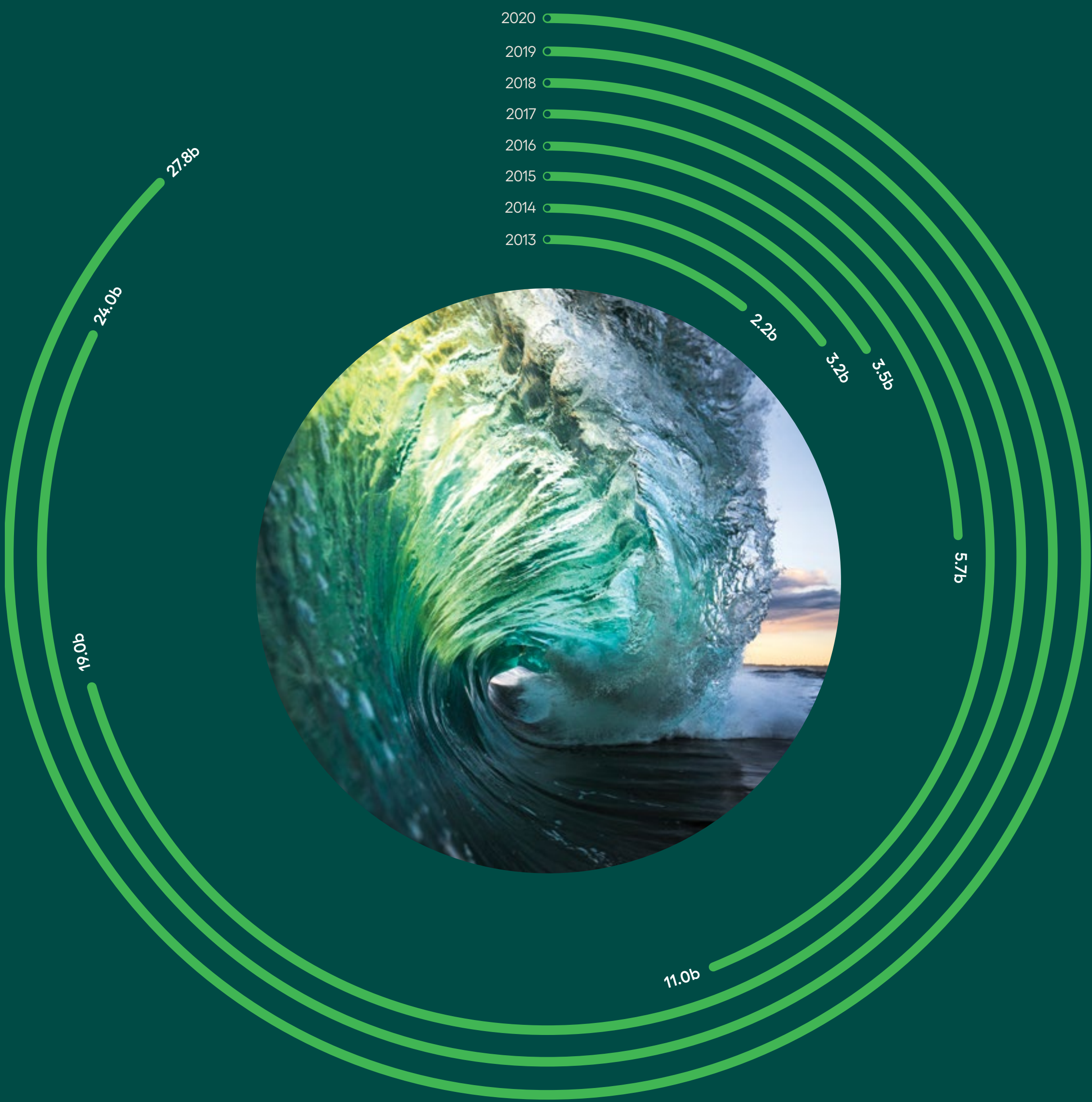
Accelerating clean energy investment

Backing technology and innovation to transform our economy



Annual Report 2019–20

The CEFC is a specialist investor with a deep sense of purpose: to be at the forefront of Australia's successful transition to a low carbon economy.

We invest in new and emerging technologies and opportunities on behalf of all Australians, operating with the support of the Australian Government. As a specialist investor we have a clear focus on clean energy to deliver benefits for generations to come. Our approach is founded on our shared values: to make a positive impact, to collaborate with others, to champion integrity and to embrace innovation.

2019–20 highlights

New CEFC investment commitments of more than $1 billion, supporting investments with a combined value of $4.2 billion in the year to 30 June 2020

CEFC finance extended to new areas of the economy, delivering Australia's first dedicated green bond fund, the first CEFC green home loan and a material uplift in the capacity of Australia's largest battery

New investment commitments of just over $13 million in three cleantech innovators, as well as increased investment of $3.4 million in two other portfolio companies to accelerate their growth

More than $187 million in CEFC wholesale finance to support some 6,700 smaller scale investments in clean energy projects, including in agribusiness, manufacturing, property and transport

Continued strong financial performance despite the challenging economic environment, with almost $942 million in CEFC finance recycled through repayments, sales and redemptions over the year, to be available for further investment.

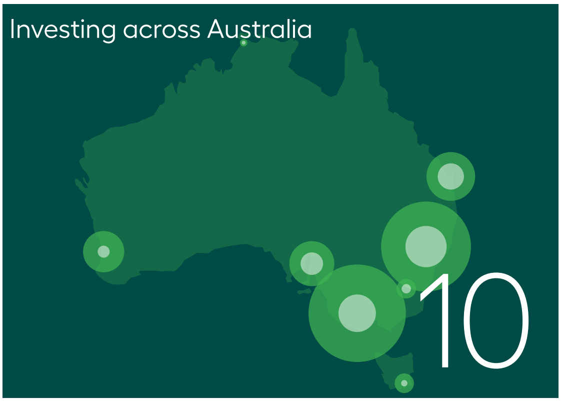
Acknowledgement of Country

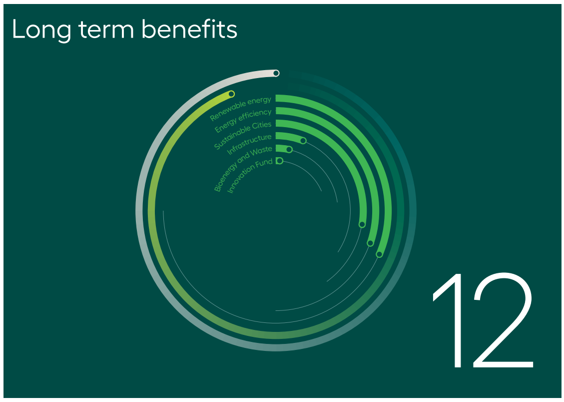
The CEFC acknowledges the Traditional Owners of Country throughout Australia and recognises their continuing connection to land, waters and culture.

We pay our respects to their Elders – past, present and emerging.

Cover: **Figure 1: Total value of CEFC investment commitments since inception**

In this report





Australian Government

30 September 2020

Senator the Hon Mathias Cormann

Minister for Finance

The Hon. Angus Taylor MP

Minister for Energy and Emissions Reduction

Parliament House

CANBERRA ACT 2600

Dear Ministers,

Clean Energy Finance Corporation Annual Report 2019-20

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2019-20*.

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. It* 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 by resolution at the 99th meeting of the Board of the CEFC, held in Sydney and by teleconference on 30 September 2020.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely,

Steven Skala AO

Chair, CEFC

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From Chair Steven Skala AO

I am pleased to commend the 2019–20 Annual Report of the Clean Energy Finance Corporation.

Since inception, sound financial management has been a hallmark of CEFC operations, driven by the acknowledgement that it invests on behalf of Australian taxpayers, with a responsibility to meet agreed policy objectives and deliver a positive financial return. In 2019–20, challenging economic conditions highlighted the importance of this commitment to prudent investment.

The CEFC was established to catalyse private investment in Australia's clean energy sector and its financial performance this year signals that meeting this objective has gathered momentum.

In 2019–20 every CEFC dollar invested was matched by more than $3 in investment from private sector capital. Since inception, every $1 of CEFC finance has been matched by more than $2.30 from the private sector. These results reflect the ongoing evolution of the CEFC as a respected, mature organisation giving private sector capital the confidence to invest.

In 2019–20, a record amount of almost $942 million in CEFC finance was returned through sale, repayment or redemption.

This money is available for reinvestment and is a significant increase on the previous levels of capital return, of $321 million in 2018–19 and $205 million in 2017–18. The $942 million is a further indicator of the extent to which the work of the CEFC is encouraging private sector investment, and a strong indicator of the ongoing achievement of policy objectives. Total repayments to the CEFC from private sector sources since the CEFC began investing reached $1.66 billion to 30 June 2020.

Figure 2: CEFC leverage

CEFC finance is catalysing additional investment from other sources.

The CEFC continued to deliver strong financial results in 2019–20 despite the headwinds that buffeted the Australian economy, particularly in the second half of the year. The CEFC recorded $100.5 million of normalised surplus from operations[1] in 2019–20 compared with $143.6 million in the prior year, while net cash from operating activities was $170.4 million in 2019–20, up from $162.0 million in 2018–19.

In line with its role in leading the market, the CEFC is often creating the market for investment, pursuing opportunities that are economic but not yet easily bankable. As such, it assumes risks that others may not yet be familiar with, and in doing this has developed robust systems for investing and carefully managing its portfolio. The CEFC impairment provision at 30 June 2020 was $121.1 million (compared with $59.7 million in the previous year) representing 5.1 per cent of loans and advances at amortised cost (compared with 2.3 per cent in 2018–19) and 0.5 per cent of other debt securities at amortised cost (compared with 0.1 per cent in 2018–19). This is a satisfactory result in light of the level of concentrated risk the CEFC is required to undertake and the prevailing economic conditions. It should also be noted that there have not been any material loan losses at the CEFC since inception.

The COVID-19 pandemic that has touched all areas of the economy has also been felt across the clean energy sector, including through interrupted supply chains and disrupted construction schedules. Within the CEFC this has prompted some changes to the way the organisation operates. Of paramount importance has been the seamless continuity of CEFC operations while ensuring a safe work environment. The CEFC has supported employees to work from home where possible and implemented new procedures to make offices and commuting to work safe where working from home is not possible.

The CEFC Board has continued to approve investment opportunities. Importantly, the CEFC is also using its investment expertise and industry knowledge to look

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 loan charges

ahead, so that it can contribute to the economic stimulus so vital to Australia's recovery. The purpose and potential of the CEFC are not diminished by the upheaval that has beset other parts of the economy.

Investment in a secure, affordable and sustainable energy future will stimulate the Australian economy as well as accelerate the progress already made in transitioning to a low emissions economy. CEFC capital will continue to play an important role. Exciting prospects for investment continue to emerge, including through the anticipated Grid Reliability Fund, as well as those noted in the Australian Government Technology Investment Roadmap. During 2019–20 the CEFC Clean Futures Team pursued opportunities that align with the goals of both the Grid Reliability Fund and the Roadmap, including energy-related enabling technologies that can offer greater support to the electricity grid. This may also involve investment in transitional technologies that may play a critical role in supporting the energy system.

As a specialist investor, the CEFC has a strong focus on its own Environmental, Social and Governance (ESG) performance and work is well advanced on the development of a consolidated ESG policy. In 2019–20, for the third year in a row, the CEFC achieved carbon neutral certification for its organisational footprint under the Australian Government Climate Active Carbon Neutral Standard (previously the National Carbon Offset Standard). In 2019–20 the CEFC introduced its first Reconciliation Action Plan and is considering how it can contribute to better outcomes for Aboriginal and Torres Strait Islander peoples as an employer, procurer, responsible investor and industry leader. The organisation continued to focus on improving gender equity, with an emphasis on increasing female representation at senior leadership levels. It has also taken a lead role in the Women in Sustainable Finance initiative, which it co-founded in 2016.

The year's achievements stem in no small part from our good working relationship with the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP and the Minister for Finance, Mathias Cormann and through the support of the Department of Industry, Science, Energy and Resources. We thank Senator Cormann for his support and wish him well in his post-parliamentary future.

The CEFC Board thanks our CEO Ian Learmonth, the Executive, and all the staff for their commitment, hard work, high standards and energy.

Steven Skala AO
Chair, CEFC

From CEO Ian Learmonth

Despite the many challenges that arose this year, I am pleased to report that the CEFC made a number of ground-breaking investments in 2019–20, including in new technologies and new sectors. We also saw the ongoing evolution and maturity of our substantial portfolio.

Importantly, 2019–20 demonstrated that the deployment of CEFC capital, combined with our unparalleled financial and industry expertise, is vital to the decarbonisation of the Australian economy and the growth of the clean energy sector.

Our continued strong financial performance and sound technology and systems enabled us to invest through the economic disruption of the COVID-19 pandemic.

The CEFC made new investment commitments of more than $1 billion in 2019–20, across 23 clean energy investments with a combined transaction value of $4.2 billion. These new CEFC investment commitments attracted an additional $3 billion in private sector investment, further magnifying the impact of our finance.

We also advanced $187 million in CEFC wholesale finance to partners underpinning about 6,700 smaller scale investments in clean energy projects, including in agribusiness, property and transport.

New investment commitments in 2019–20 targeted more than one million tonnes of carbon abatement annually. In addition, 2019–20 saw a record amount of CEFC capital repaid or recouped through loan repayment, sale or redemption, at almost $942 million.

The annual rate of new CEFC investments in 2019–20 slowed compared with previous years, reflecting challenges in the renewable energy sector, including marginal loss factors, grid constraints and connection delays. We are working with investors, project proponents and regulators to address these structural issues where possible.

Our investments in 2019–20 reflect success in our role as catalysts for change, leading the market with pioneering investments across agriculture, cleantech, clean energy generation and storage, infrastructure, property, transport and waste.

The CEFC was the cornerstone investor in Australia's first dedicated green bond fund alongside Australian Unity and Crestone Wealth Management. The fund will invest in a combination of green, social and sustainable fixed interest securities with the purpose of helping to lower carbon emissions and attracting new capital to the clean energy sector.

We committed up to $60 million in Australia's first green home loan based on energy efficiency, working with Bank Australia to deliver discounted interest rates to qualifying home buyers and spearhead the construction of market leading, energy efficient housing.

We also helped finance the 50 per cent expansion of the world's biggest battery, committing up to $50 million in project finance for South Australia's Hornsdale Power Reserve. We are pleased to be working with Neoen, ARENA and the SA Government to improve grid security and reliability and maximise the benefits of renewable energy.

And as Australia's largest cleantech investor we committed up to $16.6 million in new and follow-on investment commitments in cleantech innovators, via our Clean Energy Innovation Fund. New investments included JET Charge, a company deploying smart charging hardware for electric vehicles; Tenacious Ventures, a specialist agrifood tech investment fund, and the Soil Carbon Company, an exciting team developing a microbial treatment to increase organic carbon in soil.

In 2020 we continued to make an active contribution to the development of the Australian Government's Technology Investment Roadmap. Increasing investment in clean energy technologies has been central to the role of the CEFC since we began investing, and as advances make these technologies more investable, we see a corresponding lift in investor interest. In 2019–20 our specialist Clean Futures Team focused on unlocking investment opportunities in multiple new and emerging technologies. These include hydrogen from clean energy sources, which is an emerging sector that will benefit from our role in catalysing investment in new areas.

Our new $300 million Advancing Hydrogen Fund will support the growth of a clean, innovative, safe and competitive Australian hydrogen industry. We are seeking to drive large scale deployment of electrolyser technologies, with an early priority to invest in projects included in the $70 million ARENA funding round. Our work alongside ARENA here recalls our previous collaborations in renewable energy and we are grateful for the contribution they are making to develop this emerging Australian industry.

Through our new $100 million Australian Recycling Investment Fund, we are also focused on investing in large scale projects to recycle waste plastics, paper, glass and tyres.

The Australian Government has also foreshadowed the creation of a CEFC-led Grid Reliability Fund, enabling the CEFC to further expand our focus on grid-related investments. While we await passage of the legislation to create this important new $1 billion fund, we are already investigating how we can contribute to these nation building projects, through support for Renewable Energy Zones, grid connections, Snowy 2.0 and Project Marinus, the second interconnector between Tasmania and Victoria.

We appreciate the engagement and guidance of our Board under Chair Steven Skala AO, and our constructive working relationship with the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP. We also acknowledge the contribution of Minister for Finance, Senator the Hon Mathias Cormann and wish him well in his retirement from Parliament. The Department of Industry, Science, Energy and Resources continues to provide strong support and advice and we recognise the positive impact this has on our activities.

As Australia embarks on the post-pandemic economic recovery, the CEFC has much to offer this essential endeavour: through our mandate to stimulate investment in clean energy and essential infrastructure as well as our appetite to support related emerging technologies. We appreciate the scale of the task ahead and look forward to seeing clean energy investment play a central role in the anticipated revival over coming years.

Ian Learmonth
Chief Executive Officer, CEFC

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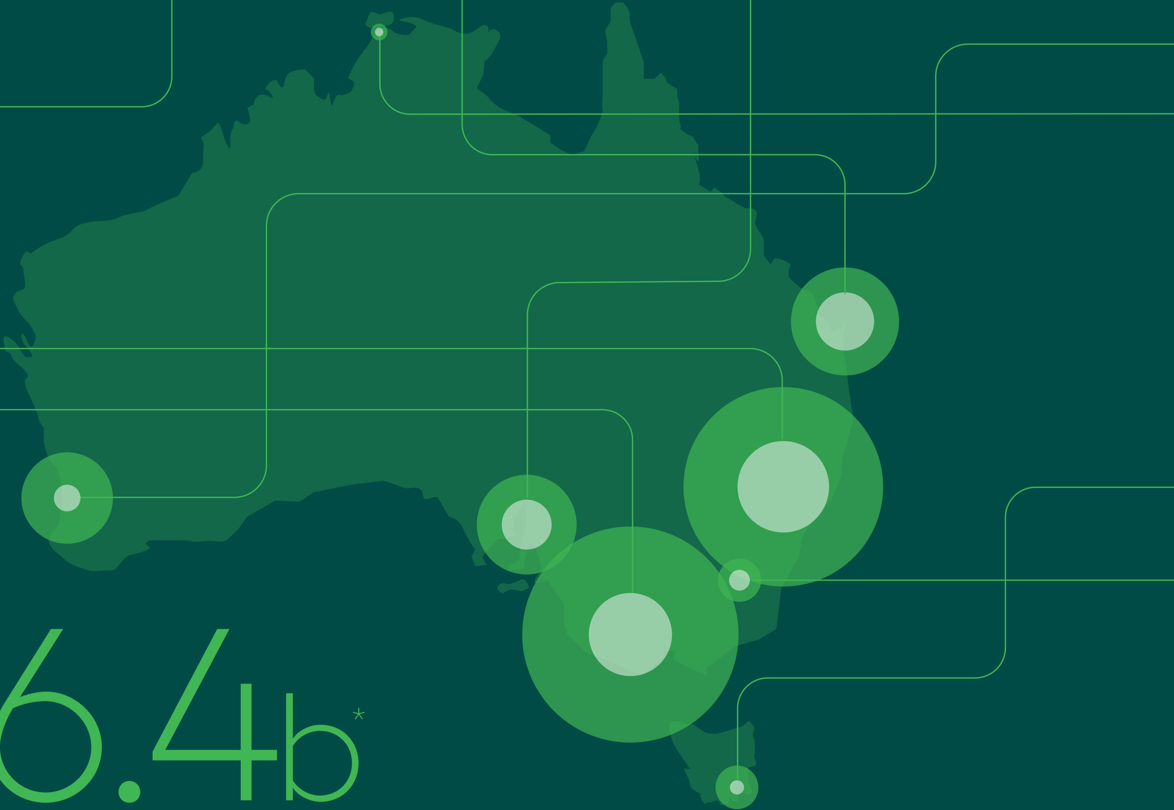
Performance

Investing across Australia

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

Figure 3: Lifetime investments commitments to 30 June 2020

	NSW	VIC	QLD	SA
CEFC commitment	$1,889m	$1,232m	$990m	$725m
Transaction value	$4,549m	$4,755m	$2,344m	$2,167m



$6.4b*

National commitments are those investments that have the potential to be deployed nation-wide, including smaller scale clean energy investments via our asset financing programs, as well as CEFC commitments in climate bonds, green bonds and equity funds with a specialist clean energy focus.

