CEFC
CLEAN ENERGY FINANCE CORP

CORPORATE PLAN

2019-20

CEFC

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1 INTRODUCTION

The Board, as the accountable authority of the Clean Energy Finance Corporation (CEFC), presents the 2019-20 Corporate Plan, covering the four financial years commencing on 1 July 2019 and ending on 30 June 2023, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

Steven Skala AO
Chair
Clean Energy Finance Corporation

2 ABOUT US

The CEFC is often referred to as Australia's "green bank". We have access to $10 billion in capital to invest in clean energy technologies and businesses in Australia, contributing to the orderly transition of the electricity system and a lower emissions economy.

We were established under the *Clean Energy Finance Corporation Act 2012* (CEFC Act), which defines how we operate and invest. We are a corporate Commonwealth entity under the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

Our Board is responsible for overseeing the operation of the CEFC and reports to Parliament through our responsible Ministers, the Minister for Energy and Emissions Reduction, the Hon. Angus Taylor MP and the Minister for Finance, Senator the Hon. Mathias Cormann. Staff are employed under the CEFC Act and are not members of the Australian Public Service.

The responsible Ministers may provide the Board directions about the performance of the CEFC's investment function. At the date of publishing this Corporate Plan, the Clean Energy Finance Corporation Investment Mandate Direction 2018 is the operative direction.

We invest in businesses and projects deploying clean energy technologies which are complying investments, that are solely or mainly Australian-based, across the various sectors of the economy. We are required to ensure that at least half of the funds invested at any time are invested in renewable energy technologies. Accordingly, we have a strong focus on investment in renewable energy technologies and supporting infrastructure required to ensure the electricity system remains reliable and secure during its continued decentralisation and transition to greater renewables generation and lower emissions.

To deliver an orderly transition, we work with private sector proponents, investors and financiers, as well as industry stakeholders, governments and government entities including the Clean Energy Regulator (CER), the Energy Security Board (ESB), the Australian Energy Market Commission (AEMC), the Australian Energy Market Operator (AEMO), the Australian Energy Regulator (AER) and the Australian Renewable Energy Agency (ARENA).

3 PURPOSE & INVESTMENT MANDATE

Our object, as set out in the CEFC Act is:

"To facilitate increased flows of finance into the clean energy sector."

Ultimately, our statutory objective and purpose will be achieved through investing, directly and indirectly, in clean energy technologies, businesses and projects and through leveraging our own investment to attract private sector investment.

In order to increase the aggregate flows of finance into the clean energy sector over the longer term, among other things, it is important that we share our insights and expertise with project sponsors, co-investors, governments, other public-sector bodies and agencies, as well as the energy sector and other industry bodies.

Investment Mandate Focus Areas

We support Government policy through our investment activities and through the Investment Mandate, the Government has directed us to focus on reliability and security of electricity supply, the Great Barrier Reef, innovation and sustainable cities.

RELIABILITY AND SECURITY OF ELECTRICITY SUPPLY

Australia's electricity system is undergoing unprecedented, rapid and transformational change. This change is necessary to deliver new sources of generation to replace retiring, older generation assets and to reduce Australia's emissions. However, while this transition occurs the electricity system must remain reliable and secure and we are prioritising investment in projects and businesses that will positively contribute to these objectives, both in the near and longer term. We have established a Clean Futures Team within the CEFC that will play an important role in allowing us to deliver on this priority area.

REEF FUNDING PROGRAM

$1 billion of investment finance over 10 years is available under the Reef Funding Program. We continue to work closely with key stakeholders in the Great Barrier Reef catchment area to support the Reef 2050 Plan. The two biggest threats to the Reef have been identified as climate change and water quality from land-based run-off. We are and will continue to seek opportunities to invest in relevant clean energy technologies and projects that address these threats to the Great Barrier Reef.

CLEAN ENERGY INNOVATION FUND

$200 million for debt and equity investment is allocated through the Clean Energy Innovation Fund. We invest in clean energy projects and businesses that have technologies that have passed beyond the research and development stages, but are not yet established or of sufficient maturity, size or otherwise commercially ready to secure enough private sector capital. We work with ARENA in operating the Innovation Fund, leveraging ARENA's technical expertise in relation to innovative new technologies and business models.

