



Australian Government



CEFC climate-related risk and opportunity procedure

October 2025

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

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1 Purpose

The CEFC climate-related risk and opportunity procedure (Procedure) provides an overview of how the CEFC manages climate-related risks and opportunities across its corporate operations and investment activities. It outlines how these risks are identified, assessed and addressed within the CEFC's broader governance and risk management framework. A climate opportunity is a chance for an organisation to realise benefits from efforts to mitigate and adapt to climate change. CEFC's investment strategy is centred on climate opportunities.

The Procedure also defines key areas of practice, materiality considerations and approaches to risk evaluation and monitoring.

It should be read alongside the CEFC Board and Committee Charters, Risk Management Framework, Risk Appetite Statement and other relevant governance and investment policies.

2 Overview

The CEFC exists to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets, including net zero emissions by 2050. CEFC investments are considered well positioned to benefit from the transition to net zero and therefore are expected to have limited transition risks relative to market contemporaries. However, we are not immune from the physical risks of climate change given the indiscriminate nature of physical hazards to assets, the scale of our investments across multiple sectors and geographies, specific technology dependency and supply chain impacts.

To achieve our objectives, we have a Procedure to cover a broad range of climate practices across the corporation. This Procedure outlines how we identify, assess, prioritise, manage and monitor climate-related risks and opportunities. Different aspects of climate practice are addressed, delineating between our corporate and investment activities. The Procedure complements our overarching risk management and financial management practices through integrating climate-related considerations into strategic and operational decision making, investment assessment, operational model and financial management.

The CEFC's climate-related risk management is integrated into our enterprise Risk Management Framework (RMF) to meet the requirements of the CEFC ESG Policy, Commonwealth Risk Management Policy, Commonwealth Climate Disclosure (CCD) and Australian Public Service (APS) Net Zero 2030 emissions reporting. Where appropriate for our activities, we align with the Australian Government's Approach to Climate Risk and Opportunity Management in the Public Sector 2024-2026.

3 Climate-related scope

Strategy, target setting and opportunities

The CEFC plays an important role in the achievement of Australia's transition to a net zero economy by 2050, with investment and corporate activities contributing to the delivery of Australia's emissions reduction targets.

The Board, as the accountable authority of the Clean Energy Finance Corporation (CEFC), annually prepares a Corporate Plan as required under paragraph 35(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), addressing our purpose “to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets.”

The Corporate Plan sets out our strategy influenced by our Act and Investment Mandate, Australia's emissions reduction targets and the market, establishing climate-related opportunity objectives that support Australia's broader strategy to tackle climate change. Climate-related opportunities are an integral element of our investment priorities.

The Board monitors performance against the Corporate Plan and associated climate-related risks and opportunities with reference to:

- CEFC Complying Investment Guidelines
- CEFC Investment Policies
- CEFC ESG Policy
- CEFC Risk Management Framework.

Climate risk¹ refers to the potential negative effects of climate change on an entity and/or its activities, and are either:

- Physical risk: risks that are direct impacts of climate change due to acute (e.g. bushfires) and chronic (e.g. rising sea levels) hazards
- Transition risk: risks related to the transition to net zero emissions which are driven by impacts to policy, litigation, technology, markets and reputation during this transition.

The CEFC addresses climate-related risk through two key areas:

- Corporate - focusing on risks within our governance and operations; and
- Investments - integrating climate-related risk assessment across our pipeline and portfolio.