Lifetime national commitments totalled almost $2.8 billion at 30 June 2020, with a total investment value of $11.2 billion. Lifetime state-based commitments reached $5.4 billion at 30 June 2020, with a total investment value of $16.7 billion.

WA

CEFC commitment
$410m

Transaction value
$2,138m

NT

CEFC commitment
$23m

Transaction value
$28m

TAS

CEFC commitment
$54m

Transaction value
$335m

ACT

CEFC commitment
$92m

Transaction value
$341m

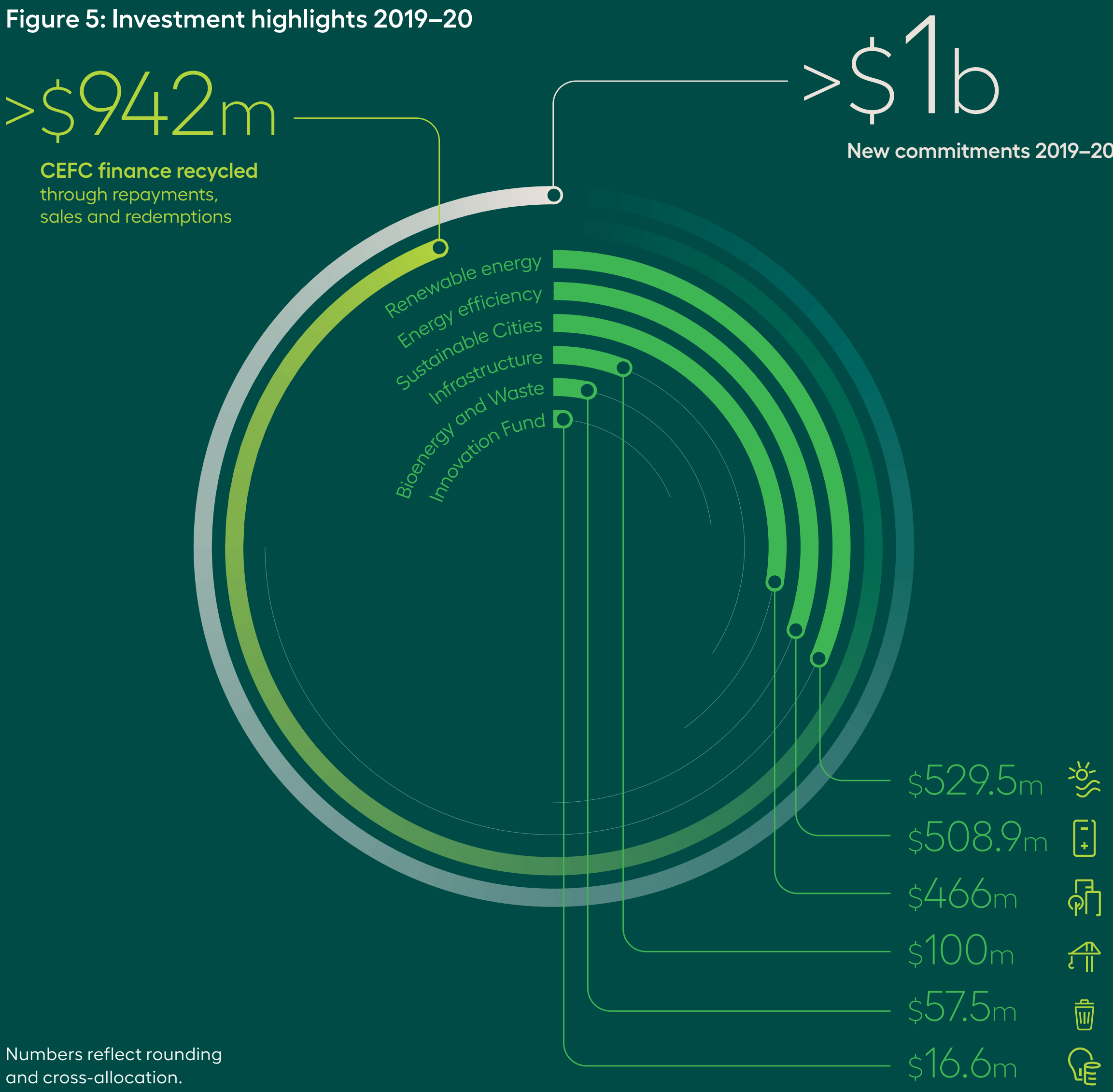
* Portfolio of investment commitments at 30 June 2020, after allowing for repayments, amortisation and cancellations on total commitments of $8.2b since inception.

Figure 4: New investment commitments by State 2019–20

Maintaining our focus to deliver benefits for the long term

With the backing of the Australian Government, the CEFC brings a unique combination of financial expertise, technical knowledge and industry experience to the challenge of lowering Australia's emissions.

Figure 5: Investment highlights 2019–20



Numbers reflect rounding and cross-allocation.

Catalysing new investment

In what was a difficult year for many, from bushfires to the uncertainty of COVID-19, we maintained our focus on catalysing the flow of investment into clean energy opportunities, across renewable energy, energy efficiency and low emissions technologies.

The 2019–20 year was marked by important developments across the CEFC portfolio, including ground-breaking investments in new technologies and economic sectors. We were pleased to make new investment commitments of just over $1 billion and continued to invest through the economic disruption of the COVID-19 pandemic. There was also a significant uplift in the level of CEFC capital repaid in the year, reflecting a maturing portfolio and the commercial rigour of the CEFC investment approach. These factors underpin our capacity to reinvest CEFC capital in future years.

We recognise that the scale and breadth of our portfolio represents just the start of the decarbonisation effort, with much more to be done. Priorities include stimulating further investment in renewables and energy storage, hydrogen, waste recycling and grid infrastructure. There is also a key role for the CEFC in sharing our financial expertise and investment insights with other investors.

>$8.2b

CEFC lifetime investment commitments

>$27.8b

Lifetime value of CEFC investment commitments

Investing through the pandemic

CEFC capital has been critical to developing the clean energy sector and remains central to filling market gaps – whether driven by technology, development or commercial challenges. This was especially the case in 2019–20 as banks and other mainstream investors refocused their attention to address the challenges of the pandemic.

While the annual rate of new CEFC investments in 2019–20 slowed compared with previous years, new CEFC investment commitments in 2019–20 attracted an additional $3 billion in private investment, magnifying the impact of our finance. In the second half of 2019–20, as the economy tightened, the CEFC stepped up, committing more than $380 million in CEFC finance to seven transactions, working closely with project proponents and co-investors to bring projects to financial close in a timely manner.

Lifetime commitments

Total CEFC commitments since inception reached $8.2 billion by 30 June 2020, helping spur $27.8 billion in investment commitments to clean energy initiatives across the economy.

Since we began investing, the CEFC has made almost 200 large scale commitments, attracting an additional $2.30 in private sector finance for each $1 of CEFC finance committed. In parallel, since inception we have seen more than $1.27 billion in CEFC finance invested in almost 18,000 smaller scale projects, through tailored low cost asset finance programs delivered via co-financiers.

The CEFC portfolio of on-risk investment commitments was $6.0 billion at 30 June 2020, after allowing for repayments, amortisation, revocable commitments and cancellations since inception.

Investment commitments: 2019–20

Figure 6: Investment commitments in detail 2019–20

New commitments	CEFC $m	Transaction detail
1 Adamantem Capital Fund II	80	Equity investment in a managed fund focused on driving emissions reduction
2 ANZ	100	Finance for smaller scale energy efficiency and renewable energy assets
3 Australian Unity Green Bond Fund	70	Investment in the Australian Unity Green Bond Fund, the first dedicated green bond fund in the Australian market
4 Bank Australia	60	Finance for green home loans supporting energy efficiency and renewable energy
5 Hayman and Daydream solar farms	21.2	Large scale solar debt finance
6 Genex Power Limited	20	Corporate subordinated debt facility supporting the Jemalong and Kidston large scale solar farms
7 Greensync	0.35	Clean Energy Innovation Fund: follow-on equity finance in distributed energy
8 Infradebt Ethical Fund	50	Investment in a debt fund financing smaller utility scale renewable energy projects
9 JET Charge	3.5	Clean Energy Innovation Fund: investment in electric vehicle charging infrastructure
10 East Rockingham Waste to Energy Facility	57.5	Subordinated debt facility for a waste to energy facility
11 Macquarie Australian Infrastructure Trust	100	Equity investment to target emissions reduction in key Australian infrastructure assets
12 Hornsdale Power Reserve	50	Debt finance for a large scale battery storage facility
13 NSW Empowering Homes Program	7	Debt facility for the installation of residential battery storage alongside rooftop solar: NSW Government program
14 Pro-invest Australian Hospitality Opportunities Fund II	50	Equity investment in a fund for the construction of energy efficient hotels
15 QIC Shopping Centre Fund	30	Corporate green bond issuance
16 QIC Shopping Centre Fund	80	Equity investment in a shopping centre fund to implement clean technology and energy efficiency
17 Qualitas Build-to-Rent Impact Fund	140	Syndicated debt facility to a build-to-rent residential fund to provide sustainable options for the rental market
18 RateSetter	20	Finance for a peer-to-peer green lending platform (trading name changed to Plenti)
19 Soil Carbon Company	1.7	Clean Energy Innovation Fund: equity investment in an agricultural technology company
20 Stockland	75	Corporate debt facility supporting the reduction of emissions from a diversified real estate portfolio
21 Tenacious Ventures Fund	8	Clean Energy Innovation Fund: equity investment in the first Australian dedicated agrifood tech venture capital fund
22 Kiamal Solar Farm	11	Follow-on equity investment in synchronous condenser
23 Zen Ecosystems	3	Clean Energy Innovation Fund: follow-on equity investment in smart energy management

Figure 7: Investment commitments highlights 2019–20

Changes in portfolio

As the CEFC portfolio matures, there is evidence of growing investor interest in refinancing CEFC transactions, a positive indication of the commercial benefits of investing in clean energy opportunities. During 2019–20, almost $942 million in CEFC finance was repaid or recouped through sale or redemption, markedly higher than the record $321 million reported in 2018–19. Total repayments since the CEFC began investing reached $1.66 billion to 30 June 2020, with CEFC capital available for reinvestment on behalf of the Australian Government. See Appendix F for further information about realised investments.

$1.66b

Total repayments since the CEFC began investing, to 30 June 2020

Technology commitments

The CEFC Act requires the CEFC to invest in eligible clean energy technologies, including renewable energy, energy efficiency and low emissions technologies. Further, we are 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 2020, investment in renewable energy technologies represented 53.2 per cent of CEFC funds invested.

53.2%

CEFC funds invested in renewable energy technologies: 30 June 2020

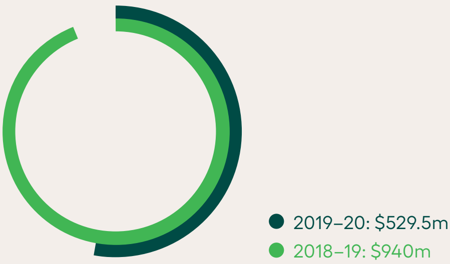


Figure 8: Renewable energy commitments

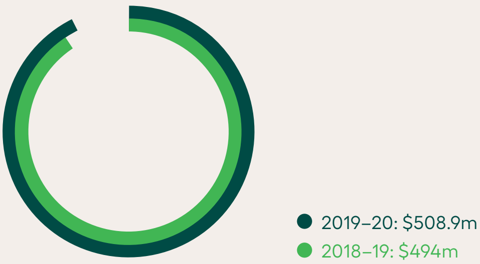


Figure 9: Energy efficiency commitments

Renewable energy technologies

In 2019–20, we made new investment commitments of $529.5 million to renewable energy projects, compared with $940 million in the 2018–19 year, reflecting a constrained market for new investment in renewables, partially due to the build out of the Renewable Energy Target.

Project proponents have also faced delays and challenges as the energy grid adapts to accommodate renewable energy generation levels which were not contemplated when the electricity networks were initially designed. These have included delays in construction and connection, as well as the adverse impact of movements in marginal loss factors and the curtailment of new energy generation.

Energy efficiency technologies

In 2019–20, we made new investment commitments of $508.9 million to energy efficiency opportunities, slightly up on the $494 million in the prior year. These investment commitments, across mature and emerging technologies, address emissions challenges in key areas of the economy.

Our finance is supporting energy efficient investments in residential, commercial and industrial buildings, as well as best practice and market leading design, construction and operations to cut emissions in infrastructure. Manufacturers are drawing on CEFC finance to replace energy intensive equipment with more efficient models and processes. We also continue to provide tailored asset finance for energy efficient farming and vehicles.

Contributing to a low emissions economy

A primary role of the CEFC is to invest in measures which will help Australia transition to a low emissions economy, catalysing additional finance from other investors to strengthen the impact of our finance.

We estimate new CEFC investment commitments in 2019–20 will achieve more than one million tonnes in emissions abatement in their first full year of operation. Across our portfolio, we estimate CEFC investment commitments since inception will contribute to an estimated 220 Mt CO_2-e in lifetime abatement.[1]

In estimating the lifetime carbon abatement for individual investment commitments involving electricity consumption, we incorporate the impact of additional renewable energy generation as well as improvements in energy efficiency in lowering electricity demand.

As in previous years, the CEFC is careful not to claim that this abatement occurs independently of other policy measures, such as government grants or procurement settings, or regulatory settings such as the Renewable Energy Target.

Emissions intensity factors

The CEFC references the latest available Australian Government projected electricity emissions intensity factors (EIFs) in considering the abatement impact of our investments.

During 2019–20, we collaborated with the Department of Industry, Science, Energy and Resources in the development of Australia's Fourth Biennial Report, which summarises Australia's progress towards meeting its 2020 target under the United Nations Framework Convention on Climate Change. As part of this collaboration, the Department provided the CEFC with its latest projected future EIFs at 2019–20.

220 Mt CO_2-e

Estimated lifetime abatement

Positively, the 2019–20 EIFs forecast accelerated decarbonisation of the electricity grid to 2030 and beyond, compared with the previously available EIF projections. This increased decarbonisation is largely a result of the rapid uptake of renewable energy generation, which has increased the share of low emissions electricity in the energy system. It also considers forecast additional generation in the period to 2030.

During 2019–20, we adopted these latest EIF forecasts and recalculated the lifetime abatement estimates relating to CEFC investment commitments. In our 2018–19 Annual Report we estimated lifetime abatement from CEFC investment commitments to 30 June 2019 at more than 260 Mt CO_2-e over their lifetime. Based on the 2019–20 EIF we now estimate these investment commitments will collectively abate 200 Mt CO_2-e over their lifetime.

The paradox of Australia's welcome progress in decarbonising the electricity grid is that it will have the continuing effect of raising the bar for the emissions impact of CEFC investment commitments. This is a welcome and validating outcome, despite the forecast lower level of CEFC abatement. It suggests the CEFC has contributed to emissions reduction in the electricity grid through our investments in new renewable energy, as well as enhanced energy efficiency. Accordingly, we are now comparing the impact of our investment commitments against a less carbon intensive grid than previously forecast.

1 This estimate is subject to future changes in the forecast EIF.

CEFC investment strategy

Our strategy is built around the key themes of impact, innovation and organisational effectiveness.

As reflected in the 2019–20 CEFC Corporate Plan, the CEFC strategy seeks to support the delivery of Australian Government emissions reduction priorities. In working with private sector investors and project proponents, we seek to address the main sources of carbon emissions in the economy. These are across four main areas:

1. low carbon electricity
2. energy efficiency
3. electrification and fuel switching
4. bio-sequestration and other emissions reductions.

In catalysing investment in clean energy opportunities across the economy, we focus on enabling technologies that will contribute to the reliability and security of the electricity system. We also focus on new and emerging technologies that can support lower emissions and increased productivity.

The CEFC strategy seeks to contribute to the delivery of Australia's commitments under the Paris Agreement, in "... 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".

Our investment activities are informed by Australian Government policy and Investment Mandate Directions to the CEFC. We also draw on expert external analysis of relevant market trends, from Government, regulators and industry.

Clean energy market drivers

Technology Investment Roadmap

Which seeks to bring a strategic and system-wide view to future investments in low emissions technologies. These include energy storage to assist cost effective, reliable low emission electricity, hydrogen, carbon capture and storage, soil carbon sequestration, biofuels, resources and energy exports to reduce emissions while strengthening our economy.

Developed by the *Department of Industry, Science, Energy and Resources (DISER).*

2020 Integrated System Plan

Which suggests (1) distributed energy will provide as much as 22 per cent of total underlying annual energy consumption by 2040, (2) with more than 26 gigawatts of additional renewable energy required to replace coal-fired generation and (3) a further 6-19 gigawatts of new dispatchable resources required in the form of utility scale pumped hydro, fast response gas-fired generation, battery storage, demand response and virtual power plants.

Developed by the *Australian Energy Market Operator (AEMO).*

Decarbonisation Futures

A guide for Australian decision makers on the priority technologies, deployment pathways and benchmarks required to meet the Paris Agreement goals. The analysis shows how Australia can reduce emissions across the economy by (1) immediately accelerating the deployment of mature and demonstrated zero emissions or best available technologies and (2) rapidly developing and commercialising emerging zero emissions technologies in harder to abate sectors.

