



MINUTES OF BOARD MEETING NO.116
HELD ON THURSDAY 25 AUGUST 2022
CEFC SYDNEY AND VIA VIDEO-CONFERENCE

- Board Members:** Mr Steven Skala AO (Chair)
Ms Leeanne Bond *[joined at item 4(a)]*
Mr David Jones AM
Mr Matt Howell
Ms Andrea Slattery
Ms Samantha Tough
Ms Nicola Wakefield Evans
- Apologies:** None
- Management:** Mr Ian Learmonth (CEO)
Ms Sara Leong (CAMO)
Mr Paul McCartney (CCFO)
Ms Leanne McDonald (CPCO)
Mr Andrew Powell (CFO)
Mr Jay Tolson (GC)
Mr Craig Whalen (CRO)
[REDACTED] (Head of Government and Stakeholder Relations) (**GSR**)
[REDACTED] (Head of Risk and Compliance)
- Others attending:** [REDACTED] (AD – GSR)
[REDACTED] (AD – Corporate Secretariat) (minute-taker)
- Staff members and for relevant items

S22. Irrelevant to application
S22. Irrelevant to application

S22. Irrelevant to application

Meeting opened at 10:30am AEST. All times are listed in AEST.

Agenda Item 1 (a) Welcome and apologies

The Chair, Mr Steven Skala AO, welcomed the attendees to the 116th meeting of the CEFC Board, confirming there was a quorum. The Chair congratulated the CEFC on reaching its 10-year anniversary and its achievements over this first decade.

Agenda Item 1 (c) Private session without Management present

The Board held a private session without Management present.

Agenda Item 1 (d) Private session with the CEO

(Mr Ian Learmonth joined the meeting.)

The Board held a private session with the CEO present.

(The Board adjourned at 12:09pm. The Board resumed at 12:15pm with the same attendees as at the commencement of the break. Ms Sara Leong, Mr Paul McCartney, Ms Leanne McDonald, Mr Andrew Powell, Mr Ludovic Theau, Mr Jay Tolson, Mr Craig Whalen, [REDACTED] [REDACTED] joined the meeting at this time.)

S22. Irrelevant to application

Agenda Item 1 (b) Declarations of any material personal interests

The Chair invited members of the Board to declare any new material personal interests. The following interests were declared:

- [REDACTED]

s47C (Deliberative process)

[REDACTED]

Agenda Item 2(a) Minutes of BM#114 (24 Jun & 6 Jul 2022)

The Board reviewed the draft minutes of the Board Meeting No.114 held over two sessions. Following discussion, the Board:

RESOLVED to approve the minutes of meeting number 114 held on 24 June 2022 and 6 July 2022 and, subject to the typographical amendments discussed, authorise the Chair to sign those minutes as a true and accurate record. [BM116D01]

Agenda Item 2(b) Minutes of BM#115 (29 Jul 2022)

The Board reviewed the draft minutes of the prior meeting. Following discussion, the Board:

RESOLVED to approve the minutes of meeting number 115 held on 29 July 2022 and, subject to the minor amendments discussed, authorise the Chair to sign those minutes as a true and accurate record. [BM116D02]

Agenda Item 3 Update on matters arising from prior meetings

The Board noted the matters arising including:

- progress reported in respect of the open matters; and

- those matters closed since reporting to the previous Board meeting.

In addition to the update, the Board was further advised that:

- the Brisbane existing office lease one-month extension through to 31 October 2022 has been executed with practical completion on the new office now expected circa 21 October 2022 (ref BM112A03). The Melbourne office lease has been agreed subject to final checks for execution.

The Board requested that AEMO's 2022 Integrated System Plan (ISP) is included in the pre-reading for the Board and Executive Strategy Day. [BM116A01]

Agenda Items 4(a) Verbal update from ARC#47 (11 Aug 2022) and 4(b) Verbal update from ARC#48 (25 Aug 2022)

(Ms Leanne Bond joined the meeting.)

Ms Nicola Wakefield Evans verbally updated the Board on key outcomes from the Audit & Risk Committee (**ARC**) meetings held on 11 August 2022 (ARC#47) and on 25 August 2022 (ARC#48) (preceding the Board meeting).