4 CEFC climate-related risk and opportunities governance structure

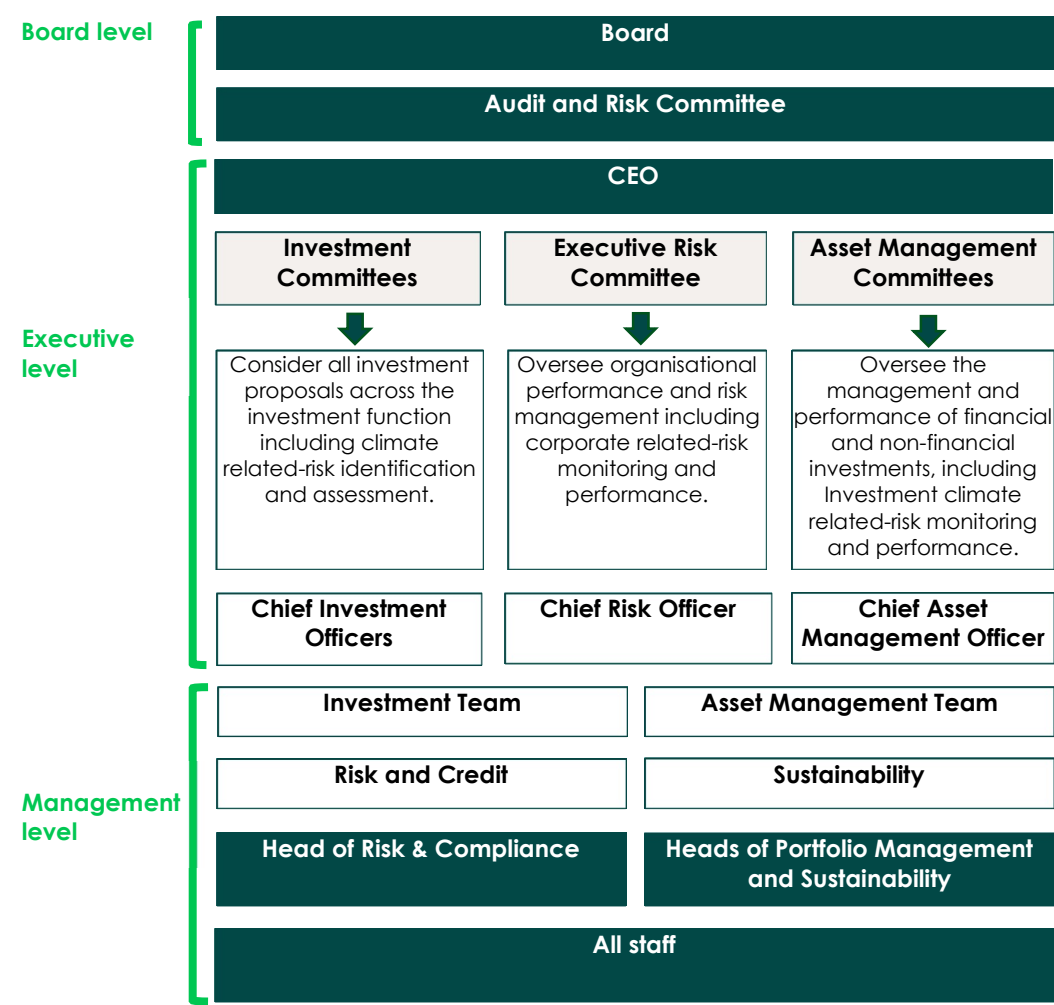
The CEFC's climate-related risk and opportunities governance is integrated with our RMF. The climate governance structure (see below) outlines the roles and responsibilities delegated from the Board (the accountable authority) and executive level, down to the operational level. Refer to Appendix A for detailed definitions of roles and responsibilities related to climate-related risk governance.

Respective teams supporting the Executive are responsible for operational climate-related matters and work collaboratively across our corporate and investment activities.

¹ Climate risk as defined in the Australian Government Climate Risk and Opportunity Management Plan (CROMP)

Within Appendix A we define climate-related risk and opportunities roles and responsibilities across the organisation, starting with the Board. The definitions address how and how often the Board is informed about climate-related risks and opportunities. There is quarterly reporting to the Board on climate-related risks and opportunities, with periodic reviews of targeted papers.