Developed by *ClimateWorks Australia* with input from the CEFC, among others.

Figure 10: Clean energy market drivers

Financing technology, cutting emissions

Increasing investment in clean energy technologies has been central to the role of the CEFC since we began investing.

Together with private sector project proponents, investors and financiers, as well as several Australian Government agencies, CEFC capital has supported substantial cost reductions in solar and wind technologies. We see this trend continuing.

As advancements in energy storage and associated distributed energy technologies accelerate, investor interest is growing. In parallel, energy efficiency technologies are being implemented across many sectors of the economy.

The increasing scale of CEFC investments in these technologies reflects both the emissions benefits and the compressed payback periods being realised by project proponents.

Technology Investment Roadmap

We are confident that this experience can be reflected in delivery of the Australian Government Technology Investment Roadmap. The Roadmap has the stated aims of driving investment in low emissions technologies, strengthening the economy and supporting jobs and businesses. The Government has advised that it will use the Roadmap to prioritise its investments in new and developing technologies, including those by the CEFC.

During the 2019–20 year, the specialist Clean Futures Team within the CEFC had a heightened focus on unlocking investment opportunities in multiple new and emerging technologies, including those canvassed in the Technology Investment Roadmap.

Within this team we have appointed specialist investment leads across Electricity Grid, Renewable Energy Zones, Storage and Hydrogen. We have also made significant progress in shaping longer term investment opportunities in these areas and nation building projects such as interconnectors.

Through the Clean Energy Innovation Fund we also continue to work with cleantech start ups in advancing technology innovation.

The Government has foreshadowed the creation of a Grid Reliability Fund, to be led by the CEFC, enabling us to further expand our focus on grid related investments. The proposed GRF would add $1 billion to the existing $10 billion CEFC investment allocation.

Investment in new generation, storage, transmission and infrastructure is critical to support the security and reliability of Australia's energy grid. We are working closely with investors and regulators on the developing opportunities in exciting new areas such as renewable energy zones, pumped storage, grid-scale battery storage and hydrogen, with a view to accelerating investment and project delivery.

CEFC finance in action

Developing a competitive Australian hydrogen industry

We are seeking to drive large scale deployment of electrolyser technologies through the Advancing Hydrogen Fund, leading to technology cost reductions, improved supply chains, increased industry expertise and offtake opportunities. See page 49.

Investing in energy storage as part of a secure electricity system

The CEFC has prioritised the identification of investment opportunities to support developments and technologies that will improve the long term resilience and affordability of the electricity system. Just after year end we invested in a large scale virtual power plant to benefit social housing residents in South Australia. We are also in advanced discussions on the financing of transmission assets and individual large scale storage projects. See page 24 for information on other energy related CEFC investments.

Backing the sustainability of the manufacturing and industrial sectors

The Roadmap discussion paper identifies the importance of bringing clean energy technologies to the production of green steel, aluminium and cement. We are working with property and infrastructure investors to help build demand for low emissions steel, aluminium and cement and are also investigating investment and commercialisation opportunities to increase the supply of these products. See page 30 and 34 for information on other infrastructure and property related CEFC investments.

Improving soil carbon and reducing methane emissions to increase agricultural productivity

The CEFC has a long track record of investment alongside the agriculture sector, where there are considerable opportunities for emissions reduction and enhanced energy efficiency. With opportunities to improve soil carbon levels and enhance low emissions fertiliser use discussed in the Roadmap, we were pleased to make our first investment in a biotech startup which is aiming to lift soil organic carbon and boost farm productivity. See page 47.

Supporting innovative technologies in the drive to lower emissions

Through the Clean Energy Seed Fund, managed by global alternative investment firm Artesian, CEFC finance is supporting a range of early-stage Australian startups in energy storage, transport and soil carbon. This is in addition to CEFC investments in more established cleantech companies which are made through the Clean Energy Innovation Fund. See page 48.

Leading investment and innovation to cut our emissions

>$1b

Ground-breaking investments in new technologies and new sectors in 2019–20

Renewable energy and a stronger grid

The CEFC continues to play an important role in the transition of Australia's energy grid. Having financed more than 3 GW of utility scale solar and wind renewable energy since we began investing, we were pleased to work closely with the renewables sector in 2019–20 to address emerging market and technology developments.

This included a particular focus on how the CEFC can facilitate the power system transition forecast by AEMO, as well as contribute to the goals of the Technology Investment Roadmap.

In its 2020 Integrated System Plan (ISP), AEMO provided a 20-year roadmap for the transition of the National Electricity Market through to 2040. Among other measures, ISP modelling forecast the need for more than 26 GW of additional solar and wind energy, supported by dispatchable firming resources and enhanced grid and service capabilities as part of what it described as a 'least-cost, least-regret' NEM transition.

Renewable energy generated

Since we began investing, the CEFC has financed 31 utility scale solar projects and 12 wind farms. Of these, 24 solar farms and nine wind farms are already generating, delivering a combined 2.9 GW of renewable energy capacity to the grid. Three CEFC financed renewable energy projects achieved first generation in 2019–20, including the Oakey II solar farm in Queensland, the Numurkah solar farm in Victoria and the Granville Harbour wind farm in Tasmania.

While we made no new wind related investment commitments in 2019–20, we were pleased to see Stage 1 of the Lincoln Gap wind farm in South Australia achieve practical completion. Construction also continued on three other CEFC financed wind projects, including Lincoln Gap Stage 2, and the Collector and Crudine Ridge projects in New South Wales.

Renewable energy

Investment commitments: 2019–20

Victoria's largest solar farm adds system strength to boost grid

$11m

Kiamal Solar Farm and grid stability

During the year we increased our investment in Victoria's 200 MW (AC) Kiamal Solar Farm, Victoria's largest solar farm. The project includes a 190 MVAr synchronous condenser – the largest in Australia. The synchronous condenser will strengthen the grid in the north western Victoria area over the long term, supporting both the Kiamal project and renewable energy generation in the surrounding region. It is co-located with the Kiamal Solar Farm and connected into the TransGrid Kiamal Terminal Station. Kiamal is the first Australian project to be delivered by international developer Total Eren, further diversifying the investment profile of Australia's solar sector.

Backing for smaller scale renewables

$50m

Investment in greenfield renewable projects

Up to $50 million in debt finance to the Infradebt Ethical Fund to invest in greenfield renewable projects which generate up to 35 MW of energy. These smaller scale developments are ideally suited to regional communities, can be constructed close to demand and grid connections and are also suitable for industrial and commercial sites. The Fund has already invested in four New South Wales solar farms: Peak Hill and Trundle in the Central West, and Leeton and Fivebough in the Riverina.

Extending support to a solar and pumped storage developer

$20m

Refinancing of the existing CEFC Genex debt facility

Up to $20 million in the refinancing of the existing CEFC Genex debt facility for the 50 MW Kidston Solar Project in Northern Queensland. The refinancing has enabled Genex to finance construction of the 50 MW Jemalong Solar Farm in New South Wales. The CEFC continues to provide finance for the 50 MW solar farm at the Kidston Renewable Energy Hub alongside a new senior banking syndicate supporting the expanded portfolio.

Australia's biggest battery

The CEFC committed up to $50 million in project finance for South Australia's landmark "big battery", working alongside Neoen, ARENA and the SA Government to improve grid security and maximise the benefits of renewable energy.

$50m

CEFC commitment

The CEFC finance is part of a 50 per cent expansion of the Hornsdale Power Reserve (HPR). The 50 MW addition takes the world's first big battery to an upgraded capacity of 150 MW. The expansion, by leading international renewable energy developer Neoen, was delivered in partnership with Tesla, the South Australian Government, the CEFC and ARENA.

World first grid scale inertia services

Neoen expects the increased storage capacity of HPR will further enhance its ability to stabilise the grid, avoid price volatility in the market and reduce the risks of blackouts. In a world first and in close cooperation with AEMO and ElectraNet, Neoen and Tesla are testing the capacity of HPR to deliver grid-scale inertia services, an essential component of grid stability.

The CEFC sees grid-scale batteries as a critical part of the next wave of investment that will support the rapid and unprecedented change we are seeing across Australia's electricity system. By delivering the first project financing of a stand-alone NEM-connected battery in the Australian market, the CEFC aimed to demonstrate the market potential of grid technologies for other investors and developers.

Economic and community benefits

The HPR has already delivered substantial benefits to South Australia, providing grid reliability, reducing energy costs and integrating SA's substantial renewable energy resources into the grid.

Neoen said independent analysis indicated the combined construction phases of the 150 MW battery had led to almost 160 jobs and generated more than $300 million in economic value to SA. In addition, the Neoen Community Benefit Fund was providing opportunities for local community building initiatives and was forecast to provide more than $1 million in additional social and economic benefits in coming years.

In a report released in February 2020, engineering consultants Aurecon said the HPR "has provided significant value to the NEM, reducing the cost of frequency control ancillary services (FCAS) by approximately $116 million in 2019 alone".

> Upon the introduction of HPR into the FCAS markets, average yearly regulation FCAS costs from South Australian generators fell from a high of $470/MWh to less than $40/MWh, where they remain today, resulting in considerable savings in South Australian energy costs.

Aurecon
Engineering consultants

$300m

Generated in economic value to South Australia

Innovation cuts through waste emissions

CEFC finance continues to accelerate the deployment of market leading waste and resource recovery projects. This includes investing in projects that demonstrate commercially feasible ways of reducing waste emissions, as pressure grows for Australia to improve domestic waste management.

Bioenergy and waste

Investment commitments: 2019–20

Diverting waste from landfill

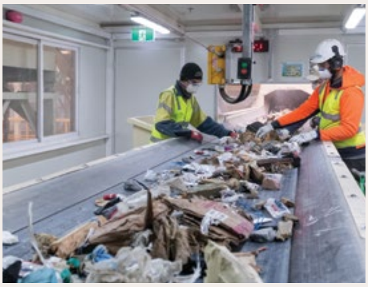
$57.5m

CEFC commitment

The $511 million East Rockingham Waste to Energy facility in Western Australia will help tackle Australia's rising waste management problem by diverting waste from landfill. When complete, the facility will process about 300,000 tonnes of residual waste a year, reducing annual emissions by more than 300,000 tCO_2-e; the equivalent of taking about 64,000 cars off the road. It will also provide 29 MW of reliable generation capacity for the South West Interconnected System, enough to power more than 36,000 homes. CEFC commitment: up to $57.5 million.

Bioenergy and waste

Portfolio milestones: 2019–20



Avertas Energy

$90m

CEFC commitment

Avertas Energy has achieved significant milestones in the development of Australia's first large scale energy from waste project. The major foundations and civil works components at the Perth site have been completed and work on the mechanical erection of the boiler steelwork is well advanced. CEFC commitment: up to $90 million.

South Eastern Organics Processing Facility

$38m

CEFC commitment

South Eastern Organics Processing Facility in Melbourne is now fully operational. The plant is targeting the annual conversion of some 12,000 truckloads of household garden and food waste into 50,000 tonnes of high grade compost. CEFC commitment: up to $38 million.

Cleanaway

$90m

CEFC commitment

Cleanaway has developed a best-in-class resource recovery centre in Sydney's Erskine Park. It has also installed an automated recycling sorting line at its Eastern Creek facility, also in Sydney. The equipment is diverting large volumes of waste from landfill with the aim of delivering meaningful reductions in greenhouse gas emissions over their operating lives. Further investment in additional waste diversion, recycling and resource recovery initiatives are planned. CEFC commitment: up to $90 million.

Leadership for greener infrastructure

Infrastructure

Investment commitments: 2019–20

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.

The large scale of the infrastructure sector means it is not possible for one investor to finance the infrastructure and associated sustainability measures required to make a meaningful impact on overall emissions. The CEFC is investing alongside institutional investors to influence clean energy standards in key infrastructure assets.

Australian Decarbonisation Project

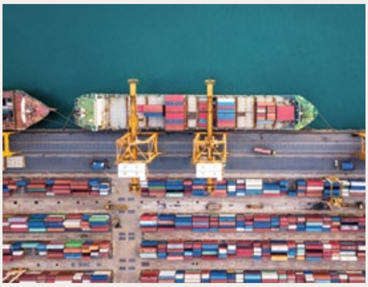
$100m

CEFC commitment

The CEFC has committed up to $100 million to MIRA's Australian infrastructure platform. The investment commitment has seen MIRA and the CEFC launch an Australian decarbonisation project with the goal of reducing carbon emissions and improving energy efficiency across Australian infrastructure assets managed by MIRA. These include airports, electric utilities, ports, rail and water treatment. In its inaugural Infrastructure Sustainability Report, MIRA said five project participants that attended a decarbonisation workshop in October 2019 have since established baseline emissions inventories, set aspirational science-based emissions reduction targets and identified potential emissions reduction projects. These participants are now undertaking further work to confirm the commercial feasibility of their aspirational emissions reduction targets and projects so that they can confidently commit to these. Insights gained from the Australian decarbonisation project are now being incorporated into the broader MIRA asset management framework with a view to driving further positive change throughout the lifecycle of MIRA's investments globally.

Infrastructure

Portfolio milestones: 2019–20



Logistics park takes shape

Progress on the Moorebank Logistics Park continued during the year, including construction of warehouse and rail access facilities and the development of a 3 MW solar array, which will be one of the largest single rooftop solar installations in the Southern Hemisphere. The 243-hectare logistics park is being developed by Qube Holdings Limited, with investment support from the CEFC. The logistics park will feature Australia's largest purpose-built warehouse and distribution precinct and generate more than half its energy requirements via solar power. Qube has achieved a world first in innovative technology design due to the high degree of automation, which reduces energy use and greenhouse gas emissions, enhances safety, minimises environmental impacts and improves productivity and economic output.

Carbon reduction initiative drives transparency

Through the IFM Australian Infrastructure Carbon Reduction Initiative, IFM Investors has worked with its major Australian infrastructure assets and co-owners to establish emissions reduction targets and pathways through to 2030. The assets include Ausgrid, Melbourne Airport, Brisbane Airport, NSW Ports (Botany and Kembla), the Port of Brisbane, Southern Cross Station and Northern Territory Airports. The targets will see emissions reduced by more than 200,000 tCO_2-e annually by 2030. IFM Investors reported that its Australian Infrastructure Carbon Reduction Initiative gained momentum following a CEFC investment commitment to help drive emissions reductions and promote greater transparency and emissions reporting at its infrastructure assets.

Green infrastructure fund goes with the flow

Flow Systems, an innovative multi-utility business, was purchased by the Morrison & Co Growth Infrastructure Fund (MGIF) alongside other investors in 2019–20. Flow Systems provides its water and energy customers with access to energy efficient infrastructure and demand management technologies such as smart meters and embedded generation and storage. The company also provides customised thermal networks which use centralised plant to provide communal heating and cooling to residents in an energy and cost efficient manner. Just after year end, the MGIF announced it had reached its third and final close, bringing the total fund size to approximately $580 million. The CEFC is a cornerstone investor in MGIF, which had earlier acquired Sundrop Farms, a sustainable agriculture producer integrating solar generation, efficient water use and hydroponics.

FarmPrint pilot captures CSIRO know how

FarmPrint is a unique tool designed to enable Australian farmers to monitor, benchmark and evaluate their on-farm carbon footprint, an important step in identifying actions that can lift the sustainability of farming operations.

During 2019–20, we were pleased to see FarmPrint piloted across a broad portfolio of agricultural assets, proving up new farming technologies and production processes which can reduce emissions and increase productivity.

FarmPrint is benefiting from the application of CSIRO technical expertise across MIRA agricultural assets. Over time FarmPrint will be further developed, creating a pathway for broader sector adoption.

A practical tool for farmers

FarmPrint is designed to be a practical tool for Australian farmers, specifically suited to Australian agricultural conditions and drawing on CSIRO science. By also referencing the Australian Life Cycle Inventory database, FarmPrint aims to be as granular as practicable to determine how an individual farm performs in any particular region against an "average farm" benchmark.

FarmPrint key features

Enables monitoring and reporting of an individual farm's carbon footprint

Supports benchmarking with other farms

Factors in both the area and functional output of a farm

Identifies farm activities generating high levels of emissions

Supports decisions about technologies and actions to lower emissions

Provides additional insights into land and water use, eutrophication, ecotoxicity, acidification and soil erosion.

Energy, Emissions and Efficiency

FarmPrint is the product of the Energy, Emissions and Efficiency Advisory Committee (3EAC), a unique collaboration combining the scientific expertise of the CSIRO with the operational experience of MIRA and the specialist low carbon investment focus of the CEFC. MIRA is one of Australia's largest agricultural investment managers, with the 3EAC established as a result of the CEFC equity investment in a MIRA-managed agricultural fund.

$345m

For Australian farmers to draw on CEFC tailored asset finance

CEFC and agriculture

With agriculture accounting for some 12 per cent of national carbon emissions, it is clear the sector can make an important contribution to Australia's transition to a low carbon economy.

As a specialist investor, the CEFC works to increase private sector investment in a diverse range of emissions challenges, including agriculture.

In addition to the investment in MIRA, CEFC agriculture-related activities have enabled Australian farmers to draw on more than $345 million in CEFC tailored asset finance to upgrade to energy efficient on-farm equipment and buildings, improve irrigation equipment and invest in renewable energy. More than 1,300 smaller scale emissions reduction projects have been financed in this manner since we began investing.

Proven technology for cleaner cities

The CEFC continues to work across the built environment to support emissions reduction measures.

We support proven clean energy technologies that can reduce stress on the electricity network while lowering overall electricity consumption. Our property related investment commitments include demonstration projects with the ability to deliver leading performance around energy efficiency and the integration of renewable energy into new and existing buildings.

Built environment

Portfolio milestones: 2019–20

Energy efficient developments take shape

Several portfolio investments achieved significant milestones in the year. The Mirvac Australian Build-to-Rent Club achieved practical completion on its LIV Indigo complex in Sydney, as did the first stage of the LDK Greenway Views seniors living development in Canberra. The Calvary Adelaide Hospital, part of the Dexus-managed Healthcare Wholesale Property Fund, opened in January 2020, delivering a range of passive and active initiatives to reduce operational energy use and carbon emissions. The hospital also offers the only 24/7 Private Emergency Department in South Australia. Major energy efficiency property developments in Sydney and Melbourne also reached practical completion, including the Investa Sixty Martin Place development in Sydney and the landmark Collins Arch complex in Melbourne, being developed by Cbus Property.

Built environment

Investment commitments: 2019–20

Retirement living green makeover

$75m

CEFC commitment

Australian property group Stockland is undertaking a portfolio wide energy efficiency retrofit program across its retirement living operations. In addition, it has designed and constructed a new retirement living centre that is targeting a 25 per cent improvement in emissions reduction levels compared with current building code requirements. Stockland is also developing a market-leading scheme to trade solar energy among Stockland assets which will enable the full utilisation of its accelerated 11 MW rooftop solar installation across its logistics centres and retirement living assets. CEFC commitment: $75 million.

