-wide emissions reduction. The CEFC investment sits alongside backing from Qantas Super.

Xpansiv

$20m

CEFC commitment

The Xpansiv global marketplace is an innovative centralised platform that allows buyers and sellers to trade ESG-inclusive commodities as part of their emissions reduction strategies. The platform provides major Australian and global corporates with access to some $10 billion in registered assets, including carbon offsets, renewable energy certificates and differentiated fuels. Market expansion will see Xpansiv develop, register, transact and price ESG commodities, using a combination of organic growth initiatives and strategic acquisitions.

Hydrogen

CEFC context

Kick-starting Australia's green hydrogen economy for global potential

Australia has strong comparative advantages in renewable hydrogen, with significant high-quality renewable energy resources, a trusted position in global energy markets, good proximity to key global markets and attractive institutional investment conditions. Reflecting its strong track record in developing Australia's renewable energy and large-scale battery storage sectors, the CEFC is seeking to encourage emerging investor interest in hydrogen where economic returns do not yet achieve investor benchmarks. This includes identifying opportunities to attract large-scale institutional capital by proving up risks to allow the market to move to larger-scale projects.

$23.25m

CEFC lifetime investment commitment

Market context

Green hydrogen has an important role to play in decarbonising hard-to-abate areas of the global economy, including heavy transportation, aviation and shipping

Equally, the chemicals, steel and heavy industrial sectors are increasingly looking to green hydrogen as a viable alternative to fossil fuels.

The International Energy Agency reported global hydrogen demand of 90 Mt in 2020, with encouraging signs of market progress. Global capacity of electrolysers doubled to just over 300 MW in the five years to mid-2021, with a potential pipeline of almost 90 GW under development. If all those projects are realised, global hydrogen supply from electrolysers could reach more than 8 Mt by 2030. While significant, this is still well below the 80 Mt required by that year in the pathway to net zero CO_2 emissions by 2050 set out in the IEA Roadmap for the Global Energy Sector. Geoscience Australia has found that the identified coastal land suitable for hydrogen production in Australia could more than meet the expected 2050 global demand for renewable hydrogen.

~$250b

Geoscience Australia forecast investment requirement

Ark Energy

$12.5m

CEFC commitment

ESG factors

Industry engagement and collaboration

Reef catchment

Ark Energy is developing the SunHQ H2 Hydrogen Hub in Townsville, which will include a 1 MW PEM hydrogen electrolyser, compressors, storage and refuelling infrastructure. With a maximum annual production capacity of 155,000 tonnes of green hydrogen, the hub will play a key role in allowing the Sun Metals Zinc Refinery to become the first in the world to produce green zinc. The hub can also supply green hydrogen to a range of customers, offering the potential for third-party decarbonisation. The CEFC commitment also finances five purpose-built, 140-tonne rated, zero emission hydrogen fuel cell electric trucks, to be provided by Hyzon Motors. The trucks will transport zinc concentrate and ingots between the refinery and the Port of Townsville. The CEFC investment was made through the Advancing Hydrogen Fund.

Hysata

$10.7m

CEFC commitment

ESG factors

Industry engagement and collaboration

Local job creation and socioeconomic impacts

The CEFC has invested a further $10 million in Australian innovative Hysata as part of its Series A round to accelerate the development of its advanced electrolyser technology. Hysata attracted support from renowned global investors in the $42.5 million funding round, which was oversubscribed. Hysata's innovative technology, based on University of Wollongong research, aims to produce hydrogen more efficiently and accelerate the development of Australia's emerging hydrogen industry. Research published in scientific journal *Nature Communications* in 2022 confirmed Hysata's capillary-fed electrolysis cell could produce green hydrogen from water at 98 per cent cell energy efficiency, significantly better than existing electrolyser technologies, thus enabling a hydrogen production cost well below A$2/kg. The CEFC $10 million follow-on investment closed just after 30 June 2022. It was made through the Clean Energy Innovation Fund. Refer to Appendix H.

Cleantech innovation

CEFC context

Supercharging investment in our cleantech future

The Clean Energy Innovation Fund is the largest dedicated cleantech venture capital investor in Australia, drawing on CEFC finance and expertise to invest in innovative businesses focused on reaching net zero emissions. The Innovation Fund invests in companies with experienced and capable management teams, a competitive edge in technology and innovation, and the potential for both domestic and global market application of their technologies and solutions. It aligns these companies with cleantech investors, who are motivated by the positive environmental impact of cleantech innovation, as well as commercial potential and robust business fundamentals. Refer to Appendix H.

Market context

The transition to a net zero economy is creating enormous opportunities for new technologies, new business models and rapid innovation and commercialisation

Opportunities exist across all areas of the economy, particularly in the high impact areas of renewable and distributed energy, mobility and smart cities, food and agriculture and new approaches to manufacturing and recycling. With no single solution to the complex challenge of economy-wide emissions reduction, Australia's cleantech innovators and entrepreneurs are part of a global race to capitalise on the sustainable economy of the future.

$163m

CEFC lifetime investment commitment

49

New and follow-on transactions

Clean Energy Innovation Fund portfolio in detail

The Innovation Fund achieved lifetime investment commitments of $163 million to 30 June 2022, including direct and follow-on investments in 49 transactions. Significantly, CEFC investments through the Innovation Fund have catalysed an additional $3.17 in private sector investment for each $1.00 of CEFC investment, delivering total lifetime transaction value of almost $656 million to 30 June 2022.

Lifetime commitments through the Innovation Fund have included $108 million in initial CEFC investment to 25 individual companies, complemented by a further $55 million from the CEFC through follow-on commitments to support continued growth.

The Innovation Fund added six companies to its portfolio in the 2021–22 year, with new investments of $11.3 million. It also made follow-on investments of $34.1 million to 10 existing portfolio companies, with strong participation in ongoing capital raisings supporting company growth. Private sector leverage for the period was $4.45 for each dollar of CEFC capital invested. The comparatively higher leverage in the 2021–22 year reflects strengthening investor interest in cleantech start-ups in the context of the heightened ambition to achieve net zero emissions.

With reserving for follow-on investments in existing portfolio companies, the CEFC expects to deploy more than the notional $200 million originally allocated to the Innovation Fund. The scale and strength of the CEFC balance sheet will see the CEFC continue to invest in the cleantech sector, drawing on capital from the CEFC core fund and/or investing through Virescent Ventures. This flexibility and collaborative approach demonstrates the strength of our continuing commitment to the cleantech sector.

Figure 1: Innovation Fund investment commitments: 2021–22

	$m
New commitments	
Novalith	1.91
All G Foods	5.00
Samsara Eco	0.75
Downforce Technologies	1.62
MicroTau	2.00
Follow on commitments	
Relectrify	1.15
Loam Bio	4.16
Zoomo	4.99
JET Charge	6.03
Greensync	0.15
Zen Ecosystems	0.95
Gridcognition	0.63
Samsara Eco	3.35
Morse Micro	3.00
Sunman Energy	9.69

Cleantech innovation continued

All G Foods

$5m

CEFC commitment

ESG factors

- **Industry engagement and collaboration**
- **Local job creation and socioeconomic impacts**

All G Foods is an Australian company at the forefront of developing new plant-based and alternative proteins to support sustainable food production. Alternative proteins are an important way to reduce food-related emissions because they have a relatively small carbon footprint. All G Foods is growing rapidly through retail and foodservice distribution throughout Australia. The company launched BUDS plant-based burgers in September 2021 and is working on precision fermentation technology to develop dairy proteins. This investment was made through the Clean Energy Innovation Fund. Refer to Appendix H.

MicroTau

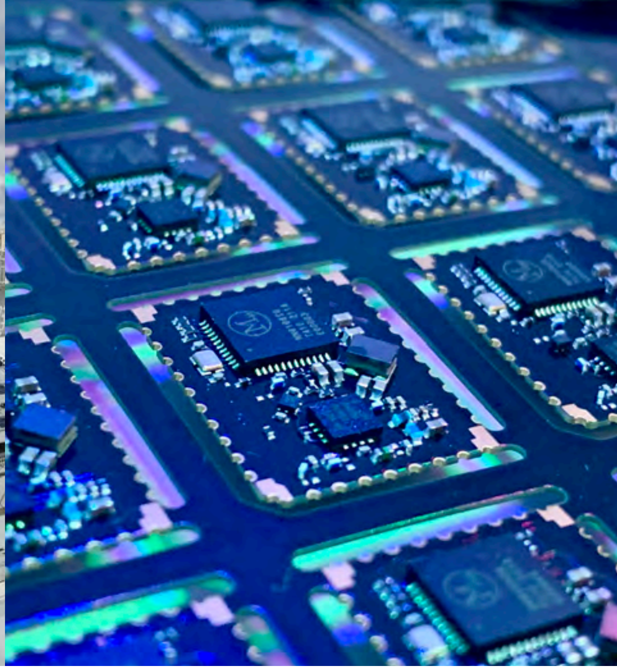
$2m

CEFC commitment

ESG factors

- **Local job creation and socioeconomic impacts**

Australian advanced manufacturing company MicroTau is bringing an innovative solution to aviation and shipping emissions. The company has developed a lightweight film product modelled on shark skin that can be applied to the surface of aircraft, reducing drag, improving fuel efficiency and cutting emissions. The film has the potential to be a cost-effective, scalable solution that can be retrofitted to existing aircraft. The film, which can be applied during scheduled aircraft maintenance, has the potential to deliver as much as 225 million t CO_2-e abatement annually. This investment was made through the Clean Energy Innovation Fund. Refer to Appendix H.



Sunman

$9.7m

CEFC follow-on commitment

Leading Australian solar innovator Sunman completed a successful Series C capital raising in the 2021–22 year, including an additional $9.7 million investment from the CEFC through the Clean Energy Innovation Fund. The CEFC has now invested almost $20 million in Sunman, representing the largest investment to a single company through the Innovation Fund since we began investing. Sunman is led by pioneering energy scientist and entrepreneur Dr Zhengrong Shi. Through the research and development of composite materials, Sunman has successfully commercialised the world's first glass-free, lightweight and flexible solar panel, the eArc. Sunman describes the eArc panels as a flexible "solar skin", which is 70 per cent lighter and up to 95 per cent thinner than conventional panels. Installation time on site is also reduced by 40 per cent.

Morse Micro

$3.0m

CEFC follow-on commitment

Australia's largest semiconductor maker, Morse Micro, secured $140 million in a Series B capital raising, led by Japanese chip giant MegaChips with backing from a number of other experienced investors. The raising, which closed just after year end, will allow Morse Micro to accelerate the manufacture and distribution of its energy efficient, long-range Wi-Fi HaLow chips. The capital raise included $3 million in CEFC finance, delivered via the Clean Energy Innovation Fund in 2021–22. This was followed by a further $5 million in CEFC capital completed just after year end, taking total CEFC investment in Morse Micro to $13.4 million. The Series B round represents the largest single capital raise by an innovation Fund portfolio company. The Morse Micro Wi-Fi HaLow chips can reach 10 times further than conventional Wi-Fi technology and boast ultra-low power consumption that can enable devices to run on a single battery for years.

Virescent Ventures

CEFC launches first specialist fund manager

The CEFC spearheaded the creation of its first specialist fund manager in 2021–22 to substantially increase the amount of investment capital available for cleantech start-ups.

Already Australia's largest specialist cleantech investor through the Clean Energy Innovation Fund, the CEFC is a foundation shareholder in Virescent Ventures, a new fund manager focused on investing in ambitious cleantech founders, technologies and businesses that can help achieve net zero emissions.

Virescent Ventures is co-owned by the CEFC and its founders, formerly senior executives with the Clean Energy Innovation Fund, including Executive Director Ben Gust and Investment Directors Kristin Vaughan and Blair Pritchard, all of whom have extensive investment experience in venture sector and cleantech in particular.

Virescent Ventures is targeting a capital raising for its first fund in 2022, with the CEFC expected to be a cornerstone investor alongside superannuation funds, strategic investors and large family offices.

It will seek investments that address the largest, hardest to abate sources of emissions, investing from pre-seed to late-stage growth, including in deep tech and business model innovations, software and hardware. These companies require patient capital from the earliest stages of their development, through to additional growth capital rounds and beyond.

In creating Virescent Ventures, the CEFC is continuing to lead the market in seeding a new Australian venture manager with an outstanding track record to facilitate additional private sector investment and growth in the cleantech sector.

Virescent Ventures will capitalise on the robust investment performance and experience of the Clean Energy Innovation Fund to bring much needed capital and specialist domain expertise into this critical part of our economy.

Virescent Ventures has also been appointed to manage the Innovation Fund portfolio on behalf of the CEFC given its long association with the portfolio companies.

Emissions impact meets commercial impact

Investment focus areas

Clean energy transition

Low cost renewables

Green hydrogen

Decentralised generation

Smart cities

Electrification

Multiple modes of transportation

Better built environment

Embodied carbon

Food and agriculture

Feeding more with less waste

Resilient soils

Digitisation

Regenerative agriculture

New food categories

Circular economy and industry

Redefining waste

Efficient production

New industrial processes

At Virescent Ventures we believe there's no need to choose between emissions impact and commercial impact. In the present decade, we will see companies born which remake the physical economy in the way the internet remade the digital economy.

Developing new markets

Across our first decade, the CEFC has worked to develop new market opportunities to accelerate investment into emissions reduction, across a diverse range of opportunities. This has seen the CEFC play a key role in the growth of Australia's sustainability-themed bond markets, as well as the provision of tailored co-finance programs for smaller-scale investments. These investment classes are both showing increased strength and maturity. Our commitment to the development of new market opportunities continued in the 2021–22 year, with particular areas of focus around impact capital, carbon markets and timber buildings.

Carbon markets

The CEFC is seeking to support the growth of the carbon market in Australia, targeting investments in high integrity carbon offsetting activities and infrastructure, as reflected in our investment in the Xpansiv global marketplace for ESG commodities. Refer to page 67. The CEFC has a strong track record in financing emerging low-emissions markets and aims to bring its finance and expertise to the carbon market in Australia, to enable it to achieve its full abatement potential. Carbon markets respond to the urgency of climate action, by enabling the reduction or removal of carbon emissions at scale right now, through offsets. Carbon offsetting activities, particularly those related to nature, can also deliver a wide range of co-benefits, such as protecting and restoring biodiversity and creating economic opportunities for regional areas. While carbon credits are an important component of the decarbonisation effort, the CEFC recognises that they are not the only component. Organisations participating in carbon markets should have a comprehensive plan to decarbonise their operations, and be able to demonstrate how carbon offsets form part of this plan.

~21%

Share of global emissions covered by carbon markets, *The Economist*

Impact capital

High-growth companies developing decarbonisation solutions can struggle to access sophisticated capital and the required expertise to scale rapidly. During the 2021–22 year, the CEFC responded to the need for additional risk capital with the creation of a targeted Impact Capital platform. With more than 20,000 companies generating revenue of between $10 million and $100 million annually, Australia has a deep pool of mid-sized businesses. Importantly, these businesses represent a source of potential climate products, technologies and solutions. In addition, they themselves are customers seeking to adopt emissions reductions strategies. Using a range of equity and equity-like investment models, the CEFC Impact Capital platform aims to catalyse investment in private markets that deliver financial and decarbonisation impact outcomes. This will include support for businesses as they scale up their operations and accelerate the commercialisation of low emissions business solutions that have demonstrated market acceptance and can capitalise on increasing demand from business, governments and consumers.

$10-100m

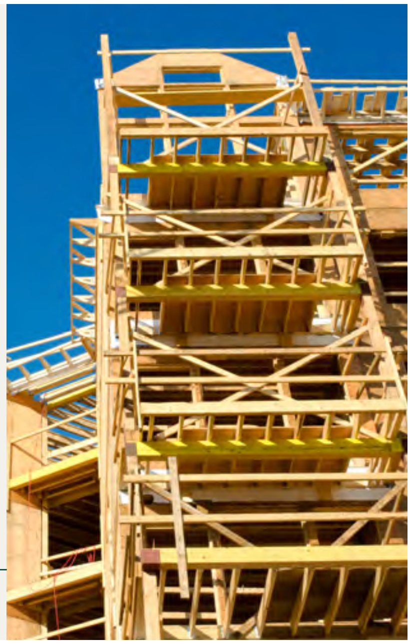
Australian mid-sized business revenues

Timber Building Program

Timber-framed medium- and high-rise buildings are growing in popularity across the world, offering a lower carbon footprint, fast build time and physiological benefits for the end user. Innovations in engineered wood products have created new opportunities for mass timber construction in larger projects, with immediate and long-term environmental benefits. While Australia's leading property companies continue to top international sustainability benchmarks, the challenge remains to extend this progress across the sector more broadly. Australia is seeing early adopters beginning to incorporate low carbon materials in their construction, with mass timber buildings under construction in several cities. The CEFC Timber Building Program aims to accelerate the use of mass timber construction in Australia, with the provision of tailored debt finance to eligible projects.

$300m

CEFC program



Sustainability-themed bonds

The CEFC has committed almost $870 million to 20 green or sustainability-themed bonds since we began investing, often participating as a cornerstone investor to underpin first-in-class issuances. The CEFC commitments contributed to $6.5 billion in the total value of sustainability-themed bond issuances, helping shape this specialist and fast-growing segment of the domestic market. Sustainability-themed bonds provide issuers with access to ESG-focused capital to finance a broad range of emissions reduction undertakings. Where aligned to credible global taxonomies, such as those of the Climate Bonds Initiative and the Science-Based Targets initiative, sustainability-themed bonds also give investors confidence about the integrity of these low emissions investment opportunities.

$870m

CEFC lifetime commitment

Co-finance programs

The CEFC has made lifetime commitments of $1.7 billion to 30 June 2022, via 12 providers through the well-established co-finance programs. This has seen lifetime deployment of $1.5 billion in CEFC capital, providing discounted finance for more than 39,500 eligible smaller-scale emissions reduction projects Australia-wide. Eligible projects range from small-scale rooftop solar and battery storage to energy efficient manufacturing and farm equipment, as well as improved building insulation, heating and cooling, demand management systems and low emissions or electric light vehicles. The co-finance programs provide cost-effective finance to incentivise borrowers to preference best-in-class clean energy assets when considering new equipment purchases, property fitouts 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. Similar co-finance programs, drawing on the CEFC model that preferences best-in-class low emissions technologies, have been developed by existing and new co-financiers, even without CEFC financial participation.

$1.7b

CEFC lifetime commitment

Building market capacity

As market participants increase their focus on net zero emissions, there is growing awareness of the complexity of the challenge – and the diversity of the solutions. Technology is rapidly evolving, as innovation drives production down the cost curve. Investment options are growing at scale, and becoming more diverse. Regulators, investors and consumers are demanding transparency and consistent emissions reporting. Drawing on our investment scope and experience, the CEFC seeks to play a leading role in these considerations.

First Nations investment screening

The CEFC First Nations investment screening approach was developed to better inform the CEFC investment decision-making framework with respect to First Nations considerations. The approach is structured around three critical areas: (1) identify First Nations considerations, (2) assess the likely impact of identified issues and (3) engage with relevant First Nations people to secure positive outcomes. In developing the approach, the CEFC benefited from the advice of First Nations representatives, government agencies, investors and industry participants. We were pleased to share our approach with other investors.

Industrial emissions

Setting up industrial regions for net zero: a guide to decarbonisation opportunities in regional Australia was released by the Australian Industry Energy Transition Initiative (ETI) in the reporting year. The ETI represents industry and finance participants, including the CEFC, and is committed to accelerating action towards net zero emissions. It examined emissions abatement opportunities in five industrial regions: Pilbara and Kwinana in WA, the Hunter and Illawarra in NSW, and Gladstone in Queensland. The comprehensive analysis identified 70 Mt CO_2-e of potential emissions abatement opportunities, representing an 88 per cent reduction in current emissions, equivalent to removing all cars and light commercial vehicles from Australian roads.

Resources and the low emissions economy

A landmark report, *The compelling case for decarbonisation – Mining in a low-emissions economy*, is a joint effort of the CEFC and the Minerals Research Institute of Western Australia. The extensive report discusses the role of the mining sector in the low emissions economy of the future, not least because of Australia's abundance of critical minerals. It also provides guidance on how mining can benefit from the operational efficiencies and low-cost energy solutions underpinning the transition to net zero emissions.

Securitisation and ESG

The *ASF Market Guideline on ESG Disclosure* provides a reference point for developing ESG practice in securitisation, supporting enhanced transparency and comparability in Australia. The CEFC led the Australian Securitisation Forum working group in developing the guidelines, together with issuers, investors and other market participants.

Large-scale solar development

The *Generator Operations Series* provides insights into the real-world experience of large-scale solar development in Australia. As a contributor to the ARENA-led analysis, we aim to support developers, investors and grid authorities to better understand the Australian large-scale solar market and the potential investment risks and mitigants. Reports published in the 2021–22 year examined ramp rates, negative pricing and bidding behaviour, and assessed forecasts against actual performance.

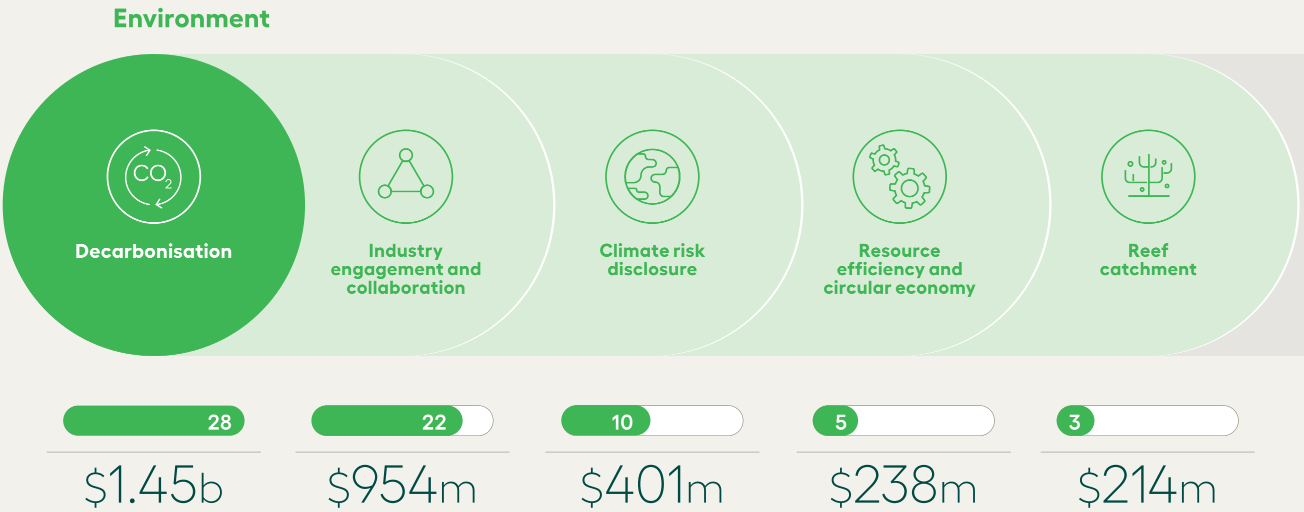
ESG report

In this section

ESG report

The 2021–22 year marks the first full year of reporting against our Environmental, Social and Governance (ESG) Policy, covering activity across new investment commitments as well as our own operations. Our ESG market impact will be an annual reporting feature.