SUSTAINABLE CITIES INVESTMENT PROGRAM

$1 billion of investment finance over 10 years is available under the Sustainable Cities Investment Program. We seek to unlock investment in clean energy projects and businesses that improve the productivity, accessibility and liveability of cities. These activities include small to large scale programs such as street lighting upgrades, commercial building and manufacturing upgrades and infrastructure that supports affordability and more efficient use of energy.

4 INVESTMENT APPROACH

We adopt a commercially rigorous approach to our investment activities and manage risk prudently. The CEFC investment approach encompasses the following elements:

1. COMPLYING INVESTMENTS

Under the CEFC Act, we may only invest where the investment meets the complying investment criteria. This requires investments to be solely or mainly Australian-based, clean energy technologies, businesses or projects where such clean energy technologies include renewable energy, energy efficiency or low emissions technologies.

2. PUBLIC POLICY PURPOSE

Our statutory objective is to facilitate the increased flows of finance into the clean energy sector. While we operate with an objective of financial sustainability, profit maximising is not our primary objective. We differ from private sector financial institutions in that we have a public policy purpose where we place considerable value on external benefits associated with our financing activities. Those external benefits include catalysing emissions reductions, reducing the cost of new technologies, supporting technologies and projects that positively impact on reliability and security of electricity supply, productivity gains achieved through energy efficiency, technology diversity in the energy mix, innovation, developing capability and leveraging private sector funds into the clean energy sector. In some circumstances, we may provide concessional finance where we consider that appropriate public policy benefits are promoted through the concessionality provided.

3. COMMERCIAL RIGOUR

We apply commercial rigour in our investment approach, using financial products and structures designed to address the barriers to private sector investment that contribute to Australia's emissions reduction activities. We are not a grant making organisation. We invest with an expectation that our portfolio of investments will generate positive financial returns, noting that individual investments will differ in their underlying risk profiles. As an investor of public funds, we seek to adopt the lowest risk position that allows sensible investments to proceed. We consciously seek to minimise the likelihood of capital losses across the portfolio, but this is balanced with pursuing our public policy purpose to facilitate investment in emissions reductions.

4. 'CROWDING IN'

We encourage and actively seek to facilitate others investing in the clean energy sector and clean energy technologies. The CEFC works with private sector financers, project sponsors and business owners, to facilitate and leverage increased flows of finance into the clean energy sector. The CEFC does not seek to displace private sector financiers or investors, nor disrupt areas where the financial markets are functioning well. Unlocking industry investment in clean energy technologies will be critical for a smooth transition of Australia's electricity system.

More detail regarding our investment approach can be found in the CEFC Investment Policies, published on the CEFC website www.cefc.com.au.