Higher performing shopping centres

$80m

CEFC commitment

The QIC Shopping Centre Fund (QSCF), with interests in retail assets across Australia, is the first Australian signatory to the World Green Building Council Net Zero Emissions Commitment for a retail portfolio. In our first equity investment in the retail sector, the CEFC will work with QSCF to deliver on its ambitious emissions reductions targets across its $11 billion portfolio. Initiatives to improve ESD performance will include upgrades and automation of centre plant and equipment, installation of LED lighting, battery storage and rooftop solar. The first stage of the extensive emissions reduction program will see the installation of the largest rooftop array in the Southern Hemisphere, with QSCF aiming to cut grid electricity consumption by up to ~30 per cent across the portfolio. CEFC commitment: $80 million.

Clean, green makeover hits home

The CEFC has a strong track record of investing in a diverse range of cleaner, greener residential housing options.

Best practice energy performance initiatives give property owners and managers the opportunity to unlock substantial energy savings, reduce emissions and potentially improve liveability for tenants.

Social housing gets VPP treatment

The CEFC is backing an innovative program to deliver home energy systems to social housing tenants in South Australia. The project will see the installation of solar and battery storage systems across more than 3,000 residential buildings, driving down tenant energy bills while delivering Australia's largest virtual power plant (VPP).

The Housing SA tenants will benefit from lower energy costs, while the Tesla VPP will deliver enhanced stability to the state's electricity grid. Housing SA tenants who sign up for a special low electricity tariff will have 5 kW in rooftop solar and a 13.5 kWh Tesla Powerwall system installed at their home at no cost to them. South Australia's VPP will bring together a centrally controlled group of solar-powered, battery-backed homes to act as a single "power plant", with the ability to send excess lower cost renewable energy to the grid.

This transaction was completed just after year end.

Residential

Investment commitments: 2019–20

Green home loans

$60m

CEFC commitment

The CEFC launched our first green home loan in 2019–20. The Bank Australia Clean Energy Home Loan offers eligible borrowers a 0.4 per cent discount on their home finance. The new green home loan uses energy efficiency measurement tools to determine eligibility. The discounted rate applies for up to five years for customers who buy or build homes which achieve a minimum 7 Star NatHERS rating, which require less energy for heating and cooling. To 30 June 2020, Bank Australia had originated 53 loans, valued at $22.5 million, with rooftop solar and household batteries, home energy monitoring systems and energy efficiency heating and cooling systems proving popular. CEFC commitment: up to $60 million.

Residential

Portfolio milestones: 2019–20

Batteries for the home

$100m

CEFC commitment

South Australian households can draw on cost competitive CEFC finance to install home solar and battery storage under the South Australian Government's Home Battery Scheme. The finance is available through the Plenti South Australian Renewable Energy lending market. Under the Scheme, 40,000 South Australian households have access to up to $6,000 in SA State Government subsidies to put toward the cost of the battery component of solar and battery installations. CEFC commitment: up to $100 million.

Empowering homes for a brighter energy future

$7m

CEFC commitment

The NSW Government Empowering Homes pilot program aims to reduce energy bills for households in the Hunter Valley, with eligible residents able to access interest free loans financed by the CEFC for battery and combined solar and battery systems. Running for up to 12 months, a pilot with 500 homes will be available to eligible residents who have postcodes in the areas of Cessnock, Dungog, Lake Macquarie, Maitland, Mid-Coast, Muswellbrook, Port Stephens, Singleton and Upper Hunter. CEFC commitment: $7 million.

SGCH takes slice of record breaking affordable housing bond issue

$210m

Senior debt commitment

Community housing provider SGCH secured a $210 million senior debt commitment as part of Australia's largest social bond, issued by the National Housing Finance Investment Corporation (NHFIC). SGCH subsequently repaid its CEFC finance, which has supported the development of 523 new homes, and upgrades to a further 1,230 homes in the SGCH portfolio. The CEFC investment in SGCH has demonstrated that the inclusion of clean energy technologies produces homes that are more comfortable and energy efficient, with lower power bills and fewer carbon emissions. By investing a portion of additional capital in energy efficiency and renewable energy initiatives, SGCH helped build high performance homes that save tenants approximately $500 a year on bills at current energy prices.

Financial innovation adds impact

The CEFC continues to work with institutional investors and financiers to support the development of innovative emissions focused investment opportunities.

The market for impact investing, to deliver positive social or environmental impacts alongside financial returns, is experiencing exponential growth in Australia, reaching $19.9 billion at the end of 2019 according to the Responsible Investment Association Australasia. However, analysis from the Investor Group on Climate Change found the single largest inhibitor to growing carbon focused investment is the lack of climate focused debt and equity investment products in Australia.

Financial innovation

Investment commitments: 2019–20

Australia's first dedicated green bond fund

$70m

CEFC commitment

Australian Unity has moved to satisfy investor demand for more sustainable investment options with the creation of the Australian Green Bond Fund, Australia's first dedicated green bond fund. The Fund is backed by cornerstone investments from the CEFC and clients of Crestone Wealth Management. The Fund invests in a combination of green, social and sustainable fixed interest securities with the primary purpose of helping to lower carbon emissions. It is available to both institutional and high net worth individual investors. The fund, managed by Australian Unity's cash and fixed interest team, Altius Asset Management, supports the continued expansion of Australian Unity's responsible investment capability, following increasing demand from its customers and members. CEFC commitment: up to $70 million.

Targeting mid-market private equity companies

$80m

CEFC commitment

The $700 million Adamantem Capital Fund II will drive ambitious emissions reduction targets across a diverse range of mid-market private equity companies. It is the first CEFC investment in the private equity sector, as well as the first Australian private equity fund to adopt a "cradle to grave" approach to the emissions impact of its assets. The CEFC will work with the Fund's Emissions Committee to develop and oversee detailed pathways for each company in its portfolio to significantly reduce its carbon footprint. While there is more than $30 billion of assets under management in private equity and venture capital in Australia, private equity is an asset class that is still in the early stages of climate transition. The CEFC investment provides an opportunity to improve the sustainability profile of mid-market companies across a diverse range of assets. CEFC commitment: up to $80 million.

Climate bond marks retail first

$30m

CEFC commitment

The QIC Shopping Centre Fund (QSCF) has become the world's first retail property landlord to issue a green bond certified by the Climate Bonds Initiative. The $300 million green bond will fund initiatives to enhance the environmental performance of three retail assets within the QSCF portfolio, in Toowoomba, the Gold Coast and Melbourne. QSCF is targeting a 35 per cent reduction in emissions at each of the centres. CEFC commitment: $30 million.

Unique index for top Australian companies

The Australian Climate Transition Index is the first Australian equities index with a specific forward-looking focus on climate transition and decarbonisation. It brings together the increasing scale of impact investors with Australian companies who are leading the emissions transition. The Index will have an initial investment volume of $140 million, with the potential to grow as more investors seek exposure over time.

$140m

Initial investment volume

The ACT Index seeks to identify some 100 Australian companies from within the ASX 300 which are likely to perform well in a world undergoing a 2°C transition. The Index was developed through a two-year collaboration between BNP Paribas, ClimateWorks Australia, sustainability analysts ISS ESG and the Monash University Centre for Quantitative Finance and Investment Strategies. BNP Paribas issued a series of equity-linked green bonds linked to the ACT Index. The CEFC made a $60 million cornerstone investment the BNP Paribas issuance, in a transaction which reached financial close just after year end.

About the ACT Index

The purpose of the ACT Index is to determine which companies included in the ASX 300 are best positioned to embrace climate transition and achieve net zero emissions by 2050.

This forward-looking approach contrasts with existing reporting regimes which have built in lag, and wide disparity in how corporates assess their progress in the climate transition agenda. The ACT Index methodology provides a new approach to these shortcomings, considering each company on a standalone basis and in comparison with its peers.

Emissions measures

Reflecting the CEFC's focus on renewable energy, energy efficiency and low emissions technologies, the ACT Index methodology will take into account a range of emissions reduction initiatives being pursued by ASX 300 companies. For example, these will include energy efficiency and process improvements, the transition to low carbon electricity, electrification of company processes, including the use of electric vehicles, fuel switching to renewable energy and the use of non-energy emissions reductions, including carbon forestry.

Selection criteria

ASX 300 companies will be included on the ACT Index based on their performance against select criteria:

1. Scenario analysis

Includes five climate scenarios for Australia, including balanced decarbonisation, local and global innovation, delayed action and stretch 1.5°C.

2. Detailed sector analysis

Including technology, policy and social parameters.

3. Company data

Robust company specific data, both qualitative and quantitative, on current status and future strategy.

4. Financial analysis

Consideration of other factors, such as daily trading volumes etc.

A new high for asset finance programs

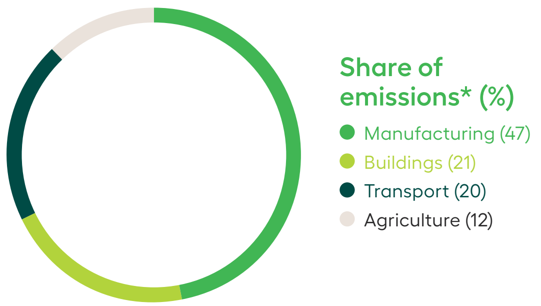
The CEFC asset finance programs continue to provide a practical way for Australia to address our emissions right across the economy, supporting smaller scale investment in a diverse range of proven technologies that can help businesses better manage their energy use and improve their carbon footprint.

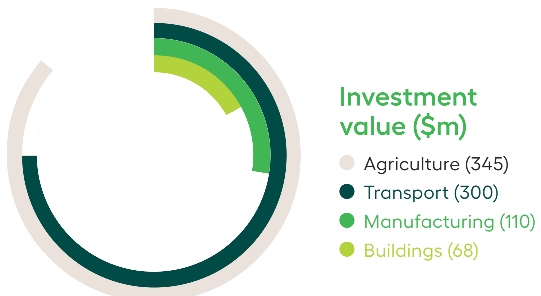
Importantly, our finance is targeting the key drivers of Australia's scope 1 and 2 emissions as identified by ClimateWorks Australia, including manufacturing and industry (~47 per cent); buildings (~21 per cent); transport (~20 per cent) and agriculture (~12 per cent).

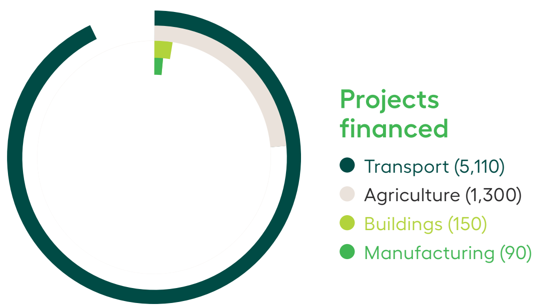
Since we began investing, we have delivered $1.27 billion in tailored asset finance to ~18,000 smaller scale clean energy projects Australia wide. To reach these borrowers, we rely on the established networks of participating banks and specialised lenders. This finance encourages borrowers to choose best-in-class assets when considering new equipment purchases, property fit outs and vehicle upgrades.

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 emission vehicles. Best-in-class internal combustion engine, electric and hybrid passenger vehicles account for around 24 per cent of the individual investments financed through our asset finance programs since 2015. Some 30 per cent of vehicles financed by dollar value – more than 1,100 loans – have been electric and plug-in hybrids.

Figure 11: Lifetime asset finance commitments to 30 June 2020



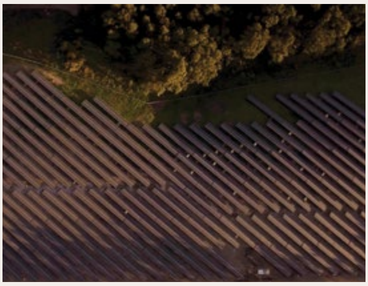




* Emissions estimates from ClimateWorks Australia and the CEFC.

Project milestones: 2019–20





Transport

Victorian food transport business keeps it cool and efficient

950 tonne

Onsite energy efficient refrigeration system

A refrigerated food transport business in regional Victoria is keeping things cool with a new energy efficient onsite refrigeration system. LRT/VCT Transport is a long-standing family-owned refrigerated transport business based in Mildura in north western Victoria. The business supports regional fruit and vegetable growers, transporting goods to local, national and global markets. A major investment saw the implementation of a 950-tonne capacity onsite energy efficient refrigeration system; the installation of a 99.5 kW rooftop solar system and investment in a new automated truck washing machine, to deliver an estimated 80 per cent improvement in water usage each year. CEFC finance delivered through the ANZ Energy Efficient Asset Finance program.

Agribusiness

Solar helps juice company ease the squeeze on power costs

75 kW

Solar system powers orchard and packing shed

Family-owned orchard and juice company The Great Australian Squeeze is using solar energy to operate its packing shed and juice factory. The business has been operating for more than 60 years in Barham in southern New South Wales and is now a leading manufacturer and supplier of orange juice. A decision to operate the orchard and packing shed using renewable energy saw the installation of a 75 kW solar system. CEFC finance delivered through the Bank of Queensland Energy Efficient Equipment Finance Program.

Solar

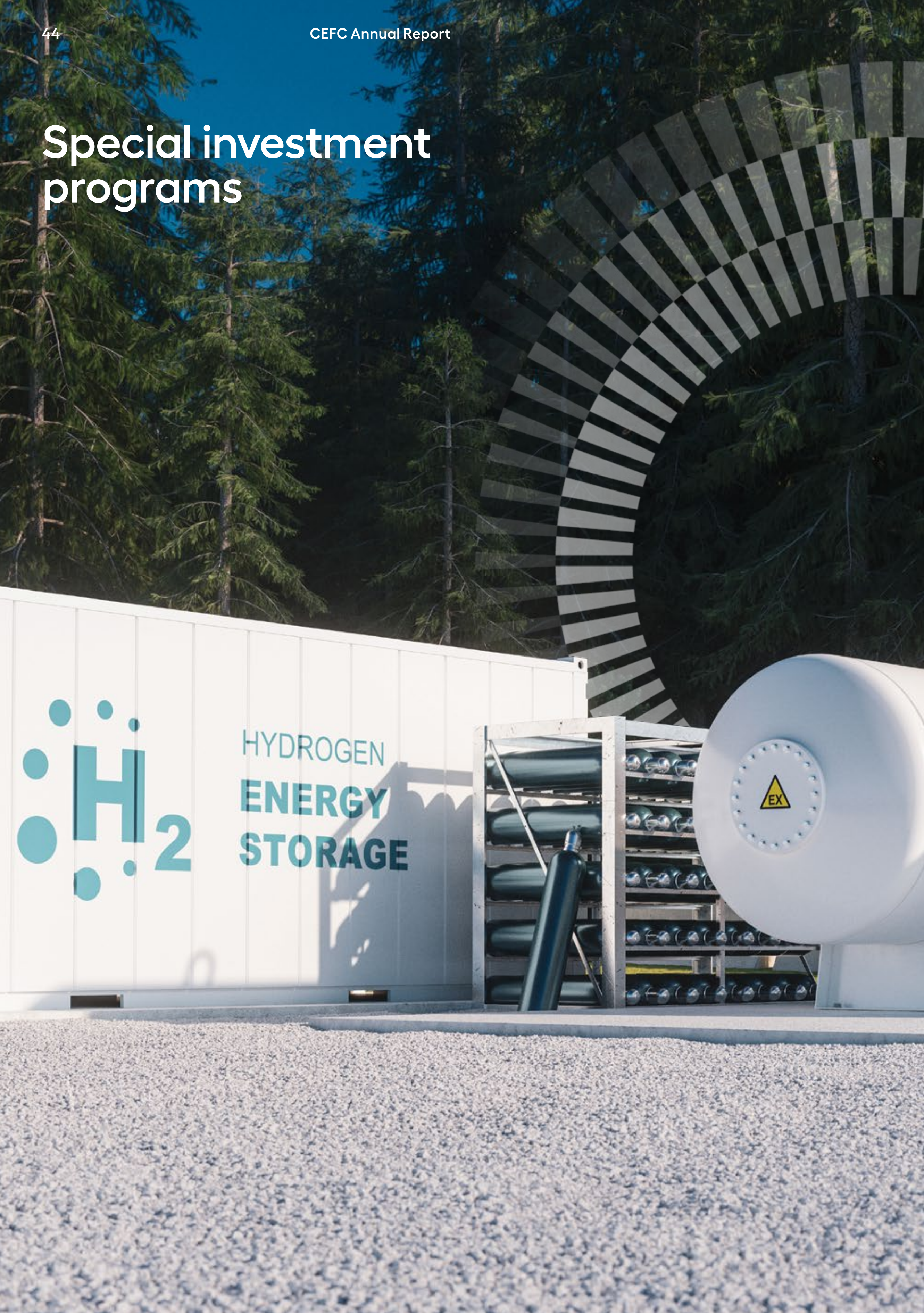
Newcastle solar farm helps cut council power bills

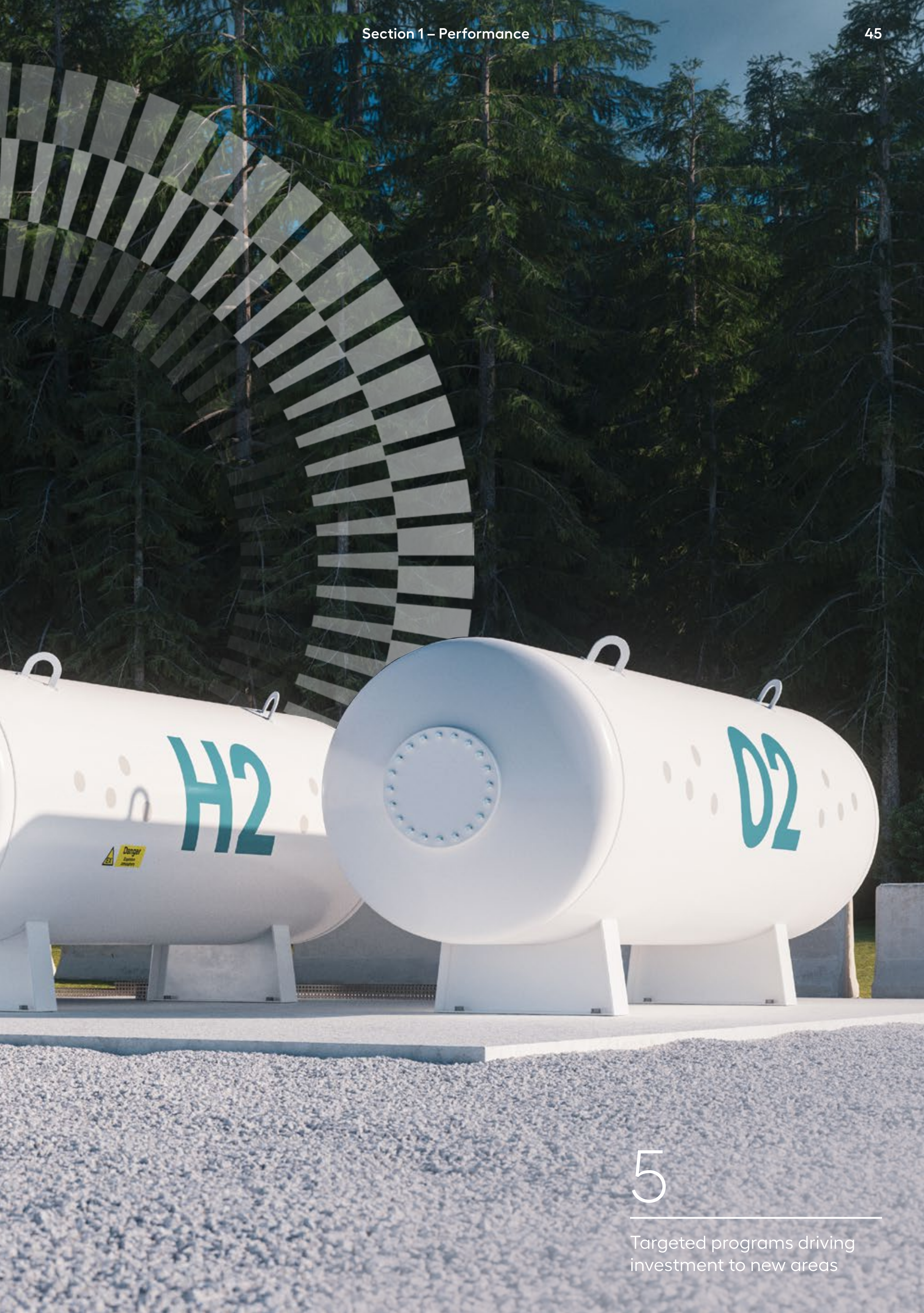
$420,000

Revenue in just six months

The City of Newcastle Summerhill Waste Management Centre has become a renewable energy hub with a 5 MW solar farm built alongside a 2.2 MW landfill gas generator and small wind turbine. Early data released by the Council in mid-2020 found the solar farm was providing better than forecast results, having delivered $420,000 in revenue in its first six months of generation. The business model had estimated savings of $250,000 a year. The solar farm, built on a capped landfill site, is expected to supply more than half the Council’s annual energy needs. CEFC commitment: $6.5 million in direct debt finance.