Figure 2: ESG assessment of new transactions completed in 2021–22



ESG approach to investment decisions

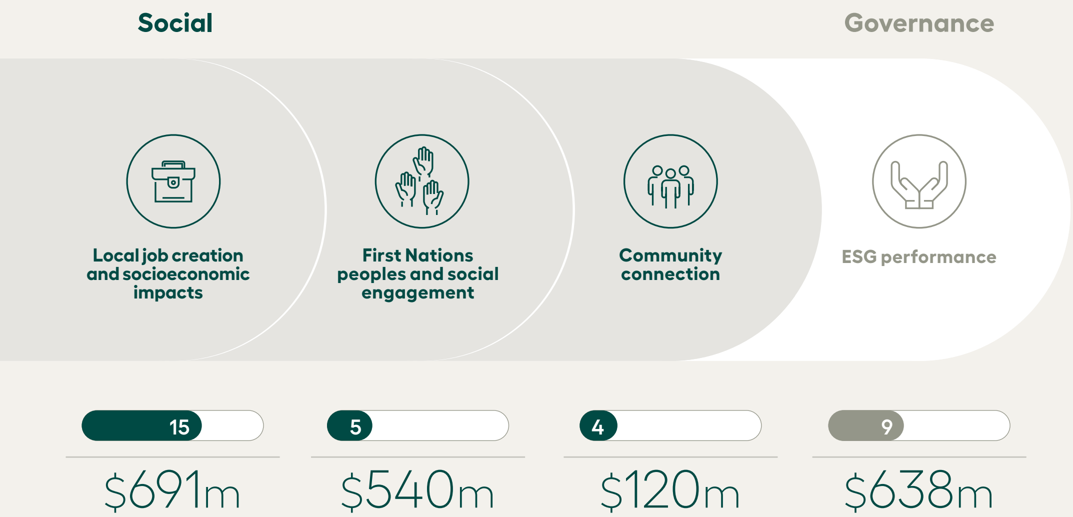
The CEFC has demonstrated a strong commitment to ESG over our first 10 years, seeking to "do no harm" in our investing and maximise co-benefits where possible.

Our approach to ESG assessment for investments is reflected in our ESG Policy. Potential investments are first subject to an "exclusions screen" reflecting the provisions of the CEFC Act and other common ESG exclusions. Next, investments are assessed through the "do no harm" lens where potential risks are identified and need to be sufficiently addressed or mitigated before they can progress. These "do no harm" principles are also applied across the investment lifecycle. Investment decisions are then guided by our "maximise impact" factors, through which we capture co-benefits that complement and amplify our core decarbonisation objective.

ESG assessment: transactions overview

In 2021–22, the CEFC ESG assessment of new investment commitments resulted in:

- 100 per cent of new transactions satisfied the core decarbonisation ESG factor
- 86 per cent met an additional two or more positive impacts, against a 70 per cent target
- 59 per cent met an additional three or more positive impacts, against a 40 per cent target.



ESG “do no harm” assessment

Screening for “do no harm” factors occurs at the initial pre-investment decision phase and is monitored through the investment and asset management phases. We focus on risks associated with corruption, negative ecological impacts, First Nations considerations, labour practices and modern slavery. A moderate rating triggers specific monitoring requirements for the life of the investment or until the CEFC assessed risk rating is rated as low. During the reporting period, we successfully addressed a small number of potential risks identified through our “do no harm” due diligence risk assessments, undertaken for new executed investments. No high-risk transactions were identified during the reporting period. Specific details are commercial in confidence.

Modern slavery considerations for new transactions

Modern slavery is a risk across the economy. In the clean energy sector, extraction and manufacturing processes, and indirect supply chain matters, are relevant to CEFC investment considerations. During the year, we worked with project proponents to assess and consider the processes for identification and management of modern slavery risks, with a particular focus on indirect supply chains. Through this collaborative approach, we were able to raise awareness of modern slavery issues and contribute to industry capacity around the assessment and management of potential risk.

ESG assessment: 2021–22 investment performance

ESG positive impact factor

1. Decarbonisation

$1.39b

CEFC commitment

28

Transactions assessed

New investment commitments in 2021–22 are forecast to avoid emissions of almost 1.4 Mt CO_2-e annually, with lifetime emissions abatement from all CEFC investments expected to exceed 200 Mt CO_2-e. As in previous years, the CEFC does not claim that the abatement from projects in which it invests occurs independently of other policy measures.

More than 75 per cent of the expected abatement from commitments in 2021–22 was driven by three transactions, representing 10 per cent of the value of new investment commitments. These included landmark investments in manufacturing-related emissions reduction with Manildra Group and Orica, as well as the Blue Grass Solar Farm. Refer to pages 57 and 41.

Further, many of our other commitments this year reflect our increasing role in supporting the broader decarbonisation of the supply chain. In particular, identifying critical investments that are important precursors to significant emissions reduction, but where the emissions are not readily quantifiable at the time of the investment. These cover two broad categories: decarbonisation enablers and decarbonising customers and sponsors.

Decarbonisation enablers

These relate to activities that are innovating, commercialising and/or reducing the costs of the low emissions technologies required to deliver Australia's net zero ambitions. These include grid-related investments to connect renewable energy generation with customers; the development of the lithium sector, which is central to battery and energy storage; backing for innovative soil carbon technologies to unlock nature-based decarbonisation; and scaling up of processes to facilitate the production of hydrogen.

Decarbonising customers and sponsors

These relate to activities where customers and sponsors who commit to science-based and/or net zero targets, creating increasing demand for the renewable energy, energy efficiency and/or low emissions technology projects required for Australia to achieve net zero emissions by 2050. CEFC investments in the alternatives space, including in and alongside institutional funds in infrastructure, agriculture and private equity are helping shape emissions reduction strategies, complemented by investments in sustainability-themed debt markets.

ESG positive impact factor

2. Industry engagement and collaboration

$954m

CEFC commitment

22

Transactions assessed

We collaborate with industry on shared goals to leverage our impact and demonstrate decarbonisation pathways. New commitments in 2021–22 included 10 Australian market firsts across a broad range of sectors, demonstrating the potential for economy-wide involvement in emissions reduction. Samsara Eco continues to develop its portfolio of plastic-digesting enzymes in collaboration with the Australian National University and is evaluating waste streams for a potential commercial deployment in Australia. We continued to set formal commitments with our investment counterparties to support industry collaboration and knowledge sharing. This includes through CEFC Investment Insights, our Green Room webinar series, presentations at external events, participation in industry groups and client-level engagement with research and educational institutions.

ESG positive impact factor

3. Climate risk disclosure

$401m

CEFC commitment

10

Transactions assessed

Robust climate risk management and disclosure contributes to a smooth transition to net zero emissions, benefits our co-investors and protects the CEFC portfolio. We review our investments for climate risk performance against a range of standards including the Taskforce on Climate-related Financial Disclosures (TCFD), Climate Active, Partnership for Carbon Accounting Financials and the Science Based Target initiative (SBTi). In 2021–22, seven commitments ($342 million) were aligned with TCFD recommendations, and a further six ($296 million) included commitments to net zero emissions. In addition, the CEFC has representation on an investee sustainability committee with IFM Investors Private Equity Growth Partners Fund. The committee is focused on climate-related commitments and reporting. Refer to pages 53 and 67.

ESG positive impact factor

4. Resource efficiency and circular economy

$238m

CEFC commitment

5

Transactions assessed

Effective waste management can deliver positive renewable energy outcomes, resource recovery opportunities and the diversion of substantial volumes of waste from landfill. We take a "reduce, reuse, recycle" approach to waste-related investments, with a focus on projects and technologies with the potential to make a material reduction to Australia's waste-related emissions. In the 2021–22 year, we invested in Samsara Eco and Scipher Technologies, which are seeking to tackle some of the toughest waste-related emissions challenges. Existing recycling technologies are not keeping pace with escalating plastics production, use and waste. Equally, increasing consumer demand for ever improving technologies is driving a rise in e-waste volumes, despite the fact that 95 per cent of e-waste components can be recycled. Refer to page 47.

ESG positive impact factor

5. Reef catchment

$214m

CEFC commitment

3

Transactions assessed

CEFC investments within the Reef Catchment Area primarily aim to deliver indirect benefits to the Reef in lowering emissions to address climate change, the single greatest long-term threat to the Reef. Our investments also support the objectives of the Australian Government Reef 2050 plan, in contributing to local economic growth by providing a local source of renewable energy, supporting the efficient use of energy, and demonstrating the positive benefits of clean energy to Reef communities. During the reporting year, Reef-related ESG impact included the provision of discounted finance for eligible projects which may include energy and water-efficient irrigation systems, rooftop solar, precision guided on-farm machinery and upgrades to process and manufacturing equipment. Refer to Appendix H.

ESG positive impact factor

6. Local job creation and socioeconomic impacts

$691m

CEFC commitment

15

Transactions assessed

We seek to prioritise investments that create and/or safeguard jobs and provide training in emerging job markets. While we do not directly estimate or claim credit for job creation, counterparties involved in CEFC 2021–22 transaction commitments expect to create some 140 full time equivalent roles, and more than 2,800 construction jobs, many in regional Australia. These are particularly related to grid infrastructure and large-scale solar farm developments. Ark Energy and TAFE Queensland are also working together to deliver training to assist workers transition from carbon intensive sectors to green hydrogen. Refer to page 69.

ESG positive impact factor

7. First Nations peoples and social engagement

$540m

CEFC commitment

5

Transactions assessed

CEFC transactions are reviewed for plans to deliver positive economic and/or cultural impacts to First Nations peoples. During the 2021–22 year, two of our largest commitments reflected strong First Nations initiatives. Both the EnergyConnect and Southern Downs grid infrastructure developments cross large tracts of land with the potential to impact First Nations cultural heritage sites. Project sponsors Transgrid and Powerlink have established Reconciliation Action Plans and engaged with Traditional Owners to ensure the transmission corridors are situated and managed in accordance with First Nations expectations. EnergyConnect has also committed to allocate 2.5 per cent of the project cost to First Nations employment and business opportunities. NBN Co's sustainability-linked bond has included commitments to benefit First Nations peoples through its Reconciliation Action Plan, including employment, the use of First Nations suppliers and the provision of safe access to the NBN network. Refer to pages 43 and 64.

ESG positive impact factor

8. Community connection

$120m

CEFC commitment

4

Transactions assessed

The transition to net zero emissions offers important benefits for the broader economy, including local communities. This is reflected in the community funding programs established by large-scale renewable energy developments. Energy efficient infrastructure in commercial and residential buildings also provide flow-on benefits. Examples during the reporting year include Blue Grass Solar Farm which has committed to a best practice community support and benefit sharing program. Metro's Northcote Place in Melbourne will feature 74 energy efficient townhouses that will provide long-term benefits for residents. Refer to pages 41 and 51.

ESG positive impact factor

9. ESG performance

$638m

CEFC commitment

9

Transactions assessed

We seek to work with co-investors and co-financiers who share our commitment to leading ESG practice, whether at the technology, asset/project or fund level. ESG factors are considered during the selection, appointment, ongoing management and review of counterparties. Of $1.39 billion in new investment commitments assessed in 2021–22, $638 million was aligned with leading ESG performance, demonstrated via high third-party assessed ESG scores. Five of these counterparties had ESG scores in the top quartile, including Artesian, Optus, Orica, QIC and Woolworths Group. Through our investment in Xpansiv, we are also unlocking sustainability-focused trading opportunities to support investors and corporates lift their ESG performance.

ESG: CEFC operational highlights 2021–22

We are committed to demonstrating good corporate citizenship and continue to develop and embed ESG processes in our operations. Our ESG policy identifies the key factors relevant to our own operations and guides the management of our impact on the environment, our people and the broader community.

We strive to lead by example through our corporate governance practices, disclosures and initiatives.

During the 2021–22 reporting year, we focused on improving our approach to managing modern slavery risks in our procurement processes and progressing our Reconciliation Action Plan (RAP). We maintained our strong performance on gender equality and carbon neutrality and refreshed our ESG policy.

We continued to build our leadership position in the responsible investment sector by contributing to a range of initiatives including development of a First Nations investment screening approach which we shared with the Responsible Investment Association Australia (RIAA) and establishing ESG guidelines for the securitisation sector.

Initially in September 2021 and then again in September 2022, we were named a Responsible Investment Leader in the RIAA Responsible Investment Benchmark Report. ESG investing is a rapidly evolving and growing space and we are committed to remaining at the forefront of market developments. We will undertake annual materiality assessments of our ESG factors to ensure they remain dynamic, focused and relevant.

Opposite: *Creating a sustainable future* by Wiradjuri artist Jordana Angus.

ESG positive impact factor

1. Decarbonisation

5 years

Certified carbon neutral

We maintained carbon neutral certification with Climate Active for the fifth consecutive year. We undertake an annual third-party assessment of our organisational carbon footprint, which was 699 t CO_2-e in 2020–21, the most recent data. We reduce organisational emissions via continued improvement in the emissions performance of our utilities, procurement of GreenPower (where possible) and supporting active transport and flexible working arrangements. We offset our residual emission through accredited schemes. In support of our vision for reconciliation, for the past three years we have procured offsets from projects with First Nation co-benefits. These include the Wiralla Station Carbon Farming Project, Orient Station Regeneration Project and Bareeda Regeneration Project. Refer to Appendix C.

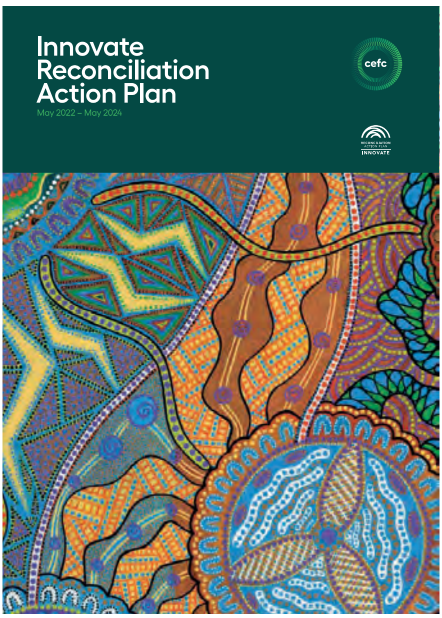
ESG positive impact factor

2. Reconciliation Action Plan

Innovate RAP

Two-year program

In 2021–22, the CEFC was pleased to introduce its Innovate RAP which signifies the next step in our reconciliation journey. The Innovate RAP runs for two years and outlines actions for achieving our vision for reconciliation. The Innovate RAP builds on many of the initiatives from our Reflect RAP and allows us to gain a deeper understanding of our sphere of influence and establish the best approach to advance reconciliation. This RAP focuses on developing and strengthening relationships with First Nations peoples, engaging staff and stakeholders in reconciliation and developing and piloting innovative strategies to empower First Nations peoples.



Reconciliation Action Plan: 2021–22 activities

- Shared our First Nations investment screening procedure with industry peers such as the RIAA and the Clean Energy Council to apprise institutional investors as to how they can consider the potential impacts of investments on First Nations communities
- Participated in the Australian Government 2022 Indigenous Graduate Pathway program, to raise the awareness of the CEFC as a First Nations graduate employer
- 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
- Marked National Reconciliation Week and NAIDOC Week with staff events and cultural learning opportunities
- Embedded First Nations cultural awareness training into our new hire onboarding program
- Launched a dedicated First Nations Hub on the CEFC intranet to provide staff with access to our RAP, information, resources, tools and learning opportunities.

ESG positive impact factor

3. Industry impact

20

Investment insights and reports

We collaborate with leading responsible investment and sustainability bodies to accelerate decarbonisation and advance ESG performance across the investment sector. As a specialist investor, we are committed to sharing information about our investment experience, new technologies and investment approaches in this dynamic market environment. Key activities are outlined below.

Industry collaboration: 2021–22 highlights

Responsible Investment Association Australasia
The CEFC participates in the RIAA First Nations Peoples' Rights Working Group, which aims to advance the rights of First Nations peoples, including elevating their participation in relevant responsible investment activities. We are also a member of the RIAA Human Rights Working Group, which collaborates on enhanced processes to address human rights matters from a company and investor perspective.

Green Building Council of Australia
Together with the Green Building Council of Australia and the Infrastructure Sustainability Council, we developed *Australian buildings and infrastructure: Opportunities for cutting embodied carbon.* The report provides asset owners, investors and developers with practical guidance and cost analysis on reducing embodied carbon to support Scope 3 emission reduction targets.

Green Bank Network
As a member of the global Green Bank Network, the CEFC hosted a well-attended "banking on green" discussion at the Australian Pavilion at COP26 Glasgow. The discussion focused on the role of green banks and development finance institutions in mobilising private investments into climate solutions.

Climate Bonds Initiative
We contribute to a Climate Bonds Initiative working group updating and harmonising global taxonomies for low carbon buildings aligned with a net zero emissions trajectory. This includes providing feedback on the useability and applicability of the updated taxonomy for the Australian market.

ESG positive impact factor

4. Modern Slavery

100% screened

Non-investment contracts above $10,000 in value

We work with our suppliers and counterparties to establish and maintain sustainable and socially responsible operations and supply chains. This includes developing and implementing an organisation-wide framework, driven by our Modern Slavery Working Group, that embeds modern slavery considerations within existing investment, procurement and contracting processes. Our annual Modern Slavery Statement outlines our commitment to identifying, assessing, and addressing modern slavery risks that may exist within our operations and supply chains, including those related to investment commitments.

Modern slavery activities: 2021–22 highlights

- Review of our procurement processes and established an onboarding process for all new suppliers with a contract value of $10,000 or more, including a mandatory modern slavery risk assessment
- Screened 86 non-investment contracts for modern slavery risks, with 78 rated as low risk and eight rated as moderate risk. There were no contracts rated as high risk
- Provided new suppliers rated as moderate risk with information about the CEFC Modern Slavery Policy and Principles for Suppliers, to communicate the behaviour and standards we expect of our suppliers
- Established the CEFC Modern Slavery Remediation Framework, to support the CEFC in contributing to the remediation of actual or potential modern slavery impacts identified in our operations and supply chains
- Delivered modern slavery risk assessment and monitoring training to our investment, portfolio management and legal teams to build capability and capacity within our organisation and embed modern slavery risk considerations within our processes.

ESG positive impact factor

5. Diversity, equity and inclusion

42%

Employees born overseas

Gender equity

At 30 June 2022, 57 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 five (30 per cent) of the 17 promotions in 2021–22. Overall, gender diversity was steady during the reporting year, at 52 per cent male and 48 per cent female.

According to a gender pay gap analysis conducted in March 2022, the average gender pay gap at the organisational level was 24.5 per cent (in favour of men), calculated using the average of all salaries for men and women (excluding the CEO). This result presents a narrowing of the gender pay gap by 1.5 per cent compared with the previous reporting and compares favourably with the overall gender pay gap for financial services firms in the private sector (at 29.5 per cent) reported by the Workplace Gender Equality Agency.

At the CEFC, this gap is due to a larger proportion of men being in the most senior roles which attract higher remuneration levels compared with women. A more precise measure of gender pay equity, using like-for-like positions, showed a 4.68 per cent absolute average pay gap across 12 positions where a gender pay gap could be calculated, compared with the previous six per cent gap. The analysis showed that the gender pay gap was greater than five per cent for only three positions (25 per cent). This finding is consistent with the 2021 results and indicates that systemic gender bias is not impacting remuneration decisions at the CEFC.

Gender equity activities: 2021–22 highlights

- **Women in Sustainable Finance**: Continued leadership of this growing industry-wide initiative which facilitates knowledge sharing, collaboration and diversity in advancing sustainable outcomes in the investment and finance sectors in Australia
- **International Women's Day**: Focused on all staff, featuring a presentation from a senior executive Caroline Lovell, sharing insights from her diverse career, including in breaking down gender bias in organisations
- **Respect At Work**: Focus on diversity, equity and inclusion, alongside staff training following release of the *Respect At Work* report into sexual harassment in the workplace by Australian Sex Discrimination Commissioner Kate Jenkins.

Diversity

At the end of the 2021–22 year, the CEFC had 130 employees, an increase of six on the previous year. As a specialist financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42.30 years. The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas is steady at 42 per cent, including 55 employees from 24 countries, in addition to those born in Australia. Refer to Appendix B.

ESG positive impact factor

6. Labour practices and employee health and safety

23%

Employees undertaking leadership development

The CEFC provides a safe and engaging environment for staff, featuring a range of initiatives to enhance the work, health and safety (WHS) of our employees. This remained an important feature of our operations in the 2021–22 year.

Supporting our employees: 2021–22 highlights

- **Culture**: Building an inspiring work culture, including a peer-to-peer recognition program for "values champions", culminating in our annual CEO Values Awards; regular all-staff meetings and an annual all-staff in person meeting focused on our priorities and commitment to net zero emissions
- **Career development**: Individual coaching programs for mid-career employees and those seeking to develop their leadership capabilities, in addition to health, safety and wellbeing programs and internal "lunch and learn" and other initiatives to build staff capabilities
- **Employee Assistance**: Expanded access to the Employee Assistance Program and Manager Support Service. Focus on Mental Health Month alongside RUOK Day, giving staff access to webinars hosted by psychologists, staff "reconnection days", resilience training and meditation and mindfulness sessions
- **Health prevention**: Participation in Cancer Awareness and Prevention Month and Movember, highlighting the role of regular screening, health checks and early detection; employee discounts to individual fitness offerings through our WHEREFIT partnership; comprehensive executive health checks offered biennially
- **Agile working**: Continued support for an agile approach to work to accommodate the demands of the COVID-19 pandemic, including WHS reviews of employee home workspaces, optional follow-up ergonomic workstation assessments, and the provision of home safety equipment and IT accessories as needed.

In the 2021–22 year, we were pleased to support two CEFC colleagues in career development opportunities:

- **Chloe Munro Scholarship:** The CEFC is a co-sponsor of this important Clean Energy Council program, which supports transformational leadership through 15 scholarships for women working across the renewable energy, carbon abatement and energy efficiency sectors. CEFC Senior Associate Kelly Seo was named among the 10 inaugural scholarship recipients
- **Eisenhower Fellowship Global Program**: This prestigious global program supports the development of private and public sector leaders engaged in addressing some of the most pressing issues of our times. CEFC Investment Director Grace Tam was one of 25 people from 23 countries to be named a Fellow in the 2022 program, recognising her work in developing green consumer loan products for energy efficient and electrified homes.