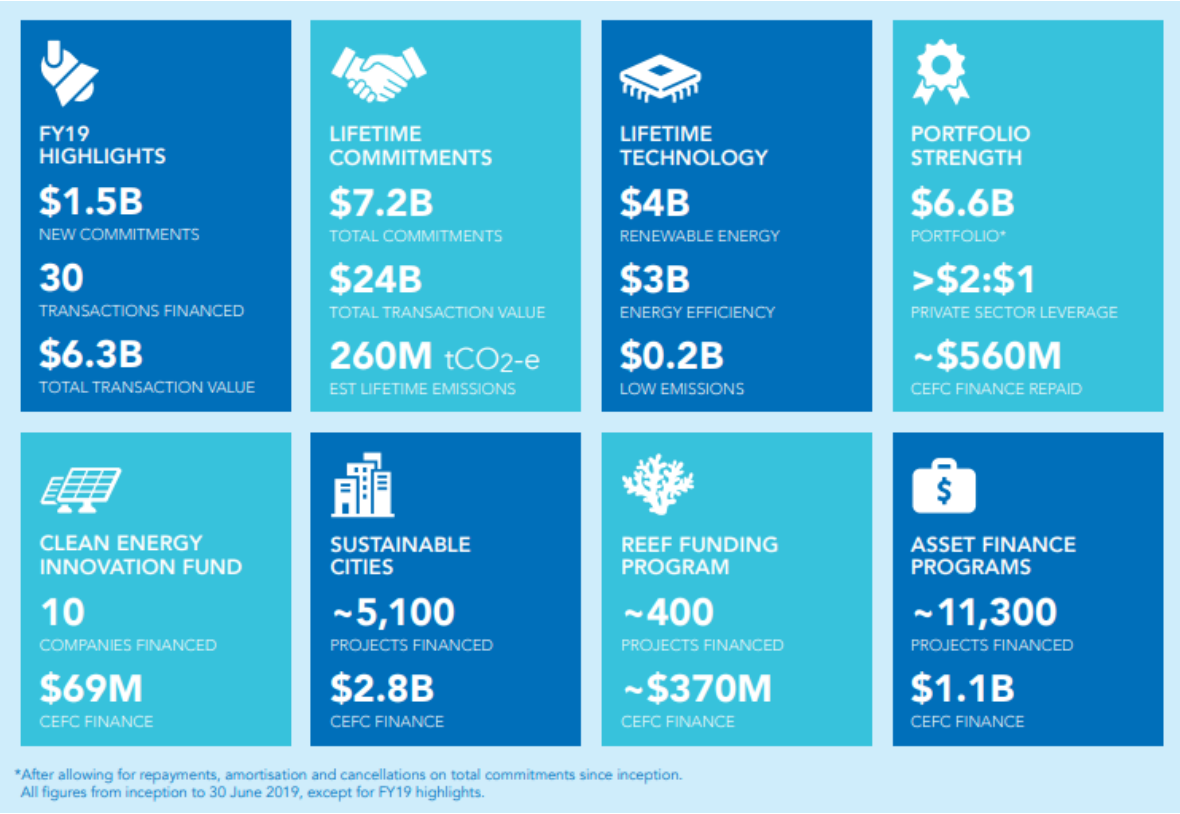
5 INVESTMENT PORTFOLIO

At the commencement of the plan period, being 1 July 2019, we have been in operation for six full financial years with lifetime investment commitments of $7.2 billion to projects with a total value of $24 billion that are estimated to deliver lifetime abatement of 260 million tonnes of CO_2 equivalent ($MtCO_2$-e).

In the 2018-19 financial year, we made new commitments of $1.5 billion across 30 new transactions, leveraging additional private sector capital of $4.8 billion. We continued to invest across the economy in renewable energy, energy efficiency and low emissions technologies.

After accounting for repayments of investments over the year, our portfolio of investment commitments increased from $5.3 billion to $6.6 billion at 30 June 2019.

FIGURE 1: **CEFC investment commitments to 30 June 2019**



6 STRATEGY

Our strategy is to catalyse investment in clean energy technologies across the Australian economy, including enabling technologies that will help the reliability and security of the electricity system as it transitions.

6.1 Strategic context

Australia's electricity system is in transition, businesses are increasingly seeking to unlock productivity gains while reducing their emissions and the transport sector is also changing with the uptake of electric vehicles in line with worldwide trends. In 2016, Australia ratified the Paris Agreement and the Doha Amendment to the Kyoto Protocol, reinforcing Australia's commitment to action on climate change.

The Paris Agreement aims to strengthen the global response to the threat of climate change with a key objective of:

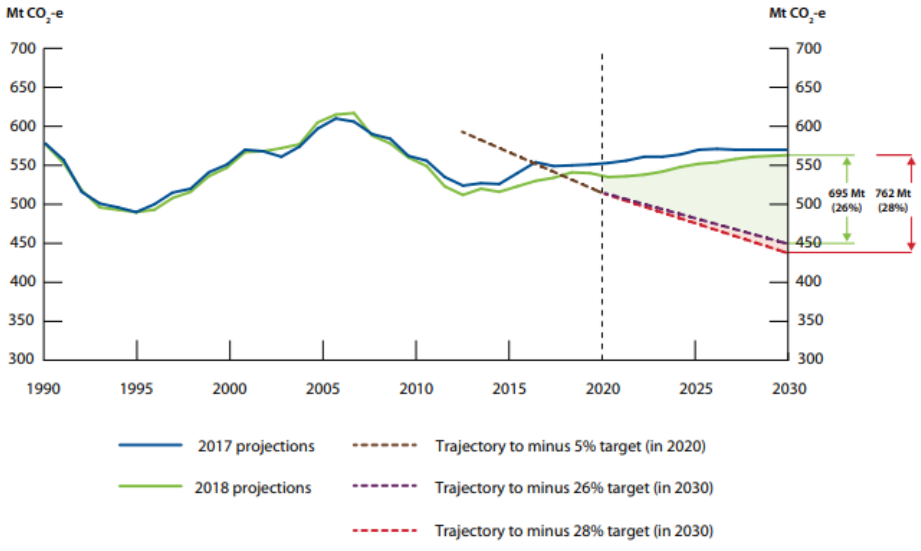
"…holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."