Special investment programs





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Targeted programs driving investment to new areas

Clean Energy Innovation Fund

The Clean Energy Innovation Fund remains the largest dedicated cleantech investor in Australia, with the capacity to invest up to $200 million in CEFC finance in early stage clean technology companies.

During 2019–20, we committed up to $16.6 million in new and follow-on investments across five transactions. To 30 June 2020, the Innovation Fund had committed $85.7 million across 20 transactions, with a combined transaction total value of $308.5 million. For each dollar of CEFC finance committed, we have attracted a further $2.60 from other investors, with estimated lifetime emissions savings of nine million tonnes.

Figure 12: Clean Energy Innovation Fund

	2019–20	Program since inception
Transactions financed	5	20
CEFC commitment	~$16.6m	~$85.7m
Investment value	~$47.3m	~$308.5m
Leverage	~$1.8:$1	~$2.6:$1
Lifetime abatement CO_2-e	0.3Mt	~9.0 Mt

Innovation Fund

Investment commitments: 2019–20

Cleantech meets agrifood tech

$8m

CEFC commitment

Tenacious Ventures, Australia's first dedicated agrifood tech venture capital firm, supports early stage companies that are developing technologies designed to lower emissions and increase energy efficiency in the agriculture sector. The Tenacious Ventures Fund I, established in 2019–20, will invest in up to 20 early stage agrifood tech companies that are underpinned by emerging technologies and transformative business models. The fund made its first investment in June 2020, co-leading a $8 million financing in Goterra, a startup combining robotics with fly larvae to tackle food waste management. Canberra based Goterra produces automated capsules filled with black soldier fly larvae which can break down most food scraps. The larvae is then sold as feed for livestock, among other uses. CEFC commitment: $8 million.

JET Charge making EV charging smarter, cheaper and more user friendly

$3.5m

CEFC commitment

JET Charge, Australia's leading specialist in electric vehicle (EV) charging infrastructure, is developing smart charging hardware that will reduce the cost of smart and connected charging stations and make them more user friendly. JET Charge is deploying smart charging technology under a services based model that will ensure that EV charging occurs when the electricity grid can best support it. The technology also has the potential to match EV charging to times when renewable power penetration into the grid is at its highest. This integration of EV charging infrastructure can demonstrate how EV charging needs can be successfully balanced with renewables, stationary storage and an ever-changing electricity grid. CEFC commitment: $3.5 million.

Biotech startup aims to lift soil organic carbon and boost farm productivity

$1.7m

CEFC commitment

The Soil Carbon Co. is developing biotechnology to improve the drought resilience of farming land, increase productivity and remove carbon from the atmosphere. The microbial treatment for seeds has the potential to increase the level of organic carbon in soil, enabling it to retain more water and improving the ability of crops to withstand extreme weather conditions. It could also reduce the amount of nitrogenous fertiliser used in agricultural production, further reducing emissions. Carbon is naturally cycled in soils and released back into the atmosphere. The Soil Carbon Co. approach uses specific microbes that store carbon in more stable compounds and structures in the soil leading to long term storage of atmospheric CO_2. CEFC commitment: $1.7 million.

Innovation Fund

Portfolio milestones: 2019–20

First ASX listing of a portfolio company

$90.1m

Carbon Revolution capital raising

We were pleased to be part of the first ASX listing of an Innovation Fund portfolio company, with Carbon Revolution raising $90.1 million in its initial public offering, (including $30 million as a primary raise and $60.1 million as a secondary selldown). Carbon Revolution designs and manufactures high performing wheels using innovative lightweight wheel technology with the potential to cut vehicle emissions. The success of the IPO is evidence of the role of the Innovation Fund in bringing together cleantech innovators and investors, to build deep understanding about business growth potential, capital requirements and long term investment horizons.

Technology expansion for battery innovator

$3.25m

Investment to accelerate growth

Relectrify launched its BMS+Inverter technology, which uses cell level battery management systems to provide a very high efficiency AC output without requiring a costly inverter. The technology is suitable across residential, industrial and grid storage, using either new or second-life batteries. It is in operation in a grid storage pilot with Nissan North America and American Electric Power, a leading US power company with more than one million customers. The Innovation Fund has invested $3.25 million in Relectrify.

Green shoots from seed fund

~60

Cleantech startups supported

The Clean Energy Seed Fund, managed by Artesian Venture Partners, has invested $9.8 million in almost 60 startups since it began investing in May 2017. The $26 million fund, established with a $10 million cornerstone commitment from CEFC, invests in cleantech startups in the seed, angel and early-expansion phase. Investee companies are working on a diverse range of cleantech solutions, including in agriculture, batteries, mobility and waste, including those identified in the Technology Investment Roadmap.

Advancing Hydrogen Fund

In May 2020, we welcomed a new Australian Government Investment Mandate Direction to the CEFC to create a $300 million Advancing Hydrogen Fund.

Hydrogen has the potential to make a substantial contribution to our clean energy transition, reducing emissions across the economy while driving the development of an important new industry.

During the year we convened a National Hydrogen Roundtable to enable industry leaders and policy makers to consider development opportunities and potential financing options.

The Technology Investment Roadmap has set a specific goal to produce hydrogen at below $2 per kilogram, the point at which hydrogen will be competitive with alternative energy sources.

Through the Advancing Hydrogen Fund, we expect to provide finance to large scale projects with the potential to deliver on this objective, with an early focus on large scale electrolysis projects included in the ARENA Renewable Hydrogen Deployment Funding Round.

Figure 13: Benefits of CEFC finance in hydrogen development

Drive large scale deployment of electrolyser technologies:
Leading to technology cost reductions, improved supply chain expertise, increased industry expertise and offtake opportunities

Catalyse the hydrogen industry:
Accelerating the deployment of large scale renewable energy hydrogen technologies, including demand side projects to achieve price discovery; increase transparency of current and projected economies of scale; increase skills and market knowledge

Access to tailored finance:
Providing investing support to project proponents as they seek to accelerate hydrogen developments, paving the way for private sector finance to follow

Support the implementation of the National Hydrogen Strategy:
Including its aims to create jobs, especially in regional areas, contribute to a cleaner environment, increase prosperity and enhance Australia's fuel security

Sustainable Cities Investment Program

The CEFC invests in a broad range of clean energy opportunities that provide productivity, accessibility and liveability benefits for Australia's 50 largest cities, through the Sustainable Cities Investment Program. The program is a notional assignment of capital within the CEFC core fund.

Under the definition of the Sustainable Cities Investment Program, any clean energy technology investment within these 50 cities is included in the total. As most of Australia's population and economic activity is associated with these cities, we have exceeded the $1 billion target, committing more than $3.4 billion since the program was created, to some 6,400 projects that meet the definition of an eligible Sustainable Cities investment opportunity. The combined value of these investments, taking into account additional commitments from other investors, was $11.2 billion at 30 June 2020.

New investment commitments as part of the Sustainable Cities Investment Program in 2019–20 included $466 million across 1,510 large and small scale transactions, with a total value of $2.1 billion. We welcomed strong investor interest across a diverse range of activities, including economic infrastructure, energy from waste and property, which have the potential to deliver substantial emissions reduction.

Figure 14:
Sustainable Cities Investment Program

	2019–20	Program since inception
Transactions financed	1,510	6,476
CEFC commitment	~$466m	~$3.4b
Investment value	~$2.1b	~$11.2b
Leverage*	~$3.6:$1	~$2.3:$1
Lifetime abatement CO_2-e*	~8.6 Mt	~38 Mt

Abatement for Cities and Reef programs

Emissions abatement for the small scale asset finance programs is estimated based on the mix of portfolio assets rather than per each individual asset, which would prove impractical at such volume. Therefore, abatement is estimated and reported at the national level rather than allocated by state. In addition, financial leverage amounts for the individual asset level investments are reported as zero. This is a conservative approach, reflecting the fact that this CEFC finance is delivered via our co-financiers, with the CEFC having no visibility of cash or other credit contributions that may have been made by the individual borrower.

Reef Funding Program

The Reef Funding Program invests in clean energy investments and businesses that support delivery of the Australian Government Reef 2050 Plan and the long term health of the Great Barrier Reef.

The CEFC finances projects in the Great Barrier Reef Catchment Area across renewable energy, energy efficiency and low emissions technologies and is focused on all areas of economic activity in the Reef Catchment Area, reflecting our broad and ongoing consultation with businesses, government agencies and financiers.

To 30 June 2020, total CEFC commitments through the Reef Funding Program reached an estimated $390 million, across some 420 transactions. These investment commitments were in projects with a total value of $1.2 billion. Market conditions in the large scale renewables sector and general economic conditions in the Reef Catchment Area meant that no large scale direct financing commitments were made under the Reef Funding Program in 2019–20. Delivery of new commitments over the reporting period was therefore slower than the previous year, with approximately $25 million committed to the Reef Catchment area across 22 smaller scale asset finance projects in 2019–20, including in energy and water efficient irrigation systems, solar installations, farm and manufacturing machinery.

The absence of large scale direct financing commitments during the reporting period impacts the degree of financial leverage and emissions abatement that can be directly attributed to the Reef Funding Program.

During the year we were pleased to work with the Australian Banana Growers' Council (ABGC) to promote the Reef Funding Program and the CEFC asset financing programs to commercial banana growers in the wet tropics region. Information on CEFC finance programs is being offered as an option to banana growers who apply for funding through the $1 million banana incentives grant program, being administered by the ABGC on behalf of the Queensland Office of the Great Barrier Reef.

Figure 15: Reef Funding Program

	2019–20	Program since inception
Transactions financed	22	423
CEFC commitment	~$25m	~$390m
Investment value	~$25m	~$1.2b
Leverage	N/A*	~$2.4:$1
Lifetime abatement CO_2-e	N/A*	~19 Mt

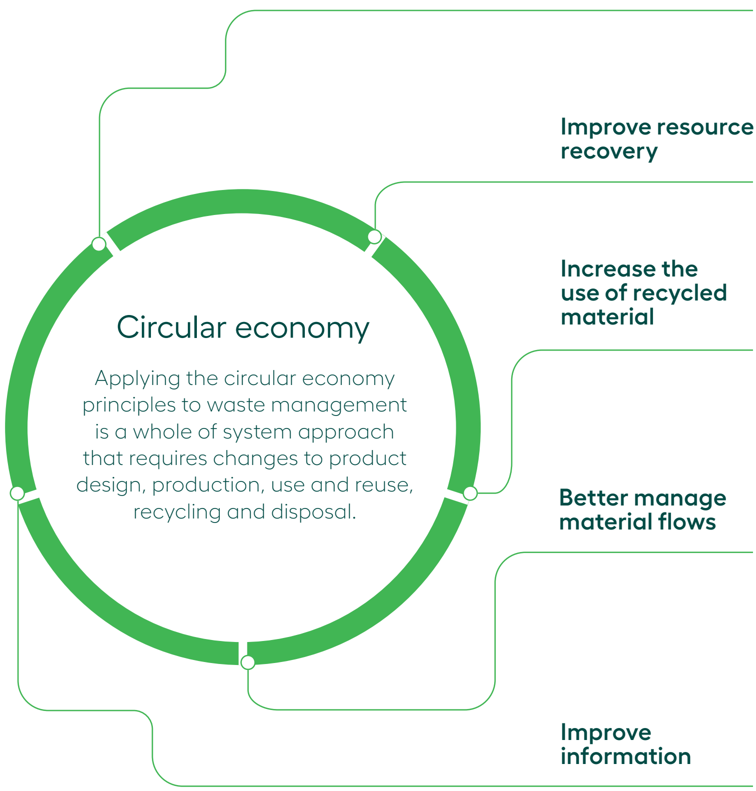
* Refer page 51 for information about abatement under the Reef program.

Australian Recycling Investment Fund

In December 2019, we also welcomed an Australian Government Investment Mandate Direction to the CEFC to create a $100 million Australian Recycling Investment Fund.

The Fund will invest in waste related projects to reduce landfill emissions, as well as improve the energy efficiency of waste processing and resource recovery operations.

The Fund has a particular focus on large scale commercial projects which use clean energy technologies to support the recycling of waste plastics, paper, glass and tyres, consistent with the National Waste Policy Action Plan. These projects are complex and can take a considerable time to be investment ready. While the CEFC has invested more than $180 million in recycling technologies since inception, there have been no investments through the Australian Recycling Investment Fund in its first six months of operation. See Page 28 for other CEFC investments in bioenergy and energy from waste.



Avoid waste — By prioritising waste avoidance, encourage efficient use, reuse and repair; design products that are made to last

Improve resource recovery — Including improved material collection systems and recycling processes

Increase the use of recycled material — Including by building demand and markets for recycled products

Better manage material flows — To benefit human health, the environment and the economy

Improve information — To support innovation, guide investment and enable informed consumer decisions

Figure 16: Circular economy

Source: National Waste Policy 2019

Leadership in sustainability and low emissions

We extend our congratulations to these clean energy leaders who received independent recognition in 2019–20 for their outstanding sustainability achievements.

Bioenergy and waste

East Rockingham Waste to Energy Facility

2019 Asia Pacific Waste Deal of the Year, IJGlobal and The Asset Triple A Infrastructure Awards 2020 Renewable Energy Deal of the Year (Waste to Energy, Australia and New Zealand).

The project is the first of its kind in Australia to use "waste arising" contracts, giving councils the ability to pursue waste reduction targets and still meet their waste supply commitments to the facility.

Infrastructure

IFM Investors

Outstanding initiative by an asset manager, IGCC 2019 Climate Awards.

Through its Australian Infrastructure Carbon Reduction Initiative, IFM Investors worked with its major Australian infrastructure assets and co-owners to establish science based emissions reduction targets and pathways through to 2030.

Energy Storage

Hornsdale Power Reserve

2019 Asia Pacific Energy Storage Deal of the Year, IJGlobal.

The project will provide the first Australian demonstration of the potential for large scale battery storage to provide the stabilising inertia services that are critical to the future grid integration of renewable energy. It will also illustrate the market potential of grid technologies for other investors and developers.

Property

Lendlease Australian Prime Property Fund Commercial

Ranked number one globally in the annual GRESB real estate assessment, ahead of 963 other participants.

The Lendlease fund has grown its net lettable area by 23 per cent over the past six years, while reducing its carbon footprint by 39 per cent. It has received the top global ranking on four previous occasions.

Housing

Bank Australia

2020 Best Green Home Loan, Mozo Experts Choice Award.

The Best Green Home Loan Award recognises the Bank Australia Green Home Loan as providing a positive incentive for borrowers looking to buy or build a more environmentally friendly home, in addition to offering the lowest cost option. The Bank Australia Clean Energy Home Loan is available for homes that achieve a NatHERS rating of 7 stars or higher.

Transport

Moorebank Logistics Park

The first stage of the Moorebank Logistics Park achieved an "Excellent" design rating from the Infrastructure Sustainability Council of Australia (ISCA), the highest achievement for sustainability and innovation outcomes.

The Qube development is one of only a select group of privately developed projects to achieve the Excellent design rating.

Annual performance statements

Introductory statement

The CEFC Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2019–20 Annual Performance Statements, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In our opinion, these Annual Performance Statements are based on properly maintained records, accurately reflect the performance of the Corporation and comply with subsection 39(2) of the PGPA Act.

Entity purpose

The CEFC was established by the *Clean Energy Finance Corporation Act 2012* (CEFC Act) '*… to facilitate increased flows of finance into Australia's clean energy sector*'.

Ultimately, this objective is achieved through investing directly and indirectly with co-investors and, in doing so, encouraging and facilitating others to also invest in renewable energy, energy efficiency and low emissions technologies and projects.

Results

The CEFC has performed well in 2019–20, achieving the majority of the targets set by its Board, notwithstanding the broader economic and societal challenges posed by the COVID-19 pandemic. The non-executive Board and its sub-committees monitor and evaluate the performance of the CEFC, against criteria detailed in the 2019–20 CEFC Corporate Plan and the 2019–20 Portfolio Budget Statements (PBS). The outcome of this evaluation is detailed in the following Performance Summary and Analysis of Performance Criteria.