Governance

In this section

About the CEFC

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.

Subsequent to the reporting period, on 13 September 2022 with the *Climate Change Bill 2022* and *Climate Change (Consequential Amendments) Bill 2022* receiving royal assent, the CEFC objective was amended to include "*to facilitate the achievement of Australia's greenhouse gas emissions reduction targets*".

CEFC 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.

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.

CEFC 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, Lendlease Corporation and Goodstart Early Learning. 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.

Retired 13 May 2022.

Matthew Howell

Mr Howell has more than 37 years' experience in metals, manufacturing and recycling, including base and precious metals smelting, capital intensive operations and energy intensive manufacturing. Mr Howell was previously Chief Executive Officer of Tomago Aluminium, having led its transformation into the largest and most efficient aluminium smelter in the Asia Pacific region. He has also been a Director of the board of the Australian Aluminium Council. Mr Howell has held senior and diverse roles in the resources sector in Australia, the United States and Europe. This includes a range of management roles at Nyrstar (now Trafigura), a global multi-metals business with a market leading position in zinc and lead. Mr Howell is a former President of Zinifex Clarksville Inc., the former General Manager of Australian Refined Alloys Pty Ltd and General Manager at Nyrstar Port Pirie Smelters. Mr Howell has a Bachelor of Science (Honours) from the University of Tasmania.

David Jones AM

Mr Jones has more than 30 years' experience in investment markets and has been a board member on numerous private and public boards. He is a Director of Regal Partners Limited, Chair of DTS Capital Partners and an advisor to Aviron Investment Management. He is also a non-executive member of the Investment Committee of EMR Capital and Chair of the Derwent Search Advisory Board. Previously Mr Jones was a Managing Director at CHAMP Private Equity, Executive Director and Country Head of UBS Capital and an Executive with both Macquarie Bank private equity and McKinsey & Company. Mr Jones was formerly Chair of the National Museum of Australia, and the Australian Private Equity and Venture Capital Association. He also served on the board of Cape York Partnership. In 2021 Mr Jones was appointed a Member of the Order of Australia for significant service to the museums and galleries sector, and to the community. Mr Jones has a Bachelor of Mechanical Engineering (First Class Honours) from the University of Melbourne and a Master of Business Administration from the Harvard Business School.

Laura Reed

Ms Reed has more than 20 years' experience in the energy infrastructure sector. Ms Reed is Chair of Epic Energy and the Spark Infrastructure Group. She is also a member of the boards of Spark Infrastructure Group assets, including Victoria Power Networks, Powercor Australia, SA Power Networks Partnership, Enerven Energy Infrastructure and Enerven Energy Solutions. Ms Reed is 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.

Retired 24 March 2022.

Andrea Slattery

Mrs Slattery is a recognised leader in Australia's financial services, environment and infrastructure sectors. She led the transformational growth of the Self-Managed Super Fund (SMSF) sector as founder and former Managing Director/CEO of the SMSF Association. Mrs Slattery is a non-executive Director of AMP Limited and AMP Bank and Chairs their respective Audit Committees. She is also Deputy Chair of the Woomera (Prohibited) Area Advisory Board and a member of the AMP Foundation. Mrs Slattery was previously on the boards of Argo Global Listed Infrastructure, Centrepoint Alliance, AMP Life, National Mutual Life and the South Australian Cricket Association. Mrs Slattery has a Bachelor of Accounting, a Masters of Commerce, is a fellow of CPA Australia, a fellow of CAANZ, a fellow SMSF Specialist Advisor, a fellow of the AICD and holds a Global Competent Boards ESG Designation. She was named Australian Woman of the Year in the Australian Women in Financial Services Awards in 2014.

Samantha Tough

Ms Tough is Chair of Horizon Power and Director of Fluence Corporation Ltd, Rumin8 Pty Ltd and Mineral Carbonation International Pty Ltd. She is also Pro Vice-Chancellor of Industry and Commercial at the University of Western Australia. Ms Tough's previous directorships include Synergy, Saracen Mineral Holdings Ltd, Retail Energy Market Company, Cape LLC, Structerre, Aerison, Southern Cross Goldfields Ltd, Strike Resources Ltd, Murchison Metals Ltd and Ox Mountain. Ms Tough's previous executive roles include 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.

CEFC Board

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.

Board operations

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 2021–22 year, the ARC considered and reviewed a range of matters, reflecting the breadth of CEFC investment and operational activities. Key areas included:

Risk-related matters	Governance-related matters	Operational-related matters
Risk Management Framework	CEFC Investment Policies	Payment times reports
Risk Appetite Statement	AML/CTF program internal review	Financial budgets and regular management financial reports
Cyber security risk	Modern Slavery Statement	Insurance renewals
Enterprise-wide risk reports		Response to COVID-19 pandemic
Specific sector and finance-type risk guidelines		Resolution of ANAO Performance Audit action items
		Internal audit reporting and related actions
		Review of relevant assets and industry-related matters

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.

During 2021–22 management worked closely with the PCC to review and redesign the CEFC remuneration strategy to better align with market practices, while considering the expectations of our stakeholders and employees. Refer to Appendix G. The PCC also reviewed the talent management strategy, provided oversight of the 2021–22 variable compensation plan and undertook an analysis of gender diversity and pay equity.

Charters for the Board and its committees are available on the CEFC website: www.cefc.com.au/who-we-are/governance/how-we-operate.

Committee membership

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

Figure 3: Board committee memberships 2021–22

Board Member	Audit and Risk Committee	People and Culture Committee
Leeanne Bond		Member
Philip Coffey	Member: until May 2022	
Matthew Howell		Member: from May 2022
David Jones AM	Member: from May 2022	
Laura Reed	Chair: until May 2022	
Andrea Slattery	Member: from May 2022	Member
Samantha Tough		Chair
Nicola Wakefield Evans	Member: until May 2022 Chair: from May 2022	

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 4: Board member meeting attendance 2021–22

	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	5	5*	6	6*
Leeanne Bond	9	9	3	5*	6	6
Philip Coffey	8	8	5	5	3	4*
Matthew Howell	1	1	0	0*	2	2
David Jones AM	2	2	1	1	1	2*
Laura Reed	6	7	4	4	2	4*
Andrea Slattery	9	9	3^	5*^	6	6
Samantha Tough	9	9	0	5*	6	6
Nicola Wakefield Evans	9	9	5	5	0	6*

* Represents non-committee members, whose attendance is optional.
^ Includes one meeting as committee member (the remainder as non-committee member).

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 5: Remuneration Tribunal Determinations 2021–22

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

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 10 per cent 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 6: Board remuneration 2021–22

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, staff and consultants declare material personal interests that relate to the affairs of the CEFC. The Board, 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, Executive Risk Committee, Joint and Executive 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 CEFC, including Board members and senior managers.

Figure 7: Indemnities and insurance premiums for officers 2021–22

Indemnity/insurance	Officers covered	Coverage period	Premium/ fees
Comcover Insurance for Directors' and Officers' Liability	All Board members and Officers	1 July 2021 to 30 June 2022	$14,857
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
Comcare Workers' Compensation Insurance	All Board members and Officers	1 July 2021 to 30 June 2022	$44,489
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 specialist 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. We operate as catalysts leading change and positive impact, with the courage to go first in exploring new frontiers. To do this we seek to harness the power of many, through strong collaborative partnerships and by working openly and honestly as a trusted investor and custodian of taxpayer funds.

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, equity and inclusion across our organisation, supporting a range of needs and preferences of our people through agile work practices, parental leave, purchased leave and special discretionary leave where needed.

The CEFC actively promotes and encourages a culture of continuous learning and growth as a core contributor to our market impact, as well as broadening and deepening the skills and capabilities of our people as a means of progressing their careers.

Now embarking on our Innovate Reconciliation Action Plan (RAP) we are progressing 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.

CEFC Executive

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 asset finance, clean energy and major infrastructure projects, as well as pioneering Australian social impact investing. Prior to his appointment as CEO for the CEFC, Mr Learmonth established the Social Ventures Australia Impact Investing business, which included raising venture capital and affordable housing funds as well as launching Australia's first Social Impact Bond in 2013. Previously an Executive Director of Macquarie Group for 12 years, Mr Learmonth has extensive global investment banking experience. Mr Learmonth established and led various Macquarie businesses, notably European renewable energy and carbon credit investments, cross border asset and structured finance and securitisation in Asia and Europe. Mr Learmonth has degrees in Law and Commerce from the University of Queensland. He is a director of venture capital firm Virescent Ventures and has been a long-standing director of Sydney's Belvoir Street theatre company.

Sara Leong

Chief Asset Management Officer

Ms Leong has responsibility for the management of the diverse CEFC portfolio of debt, equity, fund and early-stage/venture capital investment commitments, as well as oversight of the organisation's environmental, social and governance function. 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.

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 addressing non-energy related emissions. Mr McCartney has more than 30 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 folding 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 a Graduate Member of the Australian Institute of Company Directors.

Leanne McDonald

Chief People and Culture Officer

Ms McDonald leads people and culture initiatives which deliver the talent, capability and workplace culture the CEFC requires to make a positive impact. Ms McDonald has more than 25 years' experience in a range of senior human resources roles in the energy, resources, financial services, IT and telecommunications sectors. She has designed and implemented industry-recognised change initiatives, enabling the business strategy of Australian and global organisations. As a management consultant, Ms McDonald led strategic initiatives for clients in the financial services, manufacturing and public sectors. Ms McDonald was the 2017 Chief Executive Women (CEW) Scholar, 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 35 years' 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 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 then NASDAQ-listed Symyx Technologies, Inc. and senior roles with EY (Ernst & Young) in both Australia and the United States. Mr Powell is a Chartered Accountant, holds a Bachelor of Economics degree 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 commitments. Mr Theau has more than 30 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 degree 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. Prior to joining the CEFC, he was General Counsel for Credit Suisse in Australia, where 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 has responsibility for internal and external risk management, credit analysis and risk assessment on new and existing investment commitments. Mr Whalen has more than 25 years' experience in finance, including transaction origination and execution, as well as 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 for more than 13 years, and also 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, was admitted to the Supreme Court of Queensland in 1993 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 very successful in attracting and engaging professionals with the depth of expertise and commitment required 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 a workplace underpinned by agile work practices, as well as a range of leave types and benefits. 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 rewards employees for achieving corporate and individual key performance objectives, with a strong focus on reinforcing behaviours that underpin our values, support our risk parameters and contribute to the growth and sustainability of the CEFC. Refer to Appendix G.

Structure

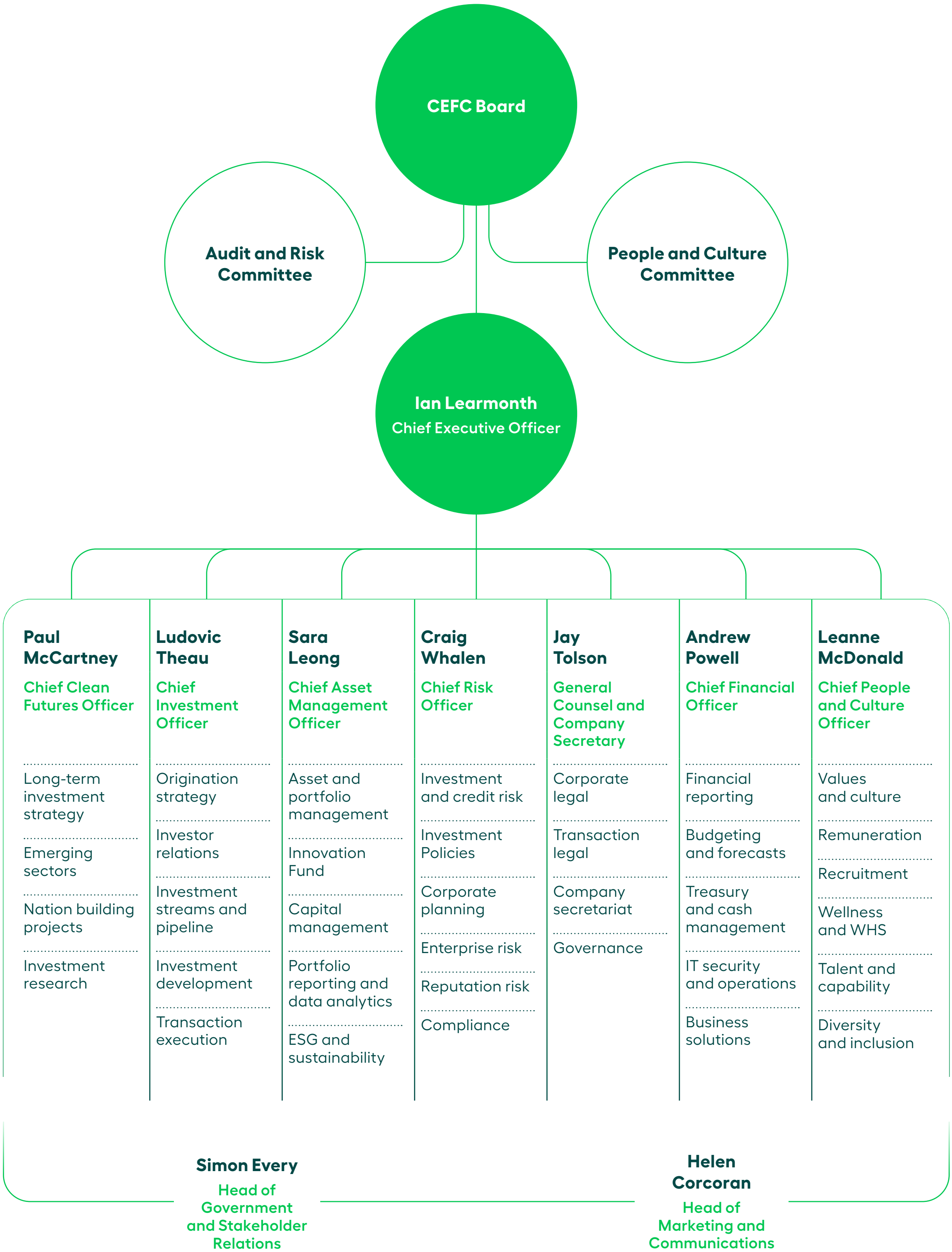
The Chief Executive Officer is appointed by the Board, in consultation with the responsible Ministers. The CEO is a statutory officer, with the Executive and staff employed under terms and conditions determined by the Board.

CEFC employees are located 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. Investment and portfolio management related activities are complemented by the support of expert functions across legal, finance, IT, compliance, credit and risk management, marketing and communications, research, government and 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).

Our people continued

Figure 8: CEFC organisational structure 2021–22



Organisational developments

During the 2021–22 year, we continued to build capabilities to capture new market opportunities and manage our evolving investment portfolio. Key developments included:

- **Expansion of our Impact Capital team** with additional resourcing and expertise to help expand capital availability to companies in the post-venture capital/pre-initial public offering stage of their development
- **Established a Natural Capital sector investment team** to focus on delivering finance to nature-based emission reduction solutions, particularly in the areas of land use, agriculture, and forestry
- **Created our first specialist fund manager, Virescent Ventures**, to substantially lift the amount of investment capital available for cleantech start-ups
- **Established a new Carbon Markets capability** to lead our engagement with carbon offset market participants who will play an important role in the net zero transition
- **Made additional investments in data analytics and reporting**, information technology, workflow automation and digital collaboration tools to enhance operational performance
- **Embarked on office relocation projects** in Brisbane and Melbourne reflecting the increase scope and scale of CEFC investment activities and teams.

Adapting to the pandemic

CEFC staff continued to perform effectively despite the ongoing disruption of the pandemic during 2021–22. The CEFC promotes agile working practices, with staff working within flexible, technology-enabled teams. Staff are supported in achieving a balance between work and home life, enabling a greater sense of well-being and underpinning a strong and collaborative workplace culture.

During the year, the COVID Response Team broadened its focus beyond COVID 19 to address emerging business continuity challenges and threats. These include responding to extreme weather events, flooding and the potential disruption caused by other infectious diseases including influenza and monkeypox. Refer to Appendix D.

Risk management

Role of the Board

The CEFC Board approves CEFC strategies and policies to ensure the proper, efficient and effective performance of the organisation. The Board provides oversight of performance, risk management and culture, all of which contribute to the organisation's ability to sustainably achieve its objectives. The Board is supported by the Audit and Risk Committee in its oversight of risk management and the implementation of the CEFC Risk Management Framework.

Role of the Executive Team

Each member of the Executive Team is responsible for the implementation of the risk management framework within their teams. Each quarter, senior staff attest that key risks in their area have been identified and adequately managed, through appropriate controls and mitigants. The CEO has established an Executive Risk Committee, chaired by the Chief Risk Officer, to provide executive oversight of risk management and compliance activities.

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 credit team, led by the Chief Risk Officer, independently reviews and challenges this risk assessment and considers whether the proposed investment is consistent with the Risk Appetite Statement, 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 anticipated returns.

Risk Appetite Statement

The CEFC Risk Appetite Statement establishes the risk boundaries within which the business operates, and goes to the heart of how the CEFC pursues its strategic objectives and the types of investments it considers. The Risk Appetite Statement includes limits and tolerances for both financial and non-financial risk consequences.

The CEFC must take risks to achieve policy outcomes and financials returns. For the CEFC, a heightened level of risk, beyond what may be 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.

Risk culture and conduct

Our approach to risk recognises the fundamental link between strategic objectives and the impact uncertainty (or risk) may have on the achievement of those objectives and the performance of the CEFC. The Risk Management Framework 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 of and informed about the risks embedded in that strategy. The core elements of our approach to risk management include sound risk governance, the interaction and alignment of strategy and risk appetite, timely risk analysis, the implementation of cost-effective controls, a sound risk culture and regular assurance activities.

Risk Management Framework

Consistent with section 68 of the CEFC Act, the Board has established a Risk Management Framework, encompassing the systems, structures, policies, processes and roles within the organisation that identify, assess, monitor and mitigate both internal and external sources of risk. The Risk Management Framework helps the organisation to monitor and manage strategic, investment, financial, reputational, operational and regulatory risks. The framework includes the application of a "three lines of defence" risk management model which establishes risk ownership responsibilities within business teams, independent from risk oversight and risk assurance activities.

Three lines of defence

1.

Investment and Clean Futures teams

The CEFC Investment, Clean Futures and Portfolio Management teams form the first line of defence. These teams are responsible for identifying, assessing and mitigating the risks arising out of CEFC investment activities.

2.

Risk, Compliance and Credit

The CEFC Risk, Compliance and Credit team, under the direction of the Chief Risk Officer, forms the second line of the risk management function. This team is an independent function that is responsible for reviewing and challenging risk assessments and controls throughout the organisation. New transactions must be reviewed by a credit team member before being submitted for approval. In addition, this team is responsible for providing oversight, monitoring and reporting of key risks across all areas of the organisation. This team provides regular reports to both the Executive Risk Committee and the Board Audit and Risk Committee.

3.

Internal audit

The key function of the internal audit is to review and consider the design effectiveness and operational effectiveness of key internal controls implemented by management. The internal audit is delivered by PwC through an outsourced model. PwC provides independent and objective risk-based assurance to the Board, Board Committees and the Executive. These assurance activities address the effectiveness of financial and non-financial risk management activities and include reviews of governance arrangements, systems, structures, policies and procedures.

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 2021–22 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). 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. The Bill lapsed when the Parliament was prorogued on 11 April 2022 to facilitate the 2022 Federal Election.

Subsequent to the reporting period, on 13 September 2022 with the *Climate Change Bill 2022* and *Climate Change (Consequential Amendments) Bill 2022* receiving royal assent, the CEFC objective was amended to include "*to facilitate the achievement of Australia's greenhouse gas emissions reduction targets*".

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 change of Government at the 2022 Federal Election resulted in a change to the responsible Ministers during the reporting period.

Figure 9: Responsible and nominated Ministers: 2021–22

Date	Responsible Minister
1 July 2021 to 23 May 2022^	**Senator the Hon Simon Birmingham** Minister for Finance **The Hon Angus Taylor MP*** Minister for Energy and Emissions Reduction (to 8 October 2021) Minister for Industry, Energy and Emissions Reduction (from 8 October 2021 to 23 May 2022)
23 May 2022 to 1 June 2022	**The Hon Richard Marles MP** Deputy Prime Minister; Minister administering the Department of Industry Science Energy and Resources **Senator the Hon Katy Gallagher** Minister for Finance
From 1 June 2022	**Senator the Hon Katy Gallagher** Minister for Finance **The Hon Chris Bowen MP*** Minister for Climate Change and Energy

Notes

* Nominated Minister.

^ On 26 August 2022, the Prime Minister, the Hon Anthony Albanese MP and the Attorney-General, the Hon Mark Dreyfus QC MP, announced the appointment of the Hon Virginia Bell AC to lead an Inquiry into the appointment of the former Prime Minister, the Hon Scott Morrison MP to multiple ministries. These include both the Finance and Industry Science Energy and Resources portfolios, and the inquiry specifically includes statutory bodies such as the CEFC. Full terms of reference are available at: https://www.ag.gov.au/about-us/publications/inquiry-multiple-ministerial-appointments.

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 2021–22 reporting period.

CEFC Special Account directions

Ministers may also direct the CEFC to pay surplus funds to the CEFC Special Account. During the 2021–22 reporting period, the Hon Angus Taylor MP, as Minister for Industry, Energy and Emissions Reduction and Senator the Hon Simon Birmingham, as Minister for Finance, issued a direction as to managing Surplus Money in accordance with section 54 of the CEFC Act. This direction replaced the previous direction of similar effect (issued by the then responsible Ministers on 5 May 2016). 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 2021–22.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2021–22 year.