Amongst other matters at ARC#47 (11 August 2022), the Committee:

- noted:
 - the annual insurance renewal;
 - the Enterprise Risk and Performance Report Q4 FY21-22 including discussion on managing risks in the system such as interest rate and supply chain risks;
 - the cyber security update; and

OFFICIAL: SENSITIVE
LEGAL: SENSITIVE

- the PwC internal audit status update and endorsed the Hindsight Review internal audit report;
 - reviewed and provided feedback on:
 - the draft CEFC consolidated financial statements for the year ended 30 June 2022; and
 - the Federal Department of Finance's supplementary reporting package;
 - reviewed and recommended for Board approval:
 - the 2022- 23 October budget and forward estimates subject to Management being authorised to make adjustments to reflect both the final government policy in relation to Rewiring the Nation, Grid Reliability Fund and Low Emission Technology Commercialisation Fund as well as reflect any other non-material changes (as required) prior to submission to the Department of Finance. The October budget and forward estimates were subsequently approved by the Board via circular approval on 23 August 2022;
 - the updated Risk Management Framework subject to completion of the requested amendments (relating to key person risk and minor typographical fixes); and
 - the Financial Risk Methodology noting that Management will conduct a review after the December 2022 quarter-end and report back to the Committee, identifying any issues or areas for improvement;
 - reviewed and recommended the Payment Times Reporting Scheme documents:
 - for approval and execution by the ARC Chair (as the CEFC's Responsible Member); and
 - for noting by the Board. The Board noted the Payment Times Reporting Scheme documents presented at Appendix A;
- Amongst other matters at ARC#48 (25 August 2022), the Committee:
- noted:
 - the Clean Energy Investment Management Pty Ltd (**CEIM**) special purpose financial statements for the year ended 30 June 2022;
 - the (unaudited) CEFC Investments Pty Ltd (**CIPL**) special purpose financial statements for the year ended 30 June 2022; and
 - that the CEIM and CIPL financial statements will be executed by Ms Leong and Mr Powell in their capacity as Directors of the subsidiaries following receipt of the CEFC comfort letters;
 - reviewed:
 - the representations made by Management to the Board, to the ANAO in respect of the CEFC and to the ANAO in respect of CEIM (together **Management representation letters**). The CEFC Chair advised the Board that Management has subsequently executed the Management representation letters and the executed copies were tabled by Mr Powell;
 - reviewed and recommended for Board approval and execution:
 - the representations to be made by the Board to the ANAO in respect of the CEFC;
 - the CEFC consolidated financial statements for the year ended 30 June 2022 noting that:
 - Management had confirmed the placeholder for the Melbourne lease in Note 1.6 Events after the Reporting Period can be removed (as the lease has not yet been executed) and that there have been no other significant events subsequent to balance date. Management advised the Board that this placeholder has since been removed; and
 - ANAO / EY has completed the audit and will provide an unqualified audit opinion upon receipt of executed

financial statements and Board and Management Representation Letters;

- the comfort letters in relation to ongoing financial support in respect of each of the CEFC's wholly-owned subsidiaries, CEIM and CIPL; and
- held a private session with the auditors. The ARC Chair offered to brief Ms Leeanne Bond separately (all other Board members having attended the Committee meeting).

Following discussion, the Board accepted the recommendations of the ARC and:

RESOLVED to approve and authorise the Chair to execute the representations to be made by the Board to the ANAO in respect of the CEFC. [BM116D03]

RESOLVED to approve and authorise the execution of the CEFC consolidated financial statements for the year ended 30 June 2022. [BM116D04]

RESOLVED to approve and authorise the Chair to execute the comfort letters in relation to ongoing financial support in respect of each of the CEFC's wholly-owned subsidiaries, CEIM and CIPL. [BM116D05]

RESOLVED to approve the updated Risk Management Framework subject to completion of the requested amendments. [BM116D06]

RESOLVED to approve the Financial Risk Methodology noting that Management will conduct a review after the December 2022 quarter-end and report back to the Committee, identifying any issues or areas for improvement. [BM116D07]

The Board thanked Management and the Finance team on another outstanding audit outcome and preparation of the financial statements.

(The Board adjourned at 12:37pm. The Board resumed at 1:13pm with the same attendees as at the commencement of the break.)

Agenda Item 5 CEO Report

The Board noted the CEO Report. Amongst other things, the Board discussed:

- **[OFFICIAL: Sensitive]** Federal Government policy including Rewiring the Nation and the National Reconstruction Fund (as noted in the paper and the presentation on 24 August 2022)

[REDACTED]

S47C (Deliberative process), S47E(d) (Conduct of operations) S47G (Public interest - business)

[REDACTED] The Board further discussed the funding options considered for Rewiring the Nation, the potential implications for the CEFC, the cabinet process and anticipated timing;

- the rationale and staff response to the changes in market-facing teams outlined in the paper;
- congratulations to Ms Grace Tam on her selection for the Eisenhower Fellowship;
- the Strategy Day draft agenda which will be updated following the Board's feedback during the private session;
- the Virescent Ventures (**Virescent**) fundraising update, [REDACTED]