Figure 17: Performance summary 2019–20

Criteria	Measure	Outcome	Evaluation
Strategic priority: Increasing the impact of our investment activities			
Operating result*	Financial operating result	$89m against targets of $110m (Corporate Plan) and $100m-$110m (PBS)	○
Performance against portfolio benchmark return set in the Investment Mandate Direction 2018	Optimise portfolio returns while recognising the CEFC's public policy purpose, and taking all reasonable steps to achieve portfolio benchmark return (PBR) targets of the five-year Australian Government bond rate +3% to +4% per annum for the core portfolio and the five-year Australian Government Bond rate +1% per annum for the Clean Energy Innovation Fund.#	For the core portfolio, the cumulative return was 4.75% versus a benchmark target of 5.28%-6.28%, a deficit of 0.53%-1.53%. This represented a deficit increase during the year of 0.4%. For the Clean Energy Innovation Fund, the cumulative return was –6.02%, versus a benchmark target of 3.15%. This is a 21.03% improvement during the year.	◐
Capital committed	Dollar value of capital committed.	$1.1b against targets of $0.8b (Corporate Plan) and >$1b (PBS)	●
Capital deployed	Dollar value of capital deployed.	$0.9b against targets of $0.7b (Corporate Plan) and >$1b (PBS)	◐

* 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.

\# Measure originates from the 2019–20 PBS only. All other measures originate from the 2019–20 CEFC Corporate Plan.

Criteria	Measure	Outcome	Evaluation
Financial leverage	Financial leverage in transactions financed.	3:1 against 2:1 target (Corporate Plan)	●
Contribution to emissions reduction	Forecast emissions reduction per year* from capital committed during the period.	1.1 Mt CO_2-e against targets of 1.5 Mt CO_2-e (Corporate Plan) and 2.0 Mt CO_2-e (PBS)	○
Strategic priority: Developing innovative investment solutions			
Strengthen the CEFC 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.	Clean Futures Team established, including teams focused on Grid Infrastructure and Hydrogen. First grid scale storage financing completed, along with a second significant energy from waste facility. Specialist investment leads operating across identified focus areas including Electricity Grid Infrastructure, Renewable Energy Zones, Storage and Hydrogen, reflecting priorities of the Technology Investment Roadmap.	●
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.	Strong collaboration with AEMO in respect of new investments, particularly with respect to stability and reliability matters and inputs into the ISP process. Resourcing support provided to DISER to assist in analysis related to the UNGI program and Technology Investment Roadmap initiatives. Strong engagement with the NSW Government with respect to the first Renewable Energy Zone in Australia.	◐
Contribution to transformation of the clean energy investment market	Meaningful progress based on integrated development plans for storage, electric vehicles, biofuels, markets development, general policy and green bond markets, as well as nation building projects.[#]	CEFC finance extended to new areas of the economy, delivering Australia's first dedicated green bond fund, the CEFC first green home loan and a material uplift in the capacity of Australia's largest battery in South Australia. New Innovation Fund investment commitments of just over $13 million in three cleantech innovators, including in EVs, agritech and soil carbon. Creation of the Advancing Hydrogen and Australian Recycling Investment Funds. Delivery of ~6,700 smaller scale investments, including clean energy projects, including in agribusiness, manufacturing, property and transport.	●

○ Not achieved ◐ Partially achieved ● Achieved

* Annual emission reduction targets and estimates of actuals are based on the first full year of operations.

Criteria	Measure	Outcome	Evaluation
Dissemination of information to industry stakeholders and initiatives to build industry capacity	Increase the value and diversity of the investment pipeline. Significant marketing and communications activity, including media outreach and targeted participation in conferences and industry events. Positive stakeholder awareness and knowledge.#	Led or contributed to the development of a range of market reports and information materials to build market awareness and understanding. Produced 18 market reports and investment insights, delivered 97 speaking engagements and 42 media releases and articles. Launch of *The Green Room* | *Clean Energy Conversations* with the CEFC. Continued leadership role in the industry–wide Women in Sustainable Finance initiative.	●
Strategic priority: Operating with organisational effectiveness			
Further develop our capital management capability	Continue to develop, demonstrate and implement the CEFC capability in the areas of asset recycling and capital management.	First round of capital recycling transactions completed during the year.	●
Build the culture, capability and IT infrastructure necessary 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.	Refreshed values embedded throughout the organisation, supported through CEO Values Award and acknowledgment of employee 'values moments' to further strengthen the CEFC culture. Introduction of the first Reconciliation Action Plan (RAP), representing the Reflect phase of the reconciliation process. New Head of Hydrogen appointed; appointment of a secondee from ARENA to the Clean Energy Innovation Fund; engagement with UNSW Energy Labs. New electronic workflows implemented, including introduction of enhanced analytics capabilities via the PowerBI tool and creation of the CEFC intranet.	●

Analysis of performance criteria 2019–20

Increasing the impact of our investment activities

Operating result

The operating result for 2019–20 was $89 million, against the $110 million target established in the 2019–20 Corporate Plan and the $100 million to $110 million target established in the 2019–20 Portfolio Budget Statements (PBS). While revenue of $205 million was higher than the $191 million planned, the lower operating result was attributable to higher impairment provisioning, driven by higher levels of uncertainty in the external operating environment due to challenges in the electricity sector (including connection delays, lower merchant pricing and curtailment) and the broader impacts of the COVID-19 pandemic.

Portfolio benchmark return

The core portfolio cumulative return through to 30 June 2020 was 4.75 per cent, against a benchmark of 5.28 per cent to 6.28 per cent. This represents a deficit of 0.53 per cent to 1.53 per cent against the benchmark. The Clean Energy Innovation Fund cumulative return through to 30 June 2020 was negative 6.02 per cent against a benchmark of 3.15 per cent. Returns from investments in early stage ventures in the Clean Energy Innovation Fund are highly volatile in nature and negative returns in the early years are not uncommon. Cumulative returns in the Innovation Fund improved by 21.03 per cent from negative 27.05 in the prior year, largely as a result of the successful exit during the year of the Innovation Fund investment in Carbon Revolution.

Capital committed

New investment commitments were $1.1 billion during 2019–20, against the $0.8 billion target established in the 2019–20 Corporate Plan and the $1 billion target in the 2019–20 PBS. As expected, capital committed in 2019–20 was lower than the $1.5 billion in the previous year, with investment activity in the energy sector retreating from the record levels achieved in 2017–18 and 2018–19. In the second half of 2019–20, as the economy tightened due to the impacts of the COVID-19 pandemic, the CEFC committed more than $380 million to seven transactions, working closely with project proponents and co-investors to bring projects to financial close in a timely manner.

$89m

Operating result 2019–20

$1.1b

New investment commitments 2019–20

Capital deployed

Total capital deployed in 2019–20 was $0.9 billion, against the Corporate Plan target of $0.7 billion and the PBS target of $1 billion. During 2019–20, $0.9 billion in capital was repaid or recouped through sale or redemption, markedly higher than the 2018–19 $0.3 billion record.

Financial leverage

In order to increase the flow of finance into the clean energy sector, it is important that others also invest in the sector. At the transaction level, the CEFC measures this through financial leverage. Actual leverage in CEFC transactions in 2019–20 saw more than $3 in additional capital invested for every $1 of CEFC finance committed, bettering the $2:$1 target.

Contribution to emissions reduction

CEFC investment activities seek to make a positive contribution to Australia's emissions reduction efforts. New commitments in 2019–20 are forecast to reduce emissions by some 1.1 Mt CO_2-e per year, against a target of 1.5 Mt CO_2-e per year in the Corporate Plan and 2 Mt CO_2-e per year in the PBS. This lower level of estimated emissions reduction is attributable to a lower proportion of new investments in renewable energy generation, which typically account for large emission reductions.

Developing innovative investment solutions

Strengthen CEFC leadership role in supporting the sustainable energy transition

In 2019–20 the CEFC continued to develop organisational capability to support a stronger innovation focus. This included establishment of the Clean Futures Team, charged with focusing on investments in technologies such as grid infrastructure and hydrogen that will be required in the future as we shift to a lower emissions economy. In addition, we continued investing in innovation, including technologies, businesses and financing structures across Australia, as evidenced by CEFC completing the first grid scale storage financing along with a second significant energy from waste facility.

Build collaborative stakeholder relationships to accelerate the sustainable energy transition

In 2019–20 the Board asked Management to take the lead in establishing collaborative relationships across industry, government stakeholders and key decision making bodies to contribute to the direction of the sustainable energy transition. To this end there was stronger collaboration with AEMO, particularly with respect to grid stability and reliability matters, in line with the directions in our Investment Mandate. Resourcing support was provided to DISER for specific projects and there was strong engagement with the NSW Government as it identified the first Renewable Energy Zone in Australia.

Contribution to transformation of the clean energy investment market

In 2019–20 we sought to make meaningful progress based on integrated development plans for energy storage, EVs, biofuels, markets development, general policy and green bond markets, as well as nation building projects. This progress was demonstrated by our support for EVs through a new Innovation Fund investment in JET Charge, which provides charging infrastructure along with a new, innovative investment in agtech and soil carbon. With respect to the green bond market, we were pleased to be able to help establish the Australian Unity Green Bond Fund through our seed investment and support the QIC Queensland Shopping Centre Fund (QSCF) become the world's first retail property landlord to issue a certified climate bond.

Dissemination of information to industry stakeholders and building industry capacity

In 2019–20 we contributed to the development of a range of market reports and information materials to build market capacity, including CEFC Investment Insights to provide a broader market understanding of the "why" behind our transactions. We contributed to targeted industry and sector specific conferences and events, notwithstanding the dampening effect of the global pandemic on business engagement activities. These activities supported a cross section of CEFC business activities, particularly renewables, bioenergy, hydrogen and the institutional investor segment. Our inaugural Hydrogen workshop was well attended, as was our second Electric Vehicle Day. We also strengthened industry based relationships, including with our sectoral research reports and investment insights, which showcase demonstrable and cost effective emissions reduction outcomes.

Operating with organisational effectiveness

Further develop our capital management capability

Ensuring we have sufficient access to capital to allow the CEFC to continue supporting Australian businesses is important and in 2019–20 our objective was to continue to develop, demonstrate and implement the CEFC capability in the areas of asset recycling and capital management. To this end, we completed asset recycling activities through selling down investments that recycled more than $150 million of capital and in so doing, realised gains and reduced our overall risk exposure.

Build the culture, capability and IT infrastructure to deliver the strategy

As a financial services business, our ability to deliver on our purpose is dependent on our people and our systems. Our objective in 2019–20 was to continue to build culture by embedding the refreshed values into key people processes, supported by the instigation of the CEO Values Award and regular recognition of employee 'values moments' as a mechanism to promote behaviours that are consistent with our values. In addition, we identified the need to assess and acquire the diversity of capabilities and skills needed to enable the CEFC to transition into new sectors and technologies. In response we recruited a Head of Hydrogen as part of the new Clean Futures Team and drawing on expertise via secondees from ARENA and increased engagement with UNSW Energy Labs.

The final area of focus in 2019–20 related to our continued improvement in enterprise information management systems and ongoing investment in key infrastructure to support the business. A number of new electronic workflows were deployed (e.g. Decisions and Actions, Execution Checklist, Consents and Waivers, etc) creating significant efficiencies and productivity improvements for the Corporate Secretariat, Portfolio Management, Investment and Clean Futures Teams. In addition to launching our first intranet, data and analytics via PowerBI dashboards and reporting became available. These are now in the common data platform and have been deployed across a number of functional areas.

Building market capacity

~20

Specialist Investment Insights and Market Reports delivered

Sharing market insights

As a specialist investor, the CEFC is aware that expert information on clean energy trends and market developments is valued by investors, project developers, financiers and regulators as they consider large and long term investments. In 2019–20 we contributed to the development of a range of market insights and reports to build market capacity.

Figure 18: CEFC Market Reports 2019–20

Transforming Australian agriculture with clean energy, with the support of the National Farmers' Federation
Biofuels and Transport: An Australian Opportunity, co-developed with ARENA
Insights from the first wave of large scale solar projects in Australia, co-developed with ARENA
Clean energy and infrastructure: Pathway to airport sustainability, co-developed with AECOM
Decarbonisation Futures: Solutions, actions and benchmarks for a net zero emissions Australia, led by ClimateWorks Australia
Reshaping infrastructure for a net zero emissions future, led by the Infrastructure Sustainability Council of Australia, ClimateWorks Australia and the Australian Sustainable Built Environment Council
Pathway to cleaner, greener homes, discussing the Bank Australia Clean Energy Home Loan, which draws on CEFC finance
Australian Recycling Investment Fund, discussing investment opportunities in the waste sector
Advancing Hydrogen Fund, providing guidance on investment opportunities to support the growth of a clean, innovative, safe and competitive Australian hydrogen industry
Australia's leading cleantech investor, canvassing the investment focus on cleantech innovators, across energy, mobility and smart cities, food and agriculture, the circular economic and industry
Australia's bioenergy transformation, outlining the substantial benefits of bioenergy as an alternative fuel source
Australian Climate Transition Index, the first Australian equities index with a specific focus on climate transition and decarbonisation, is seeking to identify some 100 Australian companies from within the ASX 300 which are likely to perform well in a world undergoing a 2°C transition*

* Delivered just after year end.

CEFC Investment Insights

CEFC Investment Insights provide a broader market understanding of the "why" behind our transactions, as well as report on emissions reduction progress. In 2019–20 our Investment Insights yielded some consistent themes:

Figure 19: Investment Insights: consistent themes

1.

Setting firm emissions reduction targets challenges decision makers to identify and evaluate innovative and alternative cross discipline solutions to drive sustainability performance

2.

Sustainability outcomes can be maximised when decision makers, design teams and contractors collaborate from the beginning of the project

3.

Investments in energy efficiency can deliver commercially positive benefits in addition to the achievement of targeted emissions reduction

Figure 20: CEFC Investment Insights 2019–20

Our report	What we achieved
Clean energy and built-to-rent housing	Energy efficiency initiatives at Sydney's new 315 apartment LIV Indigo complex are on track to unlock annual energy savings of $337,000 (at current prices), with the benefits equally shared between tenants and owners. *Mirvac Australian Build-to-Rent Club.*
Clean energy and healthcare	Sustainability features at the North Shore Health Hub are targeting $180,000 in avoided energy costs annually, with the cost of the combined 160 kW solar PV and embedded network system to be recovered in under five years. *Dexus Healthcare Wholesale Property Fund.*
Clean energy and Australia's infrastructure sector	The effectiveness of initiatives to drive meaningful emissions reduction across major Australian infrastructure assets means they will now be applied across the global IFM portfolio. *IFM Australian Infrastructure Fund.*
Clean energy and community housing	The cost of energy efficiency investments to achieve a 7 star NatHERS rating, representing an estimated 40 per cent saving on heating and cooling loads, was less than $6,000 per dwelling. *SGCH and Housing Plus.*
Clean energy and Australian seniors living	Increased energy efficiency at the Greenway Views seniors living facility in Canberra reduced the need for an existing electrical transformer, creating space for additional facilities. *LDK Healthcare and Cromwell Property Group.*
FarmPrint benchmarking tool brings CSIRO expertise to farmers	Delivery of a 12 month pilot of FarmPrint, a unique tool designed to enable Australian farmers to monitor, benchmark and evaluate their on-farm carbon footprint, to help lift the sustainability of their farming operations. *MIRA Agriculture.**
Clean energy and the opportunity for waste:	Discusses how innovative technology, finance and contracting is enabling Perth's East Rockingham Waste to Energy facility to address the twin challenges of increasing the supply of cleaner energy and reducing landfill volumes. *East Rockingham Waste to Energy Facility.**

* Delivered just after year end.

Market engagement

The CEFC frequently contributes to targeted industry and sector specific conferences and events, providing an opportunity to deepen understanding about clean energy finance and the role of clean energy technologies in decarbonising the Australian economy.

We maintained this effort in 2019–20, with our activities supporting a cross section of CEFC business activities, particularly renewables, bioenergy, hydrogen and the institutional investor market. Our inaugural Hydrogen workshop was well received, as was our second Electric Vehicle Day, which was hosted in New South Wales.

In addition, we continued to deliver the CEFC *Markets Update*, a regular update on news and insights from the energy and technology sectors. Subscribers to the CEFC Markets Update grew 42 per cent in 2019–20, with an audience of more than 900 senior stakeholders from industry, finance, regulatory and government bodies. Analysis shows that 70 per cent of the readers are "highly engaged" with the content.

The Green Room

In response to the market disruption, in 2019–20 we launched *The Green Room | Clean Energy Conversations* with the CEFC, a new market engagement channel to enable us to promote clean energy investment opportunities during and after the COVID-19 disruption. The Green Room model, provided online, enables investors and stakeholders to discuss investment and market opportunities with CEFC personnel as well as leaders in the external market.

www.cefc.com.au

The CEFC website is a critical window to our organisation, where we discuss our transactions, clean energy investment opportunities and important market developments. In 2019–20, visitor numbers to cefc.com.au averaged some 10,600 per month, a lift of five per cent on the previous year. We completed a major refresh of the website in the year, with a substantial uplift in usability and user experience to reflect market best practice. Our social media channels also continued to gain new followers with an uplift of almost 30 per cent across LinkedIn and Twitter.

Australasian Reporting Awards

The 2018–19 CEFC Annual Report received a Silver Award in the Australasian Reporting Awards, the sixth consecutive year the CEFC has received recognition in these awards.

02

Governance

Our purpose

The CEFC was established under the *Clean Energy Finance Corporation Act 2012* (CEFC Act) which defines how the CEFC operates and invests. The CEFC is an independent statutory authority, defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Capital allocation to CEFC

The CEFC has access to $10 billion in capital, by way of special appropriations under the CEFC Act, to invest in clean energy technologies, projects and businesses. We are governed by an independent Board that reports to the Australian Parliament through our responsible Ministers.

The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector. Consistent with the object as set out in the CEFC Act, the CEFC:

- Invests in clean energy technologies, projects and businesses
- Leverages our investments to attract additional investment from the private sector
- Shares our market and investment experiences, insights and expertise with project sponsors, co-investors, public sector agencies, the energy sector and other industry bodies.

Our Board

Steven Skala AO, Chair

Mr Skala has a distinguished career of service on the boards of public, private, not-for-profit and government organisations, with more than 35 years' experience in the law, business and banking. Mr Skala is Vice Chairman, Australia of Deutsche Bank and is a member of the Foreign Investment Review Board. He served as a partner focusing on corporate, banking and commercial law in two leading Australian law firms for more than 20 years. A former Chairman of Film Australia Ltd, Hexima Ltd, Island Food Company Ltd and Wilson Group Ltd, Mr Skala is also a former Director of the ABC, the Channel Ten Group and Max Capital Group 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 NYC. 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.

Appointed 7 August 2017 for five years.

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 Synertec Corporation and Mining3. She is also on the boards of Snowy Hydro, Aurecon Group 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, who has also served on the boards of public, private and government entities, 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.

Appointed 7 August 2017 for five years.