Figure1: CEFC climate-related risk and opportunities governance



5 Climate risk and opportunity management

Corporate

Climate-related risk and opportunity assessment

A climate impact assessment at the corporate level, in accordance with our existing risk policies and procedures is completed, ultimately integrating the identified climate-related risks within our RMF.

The CEFC defines the scope of its organisational climate-related risk assessment following internal consultation and onward analysis.

a) Climate-related process

As the CEFC's core mandate is to deploy capital into projects, companies and technologies that accelerate the transition to clean energy, a key risk lies in how climate change may affect the availability, viability, and performance of these investments. Within our Corporate Plan, CEFC annually sets out our climate-related objectives. Physical and transition climate risks can impact the success of investments, ultimately affecting the financial and strategic performance of the CEFC's investment portfolio. These risks are assessed annually, with further detail outlined in this document.

b) Desired outcomes from a policy

The CEFC supports government policy objectives by deploying capital into targeted investments. Climate-related risks could impact this delivery by requiring adjustments to investment focus or delaying intended outcomes. There is an annual review of climate-related strategy and targets to support government policy that is further addressed through the climate-related risk and opportunity assessment and risk management framework.

c) Main business operations

As a specialist climate investor, climate risk may reduce the availability or viability of investable projects, directly impacting the CEFC's ability to meet investment targets via limited deployment of capital.

CEFC business operations have varying exposure to climate-related risks and opportunities. To ensure these risks are effectively assessed and managed, we undertake an annual climate risk review process to identify operational climate-related risks and opportunities. This includes considering how climate events may affect staff safety and wellbeing, and the resilience of our physical assets. Climate risk may for example, impact operations by increasingly limiting access to our offices or requiring rescheduling of site visits.

d) Defining organisational boundary

The organisational boundary is reviewed periodically and evolves to cover all areas where the CEFC has operational control or significant influence. This includes:

- All internal divisions and business units, including employees
- Physical assets (i.e. offices) and systems supporting the CEFC's operations
- Investment activities conducted by our staff across all asset classes and sector.

e) Defining materiality thresholds

Materiality is determined by assessing the likelihood and consequence of climate-related risks on the CEFC's ability to meet its strategic, policy and operational objectives.

The following principles define the CEFC's materiality approach, noting these are guided by the CCD materiality guidance. This includes areas such as:

- Strategic relevance: risks that could significantly affect the CEFC's ability to deliver on its investment mandate or national climate goals or policy

- Financial exposure: risks that could materially impact the value, performance or viability of investments
- Operational disruption: risks that could impair core business functions or service delivery and related impacts to employees
- Stakeholder expectations: risks that are likely to be considered material by government, investors or the public.

Materiality thresholds are aligned with our existing RMF.

f) Risk approach

CEFC identifies transition risk using external frameworks like Network for Greening the Financial System (NGFS)² and Cambridge Climate Wise Principles³. These frameworks address policy, legal, regulatory, reputational, market and technology risks. In alignment with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) and APS Net Zero 2030, CEFC reports its corporate emissions and encourages suppliers to reduce and report their carbon emissions across Scope 1, 2, and where feasible, Scope 3.

Physical climate risks are assessed using the Intergovernmental Panel on Climate Change (IPCC)⁴ framework, focusing on both acute events (e.g. storms, floods) and chronic changes (e.g. sea level rise, weather shifts). CEFC has a Business Continuity & Recovery Framework to manage operational disruptions and expects suppliers to adopt adaptive designs and emergency plans to mitigate these risks.

The risks are identified through a structured process involving materiality assessment, scenario analysis and hazard review. These steps support the evaluation of the risk magnitude and financial impact.

g) Determine Risk Management Framework integration

Climate-related risks and opportunities are identified, measured, monitored, and reported in accordance with the CEFC's RMF. Supporting policies include:

- Board Risk Appetite Statement
- Compliance Management Framework

Climate disclosure is addressed within the broader category of compliance risk in our RMF. This enables climate-related risks and opportunities to be managed as with other enterprise risks and embedded into strategic and operational decision-making.