Further, to achieve these long-term temperature goals, Article 4 of the Paris Agreement requires that parties aim to achieve net-zero emissions in the second half of this century, with developed countries to take the lead by undertaking economy-wide absolute emissions reduction targets.

In pursuit of these longer-term goals, each party prepares nationally determined contributions that it intends to achieve. Australia has committed to reduce economy-wide emissions by 26-28 per cent below 2005 levels by 2030. Australia's future nationally determined contribution will progressively step up ambition over time as is required under the Paris Agreement. The 2030 emissions reduction task is shown in Figure 2.

The Australian Government's *2017 Review of Climate Change Policies* identified the important role the CEFC plays in providing finance for commercial deployment of projects and technologies as part of the suite of policies in place to reduce emissions.

FIGURE 2: **Australia's emissions trends 1990 to 2030 (Department of the Environment and Energy 2018)**



The 2030 national emissions reduction target of 26-28 per cent and the longer-term objective, under the Paris Agreement, of limiting global warming to well below 2°C, will require further emissions reduction beyond 2030. We recognise that investments in assets with useful lives beyond 2030 will need to be capable of contributing to meeting emissions levels below and beyond the 2030 target.

6.2 Strategic investment areas

Energy use is a significant source of emissions in the Australian economy. While the electricity generation sector has a central role to play in Australia's emissions reduction efforts, other sectors are also important. Therefor our investment activities cover a broad range of technologies and sectors.

Our strategic approach is to identify the main sources of carbon emissions in the Australian economy and to understand and align our activities to the pathways that will facilitate a lower emissions economy in the future. The pathways that guide our investment origination focus are:

1. **low carbon electricity**, through the increased deployment of clean energy technologies, including storage and other sources of dispatchable clean energy technologies;
2. **energy efficiency,** in all sectors which will play a critical role in reducing energy intensity in line with the Government's *National Energy Productivity Plan* (NEPP) that seeks to accelerate delivery of a 40 per cent improvement in Australia's energy productivity by 2030;
3. **electrification and fuel switching,** from fossil fuels to lower emissions fuel sources such as bio-fuels; and
4. **bio-sequestration and other emissions reductions,** including reduced waste to landfill, recycling and adoption of lower emissions materials within the supply chain.

The pathway to lower emissions requires sustained investment and action across all areas of economic activity and we will need to be agile to respond to changing market conditions and technology disruptions over the next four years and beyond.

6.3 Strategy overview

Our strategy is built around three key themes of **impact**, **innovation** and **organisational effectiveness**. As we commence the next four years covered by this Corporate Plan, to increase our **impact,** we are increasing our focus on solutions to address the challenges of maintaining a reliable and secure electricity system in transition. This will involve supporting **innovative** technologies, projects and business models as well as building our capacity to manage and recycle capital.

Impact	Over the plan period we are seeking to enhance further the catalytic impact of our investment activities, including: • prioritising investment in proven **storage technologies** including pumped hydro, large-scale batteries and behind-the-meter batteries that help to ensure there is dispatchable capacity available when required • supporting investment in **grid infrastructure** that improves reliability and security of supply • supporting **nationally significant infrastructure** projects that underpin the energy transition • investing in Australia's **recycling industry**, noting the Government has announced a $100 million CEFC funding program • unlocking greater **emissions reduction** for every dollar we invest • leveraging more **private sector capital** into the clean energy sector Further, we will continue our efforts to assist market participants understand the benefits of clean energy investments. Our research reports and real-life investment insights have covered a range of issues – from electric vehicles to agriculture, bioenergy, the built environment and manufacturing. We will continue this practical focus and knowledge sharing with other experienced investors and developers.
Innovation	We will continue to support energy related innovation via our Innovation Fund and develop new investment solutions across our broader portfolio that meet the needs of clients within our sectors and across geographies, including: • supporting **emerging electricity storage technologies**, such as hydrogen and concentrated solar thermal (CST) • supporting innovative **electricity demand side** solutions • supporting emerging business models for **lower emissions transport** as we continue to invest in sustainable cities • supporting development of cleaner **bio-fuels** here in Australia • further exploring opportunities to invest in projects and businesses that have both an **emissions and water quality** benefit, particularly in the reef catchment area We will also develop our capability to **actively manage assets and recycle capital** to ensure we are able to meet the needs of the market and facilitate continued investment in technologically and geographically diverse emissions reduction projects and businesses.