Our 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, and a non-executive Director of Lendlease Corporation Limited. 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 of Westpac Banking Corporation and Chief Financial Officer 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.

Appointed 1 February 2018 for five years.

Laura Reed

Ms Reed has more than 20 years' experience in the energy infrastructure sector, including as Chief Executive Officer/Managing Director of Spark Infrastructure. Ms Reed is also Chair of Epic Energy, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a director of Canadian Utilities, ATCO Australia Pty Ltd and ATCO Gas Australia GP Pty Ltd. Ms Reed spent nine years at Envestra Limited (now known as 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.

Appointed 1 February 2018 for five years.

Andrea Slattery

Mrs Slattery is a recognised leader in Australia's financial services, superannuation, investment and retirement sectors, having led the transformational growth of the Self-Managed Super Fund sector as founder and former Managing Director/CEO of the SMSF Association. An experienced non-executive director, Mrs Slattery has served on boards and advisory committees in listed, commercial, government and not-for-profit sectors. Mrs Slattery is a non-executive director of AMP Limited, AMP Bank, including the Chair of the AMP Limited and AMP Bank Audit Committees, a non-executive director of Argo Global Listed Infrastructure (LIC) and the Deputy Chair of the Woomera (Prohibited) Area Advisory Board. Mrs Slattery was named Australian Woman of the Year in the Australian Women in Financial Services Awards in 2014.

Appointed 1 February 2018 for five years.

Samantha Tough

Ms Tough has had a distinguished and varied career in the energy, resources and engineering industries as both a director and senior executive. Ms Tough is Chair of Horizon Power, Chair of the COAG National Energy Selection Panel and is a Director of Saracen Mineral Holdings Ltd. Ms Tough is also Pro Vice Chancellor of Industry Engagement with the University of Western Australia. Ms Tough was previously Chair of Retail Energy Market Company Ltd, Structerre Pty Ltd, Molopo Energy Ltd, Aerison Pty Ltd and Southern Cross Goldfields Ltd. Ms Tough has held a variety of senior executive roles at Woodside Energy, Hardman Resources, the Commonwealth Bank and the Pilbara Power Project and worked as a barrister and solicitor. She is a Fellow of the Australian Institute of Company Directors.

Appointed 7 August 2017 for five years.

Nicola Wakefield Evans

Ms Wakefield Evans is a non-executive director of Macquarie Group Ltd, Lend Lease Corporation Ltd and the national board of the Australian Institute of Company Directors. She is also a member of the Takeovers Panel and on the board of the University of New South Wales Foundation and Chief Executive Women. Ms Wakefield Evans has almost 30 years' legal experience, including as a senior partner at King & Wood Mallesons where she held a variety of part-time and full-time management positions. Ms Wakefield Evans' key areas of industry expertise include resources and energy, infrastructure, airports, financial services, technology and media and communication.

Appointed 7 August 2017 for five years.

Governance

The CEFC operates under the CEFC Act, as well as other governing legislation, including the PGPA Act. Under the CEFC Act, the CEFC has two responsible Ministers. The responsible Ministers jointly appoint the CEFC Board, which appoints the Chief Executive Officer (after consultation with the responsible Ministers). The CEO is a statutory officer. The CEFC Executive and staff are employed under terms and conditions determined by the Board.

Board committees

The Board adopts private sector principles of good corporate governance in providing oversight and direction to the Executive. Two Board committees contribute to effective governance:

1. **Audit and Risk Committee:** advises and assists the Board in financial governance, financial performance, audit, annual reporting, compliance and all aspects of risk management
2. **People and Culture Committee:** advises and assists the Board in workforce planning, performance evaluation and monitoring, as well as remuneration and succession planning for the Executive.

Charters for the Board, Audit and Risk and People and Culture Committees are available on the CEFC website.

The Board has adopted a code of conduct and ethics and corporate policies and procedures to establish appropriate controls and to provide a sound decision-making framework for the CEFC. This framework includes a robust set of Investment Policies, a Risk Management Framework, a Risk Appetite Statement and underlying guidelines.

Executive committees

The CEO has responsibility for the day-to-day management of the CEFC, assisted by the Executive and four committees:

1. **Executive Investment Committee:** reviews all investment proposals (with the exception of those of the Clean Energy Innovation Fund)
2. **Joint Investment Committee:** operated in conjunction with ARENA, reviews all investment proposals relating to, and the performance of, the Clean Energy Innovation Fund
3. **Asset Management Committee:** oversees the management and performance of the investment portfolio
4. **Executive Risk Committee:** oversees performance and risk management for CEFC investments and for the Corporation itself.

Board operations

Committee membership

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

Figure 21: Board committee memberships 2019–20

Board Member	Audit and Risk Committee	People and Culture Committee
Leeanne Bond		Member
Philip Coffey	Member	
Laura Reed	Chair	
Andrea Slattery		Member
Samantha Tough		Chair
Nicola Wakefield Evans	Member	

Meeting attendance

In 2019–20 there were nine Board meetings and a further (five plus five) 10 Board Committee meetings.

Figure 22: Board member meeting attendance 2019–20

Board member	Board meeting		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*	5	5*
Leeanne Bond	9	9	4	5*	4	5
Philip Coffey	9	9	5	5	2	5*
Laura Reed	8	9	5	5	0	5*
Andrea Slattery	9	9	5	5*	5	5
Samantha Tough	9	9	3	5*	5	5
Nicola Wakefield Evans	9	9	5	5	0	5*

* Attendance optional for non committee members.

Board operations

Remuneration and allowances

Under the CEFC Act and the *Remuneration Tribunal Act 1973*, remuneration and travel allowances for Board members are determined independently by the Australian Government Remuneration Tribunal.

Figure 23: Remuneration tribunal determinations 2019–20

Determinations: Remuneration and Allowances	Date of effect	Ceased	Notes
Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2019 (as amended from time to time)	1 July 2019	30 June 2020	No change to Board member remuneration during the period
Remuneration Tribunal (Official Travel) Determination 2018 (as amended from time to time)	17 August 2018	16 August 2019	
Remuneration Tribunal (Official Travel) Determination 2019 (as amended from time to time)	16 August 2019	Remains in effect	

Under the Determinations: Remuneration and Allowances, Board members were remunerated annually (rather than per day or by meeting).

Figure 24: Board remuneration 2019–20

Office	Annual remuneration
Chair	$110,860
Board member	$55,430

In addition, superannuation is payable on these amounts at the rate of 9.5 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.

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 members of the Board, Executive and employees declare material personal interests that relate to the affairs of the CEFC. The Executive and employees must comply with a personal trading policy which prohibits trading in entities with which the CEFC may be doing business and/or hold non-public material price-sensitive information. Declarations of any new material personal interests are a standing agenda item at each Board and 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 for Officers

The CEFC has provided certain indemnities and insurances to "Officers" of the Corporation, including Board members and senior managers. The CEFC also indemnifies employees for items such as travel expenses on a reimbursement basis.

Figure 25: Indemnities and insurance premiums for officers 2019–20

Indemnity/insurance	Officers included	Period of coverage	Premium/fees paid
Comcover indemnity for Directors and Officers	All Board members and Officers	1 July 2019 to 30 June 2020	$188,747
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: – Director or Officer of the CEFC or – appointed by the CEFC to an external board.	Nil: indemnity only
Supplementary Directors' and Officers' non-indemnifiable loss insurance	All Board members and Officers	14 June 2013 to 14 June 2021	$590,665
Comcare Workers' Compensation Insurance	All Board members and Officers	1 July 2019 to 30 June 2020	$37,730
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 and CEFC staff as per the ordinary insurances required of Commonwealth entities.

Travel and expense reimbursement

Employees, the Executive and the Board 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.

Our Executives

Ian Learmonth

Chief Executive Officer

Ian has more than 30 years' experience as a financier and investor, having worked in Australia, Hong Kong and Europe across clean energy and major infrastructure projects, as well as social impact investments.

Michael Johnston

Chief Risk Officer

Michael has more than 30 years' experience working in the Australian banking industry for both Australian and international banks, including leading teams in the leveraged and acquisition space.

Sara Leong

Chief Asset Management Officer

Sara has held senior roles in investment banking and funds management, with extensive experience across infrastructure, project finance and asset, portfolio and investment management in Australia and the UK.

Leanne McDonald

Chief People and Culture Officer

As a senior HR practitioner, Leanne has held roles across a diverse range of sectors, covering financial services, energy and resources, consulting, IT and telecommunications, including responsibility for the Asia Pacific region.

Andrew Powell

Chief Financial Officer

Andrew has more than 30 years' experience working within industry and private practice accounting in Australia and the United States, with experience in financial accounting, mergers and acquisitions, public listings and deal structuring.

Paul McCartney

Chief Clean Futures Officer

Paul has worked in clean energy, commercial property, funds management and IT services, including in mergers and acquisitions, in addition to CFO roles for listed and unlisted companies.

Ludovic Theau

Chief Investment Officer

Ludo has extensive experience in large transactions in the infrastructure, utilities and public-private-partnerships sectors, including a wide range of renewable energy and energy efficiency projects.

Jay Tolson

General Counsel, Company Secretary

Jay is a highly experienced leader within the financial services industry, having worked across a broad range of complex financing, investment banking and capital markets transactions, including in the energy and infrastructure sectors.

Our structure

While the CEFC has considerable capital to invest, we remain a relatively small organisation in terms of the number of employees. Key organisational activities include investment origination, transaction execution, portfolio and asset management, support for early stage innovative technologies and financing projects, legal, finance, compliance and risk management, marketing and communications, investment research, stakeholder relations, people and culture, and administrative functions.

The CEFC began the financial year with a refreshed organisational structure and the creation of a dedicated Clean Futures Team. This team was formed to facilitate the development of a market for firming intermittent sources of renewable energy generation and to support emerging and innovative clean energy technologies. At the end of its first year, the Clean Futures Team is fully operational with the right capability in place, including a new Hydrogen platform lead. The Team has made significant progress in building networks across industry to facilitate collaboration. It has also progressed work in identifying and shaping longer term investable opportunities in the electricity grid and renewable energy zones, emerging technologies such as storage and hydrogen, non-energy emissions, and nation building projects such as interconnectors. The Clean Futures Team works closely and collaboratively with the Clean Energy Innovation Fund Team and our Investment Team, which has a continuing focus on accelerating investment in near term emissions reduction opportunities across multiple sectors of the economy.

During the reporting period, the CEO's term was extended for a period of three years to 14 May 2023. The CEFC appointed a new General Counsel and Company Secretary to the Executive Team. In addition, the Marketing and Communications Team now reports directly to the CEO.

The CEFC has two subsidiaries, with 100 per cent of the issued share capital held by the CEFC. These are CEFC Investments Pty Limited (ACN 616 070 430) and Clean Energy Investment Management Pty Limited (ACN 628 443 854).

Figure 26: Employee overview 30 June 2020

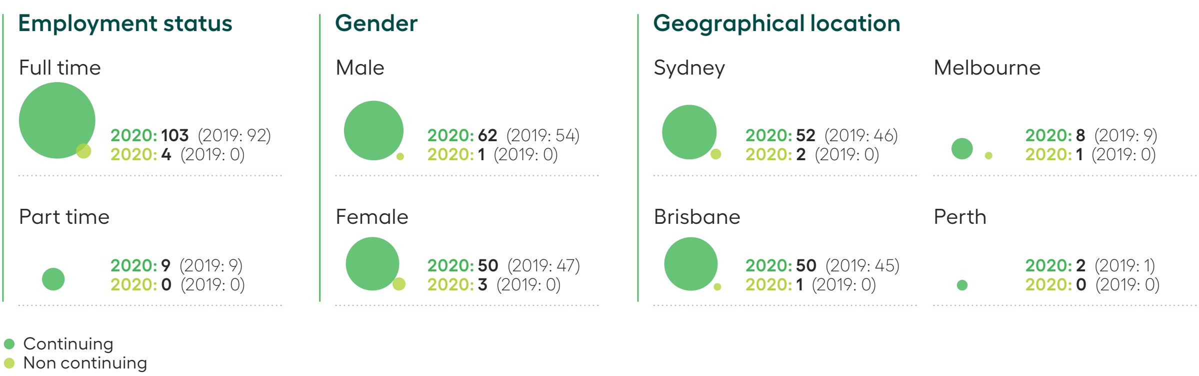
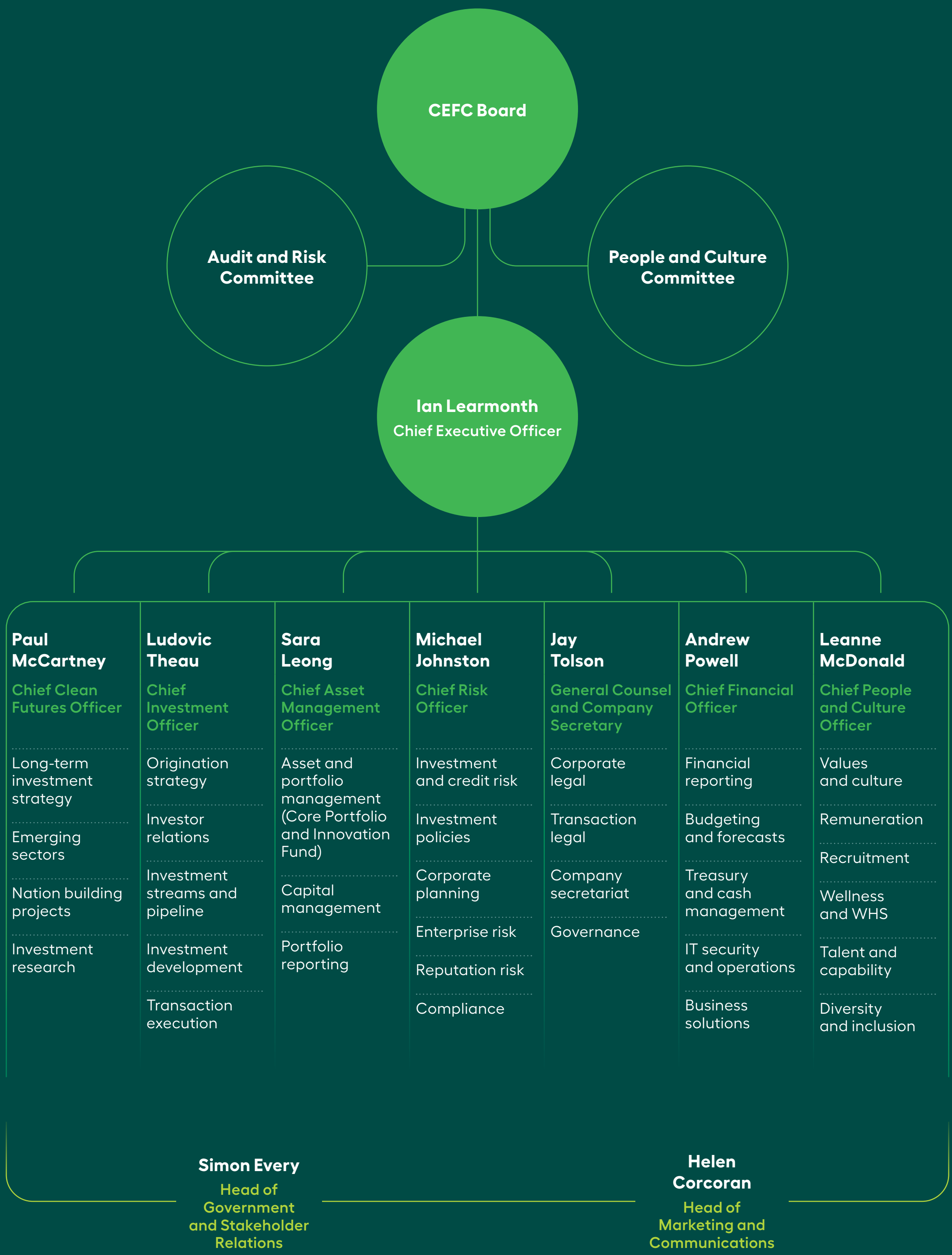


Figure 27: CEFC organisational structure



How we work

With the backing of the Australian Government, the CEFC plays a unique role in the Australian economy, catalysing finance into clean energy opportunities alongside co-investors and supporting the development and deployment of low emission technologies, including those identified in the Technology Investment Roadmap.

We take a commercial approach to our activities, while also delivering on our public policy purpose to increase available finance for Australia's clean energy transformation and low emissions future. Across our portfolio, we invest to deliver a positive return for taxpayers.

We operate at the forefront of the finance and clean energy sectors, influencing businesses to set ambitious sustainability and economic goals and benefit from rapid advances in clean energy technologies. We provide tailored debt and equity finance to businesses and projects who deploy proven low emission technologies and to those that develop and commercialise clean energy technologies at early and later stages of development.

Market perceptions about our role as a specialist clean energy investor mean that CEFC employees are often invited to meet with private, government and international organisations to share information about our investments, our experience and insights into this dynamic sector. This includes contribution to the work of the global Green Bank Network. We welcome this ability to positively influence market and stakeholder understanding about the opportunities to invest in lowering emissions.

Terms of employment

CEFC employees are employed on individual contracts, with terms and conditions based on the National Employment Standards (NES) in the *Fair Work Act 2009*. The *Australian Government Industry Award 2016* covers non-executive employees. The CEFC Board has approved additional employment benefits, including paid parental leave, purchased leave, study assistance and professional memberships. Additional benefits were provided in 2019–20 in response to the COVID-19 pandemic, including special discretionary leave and support for establishing a home office, in line with CEFC work, health and safety guidelines.

A key aspect to supporting the attraction and retention of a diverse and high performing workforce, employee remuneration is determined with reference to market benchmarking data provided by the Financial Industry Remuneration Group (FIRG). This is the primary source of remuneration data for the financial services industry. The FIRG dataset is sourced from large, medium and small organisations across both private and public sectors, which the CEFC adapts for relevance to our business environment.

Eligible employees can participate in a Variable Compensation Plan. Central to the plan are the annual Corporate Key Performance Indicators (KPIs), focused on the strategic themes of Impact, Innovation and Organisational Effectiveness. Through the Variable Compensation Plan, the contribution of individual employees is measured alongside overall organisational performance. Additional information on payments to employees is available in Note 5 in the Financial Statements.

Our people

Living our values – our CEFC shared values underpin everything we do and the way we do it. Our values are integrated into our performance expectations and our values champions are recognised and rewarded at our regular All Staff Town Hall events and the annual CEO Values Awards.

Catalysts leading change.
We're driven to make a positive impact.

We're in this together.
We harness the power of many to forge a new path.

Trusted investor.
We work openly and honestly.

The courage to go first.
We're explorers of new frontiers.