² NGFS developed a set of hypothetical climate pathways to help financial institutions and policymakers understand the potential impacts of climate change.

³ Cambridge Climate Wise Principles is a framework developed by the University of Cambridge Institute for Sustainability Leadership (CISL). The principles aim to help companies integrate climate transition considerations into their strategies, operations, and reporting.

⁴ IPCC is the leading international body for assessing climate science, including the development of scenarios that explore potential future emissions pathways. The CEFC draws on IPCC scenarios based on Shared Socio-economic Pathways (SSPs).

Stakeholder Engagement

Based on the defined areas of practice, organisational boundaries and materiality thresholds, the CEFC undertakes targeted engagement with relevant internal and external stakeholders to validate the materiality of identified risks and assess the extent to which they are appropriately captured within existing risk management framework processes.

This process requires:

- a) Stakeholder identification: key internal and external stakeholders are identified, including by reference to their relevance to climate issues.

The CEFC has identified the following key internal stakeholders as relevant to the climate risk materiality process:

- Risk and Compliance: to evaluate the likelihood and impact of climate risks within the broader enterprise risk framework, applying the relevant enterprise risk appetite and controls
- Legal: to assess regulatory, contractual, and liability implications of climate-related risks, providing guidance on compliance with disclosure obligations
- Finance, Investment and Asset Management teams: to assess the financial implications of material climate-related risks, including potential impacts on investment performance, capital deployment, and climate-related financial disclosures
- Executive: provide direction and oversee management of identified climate risks as the CEFC pursues its long-term strategic objectives, and to inform forward-looking planning and investment priorities
- Board: responsible for overseeing climate-related risks and opportunities, activities and approving CEFC climate-related strategies, target and policies.

Government departments (as external stakeholders): provide guidance on existing disclosure obligations, as well as consulting on future disclosure considerations as the practice evolves.

- b) Engaging Stakeholders

The CEFC conducts a range of climate workshops, briefings and regularly provides committee papers on a range of climate-related topics.

Investment

Overview

Climate-related risk identification, governance and management are embedded throughout the investment lifecycle. Each new investment is screened for climate-related risks at an early stage, with ongoing identification, assessment and oversight maintained throughout the transaction process.

In general, the CEFC's investments have low risk exposure to transition risk however, they are not insulated from the effects of physical climate risk. Climate-related physical and

transition risks are assessed on a case-by-case basis to assess their materiality to each investment.

a) Physical risk assessment

Investment-related physical risk is assessed using the IPCC SSP scenarios across low, medium, medium-high and high.

The CEFC does not typically have operational control over investments with tangible assets in the investment portfolio. However, we seek to influence via engagement with our counterparties to monitor their risk management practices and mitigation strategies, where applicable.

b) Transition risk assessment

The CEFC assesses and identifies transition related risk and opportunities in three ways:

- Key investments, considered representative of broader segments of the CEFC's investment portfolio, are assessed for transition risk and opportunities under the NGFS scenarios
- Assessment and reporting on financed emissions annually based on the Partnership for Carbon Accounting Financials (PCAF)⁵ methodology
- Assessment and categorisation of all investments for net zero alignment with reference to the CEFC's internal framework.

The CEFC is a specialist investor in Australia's transition to net zero emissions by 2050. Transition risks and opportunities for the CEFC are considered as part of the overall investment assessment and are integrated into the investment screening process. Additionally, they are assessed separately to inform the organisation's climate strategy.

Risk identification and process

To integrate climate-related risks and opportunities across the investment lifecycle, the following steps are undertaken to identify, monitor, and manage them: assessing and tracking climate governance, evaluating risk management practices, engaging with relevant stakeholders, establishing appropriate controls for ongoing management and continuous reporting.

a) Reputational Due Diligence Phase

- All new investments are required to complete a climate-related risk due diligence assessment, which includes a questionnaire assessing the climate governance and risk management practices of the asset and/or sponsor
- This supports the identification of material climate risk with stakeholders

b) Detailed Screening Stage

⁵ PCAF is a framework to enable financial institutions to assess and disclose greenhouse gas emissions associated with financial activities.