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2021–22 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 most recent Commonwealth Ombudsman Annual Report for 2020–21 reported 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 May 2022 Budget Estimates
- **February 2022**: House of Representatives Environment and Energy Standing Committee advisory report on the inquiry into the *Australian Local Power Agency Bill 2021* and *Australian Local Power Agency (Consequential Amendments) Bill 2021.*

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

- **August 2021**: Senate Foreign Affairs, Defence and Trade Legislation Committee report on *Export Finance and Insurance Corporation Amendment (Equity Investments and Other Measures) Bill 2021 (Provisions)*
- **October 2021**: Senate Environment and Communications Legislation Committee report on *Offshore Electricity Infrastructure Bill 2021 and Offshore Electricity Infrastructure (Regulatory Levies) Bill 2021 (Provisions)*
- **February 2022**: Senate Economics References Committee report: *The Australian manufacturing industry*
- **March 2022**: House of Representatives Standing Committee on Infrastructure, Transport and Cities report: *Government procurement – a sovereign security imperative*
- **March 2022**: Joint Committee on Public Accounts and Audit Report 490: *Alternative financing mechanisms.*

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 10: CEFC procurement contracts in place: 2021–22

Contract date	Value $	Expensed $	Contracting party	Purpose of contract
May 2017	4,046,431	745,295	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	73,186	Knight Frank Australia Pty Ltd/The Trust Company Limited in its capacity as trustee of the LAV Australia Sub Trust 1	Lease of premises at Level 13, 222 Exhibition Street, Melbourne from 1 July 2017 to 30 June 2022
March 2021	5,890,131	1,180,283	Dexus Property Group/Perpetual Trustee Company Limited	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2021 to 28 February 2026
June 2021	143,712	47,905	Australian City Properties Pty Ltd	Lease of premises at Level 14, 191 St Georges Terrace, Perth from 1 June 2021 to 31 May 2024
July 2021	161,927	161,927	Australian Government Comcover	General, professional indemnity, D&O, property including business interruption and travel insurance for the period 1 July 2021 to 30 June 2022
July 2021	253,482	253,482	Bloomberg Australia Pty Ltd	Bloomberg terminal and NEF All Insight Package Level III
July 2021	82,431	27,151	Chorus Call Australia Pty Ltd	Three-year subscription for Lifesize Cloud and Digital Security Standard (DSS)
July 2021	551,248	551,248	Datacom Systems Pty Ltd	IT support, applications and hardware for the period 1 July 2021 to 30 June 2022, including provision of an onsite resource for part of the year
July 2021	149,621	149,621	Designate Group Pty Ltd	Design, development and production of the 2020–21 CEFC Annual Report and development of marketing-related materials
July 2021	163,320	163,320	Gilbert & Tobin	Legal fees incurred for the period 1 July 2021 to 30 June 2022 for an investment project and associated with the establishment of, and contracting arrangements with, Virescent Ventures Pty Ltd
July 2021	382,594	382,594	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 2021	266,874	266,874	Herbert Smith Freehills	Legal fees incurred for various investment projects for the period 1 July 2021 to 30 June 2022
July 2021	293,779	293,779	Intalock Technologies Pty Ltd	Information technology security threat monitoring and response services
July 2021	93,433	93,433	Macquarie Telecom Pty Ltd	Provision of telecommunications, data and hosting for the period 1 July 2021 to 30 June 2022
July 2021	101,477	101,477	Norton Rose Fulbright	Legal fees incurred for an investment project and employment matters advice for the period 1 July 2021 to 30 June 2022
July 2021	322,400	322,400	PricewaterhouseCoopers	Internal Audit engagement for the period 1 July 2021 to 30 June 2022
July 2021	245,326	245,326	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2021 to 30 June 2022 under the whole of government travel procurement program
July 2021	337,863	337,863	Technology One Ltd	Annual maintenance and support, Application Managed Service (AMS) program, ongoing development costs and fees for software and cloud services
July 2021	118,400	118,400	The Hong Kong and Shanghai Banking Corporation Limited	Bond custody fees for the period 1 July 2021 to 30 June 2022
July 2021	84,893	84,893	Wiliam Pty Ltd	Maintenance, programming and technical services associated with the CEFC website and digital production and deployment of the 2020–21 CEFC Annual Report
August 2021	107,564	107,564	Paxus Australia Pty Ltd	Provision of information technology outsourced consulting services
August 2021	199,959	199,959	Thesoco Pty Ltd trading as SOCO	Creation of SharePoint Workspace for improved file management and workflow of investment transactions
February 2022	81,779	81,779	Allura Partners	Recruitment services
February 2022	128,150	–	Valmont (QLD) Pty Ltd	Preliminary works related to the design and construction of fit-out for the Brisbane office
February 2022	2,860,000	1,210,000	Virescent Ventures Pty Ltd	Investment management services for the CEFC Innovation Fund Investments for the period 18 February 2022 to 31 December 2022
June 2022	214,500	214,500	Australian National Audit Office	Audit of financial statements for year ended 30 June 2022
June 2022	287,661	–	CyberCX Pty Limited	Master Services Agreement for IT services and SoW for period August 2022 to August 2024 for: Digital Forensics and Incident Response (DFIR) Retainer; and Managed SIEM Service
Total	**18,137,791**	**7,414,259**		

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 the 2021–22 reporting period.

Other government policy

The CEFC works closely with the Department of Climate Change, Energy, the Environment and Water (formerly the Department of Industry, Science, Energy and Resources) and several other portfolio agencies, including ARENA, to contribute to the delivery of Australian Government policy initiatives relating to emissions reduction.

During 2021–22, notable examples included assisting the department with aspects around implementation of the Powering Australia Plan, including the formulation of the Rewiring the Nation policy and the National Reconstruction Fund.

The CEFC, being a corporate Commonwealth entity, is not formally bound by other Australian Government policies, including the *Public Service Act 1999*. Notwithstanding this, the CEFC pays due regard to policy guidance that is issued by Government when considering the implementation of CEFC operations, as appropriate. During the 2021–22 reporting period, this was evident with respect to the *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies (2021)* and the *Public Sector Workplace Relations Policy (2020)*. Following consideration in the 2021–22 reporting year, this guidance will be reflected in the CEFC remuneration structure to take effect from 1 July 2022. 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.

Financial information

In this section

Summary financial data

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

Figure 11: New commitments, deployment and capital returned ($m)

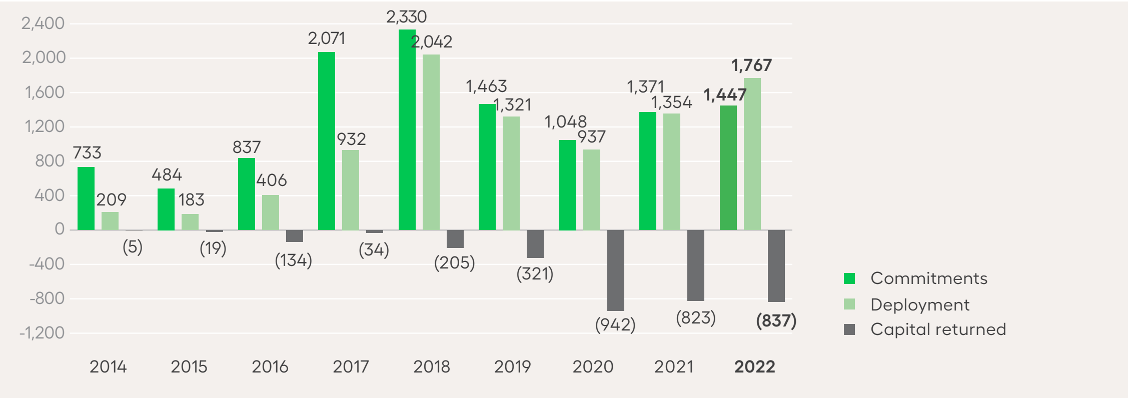


Figure 12: Deployed portfolio balance at 30 June ($m)

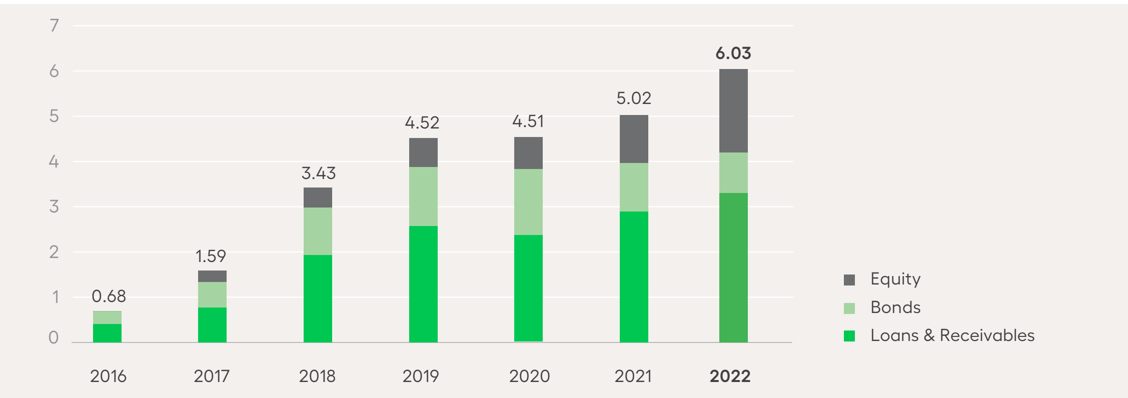


Figure 13: Revenue ($m)

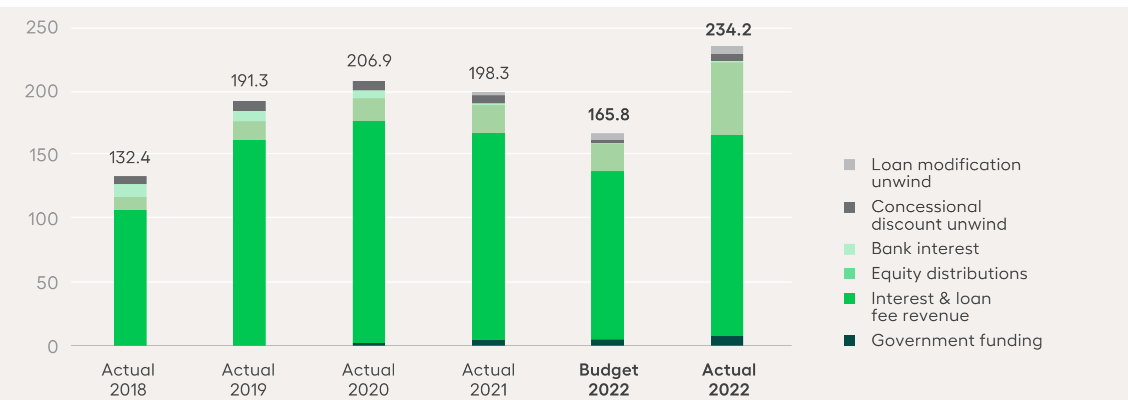


Figure 14: Operating expenses, impairment, concession, modification ($m)

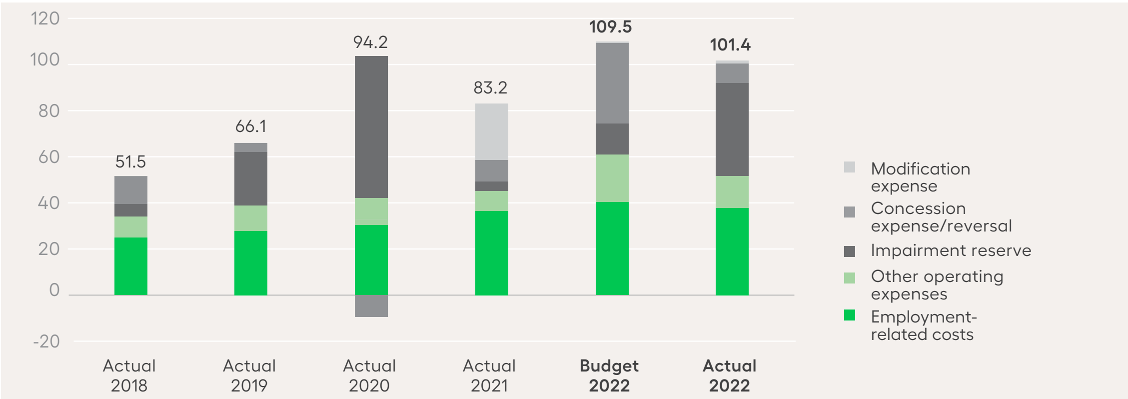


Figure 15: Normalised surplus from operations ($m)

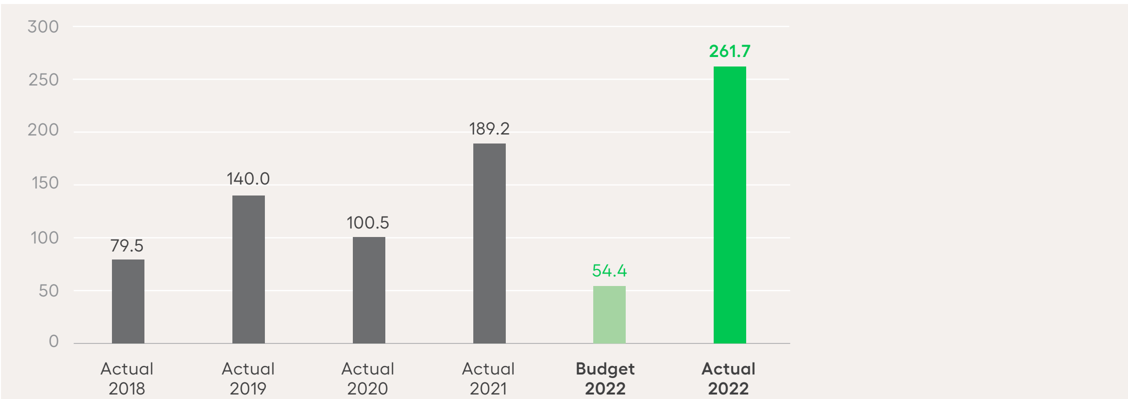


Figure 16: Reconciliation of surplus from operations to normalised surplus from operations ($m)

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	**Budget 2022**	**Actual 2022**
Reported surplus from operations	73.7	218.8	153.8	144.5	31.3	189.5
Less: Funding received from the Australian Government	–	–	(1.9)	(4.3)	(4.5)	(7.2)
Less: Fair value (gains)/losses from loans and bonds at Fair Value through Profit & Loss (FVTPL) net of realised gains on sale	–	(75.1)	(34.7)	23.9	–	81.4
Less: Concessional discount unwind	(6.2)	(7.6)	(7.3)	(6.0)	(2.4)	(5.3)
Add: Concessional expense	12.0	3.9	(9.4)	9.2	35.0	8.4
Less: Loan modification unwind	–	–	–	(2.7)	(5.0)	(6.2)
Add: Loan modification expense	–	–	–	24.5	–	1.1
Normalised surplus from operations	79.5	140.0	100.5	189.2	54.4	261.7

Notes

Normalised surplus from operations represents the underlying financial performance of the CEFC 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 17: CEFC portfolio benchmark return (PBR)[1] (%)

	30 June 2022 Actual	30 June 2022 Normalised
Cumulative return[2]	4.38[3,4]	4.33[3,4]
PBR Target	4.99–5.99	4.99–5.99
Return: 12 months to 30 June 2022	3.40[5,6]	4.87[5,7]
PBR Target: 12 months to 30 June 2022	4.40–5.40	4.40–5.40

Notes
1. The targeted portfolio benchmark return for the core portfolio, established in the Investment Mandate Direction 2020, is the five-year bond rate + 3–4%).
2. Since inception.
3. Includes 0.65% fair value gains on equity investments at FVTPL.
4. Net of 0.67% relating to impairment allowance for portfolio losses.
5. Includes 1.66% fair value gains on equity investments at FVTPL.
6. Net of 1.47% fair value gains on bonds and loans at FVTPL net of realised gains/losses on sale of bonds and loans and 0.73% relating to impairment allowance for portfolio losses.
7. Net of 0.73% relating to impairment allowance for portfolio losses.

Figure 18: Clean Energy Innovation Fund portfolio benchmark return (PBR)[1] (%)

	30 June 2022
Cumulative return[2]	12.02
PBR Target	2.71
Return: 12 months to 30 June 2022	38.18
PBR Target: 12 months to 30 June 2022	2.29

Notes
1. The Clean Energy Innovation Fund targeted Portfolio Benchmark Return (PBR), established in the Investment Mandate Direction 2020, is the five-year bond rate + 1%.
2. Lifetime returns include 12.99% of net gains in estimated fair value of early-stage equity investments that are still in the portfolio.
3. Includes 49.35% of net gains in estimated fair value of early-stage equity investments that are still in the portfolio.

Figure 19: Advancing Hydrogen Fund portfolio benchmark return (PBR)[1] (%)

	30 June 2022
Cumulative return[2]	0.56
PBR Target	1.55

Notes
1. The Advancing Hydrogen Fund targeted Portfolio Benchmark Return (PBR), established in the Investment Mandate Direction 2020, is the five-year bond rate + 1%.
2. The first hydrogen project was committed and funded in the quarter ended 30 September 2021, and therefore this return is from that date through to 30 June 2022.

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Minister for Climate Change and Energy

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 2022:

(a) comply with Australian Accounting Standards – Simplified Disclosures 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 2022 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 2022 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive Officer and Chief Financial Officers;
- 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 2022 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.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Consolidated Entity, the Members of the Board ('Board') are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation

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of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures 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

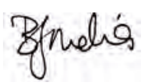
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

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



Bradley Medina
Executive Director
Delegate of the Auditor-General

Canberra
25 August 2022

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

Clean Energy Finance Corporation

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

In our opinion, the attached financial statements for the year ended 30 June 2022 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	Nicola Wakefield Evans Board member	Ian Learmonth Chief Executive Officer	Andrew Powell Chief Financial Officer
25 August 2022	25 August 2022	25 August 2022	25 August 2022

Consolidated Statement of Comprehensive Income

for the year ended 30 June

	Notes	**2022 $'000**	2021 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	36,567	33,494
Suppliers	2.1B	11,647	8,677
Depreciation and amortisation	3.2A	3,308	3,033
Finance costs	2.1F	11	22
Concessional loan charges	2.1C	9,269	13,105
Impairment loss allowance on financial instruments	2.1D	40,452	4,271
Losses from sale of assets	2.2D	4,985	–
Total expenses		**106,239**	**62,602**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	2.2A	170,731	172,427
Distributions from trusts and equity investments	2.2B	56,368	21,578
Total own-source revenue		**227,099**	**194,005**
Gains and losses			
Fair value losses on financial instruments	2.1E	(84,419)	(68,118)
Fair value gains on financial instruments	2.2C	150,790	64,316
Profit from sale of assets	2.2D	–	36,989
Loss on modification of financial assets	2.1G	(1,064)	(24,525)
Reversal of prior period concessional loan charges	2.1C	901	3,872
Total net gains/(losses)		**66,208**	**12,534**
Total own-source income		**293,307**	**206,539**
Net contribution by services		**187,068**	**143,937**
Revenue from government	2.3	7,139	4,270
Share of associates and joint ventures	3.1F	(4,704)	(3,699)
Surplus from continuing operations		**189,503**	**144,508**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain/(loss) taken to equity on cash flow hedge	2.4A	12,411	5,461
Total comprehensive income		**201,914**	**149,969**

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

Consolidated Statement of Financial Position

as at 30 June

	Notes	2022 $'000	2021 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	603,629	774,351
Trade and other receivables	3.1B	20,291	15,361
Loans and advances	3.1C	3,143,362	2,771,879
Other debt securities	3.1D	889,997	1,066,400
Equities and units in trusts	3.1E	1,388,331	788,171
Equity accounted investments	3.1F	438,030	258,024
Derivative financial assets	3.1G	10,544	12,316
Total financial assets		**6,494,184**	**5,686,502**
Non-financial assets			
Property, plant and equipment	3.2A	6,427	9,169
Computer software	3.2A	14	283
Prepayments		1,752	407
Total non-financial assets		**8,193**	**9,859**
Total assets		**6,502,377**	**5,696,361**
LIABILITIES			
Payables and deferred revenue			
Suppliers	3.3A	4,302	2,860
Deferred revenue	3.3B	32,992	40,975
Other payables	3.3C	12,234	11,139
Derivative financial liabilities	3.3D	7,472	2,223
Total payables and deferred revenue		**57,000**	**57,197**
Interest-bearing liabilities			
Leases	3.4	4,768	6,884
Total interest-bearing liabilities		**4,768**	**6,884**
Provisions			
Employee provisions	5.1	4,621	4,228
Other provisions	3.5	12,236	6,214
Total provisions		**16,857**	**10,442**
Total liabilities		**78,625**	**74,523**
Net assets		**6,423,752**	**5,621,838**
EQUITY			
Contributed equity	4.1	5,513,363	4,913,363
Reserves	2.4A	10,983	(1,428)
Retained surplus		899,406	709,903
Total equity		**6,423,752**	**5,621,838**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June

	Retained surplus		Reserves		Contributed equity		Total equity	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Opening balance								
Balance carried forward from previous year	709,903	565,395	(1,428)	(6,889)	4,913,363	4,668,363	5,621,838	5,226,869
Comprehensive income								
Surplus for the year	189,503	144,508	–	–	–	–	189,503	144,508
Other comprehensive income	–	–	12,411	5,461	–	–	12,411	5,461
Total comprehensive income	**189,503**	**144,508**	**12,411**	**5,461**	**–**	**–**	**201,914**	**149,969**
Transactions with owners								
Contributions by owners								
Equity injection from CEFC Special Account	–	–	–	–	600,000	245,000	600,000	245,000
Total transactions with owners	**–**	**–**	**–**	**–**	**600,000**	**245,000**	**600,000**	**245,000**
Closing balance as at 30 June	**899,406**	**709,903**	**10,983**	**(1,428)**	**5,513,363**	**4,913,363**	**6,423,752**	**5,621,838**

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

Consolidated Cash Flow Statement

for the year ended 30 June

	Notes	2022 $'000	2021 $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from government		7,139	4,270
Interest and fees		165,460	179,388
Income distributions from trusts and equity investments		57,068	19,313
Total cash received		**229,667**	**202,971**
Cash used			
Employees		35,110	29,097
Suppliers		12,429	10,922
Interest payments on lease liabilities		11	22
Total cash used		**47,550**	**40,041**
Net cash from operating activities		**182,117**	**162,930**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		475,509	315,392
Sale of other debt securities		300,933	539,304
Sale of equities and units in trusts		20,912	1,284
Sale of investment in associates and joint ventures		–	4,408
Distributions from associates and joint ventures		5,329	130
Total cash received		**802,683**	**860,518**
Cash used			
Loans made to other parties		891,627	856,424
Purchase of other debt securities		204,670	178,448
Purchase of equities and units in trusts		469,285	232,505
Investment in associates and joint ventures		187,784	63,417
Purchase of derivative financial assets		–	6,731
Purchase of property, plant and equipment		280	2,363
Purchase of computer software		72	461
Total cash used		**1,753,718**	**1,340,349**
Net cash from/(used by) investing activities		**(951,035)**	**(479,831)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		600,000	595,000
Total cash received		**600,000**	**595,000**
Cash used			
Return of equity		–	350,000
Principal payments of lease liabilities		2,116	1,927
Total cash used		**2,116**	**351,927**
Net cash from financing activities		**597,884**	**243,073**
Net increase/(decrease) in cash held		**(171,034)**	**(73,828)**
Cash and cash equivalents at the beginning of the reporting period		774,351	848,179
Effect of exchange rate movements on cash and cash equivalents at beginning of reporting period		312	–
Cash and cash equivalents at the end of the reporting period	**3.1A**	**603,629**	**774,351**

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

Notes to 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 objective 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 2022, 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 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 – including simplified disclosures for Tier 2 Entities under AASB 1060 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 Market and supply chain impacts

There is an increasing concentration risk in the sectors in which the CEFC invests. A large investment is required across the globe to meet net zero commitments, and this is increasing the competition for equipment, materials and appropriately skilled labour required to build out electricity networks, new renewable generation, manufacture of energy efficient assets and the equipment required to transition to a lower emissions economy.