Organisational Effectiveness

Increasing our impact and delivering innovative solutions will be facilitated by retaining and attracting high performing people. During the plan period we will:

- continue to **embed our values** throughout the organisation: and
- invest in improving our **business systems** and the security of those systems

We recognise that the challenges associated with the energy transition will require a longer term focus, particularly when it comes to upgrading and coordinating the requisite investment in storage, transmission and distribution networks. With this in mind we have established a new business unit - the **Clean Futures Team**, that will specifically focus on these challenges. The key focus areas of the Clean Futures Team will initially include:

- future grid
- renewable energy zones
- energy storage
- hydrogen
- non-energy emissions technologies

Work in these areas is likely to focus on early stage concepts and emerging opportunities that are expected to take some years before they become investment ready. This team will act as a facilitator and collaborate with industry, all levels of government and other key stakeholders in order to bring forward critical projects as part of the energy transition. This is an internal investment in future investable projects, much like private sector enterprises invest in research and development.

The Clean Futures Team will be supported by our Investment Team who will continue to focus on delivering capital solutions to commercially ready projects and businesses in areas including dispatchable renewables, energy from waste, property, infrastructure and broader debt markets and aggregation finance facilities.

7 CAPABILITY

As a financier, we are heavily reliant on the quality and skills of our people, enabled by secure and efficient business systems, that will allow us to deliver on our strategic objectives.

7.1 People and culture

We are a financial services and investment business and the quality of our people is critical to the effectiveness and efficiency of our operations. As our investment activities including origination, asset and risk management continue to increase, we must enable our people to grow and develop, deliver and execute on our new CEFC strategy. Our People & Culture Strategy underpins the development, engagement and alignment of our people during and beyond the Corporate Plan period. Our values of impact, collaboration, integrity and innovation will continue to guide our people and the way that we engage with all our clients and our various stakeholders.

Increases in employee numbers have and will continue to be commensurate with the level of investment activity and revenues that we generate, to ensure we remain financially sustainable over the Plan period and beyond. To this end, employee numbers are planned to increase modestly from 112 to 121 in the 2019-20 year as we build out our Clean Futures Team (discuss at 6.3) and increase support to growing areas such as our asset management team.

7.2 Client sector expertise

We have in-house expertise in each relevant industry sector. Understanding the business drivers and investment opportunities within these sectors is critical to be being able to identify and unlock emissions reduction opportunities. Our experience has also highlighted the benefits of catalytic, first-of-a-kind transactions within sectors that pave the way for greater uptake of more ambitious emissions reduction projects thereafter. The impact of our finance on emissions reduction can often go beyond the initial financed project and we continue to seek out these catalytic investment opportunities.

7.3 Systems and processes

Our business has grown over the past six years and our business systems and processes need to evolve to ensure they are fit for purpose for the coming years. Over our initial six years of operation we have gone from an investment balance of nil to a portfolio of investment commitments of more than $6.5 billion. During FY2017-18 we established a roadmap for system improvements and in FY2018-19 we delivered phase one of this enterprise information management (EIM) program. We must continue to execute and implement the EIM project to improve the efficiency and effectiveness of our operations.

In addition, during the Corporate Plan period we will continue to develop and build our capability to recycle capital in order to ensure we are able to continue investing in innovative and high impact emissions reduction projects and businesses.

7.4 Financial product solutions

Different sectors and different applications of technologies to those sectors require different financial products to best address the barriers to investment in emissions reduction. Therefore, we are developing a range of financial products and structures to encourage and support our Strategic Plan. These range from senior secured project finance debt, subordinated debt, preferred capital and equity, including early stage equity provided by the Clean Energy Innovation Fund.

Developing the right product for the right segment is a key enabler for investment in emissions reduction and we will need to continue to innovate in order to fund the necessary investment, particularly investment in Australia's evolving electricity system.