S47G (Public interest - business)

- the marketing and communications update as set out in the paper including the 10-year anniversary events and communications. The Board was further advised that the CEFC

launched its 10-year communications today and has already received positive responses. The Board further discussed:

- 2021-22 Annual Report and associated timelines;
- the market context and analysis. In addition to the six key themes noted, the Board considered there was a need to recognise the difficulties involved in the energy transition and that energy security is another key theme which will emerge. The Board further discussed the economic, engineering, supply chain and resourcing challenges to enable the transition. The Board further considered the example of fuel emissions standards and the electrification of transport and the resulting increasing demand on the grid. The Board considered the need for coordination in the provision of foundational infrastructure to support the future economy; and
- the CEFC's forthcoming institutional investor Net Zero Lunch and Workshop, including participants and discussion topics.

Following discussion, the Board RESOLVED to delegate authority for the Chair to approve the CEFC Annual Report 2021-22, subject to providing Board members with the opportunity to review and provide feedback beforehand. [BM116D08]

Agenda Item 6 2022-23 Corporate Plan

The Board reviewed the draft 2022-23 Corporate Plan. Amongst other things, the Board discussed:

- key changes compared to the prior year's Corporate Plan that reflect the policies of the new Federal Government. The Board was advised that the 2022-23 Corporate Plan can be revisited if there is a change in circumstance affecting the strategy as described in the Corporate Plan once published. For example, if the CEFC was charged with delivering Rewiring the Nation;
- content requirements as outlined in the paper; and

- whether the term "investor" appropriately reflects the CEFC's activities as a lender and an equity investor. The Board was advised that the CEFC's external communications typically adopt the term "investor" or "specialist investor" notwithstanding the majority of investments are debt investments.

Following discussion and subject to minor grammatical amendments, the Board RESOLVED to:

- 1. approve the 2022-23 Corporate Plan;**
- 2. authorise the Chair to sign the Corporate Plan on behalf of the Board; and**
- 3. authorise Management to submit the document to the responsible Ministers and publish it on the CEFC's website, as required under the PGPA Act. [BM116D09]**

S47E(d) (Conduct of operations)

Agenda Item 7(a) Project Nokia [REDACTED] Pre-screen

[REDACTED]
[REDACTED] joined the meeting.) S22. Irrelevant to application

Ms Samantha Tough declared that, as Chair of the National Independent Energy Selection Panel, she will be participating in the selection of two new directors to the AEMO board.

S47E(d) (Conduct of operations)

The Board reviewed the Project Nokia [REDACTED]
[REDACTED] Pre-screen. The Board was advised that, since circulation of the paper:

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Amongst other things, the Board discussed:

S47E(d) (Conduct of operations)

- the rationale for CEFC involvement as outlined in the paper including the significance of [REDACTED] to the grid, accelerating ISP projects and unlocking additional capacity. [REDACTED]
- key commercial terms including anticipated commitment. The Board was further advised that the drawdown profile is yet to be finalised [REDACTED]
- [REDACTED]
- [REDACTED]

S47C (Deliberative process), S47E(d) (Conduct of operations) S47G (Public interest - business)

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED] port the build out of the ISP; and
([REDACTED] joined the meeting)
- [REDACTED]

S42 (Legal Professional Privilege)

Following discussion, the Board RESOLVED to provide a specific delegation to the EIC (including the CEO) for approval for Project Nokia. [BM116D10]

The Board sought additional comfort from the Federal Government that the CEFC is authorised to take on the higher risks associated with transactions such as Project Nokia to achieve the Government's policy objectives and correspondingly an increased risk of losses and lower Portfolio Benchmark Returns. The Board

suggested this be discussed with the Federal Minister for Climate Change and Energy directly. [BM116A02]

S47C
(Deliberative
process)

[REDACTED]

[BM116A03]

(Ms Bond and Mr Learmonth temporarily left the meeting. [REDACTED]

also left the meeting at this time.)

Agenda Item 8 Clean Futures Team update

The Board noted the Clean Futures Team update. Amongst other things, the Board discussed:

- the CEFC's contributions to the AEMC's Transmission Planning and Investment Review and the Energy Security Board's (ESB's) Capacity Mechanism High-level Design Paper and technical working groups as outlined in the paper. The Board discussed the pace of regulatory change considering the multiple rounds of consultation required. The Board further discussed whether it would be possible for the AEMC and ESB to shorten response timeframes to accelerate changes;
- the market's response to the energy transition challenge to replace the generation needed as aging coal-fired power stations are retired and as demand for renewable energy increases. The Board further considered the potential impacts on energy security which will need to be managed and what role governments and the CEFC could play to support energy security as the grid transitions; and

- a selection of the transactions noted in the paper including Projects Boyle (AGIG/Engie) and Happy (RCF Jolimont Mining Innovation Fund II).