In addition, the broader geopolitical concerns and events such as the Russia–Ukraine conflict are impacting on energy market prices (e.g. oil and gas price–dependent commodities), financial markets and global supply chains.

Given its interplay at the nexus of energy and finance, the CEFC considers that there may be some impacts on the current portfolio and pipeline of future investments. This will likely include inflationary pressures on both construction and project finance costs as well as possible delays in supply of equipment to borrowers for use in the construction of grid and generation assets in particular. However, it is not possible to make a completely informed judgement as to the duration and extent of these impacts.

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 2022, and no certainty as to whether any benefit from those losses would ever be realised.

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.

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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	1 July 2021

AASB 1060 applies to annual reporting periods beginning on or after 1 July 2021 and replaces the reduced disclosure requirements (RDR) framework. The application of AASB 1060 involves some reduction in disclosure compared to the RDR with no impact on the reported financial position, financial performance and cash flows of the Corporation.

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 have a material impact on the Group's financial disclosures.

1.6 Events after the reporting period

Effective 1 July 2022, the CEFC was subject to the Machinery of Government changes and became part of the new Climate Change, Energy, the Environment and Water Portfolio. Administration of the CEFC Special Account will be undertaken by the Department of Climate Change, Energy, the Environment and Water from 1 July 2022 forward. There is no financial impact to CEFC from these changes.

On 5 July 2022, the CEFC entered into a new seven-year lease agreement for the Brisbane office at 111 Eagle Street. The resulting right-of-use asset and lease liability of $5.0m each will be recognised in July 2022. The Corporation has also signed a contract in July 2022 for design and construction of the fit out of the new premises at a net estimated cost of $1.7m plus GST.

There have been no other 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 2022.

2.1: Expenses

	2022 $'000	2021 $'000
2.1A: Employee benefits		
Wages and salaries	33,909	30,743
Superannuation		
Defined contribution plans	2,152	1,863
Leave and other entitlements	476	838
Separation and redundancies	30	50
Total employee benefits	**36,567**	**33,494**

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.

Note 2: Financial performance continued

	2022 $'000	2021 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	250	225
Consultants and contractors	2,351	2,558
Custody, facility, filing and investment management fees	3,203	1,229
Data feeds and other subscriptions	866	731
Facility services and outgoings	467	369
Financial statement audit services	112	343
Information technology services	1,076	673
Insurance	162	276
Internal audit services	322	275
Legal fees	312	182
Marketing and communications	331	287
Recruitment services	561	444
Staff training and development	428	222
Telecommunications	159	213
Travel and incidentals	401	219
Other	608	340
Total goods and services supplied or rendered	**11,609**	**8,586**
Goods supplied	205	133
Services rendered	11,404	8,453
Total goods and services supplied or rendered	**11,609**	**8,586**
Other suppliers		
Rental expense – external parties	(6)	58
Workers compensation expenses	44	33
Total other suppliers	**38**	**91**
Total suppliers	**11,647**	**8,677**

Leasing commitments

The Group has entered into operating leases for office premises which expire between September 2022 and February 2026. Payments in connection with these rental agreements are disclosed as follows.

	2022 $'000	2021 $'000
Rental paid is recognised as:		
Rental expense	(6)	58
Finance cost	11	22
Reduction in lease liability	2,116	1,927
Total premises lease payments	**2,121**	**2,007**
The amount expensed for premises rental is recognised as:		
Rental expenses	(6)	58
Finance cost	11	22
Depreciation of right of use asset	2,051	1,733
Total premises lease expense	**2,056**	**1,813**

Financial statement audit services

Audit fees payable to the Australian National Audit Office for the audit of the consolidated financial statements of the Group and the financial statements of one wholly owned subsidiary are as follows:

	2022 $'000	2021 $'000
Australian National Audit Office	215	188

	2022 $'000	2021 $'000
2.1C: Concessional loan charge/(reversal)	9,269	13,105
Concessional loan charges on commitments during the year		
Reversal of concessional loan charges on prior period commitments, due to expiration or early termination of concessional loan arrangements	(901)	(3,872)
Total concessional loan charge/(reversal)	**8,368**	**9,233**

Note 2: Financial performance continued

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.

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.

	2022 $'000	2021 $'000
2.1D: Impairment loss allowance on financial instruments		
Impairment charge on loans carried at amortised cost	39,063	5,844
Impairment (reversal)/charge on other debt securities carried at amortised cost	1,389	(1,573)
Total impairment on financial instruments	**40,452**	**4,271**

Accounting judgements and estimates

Impairment charge on loans and debt securities carried at amortised cost

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 cashflows, 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; and
- 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:

- PR2 or worse for loans with current SCR BB+ and below
- PR3 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

Note 2: Financial performance continued

	2022 $'000	2021 $'000
2.1E: Fair value losses on financial instruments		
Fair value losses on loans carried at FVTPL	–	1,177
Fair value losses on other debt securities carried at FVTPL	79,377	26,125
Fair value losses on equities and units in trusts carried at FVTPL	3,822	3,918
Fair value losses on derivatives for investment carried at FVTPL	758	–
Reversal of prior years' fair value gains now realised on disposal (refer to Note 2.2D)	462	36,898
Total fair value losses on financial instruments	**84,419**	**68,118**

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.

	2022 $'000	2021 $'000
2.1F: Finance costs		
Interest on lease liabilities	11	22
Total finance costs	**11**	**22**

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

	2022 $'000	2021 $'000
2.1G: Loss on modification of financial instruments		
Loans measured at amortised cost	1,064	24,525
Total loss on modification of financial instruments at amortised cost that were not derecognised	**1,064**	**24,525**

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:

c) 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; and
d) Qualitative assessment – a significant change in the terms and conditions that is so fundamental that immediate de-recognition 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

	2022 $'000	2021 $'000
2.2A: Interest and loan fee revenue		
Interest and fees from loans and advances	134,555	122,415
Interest from other debt securities	23,231	39,903
Interest from cash and short-term investments	1,401	1,380
Unwind of concessional interest rate discount	5,330	6,020
Unwind of loan modification loss	6,214	2,709
Total interest and loan fee revenue	**170,731**	**172,427**

Note 2: Financial performance continued

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.

	2022 $'000	2021 $'000
2.2B: Distributions from trusts and equity investments		
Distributions from trusts and equity instruments	56,368	21,578
Total distributions from trusts and equity investments	**56,368**	**21,578**

Accounting policy

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

	2022 $'000	2021 $'000
2.2C: Fair value gains on financial instruments		
Fair value gains on other debt securities carried at FVTPL	–	3,378
Fair value gains on equities and units in trusts carried at FVTPL	146,742	56,177
Fair value gains on derivatives for investment carried at FVTPL	–	4,761
Reversal of prior years' fair value losses now realised on disposal (refer to Note 2.2D)	4,048	–
Total fair value gains on financial instruments	**150,790**	**64,316**

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 where available.

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 cashflows 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)).

	2022 $'000	2021 $'000
2.2D: (Loss)/Profit from sale of assets		
Realised gains on sale of financial investments carried at FVTPL		
Investments in trusts and equity instruments	1,026	151
Investments in debt securities	113	36,838
Realised losses on sale of financial investments carried at FVTPL		
Investments in trusts and equity instruments	(4,048)	–
Investments in debt securities	(2,076)	–
Net (Loss)/Profit on sale of investments	**(4,985)**	**36,989**

$4.0m of the loss on sale of assets (2021: $NIL) had been recognised in prior years through the Statement of Comprehensive Income as Fair Value losses. Refer to Note 2.2C.

$0.5m of the profit from sale of assets (2021: $36.9m) had been recognised in prior years through the Statement of Comprehensive Income as Fair Value gains. Refer to 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.

Note 2: Financial performance continued

2.3: Revenue from government

	2022 $'000	2021 $'000
Contribution from Department of Industry, Science, Energy and Resources towards operating costs of the proposed:		
– Grid Reliability Fund	4,532	4,270
– Low Emissions Technology Commercialisation Fund	2,607	–
Total revenue from government	**7,139**	**4,270**

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

2.4A: Reconciliation of unrealised gains/(losses) in reserves at 30 June 2022

	Share of associates $'000	Cash flow hedge reserves $'000	Total $'000
Unrealised losses included in reserves, 1 July 2021	(577)	(851)	(1,428)
Unrealised gains/(losses) recorded in other comprehensive income during 2022	9,958	2,453	12,411
Unrealised gains/(losses) included in reserves, 30 June 2022	**9,381**	**1,602**	**10,983**

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'); and
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 which 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 in 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.

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; and
- 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.

Note 3: Financial position continued

Judgements and estimates

Please also see discussion of the impact of the Russia–Ukraine conflict 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 per cent of the principal relating to all the loans it makes. A specific impairment provision is raised where the Group has identified individual loans that are not expected to be fully recoverable at the reporting date.

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) the Group, for economic or legal reasons relating to the borrower's financial difficulty, 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; or
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; or
   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 macro-economic 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 2022	Weighting 2021
Base case	55%	60%
Upside	10%	10%
Downside	30%	25%
Electricity price collapse	5%	5%
Total statistically calculated provision	**100%**	**100%**

Note 3: Financial position continued

The assumptions in each scenario have been updated since 1 July 2021. This change in assumptions includes higher electricity price forecasts, the current GDP and interest rate forecasts and updates to interest rate and property price expectations.

The provision at 30 June 2022, under each of these scenarios would have been between $55.1m and $234.0m and has been calculated on a weighted average basis as $90.7m as follows:

Scenario	Key assumptions at 30 June 2022	Statistical provision $m	Weighted value $m
Base case	– Electricity prices: Most recent quarterly forecast of bundled wholesale prices sourced from an independent consultancy in both 2022 and 2021. 2022 forecasts are higher than 2021. – Foreign Exchange rate: June quarterly forecasts sourced from a financial information service at 30 June 2022 and 2021. – Interest rates: Average June quarterly forecasts sourced from a financial information service at 30 June 2022 and 2021. – GDP growth rate: Real GDP forecast sourced from a financial information service at 30 June 2022 and 2021. – Property prices: In line with market expectations.	75.1	41.3
Upside	Electricity prices are assumed to be 20% higher than the Base case from 1 July 2023 onwards. Property prices increase by 2% more than the Base case. GDP and interest rates are the same as the Base case.	55.1	5.5
Downside	Electricity prices are 35% lower than the Base case. Property prices are from 10% to 25% lower than market expectations. Interest rates increase from 1 July 2022 (2021: 1 July 2024) onwards. GDP growth is 50% of Base case.	107.4	32.2
Electricity price collapse	As for Downside scenario, however, bundled electricity prices drop to $40/MWh and remain at that level.	234.0	11.7
Total provision calculated with reference to above scenarios (AASB 9 stages 1 and 2)			**90.7**
Specific provision for financial instruments considered to be credit impaired (AASB 9 stage 3)			75.1
			165.8

The total impairment provision of $165.8m is disclosed as $164.1m against loans and advances (refer to Note 3.1C) and $1.7m against other debt securities (refer to 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 fluctuations in wholesale electricity prices, 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 and 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.

	2022 $'000	2021 $'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	603,629	774,351
Total cash and cash equivalents	**603,629**	**774,351**

Accounting policy

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

a) cash on hand; and

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.

Note 3: Financial position continued

	2022 $'000	2021 $'000
3.1B: Trade and other receivables		
Goods and services receivables		
Trade debtors – external parties	–	1
Other receivables		
Interest and fees	16,052	10,707
Dividends and distributions	3,475	4,184
Accrued revenue	**19,527**	**14,891**
Unbilled receivables	283	467
Other receivables	481	2
Total other receivables	**20,291**	**15,360**
Total trade and other receivables (gross)	**20,291**	**15,361**
Less: Impairment allowance	**–**	**–**
Total trade and other receivables (net)	**20,291**	**15,361**

Credit terms for goods and services were within 30 days (2021: 30 days).

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

	2022 Amortised cost $'000	2022 FVTPL $'000	2022 Total $'000
3.1C: Loans and advances			
Gross funded loans and advances	3,330,554	50	**3,330,604**
Concessional loan discount on drawn loans	(13,252)	(50)	**(13,302)**
Unamortised loan modification charge	(9,806)	–	**(9,806)**
Funded loans, net of concessionality and modification discount	3,307,496	–	**3,307,496**
Less impairment allowance	(164,134)	–	**(164,134)**
Net loans and advances	3,143,362	–	**3,143,362**

	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**

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

	2022 $'000	2021 $'000
Overdue or impaired	142,545	83,168
Due in 1 year	614,552	215,041
Due in 1 year to 5 years	1,512,950	1,655,794
Due after 5 years	1,037,449	942,948
Funded loans, net of concessionality and modification discount	**3,307,496**	**2,896,951**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2022 was for an amount of $295.0 million (2021: $175.7 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2022			2021		
	No. of loans	**Loan value $'000**	**%**	No. of loans	Loan value $'000	%
<$10m	18	55,828	2%	27	66,870	2%
$10m–$50m	27	709,214	21%	23	655,463	23%
$50m–$100m	17	1,303,777	39%	16	1,228,119	42%
> $100m	8	1,238,677	38%	7	946,499	33%
Funded loans, net of concessionality and modification discount	**70**	**3,307,496**	**100%**	**73**	**2,896,951**	**100%**

Note 3: Financial position continued

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).

	2022		2021	
	Loan value $'000	**%**	Loan value $'000	%
Corporation's shadow credit rating				
AAA	5,828	0%	3,017	0%
AA+ to AA-	29,553	1%	31,268	1%
A+ to A-	336,907	10%	317,918	11%
BBB+ to BBB-	670,168	20%	670,944	23%
BB+ to BB-	2,122,751	64%	1,850,131	64%
B+ to B-	142,289	5%	23,673	1%
Total loans and advances, net of concessionality and modification discount	**3,307,496**	**100%**	**2,896,951**	**100%**

Risk factors are discussed further in Note 6.2.

Impairment allowance

Reconciliation of the impairment allowance:

Movements in relation to loans and advances	2022 Stage 1 (12 month ECL)	2022 Stage 2 (lifetime ECL)	2022 Stage 3	**2022 Total $'000**
As at 1 July 2021	**43,603**	**61,185**	**20,284**	**125,072**
(Decrease)/Increase recognised in impairment loss allowance on financial instruments	(1,788)	(10,690)	51,540	39,062
Change from stage 1 to stage 2	(2,808)	2,808	–	–
Change from stage 2 to stage 1	14,927	(14,927)	–	–
Change from stage 2 to stage 3	–	(3,292)	3,292	–
Closing balance at 30 June 2022	**53,934**	**35,084**	**75,116**	**164,134**

	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**
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**

The Group did not have any amounts past due but not impaired at 30 June 2022 or 30 June 2021.

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

	2022 Amortised cost $'000	2022 FVTPL $'000	**2022 Total $'000**
Gross funded debt securities	341,240	585,027	**926,267**
Concessional loan discount	(1,844)	(2,686)	**(4,530)**
Cumulative amortisation of bond discount/(premium)	967	1,582	**2,549**
Cumulative fair value adjustments	–	(32,552)	**(32,552)**
Debt securities before impairment allowance	340,363	551,371	**891,734**
Impairment allowance	(1,737)	–	**(1,737)**
Net other debt securities	338,626	551,371	**889,997**

	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**

Note 3: Financial position continued

Maturity analysis of debt securities:

	2022 $'000	2021 $'000
Overdue or impaired	–	–
Due in 1 year	23,798	139,377
Due in 1 year to 5 years	493,424	341,785
Due after 5 years	374,512	585,585
Other debt securities before impairment allowance	**891,734**	**1,066,747**

Concentration of risk – Other debt securities

Other debt securities are primarily investments in bank and corporate bonds. During the financial year, the Group recorded an increase in the impairment charge of $1.39 million (2021: impairment write back of $1.57 million) in respect of its holding of other debt securities.

The largest single exposure in the other debt securities at 30 June 2022 was for an amount of $75.9 million (2021: $90.5 million).

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

	2022			2021		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment $'000	%
<$10m	6	53,374	6%	5	38,254	3%
$10m–$50m	19	583,186	65%	14	348,021	33%
$50m–$100m	4	255,174	29%	11	680,472	64%
> $100m	0	–	0%	0	–	0%
Total other debt securities	**29**	**891,734**	**100%**	**30**	**1,066,747**	**100%**

The following table shows the diversification of Other debt securities at 30 June 2022 and 2021 by SCR:

	2022		2021	
	Value $'000	%	Value $'000	%
Corporation's Shadow Credit Rating				
AAA	4,716	1%	6,448	1%
AA+ to AA-	299,714	34%	640,150	60%
A+ to A-	267,845	30%	223,221	21%
BBB+ to BBB-	280,323	31%	196,928	18%
BB+ to BB-	39,136	4%	–	0%
Total other debt securities	**891,734**	**100%**	**1,066,747**	**100%**

Risk factors are discussed further in Note 6.2.

Impairment allowance – Other debt securities

Reconciliation of the impairment allowance:

Movements in relation to Other debt securities	2022 $'000	2021 $'000
As at 1 July	347	1,921
Increase/(Decrease) recognised in impairment loss allowance on financial instruments	1,390	(1,574)
Utilised for investment written off	–	–
Closing balance at 30 June	**1,737**	**347**

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

3.1E: Equities and units in trusts

	2022 $'000	2021 $'000
Gross funded equities and units in trusts	1,185,291	731,637
Cumulative fair value adjustments	203,040	56,534
Equities and units in trusts	**1,388,331**	**788,171**

All equities and units in trusts are held at FVTPL in 2022 and 2021.

Note 3: Financial position continued

Concentration of risk and impairment – equities and units in trusts

Investments in 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 are classified as equities and units in trusts.

The largest single exposure in the equities and units in trusts portfolio at 30 June 2022 was for an amount of $156.8 million (2021: $113.9 million).

The following table shows the diversification of equities and units in trusts at 30 June:

	2022			2021		
	No. of securities	Investment value $'000	%	No. of securities	Investment value $'000	%
<$10m	27	76,501	5%	16	42,685	5%
$10m – $50m	5	123,538	9%	3	58,698	7%
$50m – $100m	8	572,637	42%	8	572,896	73%
>$100m	5	615,655	44%	1	113,892	15%
Total equities and units in trusts	**45**	**1,388,331**	**100%**	**28**	**788,171**	**100%**

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

3.1F: Equity accounted investments

	2022 $'000	2021 $'000
Balance at 1 July	258,024	180,104
Investments made during the year	176,473	63,664
Distributions received during the year	(5,009)	(197)
Share of income/(loss) of Associates and Joint Ventures		
– through Profit and Loss	(4,704)	(3,699)
– through Other Comprehensive Income (Note 2.4A)	9,958	6,257
Disposals made during the year	–	(4,409)
Reclassifications from FVTPL	–	16,304
Reclassifications to FVTPL	(8,382)	–
Balance of equity accounted investments at 30 June	**426,360**	**258,024**
Loans to associates and joint ventures	11,670	–
Total interest in associates and joint ventures	**438,030**	**258,024**

	2022		2021	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity accounted investments				
Artesian Clean Energy Seed Fund	12,124	37.0%	7,048	37.8%
Australian Hospitality Opportunity Fund II	35,236	33.0%	7,259	23.8%
Blind Creek Solar Farm	–	40.0%	–	0.0%
EG Delta – ESG Property Fund	34,393	43.1%	24,515	35.8%
Ellerston Capital	23,540	49.5%	–	0.0%
Perry Bridge and Fulham Solar Farms	–	45.0%	–	45.0%
Optimus Stage 1 and Optimus Lockets	2,331	40.0%	–	40.0%
IFM Growth Partners LP	17,730	36.8%	–	0.0%
IFM Growth Partners Trust A	18	50.0%	–	0.0%
Jet Charge Pty Ltd	7,832	21.1%	3,296	20.3%
Kiamal Solar Farm	50,065	42.5%	57,800	42.5%
Mirvac Australian BTR Club – A	66,313	43.0%	65,977	43.0%
Morrison Growth Infrastructure Fund	70,468	25.9%	53,251	25.9%
My Specialised Accommodation Solutions Holdings	53,984	24.9%	50	25.0%
Relectrify Technologies Ltd	2,889	23.1%	2,500	22.2%
Ross River Solar Farm	18,640	25.0%	18,351	25.0%
Scipher Technologies	7,438	20.0%	–	0.0%
Tenacious Ventures Management Partnership	3,185	22.9%	766	22.9%
Transforming Farming Trust	16,768	50.0%	251	50.0%
Virescent Ventures	60	30.0%	–	0.0%
Wyuna Regenerative Ag Investment Fund	71	46.2%	–	0.0%
Zen Ecosystems Holdings Pty Ltd	3,275	21.7%	8,578	21.7%
Zoomo International Ltd*	–	–	8,382	21.8%
Total investments accounted for using the equity method	**426,360**		**258,024**	

* During the year, the Group's ownership in this investment reduced below 20.0%, resulting in the reclassification of the investment held as an Associate in the prior period to FVTPL in the current period.

Note 3: Financial position continued

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

	2022 $'000	2021 $'000
Statement of financial position		
Current assets	84,056	20,565
Non-current assets	554,983	412,265
Current liabilities	24,284	17,934
Non-current liabilities	192,931	175,088
Statement of comprehensive income		
Revenue	56,019	30,148
Net (deficit)/surplus	(4,704)	(3,699)
Other comprehensive income	9,958	6,257
Total comprehensive income	**5,254**	**2,558**

Loans to Associates and Joint Ventures at 30 June 2022 of $11.7m were provided to Transforming Farming Trust over a term of 10 years at a fixed interest rate of 4.15% per annum. (2021: $Nil). There are no guarantees on behalf of Associates and Joint Ventures outstanding at 30 June 2022 (2021: $Nil).

At 30 June 2022 the Group had committed to invest up to a further $268 million (2021: $301 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.

3.1G: Derivative financial assets

	2022 $'000	2021 $'000
Derivative financial assets held for investment purposes (FVTPL)	10,544	11,303
Derivative financial assets held for hedging purposes (FVOCI)	–	1,013
Derivative financial assets	**10,544**	**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	10,544	11,303
Total derivative financial assets	**10,544**	**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 cash flow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

Note 3: Financial position continued

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 2022

	Land and buildings $'000	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2021				
Gross book value	8,681	4,007	1,118	13,806
Accumulated depreciation and amortisation	(2,056)	(1,463)	(835)	(4,354)
Total as at 1 July 2021	**6,625**	**2,544**	**283**	**9,452**
Additions:				
By purchase or internally developed	–	225	72	297
Depreciation and amortisation expense	(2,051)	(916)	(341)	(3,308)
Disposals:				
Gross book value	(264)	(757)	(670)	(1,691)
Accumulated depreciation and amortisation	264	757	670	1,691
Total as at 30 June 2022	**4,574**	**1,853**	**14**	**6,441**
Total as at 30 June 2022 represented by:				
Gross book value	8,417	3,475	520	12,412
Accumulated depreciation and amortisation	(3,843)	(1,622)	(506)	(5,971)
Total as at 30 June 2022	**4,574**	**1,853**	**14**	**6,441**

Land and Buildings comprise ROU assets recognised for office leases.