8 KEY PERFORMANCE TARGETS

In executing our strategy, we have identified key performance indicators that assist in managing the performance of the business and the effectiveness of the strategy in seeking to increase the flow of finance to the clean energy sector.

FIGURE 3: CEFC performance criteria and targets

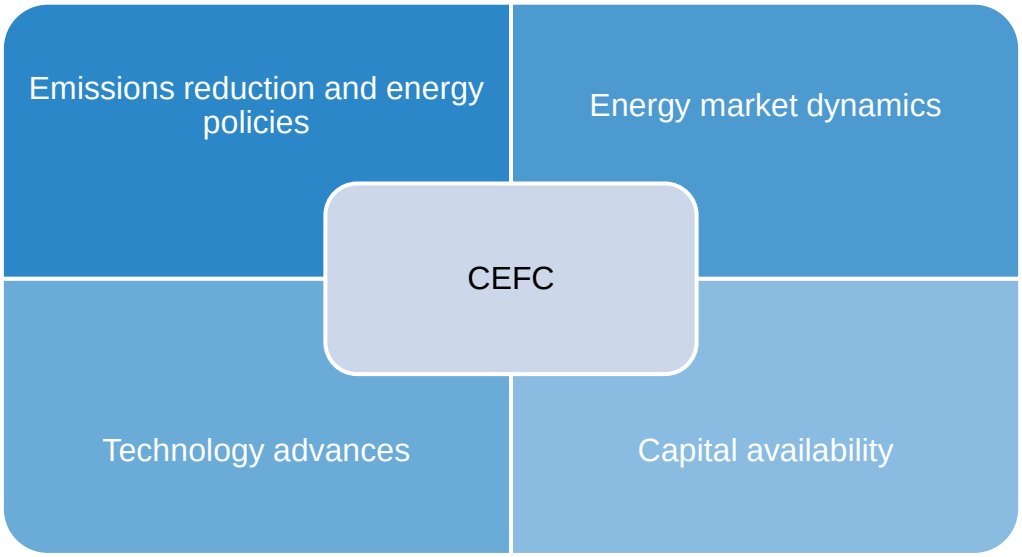
Performance Criteria	Measure	2019-20	2020-21	2021-22	2022-23
IMPACT					
Operating Result[1]	Financial operating result	$110m	$134m	$136m	$136m
Capital committed	Dollar value of capital committed	$0.8b	$1.0b	$1.0b	$1.0b
Capital deployed	Dollar value of capital deployed	$0.7b	$1.0b	$1.0b	$1.0b
Financial leverage	Financial leverage in projects financed	>2:1	>2:1	>2:1	>2:1
Contribution to emissions reduction	Forecast emissions reduction pa from capital committed during the period	1.5Mt CO_2e	1.9Mt CO_2e	1.9Mt CO_2e	1.9Mt CO_2e
INNOVATION					
Strengthen CEFC's leadership role in supporting the sustainable energy transition	Develop an organisational capability to support a stronger innovation focus. Continue to invest in innovation, including technologies, businesses and financing structures across Australia.				
Build collaborative stakeholder relationships to accelerate the sustainable energy transition	Take the lead in establishing collaborative relationships across industry, government stakeholders and key decision-making bodies to influence the direction of the sustainable energy transition.				
ORGANISATIONAL EFFECTIVENESS					
Further develop our capital management capability	Continue to develop, demonstrate and begin to implement the CEFC's capability in the area of asset recycling and capital management.				
Build the culture, capability and IT infrastructure to deliver the strategy	Continue to build culture by embedding the refreshed values into key people processes. Assess and acquire the diversity of capabilities and skills needed to enable the CEFC to transition into new sectors and technologies. Deliver a significant uplift in enterprise information management maturity and continued investment in infrastructure and systems to support the business.				

[1] Measured before concessionality, excluding gains / losses from mark to market bonds and debt instruments and excluding gains / losses from fair value adjustments to Innovation Fund investments

9 OPERATING ENVIRONMENT

Consistent with previous years, our operating environment is strongly influenced by four key external factors. As the environment changes and evolves, these can be expected to impact our performance.