- The Sustainability team reviews the completed climate-related risk due diligence form and supporting documentation
- Where material, a physical climate risk assessment is conducted, along with a review of any relevant environmental and technical due diligence reports
- The decarbonisation case is established and explains how the investment contributes to climate transition opportunities. Transition considerations are also assessed separately to inform the broader climate strategy

c) Contractual Close

- Material climate-related risks and opportunities are documented
- An Environmental, Social and Governance (ESG) Risk and Opportunity Plan is established, setting out the monitoring and reporting requirements for the life of the investment, addressing climate-related risk and opportunity management.

d) Portfolio Management and ongoing monitoring

- Material climate-related risks and opportunities for each investment are actively monitored
- Specific monitoring requirements are identified for transition risks and opportunities, while physical risk assessments are updated as needed for material assets
- Where material, the portfolio manager will engage with relevant counterparties on climate risk

e) Portfolio reporting

- All portfolio investments are assessed for their financed emissions profile, which are reported annually
- All portfolio material tangible assets are assessed and reported annually
- Each investment is also reviewed for alignment with net zero pathways, with progress updates on a quarterly basis

Climate risk evaluation

Evaluation matrices

Ongoing climate-related risks and opportunities are considered for existing investments as well as significant pipeline opportunities. We measure the 'value at risk' and number of related metrics including, but not limited to, the modelled average annual losses (MAAL) for physical risk and the IRR/Credit sensitivity, financed emissions and net zero alignment for transition risk.

For each new transaction, the Sustainability team works with the deal team to assess material climate-related risks and opportunities.

Further details on CEFC scenario analysis will be found in the 'Physical and Transition Risk Basis of Preparation', which will be provided on request.

Risk rating, risk control and risk appetite

Risk management is overseen by the Audit and Risk Committee and evaluated using the risk analysis approach outlined in Appendix 1 of the CEFC Risk Management Framework, which determines the overall Risk Rating:

- Low risk: limited impact to the CEFC and/or mitigated
- Medium risk: moderate impact to the CEFC and/or substantially mitigated
- High risk: high impact to the CEFC, somewhat mitigated
- Critical: high risk to the CEFC, unable to mitigate.

While climate-related disclosure is addressed within the broader category of compliance risk, material investment-related climate risks are recorded in the CEFC risk register, where applicable. The level of acceptable exposure to climate-related risk is guided by the CEFC Risk Appetite Statement. For the investment platforms, these risks fall under the "Environmental and Social Risk (Investments)" category, which is further specified for each portfolio or fund. This structured approach seeks to identify, assess, and manage climate-related risks and opportunities across the CEFC's investment activities.

6 Appendix A: Climate-related risk and opportunities roles and responsibilities definitions

Role	Risk responsibility
Board (accountable authority)	Principal assignee responsible for overseeing climate-related risks and opportunities, activities and approving CEFC climate-related strategies, target and policies.
Audit and Risk Committee (ARC)	Assists the Board in respect of financial reporting, performance reporting, risk oversight and management including related reporting on the impact of climate-related risks and opportunities on the CEFC's financial position.
Executive Risk Committee (ERC)	Responsible for oversight and supervision of the CEFC's Risk Management Framework which facilitates an enterprise-wide approach to risk management for the CEFC Group's activities and investments (including climate-related risks and opportunities), and that the strategies to manage and mitigate those risks are effectively implemented.
Investment Committees Executive Investment Committee (EIC), Joint Investment Committee (JIC), Growth Capital Investment Committee (GIC)	Responsible for oversight of level of relevant climate-related risk and opportunities due diligence and risk management practices employed by the investee or sponsors to all investments. Authority to escalate risks, including climate-related risks and opportunities to the Board in relation to investment proposals.
Asset Management Committees (AMCs)	Responsible for the review of climate-related risks and opportunities arising from the portfolio, including climate-related scenario analysis. Reports quarterly on investment/asset updates and performance, sector updates, environmental, social and governance reporting and other reporting that the AMC requires for the effective oversight of the investment portfolio, reporting to the Board on any of the above matters to enable effective decision-making.