Agenda Item 9 Asset management: Portfolio report

The Board noted the Portfolio Report. In addition, the Board was further advised that:

- the CEFC remains compliant with s.58(3) of the CEFC Act.

[REDACTED]

S47C
(Deliberative
process)

- the portfolio continues to perform well and the overall risk profile of the portfolio remains within tolerance;
- 5.5% of \$7.2 billion on-risk commitments had a Performance Rating (PR) of PR3 to PR5. [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- the CEFC remains cognisant of downside risks to the fund portfolio arising from global economic and geopolitical uncertainty and volatility. The Board was further advised of different approaches being taken by fund managers (for example, across the property, renewable energy and private equity sectors) to the 30 June 2022 valuations; and

S47E(d) (Conduct of operations)
S47G (Public interest - business)

[REDACTED]

Amongst other things, the Board further discussed:

- the CEFC's approach in estimating its publicly reported 200 million tonnes of CO₂-e expected lifetime emissions abatement from CEFC commitments; and

S47E(d) (Conduct of operations)
S47G (Public interest - business)

[REDACTED]

Agenda Item 10 Financial update 31 July 2022

The Board noted the financial summary as at 31 July 2022 and for the month then ended. Amongst other things, the Board discussed:

- the key statistics and executive summary including commitments, deployments, repayments, revenue and the disproportionately high cash surplus over the cost of implied funding for the month for the reasons explained in the paper;

(Mr Learmonth re-joined the meeting)

- the balance sheet including investments in associates and joint ventures such as Project Wonderwall (Octopus Australia Sustainable Investments Fund). The CFO further highlighted increased liabilities for the month relating to capitalisation of the Brisbane lease, [REDACTED]

S47E(d) (Conduct of operations)
S47G (Public interest - business)

[REDACTED] and a variance to budget arising from the increased annual leave and long service leave provisions as a result of the new remuneration structure effective 1 July 2022. The Board was further advised that the CEFC was carrying more cash than preferred as at month-end in anticipation for funding the ANZ Tier II notes under Project Annan III. The notes were settled in August 2022;

- the income statement including favourable variances to the budget as outlined in the paper. The Board was advised that fair value gains on bonds and the variation in administrative funding from the Federal Government are excluded from the normalised surplus/deficit for KPI purposes; and
- the impairment provisioning including the increase in the statistically calculated provision due to the ageing of Project Sternum (Project EnergyConnect) and other loans as noted in the paper.

(Ms Bond re-joined the meeting)

Agenda Item 11 Transaction approvals report

The Board noted the exercise of investment delegations during the reporting period. In addition to the report, the Board was advised:

- **Project Cognac** (RATCH): the CEFC's final commitment on contractual close (achieved on 24 August 2022) was circa \$48 million—a substantial reduction from the CEFC's prior \$207 million commitment to the assets via Projects Collin (Collinsville Solar Farm) and Rioja (Collector Wind Farm). The Board further discussed the rationale for not attributing any carbon abatement to these operational assets upon refinance;
- **Project Happy** (RCF Jolimont Mining Innovation Fund II): eligible technologies for the resources sector which the fund may invest in include electrification of transportation and other carbon reducing and energy efficient technologies.

Agenda Item 12 Any other business

The Board discussed:

- **margins:** The Board requested a summary of the CEFC's pricing and yields achieved on transactions particularly those involving unusual risks. [BM116A04]

(Mr Learmonth, Ms Leong, Mr McCartney, Ms McDonald, Mr Powell, Mr Theau, Mr Tolson, Mr Whalen, [REDACTED] left the meeting)

- **CEO contract:** Following discussion, and further to the Board's prior resolution regarding the CEO's remuneration and contract (ref BM115D03), the Board RESOLVED to approve the amendment (No.3) to Mr Learmonth's employment contact whereby his term will be extended to 14 November 2025. [BM116D11]

No further business was raised by the Board.

Agenda Item 13 Meeting schedule

The Board noted the next meeting dates as follows:

- Board:
 - Strategy: 9:30am – 5:45pm AEST Monday, 26 September 2022;
 - Regular: 9:00am – 5:00pm AEST Tuesday, 27 September 2022;
- PCC: 1:00pm – 5:00pm AEDT Wednesday, 2 November 2022; and
- ARC: 12:00pm – 5:00pm AEDT Monday, 12 December 2022.

The Chair declared the meeting closed.

Meeting closed: 3:30pm

Mr Steven Skala AO

Chair

Date:

S22. Irrelevant to application