FIGURE 4: **Operating environment influencers**



9.1 Emissions reduction and energy policies

Investment in the clean energy sector and demand for finance to facilitate that investment is influenced by policies at Commonwealth, State, Territory and Local Government levels, particularly at the confluence of emissions reduction, energy and the environmental policies, all of which have a strong influence on our operating environment. The Commonwealth, along with some States, Territories and Local Governments have established emissions reduction targets and are developing policies and other incentives to achieve those targets. The Renewable Energy Target (RET), the Climate Solutions Fund (CSF), the National Energy Productivity Plan (NEPP) and the Underwriting New Generation Investment (UNGI) are key national level policies that encourage investment in energy and/or emissions reduction.

The ACT, New South Wales, Queensland, South Australia, Tasmania and Victoria governments have established emissions reduction targets that seek to reach net zero emissions by 2050. The implementation of policies to support these targets is likely to strongly influence the operating environment over the plan period.

9.2 Energy market dynamics

Energy market dynamics strongly influence our activities given our role as a sector specific investor in renewable energy, energy efficiency and low emissions technologies. Market dynamics, including the availability, reliability and cost of supply, as well as the volume and profile of demand, all contribute to energy prices in the spot and forward energy markets.

Australia's energy markets are complex, but fundamentally, when markets are oversupplied, prices are typically lower, margins are lower, and the incentive to invest in new generation capacity is lower. At the consumer level, when energy prices are higher, there is a stronger financial incentive to invest in energy efficiency or behind the meter generation, such as roof top solar. As a consequence, this reduces the levels of grid demand for energy.

As noted in the 2018 Integrated System Plan, published by the Australian Energy Market Operator (AEMO), Australia's energy system is in transition. That transition is being driven both by the need to reduce emissions and the fact that Australia's fossil fuel generation fleet is, for the most part, closer to the end of its useful life than the start. This transition is evidenced by the fact that a number of emissions intensive power stations have already closed in the past five years and renewables are on a trajectory to account for over 20 per cent of generation in 2020, spurred on by the RET as well as State-based and Territory initiatives.

Maintaining an internationally competitive energy system is a priority for all governments. We have an important role to play in supporting the energy system transition, in working with governments, industry, project sponsors and private sector financiers to provide the finance required. We expect the transition will continue to drive demand for finance and expertise in the clean energy sector over the plan period.

9.3 Technology advances

Technology advances in renewable energy, energy efficiency and low emissions technologies have been and will continue to be, a strong driver of investment activity. Technological advancements include cost reductions in existing technologies, such as wind, solar and batteries, that are achieved through economies of scale in production and installation process, as well as through improved efficiency in the technologies themselves.

Advancements in storage technologies and associated distributed energy resource technologies have continued to accelerate over recent years and we expect this trend to continue. There is likely to be a mix of storage technologies from large scale pumped hydro storage through to increasing instances of consumer installed batteries and further employment of demand response enabled through smart technologies. Through the Clean Energy Innovation Fund and working with ARENA, we are continuing to invest in emerging clean energy technology projects and business that have passed beyond the research and development stages. We expect demand for early stage or expansion capital to continue over the plan period.

9.4 Capital availability

Renewable energy, energy efficiency and low emissions technology projects typically require a high proportion of up-front capital investment. The availability of capital to finance the build and deployment of these technologies is a key enabler to Australia's clean energy transition. The ability of largescale generation projects to attract finance in the absence of long-term offtake agreements was identified by the Australian Competition and Consumer Commission in its report dated June 2018, *Restoring electricity affordability and Australia's competitive advantage*.

The availability of capital from the private sector is impacted by a number of factors, including commercial acceptance of technology/systems, technology costs, macroeconomic conditions, policy uncertainty, investor appetite and the state of credit markets. In difficult economic and market conditions, we play an important role in investing and catalysing funds into the clean energy sector.

Investor appetite and the availability of private sector capital also impacts on the cost of the capital of both debt and equity. Where there is ample supply to meet demand, returns on investment will be lower than at times when there is insufficient supply of capital relative to demand.

For a variety of reasons, including the perceived risk profile, the clean energy sector has often been unable to attract a sufficient share of the available private sector capital. Large scale renewable energy projects provide economic returns over a useful life of 20 to 30 years, so the capital required to finance these projects is optimally also long dated.

Given the volume of investment that is likely to be required to finance the energy transition, we expect demand for both private sector and CEFC finance to remain strong during the plan period.