No other property, plant or equipment or computer software are expected to be disposed of within the next 12 months.

No indicators of impairment were found for property, plant and equipment or computer software.

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 2022, 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.

Note 3: Financial position continued

3.3: Payables and deferred revenue

	2022 $'000	2021 $'000
3.3A: Suppliers		
Trade creditors and accruals	4,302	2,860
Total suppliers	**4,302**	**2,860**

Settlement of supplier balances was usually made within 30 days.

	2022 $'000	2021 $'000
3.3B: Deferred revenue		
Deferred establishment fees income	32,725	40,975
Loan commitment and line fees received in advance	267	–
Total deferred revenue	**32,992**	**40,975**
Deferred revenue expected to be recognised:		
No more than 12 months	9,642	9,100
More than 12 months	23,350	31,875
Total deferred revenue	**32,992**	**40,975**

	2022 $'000	2021 $'000
3.3C: Other payables		
Wages and salaries	11,992	10,930
Superannuation	213	178
FBT liability	7	–
Other	22	31
Total other payables	**12,234**	**11,139**
Total other payables are expected to be settled in:		
No more than 12 months	10,120	9,065
More than 12 months	2,114	2,074
Total other payables	**12,234**	**11,139**

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.

	2022 $'000	2021 $'000
3.3D: Derivative financial liabilities		
Cross-currency swaps	7,472	2,223
Total derivative financial liabilities	**7,472**	**2,223**
Maturity analysis of derivative financial liabilities:		
Due within 1 year	–	–
Due in 1 year to 5 years	7,472	2,223
Total derivative financial liabilities	**7,472**	**2,223**

Note 3: Financial position continued

3.3D: Derivative financial liabilities

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 cash flow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

3.4: Interest-bearing liabilities

	2022 $'000	2021 $'000
Lease liability falling due within 1 year	1,400	2,116
Lease liability falling due between 1 and 5 years	3,368	4,768
Total interest-bearing liabilities	**4,768**	**6,884**

The lease liability relates to office premises leases which expire between September 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.

Committed future lease payments, on an undiscounted basis, at 30 June 2022 are $4.84m (2021: $6.9m).

3.5: Other provisions

	Provision for concessional investments $'000	Provision for make good $'000	Total $'000
As at 1 July 2021	**5,820**	**394**	**6,214**
Additional provisions made	8,640	–	8,640
Amount reversed upon cancellation of loan facilities	–	–	–
Offset to Loans and advances and Other debt securities	(2,562)	–	(2,562)
Provision utilised	–	(56)	(56)
Total at 30 June 2022	**11,898**	**338**	**12,236**

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

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

	2022 $'000	2021 $'000
Appropriations credited during the year to the CEFC Special Account maintained by the Department of Climate Change, Energy, the Environment and Water	–	–
Summary of contributed equity		
Opening balance – 1 July	4,913,363	4,668,363
Funds drawn as an equity contribution from the CEFC Special Account	600,000	595,000
Funds returned during the year to the CEFC Special Account	–	(350,000)
Net amount drawn from the CEFC Special Account	600,000	245,000
Closing contributed equity balance – 30 June	**5,513,363**	**4,913,363**

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 Climate Change, Energy, the Environment and Water 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 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 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 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.

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

	2022 $'000	2021 $'000
Annual and long service leave		
Expected to be settled within 12 months	3,584	3,035
Expected to be settled in more than 12 months	1,037	1,193
Total employee provisions	**4,621**	**4,228**

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 non-executive Board members (comprising seven members with two resignations and two appointments during the year), and the Executive team comprising the Chief Executive Officer, Chief Financial Officer, General Counsel, the Chief Investment Officer, the Chief Clean Futures Officer, the Chief Risk Officer (including one resignation and one appointment during the years), the Chief Asset Management Officer and the Chief People and Culture Officer.

	2022 $	2021 $
Short-term employee benefits		
Non-executive Board member fees	445,891	445,145
Executive base salaries	3,363,710	3,252,762
Performance based compensation	1,304,575	1,263,634
Annual leave (paid)/accrued, net	73,763	71,292
Total short-term employee benefits	**5,187,939**	**5,032,833**
Post-employment benefits		
Superannuation contributions on behalf of Board members and executives	237,742	215,326
Total post-employment benefits	**237,742**	**215,326**
Other long-term employee benefits		
Performance based compensation	531,053	421,211
Long service leave (paid)/accrued, net	65,590	69,987
Total other long-term employee benefits	**596,643**	**491,198**
Total key management personnel remuneration expenses	**6,022,324**	**5,739,357**

	2022 No.	2021 No.
Summary of key management personnel		
Non-executive Directors	9	7
Executives	9	8
Total key management personnel	**18**	**15**

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 until 23 May 2022

Senator the Hon Simon Birmingham until 23 May 2022

The Hon Chris Bowen MP from 1 June 2022

Senator the Hon Katy Gallagher from 23 May 2022

Board Members

Mr Steven Skala AO

Ms Leeanne Bond

Mr Philip Coffey until 13 May 2022

Mr Matthew Howell from 14 May 2022

Mr David Jones AM from 8 April 2022

Ms Laura Reed until 24 March 2022

Mrs Andrea Slattery

Ms Samantha Tough

Ms Nicola Wakefield Evans

Key management personnel

Mr Ian Learmonth, CEO

Mr Michael Johnston until 1 October 2021

Ms Sara Leong

Mr Paul McCartney

Ms Leanne McDonald

Mr Andrew Powell

Mr Ludovic Theau

Mr Saxon (Jay) Tolson

Mr Craig Whalen from 1 September 2021

Other federal government agencies

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

Note 5: People and relationships continued

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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: $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 2022, Michael Johnston's wife provided a series of meditation 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 $1,400 (2021: $1,600) in the normal course of business.

Transactions with Director-related entities

Mr Philip Coffey (who resigned from the CEFC Board on 13 May 2022) and Ms Nicola Wakefield Evans are independent non-executive directors of Lendlease Corporation Limited and Lendlease Responsible Entity Limited, where the CEFC has an equity investment with a carrying value of $100m at 30 June 2022 (2021: $97m) in Lendlease Real Estate Investments Limited managed Australian Prime Property Fund Commercial Active and Australian Prime Property Fund Commercial Passive (stapled entity).

Mr Philip Coffey and Ms Nicola Wakefield Evans are also independent voting directors of Macquarie Group Limited and Macquarie Bank Limited. The CEFC has invested in fixed rate bonds with Macquarie Bank Limited with a carrying value of $50m as at 30 June 2022 (2021: $105m). The CEFC has also invested $48m (2021: $Nil) and committed a further $39m of equity at 30 June 2022 (2021: $87m) in My Specialised Accommodation Solutions Holding Trust and MSAS Services Trust (stapled entity) managed by Macquarie Financial Products Management Limited with Macquarie Infrastructure and Real Assets (MIRA), the infrastructure business of Macquarie Group Limited, as an existing unitholder. CEFC's carrying value for this investment at 30 June 2022 is $54m (2021: $Nil). The CEFC also provided a debt facility with a carrying value of $90m at 30 June 2022 (2021: $90m) to the Avertas Energy Kwinana project, a co-development between Macquarie Capital and Phoenix Energy, and owned by Macquarie Capital and Dutch Infrastructure Fund.

The CEFC has also invested in Xpansiv Limited with a carrying value of $20m at 30 June 2022 (2021: $Nil), the global marketplace for ESG-inclusive commodities, to which Macquarie has also provided debt funding.

Through its wholly owned subsidiary, CEFC Investments Pty Ltd, the CEFC has an investment with a carrying value of $120m at 30 June 2022 (2021: $94m) in Macquarie Agriculture Fund – Crop Australia managed by Macquarie Agricultural Funds Management Limited and also has an equity investment with a carrying value of $86m at 30 June 2022 (2021: $Nil) in Macquarie Australian Infrastructure Trust (MAIT) managed by MIRA.

Ms Andrea Slattery is an independent non-executive director of AMP Limited. CEFC has an equity investment with a carrying value of $71m at 30 June 2022 (2021: $67m) in the AMP Capital Wholesale Office Fund, for which the trustee is AMP Capital Investors Limited, a controlled entity of AMP Limited. Post 30 June 2022, the investors of AMP Capital Wholesale Office Fund voted on 18 July 2022 to replace the incumbent trustee AMP Capital Investors Limited with Mirvac Funds Management Australia 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.

Ms Laura Reed was appointed Chair of Spark Infrastructure Group on 22 December 2021. Spark Infrastructure Group investments include an interest in Transgrid. Prior to Ms Reed's appointment to the Spark board, CEFC has made loan commitments to Transgrid group entities, including $295m for project EnergyConnect in July 2021.

Ms Nicola Wakefield Evans was appointed as a director of Viva Energy Group Limited in August 2021.

The directors named above took no part in the relevant decisions of the CEFC 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 2022 (2021: 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.

On 18 February 2022, the CEFC spun-out its Innovation Fund team into a new entity called Virescent Ventures Pty Ltd (Virescent). The CEFC invested $60,000 of capital into Virescent for a 30 per cent shareholding and transferred to the new entity $83,000 relating to liabilities assumed by Virescent. The CEFC entered into an Investment Management Agreement (IMA) with Virescent for the management of the Innovation Fund investments on CEFC's behalf. Under this IMA the CEFC paid $1.2m for investment management services provided during the year ended 30 June 2022 and an additional $0.8m for the quarter ending 30 September 2022. During the year to 30 June 2022, Virescent paid $11,000 rent to the CEFC for use of office space.

The following significant transactions were entered into with other related parties under common control during the financial year ended 30 June 2022:

Related party	Purpose	2022 $'000	2021 $'000
Purchases from related parties:			
Comcover	General insurance premiums	162	205
Comcare	Workers compensation insurance premiums	44	40
Receipts from related parties:			
Department of Industry, Science, Energy and Resources	Staff secondment fees	16	125
Department of Industry, Science, Energy and Resources	Administrative funding for the Grid Reliability Fund program	4,532	4,270
Department of Industry, Science, Energy and Resources	Administrative funding for the Low Emissions Technology Commercialisation Fund	2,607	–

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 2022 or 2021 that are not disclosed elsewhere in these accounts.

Unquantifiable contingencies

At 30 June 2022 and 2021 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 in respect of which 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 2022	Amortised cost $'000	FVTPL $'000	FVOCI $'000	2022 Total $'000
Cash and cash equivalents	603,629	–	–	603,629
Trade and other receivables	20,291	–	–	20,291
Financial investments				
Loans and advances	3,143,362	–	–	3,143,362
Other debt securities	338,626	551,371	–	889,997
Equities and units in trusts	–	1,388,331	–	1,388,331
Derivative financial assets	–	10,544	–	10,544
Total financial investments	**3,481,988**	**1,950,246**	**–**	**5,432,234**
Carrying amount of financial assets	**4,105,908**	**1,950,246**	**–**	**6,056,154**

Financial assets 30 June 2021	Amortised cost $'000	FVTPL $'000	FVOCI $'000	2021 Total $'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 liabilities

Financial liabilities 30 June 2022	**Amortised cost $'000**	**FVTPL $'000**	**FVOCI $'000**	**2022 Total $'000**
Trade creditors and accruals	4,302	–	–	4,302
Provision for concessional investments	–	11,898	–	11,898
Derivative financial liabilities	–	–	7,472	7,472
Lease liability	4,768	–	–	4,768
Carrying amount of financial liabilities	**9,070**	**11,898**	**7,472**	**28,440**

Financial liabilities 30 June 2021	Amortised cost $'000	FVTPL $'000	FVOCI $'000	2021 Total $'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**

Note 6: Managing uncertainties continued

6.2B: Net gains or losses on financial assets

	2022 Amortised cost $'000	2022 FVTPL $'000	**2022 Total $'000**	2021 Total $'000
Cash and cash equivalents				
Interest from cash and short-term investments	1,401	–	1,401	1,380
Net gains on cash and cash equivalents	**1,401**	**–**	**1,401**	**1,380**
Loans and advances				
Interest income and fees	134,555	–	134,555	122,415
Unwind of concessional interest rate discount	8,617	–	8,617	4,868
Fair value gains	–	–	–	–
Fair value losses	–	–	–	(1,177)
Reversal of prior period concessional loan charges	367	–	367	1,816
Net gains on loans and advances	**143,539**	**–**	**143,539**	**127,922**
Other debt securities				
Interest income from debt securities	8,377	14,854	23,231	39,903
Unwind of concessional interest rate discount	407	2,520	2,927	3,861
Loss on sale	–	(2,076)	(2,076)	–
Profit on sale	–	113	113	36,838
Fair value gains	–	–	–	3,378
Fair value losses	–	(79,377)	(79,377)	(62,963)
Reversal of prior period concessional loan charges	243	291	534	2,056
Net gains on other debt securities	**9,027**	**(63,675)**	**(54,648)**	**23,073**
Equities and units in trusts				
Income distributions from equities and units in trusts	–	56,368	56,368	21,578
Loss on sale	–	(4,048)	(4,048)	–
Profit on sale	–	1,026	1,026	151
Fair value gains	–	150,790	150,790	56,177
Fair value losses	–	(4,284)	(4,284)	(3,978)
Net gains on equities and units in trusts	**–**	**199,852**	**199,852**	**73,928**
Derivative financial assets				
Fair value gains	–	–	–	4,760
Fair value losses	–	(758)	(758)	–
Net gains on derivative financial assets	**–**	**(758)**	**(758)**	**4,760**
Net gains on financial assets	**153,967**	**135,419**	**289,386**	**231,063**

The total income from financial assets not at fair value through profit or loss was $153,967,000 (2021: $141,868,000).

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; and
- 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

		Not past due nor impaired		Past due or impaired		Total	
	Note	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Cash and cash equivalents	3.1A	603,629	774,351	–	–	603,629	774,351
Trade and other receivables	3.1B	20,291	15,361	–	–	20,291	15,361
Financial assets at:							
Amortised cost:							
Loans and advances	3.1C	3,000,817	2,688,711	142,545	83,168	3,143,362	2,771,879
Other debt securities	3.1D	338,626	314,376	–	–	338,626	314,376
FVTPL:							
Loans and advances	3.1C	–	–	–	–	–	–
Other debt securities	3.1D	551,371	752,024	–	–	551,371	752,024
Equities and units in trusts	3.1E	1,388,331	788,171	–	–	1,388,331	788,171
Total financial assets		**5,903,065**	**5,332,994**	**142,545**	**83,168**	**6,045,610**	**5,416,162**
Committed loans and advances	6.5	702,269	832,345	–	–	702,269	832,345
Committed other debt securities	6.5	200,221	36,688	–	–	200,221	36,688
Committed trust and equity investments	6.6	99,002	431,339	–	–	99,002	431,339
Total financial asset commitments		**1,001,492**	**1,300,372**	**–**	**–**	**1,001,492**	**1,300,372**
Total credit risk exposure		**6,904,557**	**6,633,366**	**142,545**	**83,168**	**7,047,102**	**6,716,534**

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.

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 2022

	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	–	4,302	–	–	–	4,302
Provision for concessional loans	–	822	2,221	6,271	2,584	11,898
Derivative financial instruments	–	–	–	7,472	–	7,472
Lease liability	–	1,400	1,239	2,129	–	4,768
Total	**–**	**6,524**	**3,460**	**15,872**	**2,584**	**28,440**

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**

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 $6,457.8 million (2021: $5,857.8 million) from this Special Account to fund its investments and has returned amounts totalling $1,031.8 million (2021: $1,031.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $5,426.0 million at 30 June 2022 (2021: $4,826.0 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.

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.

	2022 $'000	2021 $'000
Interest-bearing financial assets		
Classified as floating rate		
Cash and cash equivalents	603,629	774,351
Loans and advances	543,776	568,281
Other debt securities	214,634	193,604
Total classified as floating rate	**1,362,039**	**1,536,236**
Classified as fixed rate		
Loans and advances	2,599,586	2,328,670
Other debt securities	675,362	873,143
Total classified as fixed rate	**3,274,948**	**3,201,813**
Interest-bearing financial liabilities		
Classified as floating rate		
Provision for concessional loans	6,323	4,783
Total classified as floating rate	**6,323**	**4,783**
Classified as fixed rate		
Provision for concessional loans	5,575	1,037
Lease liability	4,768	6,884
Total classified as fixed rate	**10,343**	**7,921**

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 $6.8 million (2021: $7.7 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 cash flow 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 $17 million (2021: $29 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 decrease 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. There have been significant increases in wholesale electricity prices during the year.

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, classified as loans and receivables at amortised cost, and has entered into cash flow hedge relationships in relation to those loans. Movements in the foreign currency exchange rates were 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.

Movement in the cash flow hedge reserve is as follows:

	2022 $'000	2021 $'000
Cash flow hedge reserve		
Opening balance cash flow hedge reserve	(1,428)	(6,889)
Increase in value of derivative financial liability	(6,262)	(336)
Net unrealised gain/(loss) on hedged assets	8,715	(460)
Net movement in share of Associates' cash flow hedge reserves	9,958	6,257
Closing balance cash flow hedge reserve	**10,983**	**(1,428)**

Fair value hedges are intended to hedge the exposure to variability in fair value movements that are attributable to future interest 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 2022 and 2021.

	Foreign currency fair value exposures	
	2022 AUD'000	2021 AUD'000
Financial assets exposures in foreign currencies at 30 June		
Cash and cash equivalents	8,336	882
Loans and advances (net of specific impairment provisions)	45,683	121,103
Derivative financial asset	–	1,013
Total financial assets exposures in foreign currencies	**54,019**	**122,998**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	107,653	119,893
Derivative financial liability	7,472	2,223
Total financial liabilities exposures in foreign currencies	**115,125**	**122,116**
Net foreign exchange exposures in foreign currencies	**(61,106)**	**882**

A foreign currency loan, that was fully hedged via a foreign exchange swap contract with a major bank at inception of the loan, is considered impaired at 30 June 2022. As a result of the hedged loan being written down to its impaired value, the carrying value of hedged assets is now $61.1m less than the value of the hedge instrument at 30 June 2022. The net $61.1m exposure does not represent the net cost to the Group of settling this mismatched USD hedge. The specific impairment provision established against the loan already includes an estimate of the foreign exchange loss expected to be incurred as a result of this mismatch between the value of the hedge and the amount of USD currently expected to be received from the borrower. At 30 June 2021 net foreign exchange exposure was $0.9m and related primarily to the short timing difference between the receipt of USD interest and its conversion into AUD.

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.

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 2022				2022 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	502,067	49,304	–	551,371	551,371
Equities and units in trusts	–	1,230,989	157,342	1,388,331	1,388,331
Derivative financial assets	–	10,544	–	10,544	10,544
Financial assets for which fair value is disclosed					
Loans and advances	–	2,010,270	887,409	2,897,679	3,143,362
Other debt securities	209,447	112,246	–	321,693	338,626
Total for financial assets	**711,514**	**3,413,353**	**1,044,751**	**5,169,618**	**5,432,234**
Financial liabilities at fair value					
Derivative financial liabilities	–	7,472	–	7,472	7,472
Provision for concessional investments	–	–	11,898	11,898	11,898
Total for financial liabilities	**–**	**7,472**	**11,898**	**19,370**	**19,370**

There was no transfer between levels.

	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**

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

	2022 $'000	2021 $'000
Loan portfolio		
Nominal value	989,263	945,868
Less principal repayment	(34,373)	(61,069)
Less unexpired discount	(23,108)	(29,349)
Less impairment allowance	(23,449)	(22,299)
Carrying value of concessional loans	**908,333**	**833,151**

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 2022 the Group is irrevocably committed to fund loan facilities totalling $702 million (2021: $832 million) and to purchase bonds totalling $200 million (2021: $37 million). CEFC has procured a standby letter of credit from a commercial bank to support $2.5m of the loan commitment (2021: $55.7m).

At 30 June 2022 the Group had not entered into any agreements to provide loan advances (2021: $80 million) or purchase corporate bonds (2021: $80 million) subject to the occurrence of future uncertain events.

At 30 June 2022 there was $Nil (2021: $2.8 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 2022 the Group had entered into agreements to make future equity investments totalling $367 million (2021: $732 million) comprising $268 million disclosed in Note 3.1F and $99 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.

Note 7: Parent entity information continued

7.2 Parent Entity Statement of Comprehensive Income

for the year ended 30 June

	Notes	2022 $'000	2021 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits		36,567	33,480
Suppliers		10,949	8,653
Depreciation and amortisation		3,308	3,033
Finance costs		20	22
Concessional loan charges		9,269	13,105
Impairment loss allowance on financial instruments		40,452	4,271
Loss on sale of assets		5,462	–
Total expenses		**106,027**	**62,564**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue		170,731	172,428
Interest on loans to subsidiaries	7.4B	39,744	25,316
Distributions from equity investments		21,778	16,400
Total own-source revenue		**232,253**	**214,144**
Gains and losses			
Fair value losses on financial instruments		(84,410)	(65,908)
Fair value gains on financial instruments		108,517	50,388
Profit from sale of assets		–	36,989
Reversal of prior period concessional loan charges		901	3,872
Loss on modification of financial assets		(1,064)	(24,525)
Total net gains		**23,944**	**816**
Total own-source income		**256,197**	**214,960**
Net contribution by services		**150,170**	**152,396**
Revenue from government		7,139	4,270
Share of associates and joint ventures		(1,028)	(3,171)
Surplus from continuing operations		**156,281**	**153,495**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Net fair value loss taken to equity on cash flow hedge		6,717	10
Total other comprehensive income		**6,717**	**10**
Total comprehensive income		**162,998**	**153,505**

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

7.3 Parent Entity Statement of Financial Position

at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		603,314	774,138
Trade and other receivables	7.4C	42,353	28,100
Loans and advances		3,143,363	2,771,879
Loans to subsidiaries	7.4B	770,863	446,724
Other debt securities		889,997	1,066,400
Equities and units in trusts		806,111	548,719
Equity accounted investments		212,465	62,645
Investment in subsidiaries	7.4A	550	550
Derivative financial asset		10,544	12,316
Total financial assets		**6,479,560**	**5,711,471**
Non-financial assets			
Property, plant and equipment		6,427	9,169
Computer software		14	283
Prepayments		1,652	407
Total non-financial assets		**8,093**	**9,859**
Total assets		**6,487,653**	**5,721,330**
LIABILITIES			
Payables and deferred revenue			
Suppliers		3,467	2,805
Deferred revenue		32,992	40,975
Other payables		12,234	11,139
Derivative financial liability		7,472	2,223
Total payables and deferred revenue		**56,165**	**57,142**
Interest-bearing liabilities			
Leases	3.4	4,768	6,884
Total interest-bearing liabilities		**4,768**	**6,884**
Provisions			
Employee provisions		4,621	4,228
Other provisions		12,237	6,214
Total provisions		**16,858**	**10,442**
Total liabilities		**77,791**	**74,468**
Net assets		**6,409,862**	**5,646,862**
EQUITY			
Contributed equity		5,513,363	4,913,363
Reserves		6,799	80
Retained surplus		889,700	733,419
Total equity		**6,409,862**	**5,646,862**

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

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 2022: 7.16% (2021: 6.70%)
- Interest payment dates: 15 January and 15 July each year
- Maturity dates: ranging from 23 April 2023 to 20 Jan 2032.