Chief Risk Officer (CRO)	The CRO is the chair of the ERC and is responsible for coordinating and administering the ERC and its obligations in accordance with the ERC Charter.
Chief Asset Management Officer (CAMO)	The CAMO is the chair and/or member of the AMC and is responsible for coordinating and administering the AMC and its obligations (including climate-related risks and opportunities) in accordance with the Charters.
Chief Financial Officer (CFO)	The CFO oversees financial and related reporting on the impact of climate-related risks and opportunities on the CEFC's financial position.
Chief Investment Officers (CIOs)	The CIOs are responsible for overseeing the progression of investment opportunities and maintaining visibility over project developments. As first-line risk defence, they are expected to identify, assess, and mitigate environmental and social risks including climate-related risks within their respective areas of responsibility.
Head of Risk and Compliance	Responsible for maintaining the RMF and risk management practices, including the processes for identifying, assessing, and managing climate-related risks.
Head of Portfolio Management and Sustainability	Responsible for the CEFC corporate emissions reporting, and evaluation, monitoring and reporting the portfolio risk including climate related risks and opportunities.

7 Appendix B: CEFC alignment with CROMP

The CEFC manages climate-related risks and opportunities in line with the Australian Government's Climate Risk and Opportunity Management Program (CROMP), to the extent practicable.

The below table provides a high-level summary of how the CEFC currently aligns with the seven core steps of the CROMP framework as of June 2025. We review the CROMP framework regularly and incorporate and align our climate practise accordingly.

CROMP Requirement	CEFC Alignment Summary
Step 1- Scope the Assessment	We align with the core requirements by integrating climate into our enterprise risk management system and have updated our climate risk and opportunities screen to better reflect stakeholder considerations. We measure the value at risk with various metrics, consider geographic regions particularly with physical risk assessment.
Step 2 - Consider Current and Future State	We align with expectations by considering both current and emerging climate-related factors. We assess existing and pipeline transaction on climate-related risks and opportunities.
Step 3 - Identify Risks and Opportunities	We are broadly aligned through the identification of a range of climate-related risks and opportunities across existing workstreams. The CEFC leverages established controls, with relevant climate related risks included on the corporate risk register. Stakeholders are engaged throughout the investment cycle to assess findings as required.
Step 4 - Prioritise Risks and Opportunities	We align by using physical and transition risk assessments to inform initial prioritisation, improvement of investment screening and stakeholder engagement.
Step 5 - Plan and Take Action	We broadly align through the progression of actions in response to identified risks and opportunities, with efforts underway to embed these more systematically across our investments.
Step 6 - Monitor, Evaluate and Communicate	We integrate climate-related risk into our enterprise RMF and risk appetite. Climate-related risk and opportunities are evaluated and monitored though out the investment cycle. We report our climate-related risks and opportunities quarterly to our AMCs and Board.

Step 7 - Disclose	We disclose our climate-related risk and opportunities in line with CCD requirements and in our annual report.
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About the CEFC

The CEFC is Australia's specialist climate investor, helping cut emissions in the race towards net zero by 2050. We invest in the latest technologies to generate, store, manage and transmit clean energy. Our discounted asset finance programs help put more Australians on the path to sustainability, in their homes and on the road. CEFC capital is also backing the net zero transformation of our natural capital, infrastructure, property and resources sectors, while providing critical capital for the emerging climate tech businesses of tomorrow. With access to more than \$32 billion from the Australian Government, we invest to deliver a positive return for taxpayers.