10 RISK MANAGEMENT

The CEFC Board is ultimately responsible for the overall performance of the business, including oversight of risk management. To assist in risk oversight, the Board has established an Audit and Risk Committee which is in turn assisted by an Executive Risk Committee, an Executive Investment Committee, a Joint Investment Committee (with ARENA) for the Clean Energy Innovation Fund and an Asset Management Committee.

The Board has established an enterprise-wide Risk Management Framework to monitor and manage all areas of risk that our business faces, including strategic, investment and financial risks, operational risks and regulatory risks. We employ a three lines of defence model where the front line is responsible for risk, supported and challenged by an independent risk function and we have a third line internal audit function. Consistent with section 68 of the CEFC Act, the Risk Management Framework sets out the manner in which risk is managed for the CEFC's investments and for the Corporation itself. Further that Board has articulated its appetite for risk through the Risk Appetite Statement that guides the organisation's risk-taking activities.

The CEFC does not accept risks that compromise the integrity of the organisation and we require our people to behave ethically. We do have tolerance for the risks necessary to deliver on our statutory and strategic objectives.

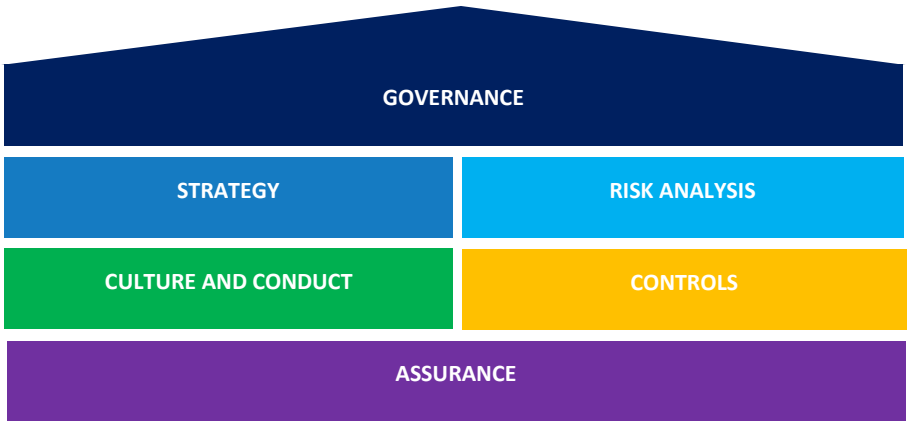
Establishing and maintain a culture where risk management is valued and promoted throughout the organisation is a critical enabler of effective risk management. Our Values and the Code of Conduct and Ethics set the standards of behaviour we require of our people. We promote a risk a risk aware culture where:

- our people are required to conduct themselves in a manner consistent with the highest professional and ethical standards;
- we consistently consider "should we" do things and not just "can we" do things;
- our incentive and reward systems are structured to encourage behaviour consistent with our risk appetite and do not reward excessive risk taking;
- we empower our people to the full extent of their abilities and we hold them accountable for their actions;
- we seek to apply leading practices in identifying, assessing, managing and pricing risk; and
- we invest in our risk management capabilities, including implementing cost effective controls.

With respect to investment risk, we have a Credit Risk team that reviews and assesses credit and other risks associated with each proposed investment, independent of the investment origination team. The Credit Risk team provides advice to the Executive Investment Committee, the Joint Investment Committee and the Board on transaction level risks, as well as to the Asset Management Committee and the Audit and Risk Committee on investment portfolio matters.

The Risk Management Framework, with the CEFC Investment Policies, embeds active management and mitigation of risks into all areas of our investment functions, portfolio management and broader business operations.

FIGURE 5: The Risk Management Framework



The Risk Management Framework identifies six interactive elements through which the CEFC manages risk.

Governance is the key overarching element where the Board establishes the tone from the top and an operating environment and culture that facilitates sound, transparent and well-informed decision making.

Strategy and Risk Analysis ensure key areas of risk are identified and considered together when strategy is developed and risks are reviewed to ensure the mitigation plans remain appropriate.

Culture and conduct references the CEFC values and day to day behaviours of employees that are a critical enabler of effective risk management and performance.

Risk management is further supported through the implementation of appropriate controls and ongoing assurance activities for the CEFC's investments and other operations.

Effective risk management across all our business will help mitigate against unexpected financial and/or reputational consequences and in turn, assist in managing the CEFC's performance under this Corporate Plan.

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