The balance outstanding at 30 June 2022 was $770.9 million (2021: $446.7 million) and interest receivable for the year amounted to $39.7 million (2021: $25.3 million).

7.4C: Trade and other receivables

	2022 $'000	2021 $'000
Accrued interest on loan to CEFC Investments Pty Ltd	23,458	15,102
Others	18,895	12,998
	42,353	**28,100**

Note 8: Other information

8.1: Current/non-current distinction for assets and liabilities

	2022 $'000	2021 $'000
ASSETS EXPECTED TO BE RECOVERED IN:		
No more than 12 months		
Cash and cash equivalents	603,629	774,351
Trade and other receivables	20,291	15,361
Loans and advances	614,552	215,518
Other debt securities	23,798	204,573
Prepayments	1,752	407
Total no more than 12 months	**1,264,022**	**1,210,210**
More than 12 months		
Loans and advances	2,528,810	2,556,361
Other debt securities	866,199	861,827
Equities and units in trusts	1,388,331	788,171
Equity accounted investments	438,030	258,024
Derivative financial assets	10,544	12,316
Property, plant and equipment	6,427	9,169
Computer software	14	283
Total more than 12 months	**5,238,355**	**4,486,151**
Total Assets	**6,502,377**	**5,696,361**
LIABILITIES EXPECTED TO BE SETTLED IN:		
No more than 12 months		
Suppliers	4,302	2,860
Deferred revenue	9,642	9,100
Other payables	10,120	9,065
Leases	1,400	2,116
Employee provisions	3,584	3,035
Other provisions	822	–
Total no more than 12 months	**29,870**	**26,176**
More than 12 months		
Deferred revenue	23,350	31,875
Other payables	2,114	2,074
Derivative financial liabilities	7,472	2,223
Leases	3,368	4,768
Employee provisions	1,037	1,193
Other provisions	11,414	6,214
Total more than 12 months	**48,755**	**48,347**
Total liabilities	**78,625**	**74,523**

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 2021–22 Portfolio Budget Statements (PBS) for the Industry, Science, Energy and Resources Portfolio, to the Actual 2021–22 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 2022

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	36,567	40,155	(3,588)
Suppliers	11,647	16,644	(4,997)
Depreciation and amortisation	3,308	4,191	(883)
Finance costs	11	10	1
Concessional loan charges	9,269	35,000	(25,731)
Write-down and impairment of financial instruments	40,452	13,500	26,952
Loss on sale of assets	4,985	–	4,985
Total expenses	**106,239**	**109,500**	**(3,261)**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	170,731	139,804	30,927
Distributions from trusts and equity investments	56,368	21,464	34,904
Total own-source revenue	**227,099**	**161,268**	**65,831**
Gains and losses			
Fair value losses on financial instruments	(84,419)	(31,500)	(52,919)
Fair value gains on financial instruments	150,790	–	150,790
Profit on sale of assets	–	6,500	(6,500)
Loss on modification of financial assets	(1,064)	–	(1,064)
Reversal of prior years' concessional loan charges	901	–	901
Total gains/(losses)	**66,208**	**(25,000)**	**91,208**
Total own-source income	**293,307**	**136,268**	**157,039**
Net contribution by services	**187,068**	**26,768**	**160,300**
Revenue from government	7,139	4,532	2,607
Share of associates and joint ventures	(4,704)	–	(4,704)
Surplus/(deficit) from continuing operations	**189,503**	**31,300**	**158,203**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain taken to equity on cash flow hedge	12,411	–	12,411
Total other comprehensive income	**12,411**	**–**	**12,411**
Total comprehensive income	**201,914**	**31,300**	**170,614**

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 2021–22 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 2021–22. Explanations of major variances are provided after the tables in Note 8.2B.

Note 8: Other information continued

Consolidated Statement of Financial Position

as at 30 June 2022

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	603,629	411,436	192,193
Trade and other receivables	20,291	15,225	5,066
Loans and advances	3,143,362	2,553,244	590,118
Other debt securities	889,997	1,200,070	(310,073)
Equities and units in trusts	1,388,331	1,102,599	285,732
Equity accounted investments	438,030	324,719	113,311
Derivative financial assets	10,544	5,607	4,937
Total financial assets	**6,494,184**	**5,612,900**	**881,284**
Non-financial assets			
Property, plant and equipment	6,427	7,001	(574)
Computer software	14	435	(421)
Prepayments	1,752	535	1,217
Total non-financial assets	**8,193**	**7,971**	**222**
Total assets	**6,502,377**	**5,620,871**	**881,506**
LIABILITIES			
Payables and deferred revenue			
Suppliers	4,302	5,787	(1,485)
Deferred revenue	32,992	38,230	(5,238)
Other payables	12,234	8,816	3,418
Derivative financial liabilities	7,472	–	7,472
Total payables and deferred revenue	**57,000**	**52,833**	**4,167**
Interest-bearing liabilities			
Leases	4,768	4,574	194
Total interest-bearing liabilities	**4,768**	**4,574**	**194**
Provisions			
Employee provisions	4,621	3,918	703
Other provisions	12,236	3,443	8,793
Total provisions	**16,857**	**7,361**	**9,496**
Total liabilities	**78,625**	**64,768**	**13,857**
Net assets	**6,423,752**	**5,556,103**	**867,649**
EQUITY			
Contributed equity	5,513,363	4,893,363	620,000
Reserves	10,983	(6,455)	17,438
Retained surplus	899,406	669,195	230,211
Total equity	**6,423,752**	**5,556,103**	**867,649**

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 2021–22 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 2021–22. Explanations of major variances are provided after the tables in Note 8.2B.

Note 8: Other information continued

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	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	709,903	637,895	72,008	(1,428)	(6,455)	5,027	4,913,363	4,568,363	345,000	5,621,838	5,199,803	422,035
Comprehensive income												
Surplus for the year	189,503	31,300	158,203	–	–	–	–	–	–	189,503	31,300	158,203
Other comprehensive income	–	–	–	12,411	–	12,411	–	–	–	12,411	–	12,411
Total comprehensive income	**189,503**	**31,300**	**158,203**	**12,411**	**–**	**12,411**	**–**	**–**	**–**	**201,914**	**31,300**	**170,614**
Transactions with owners												
Contributions by owners												
Net equity injection from Special Account	–	–	–	–	–	–	600,000	325,000	275,000	600,000	325,000	275,000
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**600,000**	**325,000**	**275,000**	**600,000**	**325,000**	**275,000**
Closing balance as at 30 June	**899,406**	**669,195**	**230,211**	**10,983**	**(6,455)**	**17,438**	**5,513,363**	**4,893,363**	**620,000**	**6,423,752**	**5,556,103**	**867,649**

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 2021–22 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 2021–22. Explanations of major variances are provided after the tables in Note 8.2B.

Consolidated Cash Flow Statement

for the year ended 30 June 2022

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	7,139	4,532	2,607
Interest and fees	165,460	125,560	39,900
Distributions from trusts and equity investments	57,068	21,464	35,604
Total cash received	**229,667**	**151,556**	**78,111**
Cash used			
Employees	35,110	38,050	(2,940)
Suppliers	12,429	16,644	(4,215)
Interest payments on lease liabilities	11	10	1
Total cash used	**47,550**	**54,704**	**(7,154)**
Net cash from operating activities	**182,117**	**96,852**	**85,265**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	475,509	401,048	74,461
Sale of other debt securities	300,933	498,304	(197,371)
Sale of equities and units in trusts	20,912	–	20,912
Distributions from associates and joint ventures	5,329	3,800	1,529
Total cash received	**802,683**	**903,152**	**(100,469)**
Cash used			
Loans made to other parties	891,627	544,774	346,853
Purchase of other debt securities	204,670	394,975	(190,305)
Purchase of equities and units in trusts	469,285	290,364	178,921
Investment in associates and joint ventures	187,784	50,760	137,024
Purchase of property, plant, equipment and computer software	352	2,005	(1,653)
Total cash used	**1,753,718**	**1,282,878**	**470,840**
Net cash from/(used by) investing activities	**(951,035)**	**(379,726)**	**(571,309)**

Note 8: Other information continued

	Actual $'000	Budget[1] $'000	Variance[2] $'000
FINANCING ACTIVITIES			
Cash received			
Contributed equity	600,000	825,000	(225,000)
Total cash received	**600,000**	**825,000**	**(225,000)**
Cash used			
Return of equity	–	500,000	(500,000)
Principal payments of lease liabilities	2,116	2,081	35
Total cash used	**2,116**	**502,081**	**(499,965)**
Net cash from financing activities	**597,884**	**322,919**	**274,965**
Net increase/(decrease) in cash held	**(171,034)**	**40,045**	**(211,079)**
Cash and cash equivalents at the beginning of the reporting period	774,351	371,391	402,960
Effect of exchange rate movements on cash and cash equivalents			
At beginning of reporting period	312	–	312
Cash and cash equivalents at the end of the reporting period	**603,629**	**411,436**	**192,193**

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 2021–22 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 2021–22. Explanations of major variances are provided after the tables in Note 8.2B.

8.2B: Major budget variance for 2021–22

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 combined with the impact of externalising management of the Innovation Fund.
Suppliers	The expense recorded against suppliers is $5.0m 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 $35.0m but the actual net concession and loan modification charge was $9.4m, a positive variance of $25.6m. The mix of transactions undertaken this year has reduced the need for, and benefit from, providing as much concessionality on new loans as was anticipated. In most instances in this lower interest rate environment, 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. In addition, some highly concessional loans, to support new technologies or strategic projects, that were included in the budget have not yet reached contractual close.
Write down and impairment of financial instruments	The Group's impairment provision expense for the year was $40.5m resulting in an unfavourable variance of $27.0m in Write down and impairment of financial instruments. The increased impairment expense is driven by the need to provide a specific provision this year for a loan that is considered to be impaired, partly offset by a reduction in the statistical provision calculated on the remainder of the debt portfolio.
Loss on sale of assets	The $5.0m loss on sale of assets compares to a budgeted profit of $6.5m. This variance largely reflects the reduction in the value of Other debt securities as a result of increased interest rates. These securities were then sold at a small loss rather than a forecast gain once they were no longer required in connection with the Corporation's SME lending programs through the commercial banks.
Interest and loan fee revenue	Interest and loan fee revenue has a $30.9m 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). Interest revenue was also higher than budget due to higher average loan balances and market interest rates increasing sooner than had been expected at the time the budget was prepared.
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 macro-economic indicators such as interest rates and property yields that are largely outside the control of the Corporation, the CEFC does not generally budget for fair value gains or losses that result from these macro-economic changes. The budget included fair value losses of $31.5m comprising $20m for equity investments expected to yield below market returns, $5m for write-down of higher-risk early stage equity investments and a fair value loss of $6.5m on bonds to offset the budgeted profit on sale of assets of $6.5m. The actual result was a net fair value gain of $66.4m. Fair value gains of $150.8m 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. Fair value losses of $84.4m are predominantly from 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 increases in market interest rates since 1 July 2021.

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 $192.2m higher than budget, due to a combination of higher than budgeted operating cash inflows during the year and the investment and Contributed Equity variances discussed below.
Loans and advances	Loans and advances are $590.1m higher than budget. This is due to above budget deployment and lower than budgeted early repayments in both the latter part of 2020–21 and in the current year as discussed under Consolidated Cashflow Statement below.
Other debt securities	Other debt securities are $310.1m lower than budget. A bond purchase for $200m to support a bank aggregation program was budgeted to occur in February but was delayed due to the issuer deferring their fund raising due amidst the uncertainty in the financial markets. The fair value of exiting bonds, carried at FVTPL, has also decreased as a result of the increase in market interest rates since the budget was set.
Equities and units in trusts	Equities and units in trusts are $285.7m higher than budget. This is due to a combination of the timing difference in the funding of new commitments and increases in the fair value of existing investments.
Equity accounted investments	Equity accounted investments are $113.3m higher than budget due to a combination of a higher than budgeted number of new commitments falling under the accounting definition of Associates & Joint Ventures and timing differences on when investments called for new funds.
Contributed equity	During the year, the Corporation drew $225.0m less from the Special Account and returned $500.0m less to the CEFC Special Account than was budgeted. The opening balance on 1 July 2021 was $345.0m higher than budget, giving a total variance of $620.0m at 30 June 2022. The budgeted draws of $225.0m, which did not occur, included draws for the Grid Reliability Fund which has not yet been legislated. The budgeted repayment did not occur as the funds are required for investments and the opening balance difference is largely due to a draw late in the prior financial year in anticipation of funding a $295.0m loan on 6 July 2021.
Reserves	Reserves are $17.4m higher than budget, principally due to changes in the Group's share of the reserves of investments classified as Associates.
Retained surplus	The retained surplus at 30 June 2022 is $230.2m higher than budget due to a combination of higher than budget opening balance $72.0m and the higher than budgeted surplus generated in the year $158.2m, discussed under Consolidated Statement of Comprehensive Income above.
Total equity	Total Equity at 30 June 2022 is $867.6m higher than budget due to: higher than budgeted Contributed equity $620.0m, Reserves $17.4m and Retained surplus $230.2m as described above.

Affected Line Items	Explanations of Major Variances
CONSOLIDATED CASH FLOW STATEMENT:	
Net cash from operating activities	The $85.3m 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 distributions from trusts and equity investments.
Principal loan repayments received	Principal loan repayments received are $74.5m lower than budget as the CEFC has remained a lender in a loans that were budgeted to refinance with other lenders and repay the CEFC.
Sale of other debt securities	$197.4m less was received during the year, compared to budget, from the sale of various bank bonds no longer required to support those bank's on-lending to SME borrowers under their aggregation programmes due to amortisation of the underlying loans. Some bonds budgeted to be sold this year were actually sold in the prior year and the proceeds received for bonds sold this year were lower than budgeted due to the decrease in bond values in the market.
Loans made to other parties	Cash used to fund loans made to other parties is $346.9m above budget. This is due to a combination of loans drawing at a faster rate that had been assumed in the budget, including a draw of $295.0m on 6 July 2021, and a greater than budgeted increase in new loan commitments.
Purchase of other debt securities	The amount invested in other debt securities during the year is below budget by $190.1m. A bond purchase for $200m budgeted to occur in February was delayed due to the issuer deferring their fund raising due to the uncertainty in financial markets arising from Russia's invasion of Ukraine.
Purchase of equities and units in trusts	The amount invested is $178.9m higher than budget largely as a result of timing difference in the funding of new commitments including the Group's equity investment into two infrastructure funds committed in prior years.
Contributed equity and Return of equity	During the year, the Corporation drew $225.0m less from the Special Account and returned $500.0m less to the Special Account than was budgeted. The budgeted draws of $225.0m, which did not occur, included draws for the Grid Reliability Fund which has not yet been legislated. The budgeted repayment did not occur as the funds are required for committed investments.
Cash and cash equivalents at the end of the reporting period	Cash and cash equivalents are $192.2m higher than budget, due to a combination of higher than budgeted operating cash inflows during the year and the investment and Contributed Equity variances discussed above.

Appendices

In this section

Appendix A

Index of Annual Reporting requirements

Figure 20: 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	
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	

Statutory requirement	Legislation reference	Section	Page
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	
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	

Appendix A – Index of Annual Reporting requirements continued

Statutory requirement	Legislation reference	Section	Page
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
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	

Statutory requirement	Legislation reference	Section	Page
Index of requirements under the Investment Mandate Direction			
Reporting on non-financial investment outcomes for all 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 2021 to 30 June 2022 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 CEFC 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 policies.

During April and May 2022, iHR Australia facilitated mandatory training for all CEFC managers and employees through the lens of contemporary workplace expectations and broader social attitudes. This training was in response to the recommendation from the Respect@Work: Sexual Harassment National Inquiry Report (2020) calling on employers to make a shift from a reactive model to a proactive model, requiring positive actions to prevent harassment at work.

The objectives of the training were to:

- reinforce expectations for fair, respectful and reasonable interactions between all employees
- be accountable for speaking up and role modelling positive 'bystander behaviour'

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, with data considered in the 2021–22 reporting year. 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 one male employee as the primary carer, and one male who used this benefit on a flexible basis to support his primary carer role. One male employee also used the CEFC paid "dad and partner" leave scheme and, at 30 June 2022, one female employee had applied for future paid parental leave.

Flexible working arrangements

The CEFC offers flexible working arrangements under the National Employment Standards. Of the 130 employees at 30 June 2022, seven per cent were employed on a part-time basis or working a compressed working week. Of these nine employees, two were male. During the reporting period we have continued to offer flexible working arrangements via 'agile working' practices across our workplaces. This offers flexible working arrangements to all employees, whether working from home or the office, supported by enhanced technology. Refer to pages 96 and 97 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 pages 96 and 97 for additional information.

Diversity profile

At the end of the 2021–22 year, the CEFC had 130 employees, an increase of six 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 42.30 years. The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas is at 42 per cent, including 55 employees from 24 countries, in addition to those born in Australia. The CEFC had 14 employees (11 per cent) who reported English as their second language at 30 June 2022.

At 30 June 2022, 57 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 five (30 per cent) of the 17 promotions in 2021–22. Women also made up 11 (48 per cent) of the 23 new recruits in the year. Overall, gender diversity was steady during the reporting year, sitting at 52 per cent male and 48 per cent female at 30 June 2022.

No employees identified as being Indigenous in the 2021–22 year. Separately, no employees identified as having a disability. These were unchanged on the previous year.

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 21: CEFC EEO reporting comparison

	30 June 2021		30 June 2022	
EEO designated group	Employees	%	Employees	%
Female	59	48	63	48
Born overseas	57	46	55	42.3
English as a second language	19	15	14	11

Figure 22: CEFC employee overview 2021–22

	Non-ongoing	Ongoing	Total
GENDER			
Female	2	61	63
Male	2	65	67
Total	**4**	**126**	**130**
EMPLOYMENT STATUS			
Full-time	4	117	121
Part-time	0	9	9
Total	**4**	**126**	**130**
LOCATION			
Brisbane	1	56	57
Canberra	–	1	1
Melbourne	–	7	7
Perth	–	4	4
Sydney	3	58	61
Total	**4**	**126**	**130**

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 2021 to 30 June 2022 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, the CEFC contributes to market leading research initiatives, industry engagement and share insights about our investments to promote greater understanding about the potential of low emissions investment. Refer to pages 78 and 94.

Figure 23: Environmental performance

Theme	Actions to reduce environmental impact	Further measures to review and improve outcomes
Energy efficiency and emissions reduction	The CEFC is continuously improving its organisational energy efficiency to reduce its emissions. The CEFC will relocate to more efficient premises in Brisbane and Melbourne during the 2022–23 period. The new offices will have 6 and 5 star NABERS Energy ratings respectively. Both office buildings have 6 Star Green Star ratings. The CEFC has implemented a range of measures to enhance its own energy efficiency and emissions reductions, including: – Sydney and Melbourne office leases each have 5.5 star NABERS Energy ratings for the base buildings – Brisbane office lease has a 5 star NABERS Energy rating for the base building – Perth office lease has a 4.5 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 2021–22 year – The CEFC does not offer corporate car parking or corporate vehicles to employees.	The CEFC maintains Climate Active Carbon Neutral Certification, with 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 699 tonnes CO_2-e for 2020–21, the latest available data. In support of our Reconciliation Action Plan, the CEFC purchased all its 2021–22 offsets from a First Nations project. In the reporting year the CEFC also purchased 43,974 kWh of GreenPower. Relevant Public Disclosure Statements are available on the CEFC website.

Appendix C – Environmental Performance and Ecologically Sustainable Development continued

Theme	Actions to reduce environmental impact	Further measures to review and improve outcomes
Waste	The CEFC seeks to improve waste management in its offices. The Sydney office lease has a 3 star NABERS Waste rating. The proposed new offices in Brisbane and Melbourne will each have 3.5 star NABERS Waste ratings. 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 – Facilitating soft plastics and stationery recycling.	The CEFC is an active investor in waste management initiatives that can deliver improved energy performance, 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 while supporting the shift towards a more circular economy. Investment highlights during the reporting year include: – Investment in Samsara Eco, which is developing a technological process to break down plastic (polymer) waste for reuse to manufacture new food-grade plastics. Refer to page 47. – Investment in Scipher Technologies which recycles and recovers materials from e-waste and complementary waste streams. The investment will assist with the upgrade and improvement of e-waste recycling infrastructure and operational expansion. Refer to page 47.
Water	Opportunities to improve water outcomes for CEFC offices are undertaken where available. CEFC office leases have the following NABERS Water ratings: – Sydney 5.5 stars – Melbourne 5 stars; 5.5 stars in the new office – Brisbane 3.5 stars; 4.5 stars in the new office – Perth 3.0 stars – Canberra N/A. One CEFC employee based in Departmental office.	As part of the CEFC investment process, our ESG investment impact assessment considers water quality and water use reduction within the resource efficiency and circular economy factor.

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 2021 to 30 June 2022 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, WHS and workplace bullying. 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 form of 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 2021–2022, the CEFC had up to nine emergency wardens across the Sydney, Brisbane, Melbourne and Perth offices. These CEFC emergency wardens conducted emergency response and evacuation training in accordance with requirements under relevant State laws.

The CEFC also has 10 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 equipment are available to all employees.

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:

- Employer-funded Employee Assistance Program for employees and their families
- Voluntary annual flu vaccinations
- Defibrillators in all offices
- Wellness rooms in Sydney and Brisbane offices
- Competitive rates for fitness programs, corporate fitness challenges and events
- Biennial Executive health checks
- Restricted security pass access to offices and buildings
- Workstations and equipment reflect up-to-date safety features
- Regular testing and tagging of electronic equipment, fire warning and evacuation systems
- Lockers and end-of-trip facilities
- Regular testing and tagging of electronic equipment, fire warning and evacuation systems
- Access to workstation design and facilities reflecting up-to-date safety features.

Pandemic 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 monthly, or more frequently when required, and provides timely updates to CEFC employees.

During the year, the COVID-19 Response Team broadened its focus beyond COVID-19 to address emerging business continuity challenges and threats and responding to extreme weather events, flooding and the increased threat of other infectious diseases including influenza and monkeypox. We continue to provide an agile approach to work, with a mix of office and home-based arrangements.

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 two workplace injuries reported, with neither incident resulting in a claim or lost time.

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 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 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).

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 – Financial information) and a benchmark of operating costs and expenses against comparable entities for that financial year (this is Appendix E). This Report covers the period 1 July 2021 to 30 June 2022 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 treasury function. At 30 June 2022, the CEFC had 130 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 maintained by the Department of Industry, Science, Energy and Resources (Department of Climate Change, Energy, the Environment and Water from 1 July 2022).

Comparator entities

The comparator entities include four 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
- National Housing Finance and Investment Corporation
- 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 at 30 June 2022
- 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 2022, showed the Fund had some $249 billion funds under management, across:

- Australian equities: 8.5 per cent
- Global equities: 22.4 per cent
- Private equity: 16.8 per cent
- Property: 6.3 per cent
- Infrastructure and timberland: 8.2 per cent
- Alternatives: 15.2 per cent
- Debt securities: 7.4 per cent
- Cash: 15.1 per cent.

Refer to www.futurefund.gov.au for more details.

Export Finance Australia

Export Finance Australia is a corporate Commonwealth entity under the *Export Finance and Insurance Corporation Act 1991* (EFIC Act), 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 189 transactions completed in 2020–21, providing $719 million in support, with exposures of some $2.2 billion. Its key functions are to:

1. Facilitate and encourage Australian export trade by providing finance
2. Encourage banks and other financial institutions in Australia to finance exports and overseas infrastructure development
3. Provide information and advice about finance to help support Australian export trade
4. Assist other Commonwealth entities and businesses in providing finance and financial services
5. Administer payments in relation to overseas aid.

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 debt or equity finance to projects that satisfy the relevant mandatory criteria in the Investment Mandate. NAIF's primary purpose is to accelerate infrastructure development and thereby drive transformational growth in northern Australia by innovative financing that:

1. Generates public benefit including that outside of what is captured by the project proponent
2. Encourages longer term growth in the economy and population of northern Australia
3. Encourages private sector participation in the financing of northern Australia's infrastructure needs
4. Facilitates sustainable Indigenous participation, procurement and employment outcomes.

Refer to www.naif.gov.au for more details.

National Housing Finance and Investment Corporation

The National Housing Finance and Investment Corporation (NHFIC) is a corporate Commonwealth entity under the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act). NHFIC provides long-term and low-cost finance, and capability building assistance, to registered community housing providers (CHPs) to support the provision of more social and affordable housing.

NHFIC lends, invests and provides grants to help finance the critical infrastructure needed to unlock and accelerate new housing supply. It operates the Affordable Housing Bond Aggregator (AHBA) and the National Housing Infrastructure Facility (NHIF).

The AHBA provides low cost, long-term loans to registered CHPs and is funded by NHFIC issuing its own bonds into the wholesale capital market and via a $1 billion line of credit facility provided by the Australian Government.

The NHFIC strategic objectives are to:

1. Facilitate the sustainable growth of the community housing sector across Australia
2. Strengthen stakeholder relationships that support better housing outcomes
3. Establish a best-practice governance regime
4. Facilitate investment to increase the supply of housing, and in particular affordable housing
5. Deliver high-performance organisation practices and outcomes.

Refer to www.nhfic.gov.au for more details.

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 by working in collaboration with the private sector to transform financing markets. 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$6.17 billion commitment by New York State to advance clean energy market growth.

Refer to www.greenbank.ny.gov for more details.

Appendix E – Summary of operating costs and expenses and benchmark continued

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 24: Operating costs and expenses benchmark: comparison with Annual Reports [a]

	CEFC 2021–22		Future Fund 2020–21 [c]	
	$'000	%	$'000	%
EMPLOYEE BENEFIT EXPENSES				
Wages and salaries	33,463		60,930	
Superannuation	2,110		3,516	
Leave and other entitlements	476		2,386	
Other expenses	30		–	
Total	**36,079**	**36**	**66,832**	**19**
BOARD REMUNERATION [e]				
Wages and salaries	446		826	
Superannuation	42		118	
Total	**488**	**0**	**944**	**0**
Total employee and Board remuneration and benefits	**36,567**	**36**	**67,776**	**19**
OTHER EXPENSES				
Interest	11	0	–	–
Provision for impairment	40,452	40	–	–
Concessional loan discount [b]	9,269	9	–	–
Professional fees and expenses	2,985	3	149,645	42
Other investment portfolio expenses	4,069	4	24,440	7
Travel and incidentals	401	0	–	–
Office facility costs	620	1	–	–
Insurance	206	0	–	–
Marketing and communications	581	1	–	–
Depreciation and amortisation	3,308	3	11,591	3
Auditors' remuneration	112	0	239	0
Administrative, IT and other expenses	2,673	3	99,902	29
Total expenses	**101,254**	**100**	**353,593**	**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 2020–21 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 0.726.

Export Finance 2020–21 (c),(d)		NAIF 2020–21 (c)		NHFIC 2020–21 (c)		New York Green Bank 2021–22 (f)	
$'000	%	$'000	%	$'000	%	$'000	%
19,423		5,570		5,099		11,571	
1,854		492		620		–	
700		156		380		–	
1,000		334		–		–	
22,977	**51**	**6,552**	**55**	**6,099**	**4**	**11,571**	**45**
478		477		488		–	
45		45		46		–	
523	**1**	**522**	**4**	**534**	**0**	**–**	**–**
23,500	**52**	**7,074**	**59**	**6,633**	**4**	**11,571**	**45**
–	–	–	–	21,617	13	–	–
12,000	26	–	–	2,046	1	7,171	28
–	–	–	–	112,435	69	–	–
2,348	5	2,382	20	3,710	2	–	–
500	1	11	0	121	0	626	2
100	0	269	2	59	0	–	–
1,700	4	371	3	–	–	–	–
–	–	39	0	340	0	–	–
800	2	89	1	121	0	–	–
3,700	8	88	1	352	0	244	1
252	0	–	–	101	0	–	–
700	2	1,568	14	16,204	10	6,227	24
45,600	**100**	**11,891**	**100**	**163,739**	**100**	**25,839**	**100**

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 to Figure 25.

Figure 25: Green bank benchmark 2021–22

	CEFC	NY Green Bank
	To 30 June 2022	To 31 March 2022 [a]
Commencement year	2013	2013
Capital available to invest (public capitalisation)	A\$10b	US\$1b
Capital committed since commencement	A\$10.76b	US\$1.7b
Total transaction values	A\$37.15b	US\$4.5b
Financial leverage per \$1.00 invested	A\$2.30	US\$1.65
Estimated lifetime emission reductions (Mt CO_2-e)	204	30.6
Installed MW of renewable energy	4,093 [b],[c]	1,425
Capital committed per tonne of estimated lifetime emission reductions	A\$53	US\$56

Notes

(a) From NY Green Bank Impact Report for the year ended 31 March 2022.

(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 26, at the original commitment value for completeness.

Figure 26: Investment commitments realised through repayment or disposal in 2021–22

Counterparty	Description	Year	Commitment	Outcome
Cleanaway ResourceCo	Finance for the construction of an alternative fuels manufacturing plant	2016–17	$30.0m	Repaid early
Commonwealth Bank originated Risk Participation transactions	Finance for a range of renewable energy and energy efficient projects	2014–15 2015–16	$0.5m	Loans repaid at maturity
Sapphire Wind Farm	Finance for a utility scale wind farm	2016–17	$119.3m	Facility refinanced, CEFC remains one of the lenders in the replacement facility
Intellihub	Finance for acquisition and expansion of smart metering business	2017–18 2019–20 2020–21	$75.0m	Facility refinanced by other lenders
National Australia Bank Climate Bonds	Climate Bond for renewable and energy efficient assets	2014–15	$74.5m	Bond matured
Commonwealth Bank Climate Bonds	Climate Bond for renewable and energy efficient assets	2016–17	$100.0m	Bond matured
National Australia Bank Low Carbon Shared Portfolio	Investment in secured notes backed by cashflows from utility scale wind and solar farms	2017–18	$90.0m	Bond matured
Flexigroup Climate Bond	Climate Bond for rooftop solar PV and storage financing	2018–19	$10.0m	Repaid early
Genex Power	Subordinated debt finance to support two utility scale solar farms	2020–21	$3.0m	Repaid early

Counterparty	Description	Year	Commitment	Outcome
Westpac	Finance for energy efficiency and renewable energy assets	2015–16	$200.0m	On market sale of bonds and closure of partnership program
Oakey Solar Farm	Finance for a utility scale solar PV project	2016–17	$19.4m	Facility refinanced by other lenders
Longreach Solar Farm	Finance for a utility scale solar PV project	2016–17	$13.0m	Facility refinanced by other lenders
Lincoln Gap Wind Farm	Finance for a wind and battery storage project	2017–18 2020–21	$210.0m	Facility refinanced by other lenders
The Australian Environment Upgrade Fund 1	Equity finance to facilitate a range of energy efficient building upgrades	2012–13	$0.3m	On wind up of the investment trust proceeds of $70,000 were received and $237,000 was written-off

Notes
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 27: Investment commitments partially realised, contractually cancelled, allowed to expire or reduced in 2021–22

Transaction	Detail	Year	Change	Explanation
Macquarie Leasing	Finance for energy efficiency, low emissions and renewable energy assets	2017–18	$50.0m	Maturity of bonds and amortisation of underlying loans in the aggregation program
Metro Finance	Investment in asset financing for low and zero emission vehicles	2017–18	$19.1m	Cancelled
SA Gov Home Energy Storage Subsidy Scheme	Finance for platform supporting residential solar & battery projects	2018–19	$80.0m	Cancelled
Gippsland Renewable Energy Park	Equity investment to fund the early-stage development of a renewable energy park	2020–21	$0.2m	Cancelled
EG Delta Fund	Investment in a property fund to undertake energy efficiency and renewable energy projects in buildings	2014–15	$21.3m	Cancelled

Transaction	Detail	Year	Change	Explanation
Gunnedah and Suntop Solar Farms	Finance for construction of a group of two utility-scale solar farms	2020–21	$0.7m	Cancelled
NBN Co	Investment in a senior unsecured green bond issued by a telecommunications infrastructure company with emissions linked targets	2021–22	$0.1m	Cancelled
Bank of Queensland	Finance for energy efficiency and renewable energy assets	2018–19	$75.0m	Cancelled
Eclipx	Investment in fund for the operating and novated leases of fleet vehicles with lower carbon emissions	2015–16	$7.1m	Cancelled
Salt Lake Potash	Finance for an energy efficient fertiliser production plant	2020–21	$5.5m	Partial repayment of initial facility
Investa Commercial Property Fund	Equity in a property fund for energy efficiency initiatives	2016–17	$1.1m	Sale of units in the fund
Macquarie Australian Infrastructure Trust	Equity investment in an infrastructure fund	2019–20	$14.4m	Return of capital
Greensync	Equity and debt in a distributed energy business, via the Clean Energy Innovation Fund	2016–17 2017–18 2019–20 2021–22	$2.9m	Return of capital on sale of operating business
Sungrow Solar Farms	Finance for five solar PV projects	2021–22	$6.0m	Facility refinanced by other lenders on change of ownership

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 2021 to 30 June 2022 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 28.

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 $235,000 threshold for the 2021–22 year. KMP are not classified as OHPS.

Approach to Executive remuneration 2021–22

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.

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 28.

During 2021–22, 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 comparable 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.

In July 2021, Executives were invited to participate in the CEFC Variable Compensation Plan. 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, 40 per cent for other Executives and KMP, and 30 per cent for 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.

Superannuation Guarantee Levy

Effective 1 July 2022, the Superannuation Guarantee Levy increased from 10.0 per cent to 10.5 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 $25,292.40 per year. This is consistent with the superannuation guarantee legislation. The incremental cost to the CEFC, based on existing headcount, is $121,238.

Changes to remuneration arrangements for 2022–23

From September 2022, management worked closely with the Board People and Culture Committee to conduct a wholesale review of remuneration arrangements at the CEFC. This review followed the release of the *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies (2021)* issued in August 2022. The review adopted a broad approach, considering Australian labour market trends, market remuneration benchmark data, employee feedback, as well as remuneration practices in peer organisations, across the Commonwealth and private sector.

In June 2022, the Board approved a new CEFC remuneration strategy which more closely aligns with stakeholder expectations and recognises that the CEFC, operating in the banking and financial services sector, should have the discretion to utilise a targeted and tailored incentive plan to attract and motivate appropriately qualified and experienced staff, to originate new investments and to manage our significant portfolio, as per the Performance Bonus Guidance. Under the new High Performance Incentive Plan, from 1 July 2022, the scope for incentive payments is related to a position's ability to influence CEFC commercial and public policy outcomes, favouring the highest performers and market facing roles. Deferral arrangements have been extended to include senior OHPS in market facing roles. The quantum of incentive pools available is solely determined by performance against Board approved Corporate KPIs each year and remains at the Board's discretion. The Board agreed to fund a one-off remuneration adjustment to support the transition to the new remuneration strategy and 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.

Figure 28: KMP Remuneration 2021–22

Name	Position	Short-term benefits: Annual fees[1] ($)	Base salary[2] ($)	Performance based compen-sation ($)	Movement in leave provisions[3] ($)	Other benefits and allowances[4] ($)
NON-EXECUTIVE BOARD MEMBERS						
Steven Skala	Chair	111,286	–	–	–	–
Leeanne Bond	Director	55,643	–	–	–	–
Philip Coffey[5]	Director	48,395	–	–	–	–
Matthew Howell[6]	Director	7,248	–	–	–	–
David Jones[7]	Director	12,792	–	–	–	–
Laura Reed[8]	Director	40,720	–	–	–	–
Andrea Slattery	Director	58,521	–	–	–	–
Samantha Tough	Director	55,643	–	–	–	–
Nicola Wakefield Evans	Director	55,643	–	–	–	–
CEO AND SENIOR EXECUTIVE TEAM						
Ian Learmonth	Chief Executive Officer	–	581,589	210,000	(1,014)	–
Michael Johnston[9]	Chief Risk Officer	–	97,486	65,450	8,155	–
Sara Leong	Chief Asset Management Officer	–	412,357	171,500	10,872	–
Paul McCartney	Chief Clean Futures Officer	–	412,357	164,959	(10,953)	–
Leanne McDonald	Chief People and Culture Officer	–	351,730	133,547	11,978	–
Andrew Powell	Chief Financial Officer	–	404,011	150,500	(9,843)	–
Ludovic Theau	Chief Investment Officer	–	431,273	154,405	28,510	–
Saxon (Jay) Tolson	General Counsel and Company Secretary	–	358,731	135,214	18,902	–
Craig Whalen[10]	Chief Risk Officer	–	314,176	119,000	17,156	–
Total		**445,891**	**3,363,710**	**1,304,575**	**73,763**	**–**

Notes
1. Annual Board Fees includes an additional day of accrual this year based on the way the number of working days fell during 2022.
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 ($)	Total remuneration ($)
11,148	–	–	–	–	122,434
5,574	–	–	–	–	61,217
4,839	–	–	–	–	53,234
734	–	–	–	–	7,982
1,289	–	–	–	–	14,081
4,072	–	–	–	–	44,792
2,696	–	–	–	–	61,217
5,574	–	–	–	–	61,217
5,574	–	–	–	–	61,217
23,568	90,000	8,661	–	–	912,804
10,984	–	2,291	–	–	184,366
23,568	73,500	7,442	–	–	699,239
23,568	70,697	12,388	–	–	673,016
23,568	57,234	5,381	–	–	583,438
23,568	64,500	10,079	–	–	642,815
23,568	66,173	11,032	–	–	714,961
23,568	57,949	6,223	–	–	600,587
20,282	51,000	2,093	–	–	523,707
237,742	**531,053**	**65,590**	**–**	**–**	**6,022,324**

5. Philip Coffey was a Director until 13 May 2022.
6. Matthew Howell was appointed as a Director from 14 May 2022.
7. David Jones was appointed as a Director from 8 April 2022.
8. Laura Reed was a Director until 24 March 2022.
9. Michael Johnston resigned as Chief Risk Officer effective from 2 October 2021.
10. Craig Whalen was appointed as Chief Risk Officer from 1 September 2021.

Senior executives

The CEFC does not have any senior executives other than those already included within the KMP disclosures in Figure 28.

Other Highly Paid Staff

Other Highly Paid Staff (OHPS) are CEFC employees (excluding KMPs and senior executives) whose total remuneration exceeds the $235,000 threshold for the 2021–22 year.

Figure 29: 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] ($)	Average other benefits and allowances [4] ($)
$235,001 to $245,000	6	166,943	50,901	1,162	–
$245,001 to $270,000	6	161,382	62,068	4,999	–
$270,001 to $295,000	5	186,267	69,697	5,885	–
$295,001 to $320,000	6	205,889	74,883	5,406	–
$320,001 to $345,000	4	216,101	86,068	985	–
$345,001 to $370,000	5	231,881	92,568	2,056	–
$370,001 to $395,000	4	243,322	106,864	155	–
$395,001 to $420,000	2	257,754	107,355	(3,773)	–
$420,001 to $445,000	2	278,880	93,750	17	–
$445,001 to $470,000	4	302,008	110,938	7,041	–
$520,001 to $545,000	3	358,301	122,792	3,897	–
$545,001 to $570,000	1	347,130	123,000	650	–
$570,001 to $595,000	3	389,392	111,875	15,461	–
$645,001 to $670,000	1	340,112	73,165	13,773	–

Notes

1. Average Base Salary includes an additional day of accrual this year based on the way the number of working days fell during 2022.
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 ($)	Average total remuneration ($)
18,812	–	798	–	–	238,616
18,230	–	3,796	–	–	250,475
20,028	–	4,124	–	–	286,001
21,412	–	(1,679)	–	–	305,911
22,280	–	8,207	–	–	333,641
22,953	–	6,292	–	–	355,750
23,072	7,500	1,963	–	–	382,876
23,363	15,000	8,287	–	–	407,986
23,568	31,250	6,344	–	–	433,809
23,568	7,813	5,789	–	–	457,157
23,568	22,708	8,448	–	–	539,714
23,568	41,000	10,988	–	–	546,336
23,568	37,292	8,917	–	–	586,505
25,403	25,000	7,425	–	171,507	656,385

Appendix H

Special Investment Programs

The *Clean Energy Finance Corporation Investment Mandate Direction 2020*, which was operational throughout the 2021–22 reporting period, 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 Investment Mandate has a particular focus on grid investments, which is of general effect on the CEFC core fund but 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 many 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. Refer to Section 1 – Performance.

Figure 30: Advancing Hydrogen Fund: 2021–22

	2021–22
Commitments	$12.5m*
Transactions	1
Transaction value	$13.0m
Leverage	$0.04:$1
Estimated kt CO_2-e annually	1.28

* Excludes hydrogen-related commitments made through the Clean Energy Innovation Fund.

Figure 31: Clean Energy Innovation Fund: 2021–22

	2021–22	Lifetime
Commitments	$45.4m	$163.0m
Transactions	6*	49
Transaction value	$247.8m	$656.0m
Leverage	$4.45:$1	$3.17:$1
Estimated kt CO_2-e annually	10	830

* Excludes 12 follow-on commitments to existing portfolio companies; all other figures inclusive of follow-on commitments.

Figure 32: Australian Recycling Investment Fund: 2021–22

	2021–22	Lifetime
Commitments	$31.6m	$67.3m
Transactions	3*	7
Transaction value	$56.5m	$137.5m
Leverage	$0.79:$1	~$0.99:$1
Estimated kt CO_2-e annually	30	60

Fund allocation includes deployment related to investment commitments made in prior financial years.

* Excludes two follow-on commitments to existing portfolio companies; all other figures inclusive of follow-on commitments.

Figure 33: Sustainable Cities Investment Program: 2021–22

	2021–22	Lifetime
Commitments*	$127.0m	$3.0b
Transactions	~9,900	~23,000
Transaction value	$359.2m	$13.5b
Leverage	$0.72:$1	$3.06:$1
Estimated kt CO_2-e annually	4.13	1,820

* Commitments, leverage and emissions figures relate to direct investments only. Includes follow-on commitments to existing portfolio companies.

Figure 34: Reef Funding Program: 2021–22

	2021–22	Lifetime
Commitments*	$12.5m	$362.3m
Transactions	704	1,421
Transaction value	$21.1m	$1.3b
Leverage	$0.04:$1	$2.26:$1
Estimated kt CO_2-e annually	1.28	580

* Commitments, leverage and emissions figures relate to direct investments only. Includes follow-on commitments to existing portfolio companies.

Additional reporting requirement

In the 2021–22 year, 569 transactions were reported in more than one of the Special Investment Programs.

Program area	2021–22 transactions	CEFC commitment	Transaction value
Cities and Reef	567	N/A	$6.5m
Cities and Innovation	2*	$6.1m	$47.6m
Cities and Reef and Hydrogen	1	$12.5m	$13.0m
Innovation and Recycling	3*	$4.1m	$21.5m

Commitments figures relate to direct investments only.

* Includes follow-on commitments to existing portfolio companies.

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.
COP26, COP 27	The 26th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change was held in Glasgow, Scotland in November 2021. COP27 will be held in Sharm El Sheikh, Egypt in November 2022.
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.
Global Methane Pledge	Commits signatories to reducing overall emissions of methane by 30 per cent by 2030, from 2020 levels. Signed by more than 120 countries to combat methane, a greenhouse gas 80 times more powerful than CO_2 at trapping heat in the earth's atmosphere.
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

Term	Description
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.
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.
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.

Term	Description
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.
Rewiring the Nation	Australian Government policy to invest $20 billion to rebuild and modernise the energy grid.
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.
Virescent Ventures	A specialist fund manager established by the CEFC, focused on investing in ambitious cleantech founders, technologies and businesses that can help achieve net zero emissions. The CEFC is a foundation shareholder.

Abbreviations

Abbreviation	Full name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACCU	Australian Carbon Credit Unit
AEMO	Australian Energy Market Operator
AMEC	Australian Energy Market Commission
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*
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
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HTM	Held to maturity
IPS	Information Publication Scheme
ISP	Integrated System Plan
JCPAA	Joint Committee of Public Accounts and Audit
KMP	Key Management Personnel
KPI	Key performance indicators
kW	Kilowatt

Abbreviation	Full name
LED	Light emitting diode
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
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
REZ	Renewable Energy Zone
TARP	Total Annual Remuneration Package
WHS Act	*Work, Health and Safety Act 2011*

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