Our people

The role of the CEFC is to stimulate private sector investment into initiatives that help Australia address some of its toughest emissions challenges. It is a responsibility that we do not take lightly and one we must meet with leadership, courage and commercial rigour. To address the opportunities and challenges in the clean energy sector, it is imperative that we attract, develop and retain the highest quality talent. In 2020, we created our first organisation-wide Capability Framework. This identifies 11 core capabilities for CEFC employees and describes the skills, knowledge and attributes required for successful performance at the CEFC. The new Capability Framework is aligned with our strategic direction.

For employees, the Capability Framework provides a structured and transparent approach to career development, designed to help build capabilities for both current and future roles. For managers, the Capability Framework establishes a common language of behavioural expectations, making it easier to provide teams with specific and actionable feedback and development coaching. It is also an important contributor to the identification of employees with the potential to progress and take on more responsibility.

Figure 28: CEFC Capability Framework

Delivers outcomes

- Plans, prioritises and delivers
- Critical thinking
- Bold and ambitious
- Resilient and tenacious

Engages others

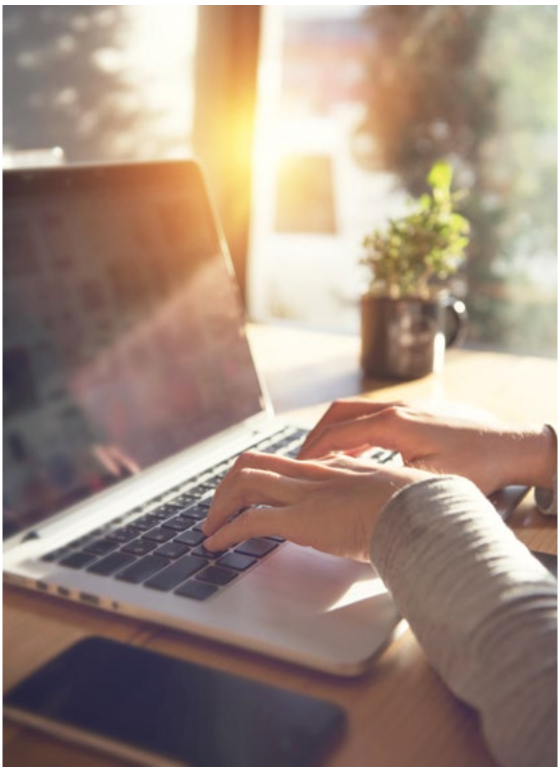
- Fosters relationships
- Communicates clearly
- Influences and negotiates
- Leads and motivates

Grows the business

- Curious and learning oriented
- Shapes the future
- Business minded and entrepreneurial

Professional development

The CEFC actively promotes and encourages individual professional development as a core contributor to our market impact, as well as broadening and deepening the skills of our people. While the COVID-19 pandemic curtailed some development activities in the second half (e.g. formal face to face training and site visits), by May of 2020, employees were provided with a range of opportunities for virtual participation in industry conferences, internal lunch and learn sessions, online learning and executive coaching.



The CEFC approach to professional development includes a wide suite of opportunities for employees:

- Participation in site visits to our investment projects, to learn first hand about the role of CEFC finance from investors and businesses adopting clean energy technologies
- Participation in industry conferences and speaking events play a dual role in ensuring our employees stay abreast of emerging clean energy technologies and have the chance to influence business readiness to adopt clean energy strategies
- Frequent "lunch and learn" sessions on market developments and emerging technologies are well attended, with external speakers a regular feature. These sessions provide an important opportunity for CEFC employees to increase their understanding of relevant developments in the clean energy sector, as well as share our own insights and knowledge with others, creating collaborative relationships across our market
- Formal training in specific technical expertise is offered to ensure CEFC team members have the know-how, technical skills and impact required to fulfil our mission
- We encourage secondments as a means of broadening employee experience and gaining unique industry experience
- Executive coaching, professional development and support for further tertiary study enables CEFC employees to continually deepen their expertise and build their capability as influencers in our sector
- Induction and annual refresher training via our e-learning platform iLEARN ensure employees are up to date on the compliance and legal obligations underpinning our business.

Reconciliation Action Plan

We were pleased to introduce our first Reconciliation Action Plan (RAP) in 2019–20, representing the Reflect phase of the RAP process.

In our first Reflect RAP, we acknowledge that we must set a solid foundation and understanding of our relationships and role within Reconciliation. Our Reflect goals are:

1. Understand and improve our level of awareness of Aboriginal and Torres Strait Islander histories, cultures and peoples.
2. Know and understand the Traditional Custodians and Aboriginal and Torres Strait Islander stakeholders.
3. Examine how we can contribute to better outcomes from the perspectives of an employer, procurer, responsible investor and industry leader.

CEFC RAP artwork by Wiradjuri artist **Jordana Angus:** ***Creating a sustainable future.***

We are pleased to be working with CareerTrackers, a national non-profit organisation creating pathways and support systems for Aboriginal and Torres Strait Islander young adults so they can attend and graduate from university, with high marks, industry experience and bright professional futures.

Through CareerTrackers, we welcomed our first Aboriginal and Torres Strait Islander intern in November 2019. In parallel, we are examining our approach to recruitment to help ensure we attract Aboriginal and Torres Strait Islander candidates. In particular, we have identified Indigenous Employment Australia as an important recruiting tool and will post suitable employment opportunities on its website.

We continue to include an Acknowledgement of Country in our all staff meetings and offer Aboriginal and Torres Strait Islander cultural awareness and engagement as part of our staff development. We are also a signatory to the Statement of Reconciliation, along with other Government agencies.

To support our Reconciliation objectives, the CEFC also procured Australian Carbon Credits Units from Wiralla Station carbon farming project. The carbon farming project is a collaboration between the Traditional Custodians of Wiralla Station, the pastoralist and Climate Friendly, to develop joint benefits such as native forest regeneration.

Diversity and inclusion

At 30 June 2020, the CEFC had 116 employees, an increase of 15 on the prior year. As a specialised financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42 years. We offer flexible work arrangements to all employees, as well as paid parental leave and purchased leave, reflecting the diverse needs and preferences of our people.

The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas has slightly increased to 47 per cent, including 55 employees from 21 countries, in addition to those born in Australia.

Gender equity

Overall, CEFC gender diversity remained steady in 2019–20, at 54 per cent male and 46 per cent female. The CEFC Executive Team (including the CEO) is 25 per cent women and 32 per cent of senior management positions are held by women.

There were 10 promotions in 2019–20 and of these, three were women. As a result of these promotions, the first woman was promoted to Executive Director level. A favourable improvement in gender balance has occurred within the Investment Team, with 41 per cent women in 2020 (up four per cent); and at the Executive Director level (up 17 per cent from zero); Director level (up 12 per cent to 33 per cent); and Associate level (up 44 per cent to 63 per cent) due to promotions and targeted recruitment.

The gender pay gap was 22.6 per cent (excluding CEO data) in favour of men. This level was considerably ahead of that for similar-sized organisations in the financial services sector, which was reported at 45 per cent (in favour of men) by the Workplace Gender Equality Agency (WGEA) in 2020. Further, using career levels where gender pay comparisons can be calculated, the CEFC has achieved an average pay gap of seven per cent in favour of males. This average pay gap relates to experience levels as well as different market pay rates across the range of specialities within each career level.

We continue to focus on improving gender equity, with an emphasis on increasing female representation at senior leadership levels and supporting initiatives which assist in the attraction and retention of female talent.

Women in Sustainable Finance

The CEFC continued to take a lead role in the Women in Sustainable Finance (WISF) initiative. We co-founded WISF in 2016 to fill a market gap for an Australian based diversity group with a focus on the growing area of sustainable investment. The WISF network has grown to more than 1200 members, with organising committees in New South Wales, Queensland and Victoria. Five events were held during 2019–20, with discussions on a range of industry topics pertinent to the sustainable finance sector, including impact investing, cleantech and innovation, sustainable agriculture and the Sustainable Development Goals.

International Women's Day

CEFC employees marked International Women's Day with a presentation from Grameen Australia, which aims to help lift people out of poverty through the provision of microfinance and financial education.

Operating through the pandemic

The CEFC operated throughout the COVID-19 pandemic, rapidly transitioning from a highly mobile yet office-based workforce to an organisation where employees were working productively from home. Keeping our people safe and healthy has been the priority throughout.

A COVID-19 Response Team, involving Office Management, Operational Risk and People and Culture representatives, formulated a COVID-19 response plan at the beginning of March 2020. We follow the latest advice from Australian and State Government health departments and have implemented a series of controls aligned with SafeWork Australia guidance.

A rapid, smooth transition

We were required to close our Brisbane, Sydney, Melbourne and Perth offices from March. Business continuity preparedness, which has been central to Information and Communication Technology (ICT) decision making since inception, meant we were well placed to support a rapid switch to working from home.

In early March, all remaining desktop computers were replaced, ensuring all employees were using laptop computers, supported by cloud based applications. In the first two weeks of working from home, the internal IT support team reached out to all employees individually to ensure their needs were addressed. Some additional ICT resources were deployed in response, including 30 mobile data services and 40 computer monitors. Mobile data usage on corporate services increased 300 per cent by the end of April, compared with early March.

Computer based video conferencing has become an essential part of everyday work life since the transition to working from home. Use of our main video conferencing platform increased more than 500 per cent on pre-COVID levels. Additional products including Microsoft Teams, Lifesize and ON24 were adopted to meet communication and collaboration needs.

An upgraded intranet news portal for employees launched in February has been instrumental in keeping our people informed and connected. User guides published on the intranet and online training sessions have supported new products and technologies.

Maintaining safety and wellbeing

While a convenient option, working from home potentially poses new risks for employees related to physical safety, productivity and mental and physical wellbeing. Regular "pulse" surveys have helped us monitor and minimise these risks. We have provided increased access to our Employee Assistance Program, provided additional personal leave as well as virtual exercise and meditation programs. A working from home Workplace Health and Safety (WHS) audit was conducted and reimbursements were provided for home safety equipment and IT accessory purchases. The CEFC also assisted employees who wished to obtain ergonomic office chairs to ensure they could continue to work from home safely.

Prior to re-opening our Sydney and Brisbane offices, we undertook modifications to ensure our facilities were COVID-safe, based on SafeWork Australia guidelines. Workforce rotations have ensured we have met social distancing requirements, with the return to the office operating on a voluntary basis.

An internal audit of the COVID-19 Response has assisted us to further enhance the design and implementation of key WHS controls already established in our offices, to protect employees who may be more vulnerable to COVID-19 due to compromised immune systems or chronic illnesses.

We have undeniably proven to ourselves our ability to function well as an organisation with employees working from home.

Employee pulse
survey response

COVID-19 operational changes

↑500%

Primary video conferencing calls

↑300%

Corporate services mobile data usage

Risk approach

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 the Executive Risk Committee, Executive Investment Committee, the Joint Investment Committee (with ARENA) for the Clean Energy Innovation Fund and the 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, reputational, operational and regulatory risks.

We employ a "three lines of defence model" where the front line is responsible for risk, supported and challenged by the (second line) independent risk function and the (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 CEFC investments and for the Corporation itself. Further, the 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.

Risk culture

Establishing and maintaining a culture where risk identification, evaluation and management is valued and promoted throughout the organisation is a critical enabler of effective risk management. An independent review of risk culture was conducted during 2019–20 with identified areas for improvement addressed. Further, we continue to monitor risk culture as an integrated part of our ongoing employee engagement and alignment assessment.

Our Values and the Code of Conduct and Ethics set the standards of behaviour we require of our people. We promote 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
- We invest in our risk management capabilities, including implementing cost-effective controls.

Investment risk

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

The Risk Appetite Statement that is set by the Board is implemented throughout the business by establishing risk limits and risk indicators that are monitored and regularly reported. These cover areas including, but not limited to, sector-specific risks, equity risk, counterparty risk and technology risk.

Legislative and government information

Clean Energy Finance Corporation Act 2012 (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 2019–20 there were no amendments to 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).[1] After the reporting period the *Clean Energy Finance Corporation Amendment (Grid Reliability Fund) Bill 2020* was introduced to the Australian Parliament to give effect to the GRF. At the time of writing the Bill was awaiting parliamentary consideration.

Responsible Ministers

Under the CEFC Act, the CEFC has two responsible Ministers. At the beginning of the 2019–20 reporting period and to the time of writing, they were:

- The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction
- Senator the Hon Mathias Cormann, Minister for Finance.

During the period 2019–20 up to 31 January 2020, the CEFC was located within the Department of Environment and Energy. On 1 February 2020, in line with machinery of government changes, the CEFC moved to the Industry, Science, Energy and Resources portfolio.

Nominated Minister

The nominated Minister is one of the responsible Ministers and exercises additional powers and functions under the CEFC Act. The CEFC Act provides that the responsible Ministers must determine between themselves who is to be the nominated Minister. For the period 2019–20 the nominated Minister was the Hon Angus Taylor MP, Minister for Energy and Emissions Reduction.

1 Prime Minister, Minister for Finance, Minister for Energy and Emissions Reduction Media Release: $1 billion boost for power reliability, 30 October 2019.

Ministerial powers of direction

CEFC Act

The CEFC Act is structured in such a way as to maximise operational independence, particularly with respect to investment decision making. Ministerial powers to direct under the CEFC Act are limited primarily to Investment Mandate Directions. The CEFC can be directed by Ministers to pay surplus funds to the CEFC Special Account, as the CEFC was not conceived as having a treasury function. Such a direction remained in effect throughout the reporting period.

Figure 29: Ministerial directions 2019–20

Operative dates	Nominated Ministers
Throughout the period from 1 June 2019	Ministerial Direction to repay surplus monies to the CEFC Special Account, signed 5 May 2016 by the Hon Greg Hunt MP, then Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.

Investment Mandate Directions

The responsible Ministers may issue one or more directions to the CEFC Board under sub-section 64(1) of the CEFC Act; these are known as the Investment Mandate. This is the means by which the Government of the day provides instruction as to policies to be pursued by the CEFC in performing its investment function, provided that this:

- does not have a purpose of directing the CEFC to make or not make a particular investment
- is not inconsistent with the CEFC Act (including the object of the CEFC Act).

Figure 30: Investment Mandate Directions in effect 2019–20

Name	Date issued	Date registered	Date of effect
Clean Energy Finance Corporation Investment Mandate Direction 2020	1 May 2020	5 May 2020	2 May 2020
Clean Energy Finance Corporation Investment Mandate Direction 2019	11 Nov 2019	16 Dec 2019	17 Dec 2019
Clean Energy Finance Corporation Investment Mandate Direction 2018	14 Dec 2018	14 Dec 2018	17 Dec 2018

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 2019–20.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2019–20 year.

Legislative and government information

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 31: CEFC procurement contracts in place 2019–20

Contract date	Contract value $	Expensed 2019–20 $	Contracting party	Purpose of contract
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
June 2015	555,591	260,790	Technology One Ltd	Five-year license fee, three-year minimum maintenance and support, initial implementation costs, ongoing development costs and fees for software and cloud services
March 2016	4,331,218	769,628	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
May 2017	4,046,431	762,095	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	90,230	Knight Frank Australia Pty Ltd	Lease of premises at Level 13, 222 Exhibition Street, Melbourne from 1 July 2017 to 30 June 2022
January 2018	218,763	74,018	Reval.com Inc	Three-year license fee renewal, maintenance and support for Loan Management System
July 2019	188,747	188,747	Australian Government Comcover	General, professional indemnity, D&O, property including business interruption and travel insurance for the period 1 July 2019 to 30 June 2020
July 2019	263,334	263,334	Bloomberg Australia Pty Ltd	Bloomberg terminal and NEF All Insight Package Level III
July 2019	84,528	84,528	Charterhouse Recruitment Pty Ltd	Temporary staff under contract
July 2019	130,057	130,057	Corrs Chambers Westgarth	Legal fees incurred for various investment projects for the period 1 July 2019 to 30 June 2020
July 2019	489,105	489,105	Datacom Systems Pty Ltd	IT support, applications and hardware for the period 1 July 2019 to 30 June 2020, including provision of an onsite resource for part of the year
July 2019	527,381	527,381	Glass and Co Pty Ltd	Provision of information technology outsourced consulting services, in accordance with individual statements of work

Contract date	Contract value $	Expensed 2019–20 $	Contracting party	Purpose of contract
July 2019	260,633	260,633	Herbert Smith Freehills	Legal fees incurred for various investment projects, Australian Financial Services Licence and employment matters for the period 1 July 2019 to 30 June 2020
July 2019	143,825	143,825	Intalock Technologies Pty Ltd	Information technology security monitoring services
July 2018	358,554	358,554	King & Wood Mallesons	Legal fees incurred for various investment projects, Anti-Money Laundering/Counter Terrorism Financing program review and GST Grouping advice for the period 1 July 2019 to 30 June 2020
July 2019	98,267	98,267	Macquarie Telecom Pty Ltd	Provision of telecommunications, data and hosting for the period 1 July 2019 to 30 June 2020
July 2019	156,317	156,317	MinterEllison	Legal fees incurred for various investment projects, preparation of Australian Financial Service Licence policies and Director and Responsible Manager training for the period 1 July 2019 to 30 June 2020
July 2019	481,281	481,281	National Australia Bank	Bond custody fees for the period 1 July 2019 to 30 June 2020
July 2019	275,000	275,000	Pricewaterhouse-Coopers	Internal Audit engagement for the period 1 July 2019 to 30 June 2020
July 2019	619,339	619,339	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2019 to 30 June 2020 under the whole of government travel procurement program
July 2019	160,304	160,304	Entity Business Pty Ltd t/a Tandem Partners	Temporary staff under contract
July 2019	167,599	167,599	Wiliam Pty Ltd	Maintenance, programming and technical services associated with the CEFC website; digital production and deployment of the 2018–19 CEFC Annual Report
August 2018	256,105	256,105	Designate Group Pty Ltd	Design, development and production of the 2018–19 CEFC Annual Report; development of marketing-related materials; contribution to development of CEFC values and capability framework
September 2019	106,346	106,346	Arup Australia Pty Ltd	Various technical reviews and market reports
October 2019	124,980	124,980	KPMG	Review of ICT capability and provision of investment valuation services
October 2019	102,876	102,876	Oppeus International Pty Ltd	Permanent placement fees and expenses for recruitment of senior executive
June 2020	293,700	293,700	Australian National Audit Office	Audit of financial statements for year ended 30 June 2020
Total	**15,599,782**	**7,318,822**		

Other legislation, government policies and governance events

PGPA Act 2013 and compliance with finance law

As a corporate Commonwealth entity, CEFC activities are governed by the 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.

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2019–20. Note 1 to the Financial Statements contains more information about how the PGPA Act impacts the financial governance of the organisation and the preparation of the accounts.

Other statutory requirements affecting the CEFC

As a corporate Commonwealth entity which participates actively and commercially in the finance sector, the CEFC complies with a range of other statutory reporting requirements. An Index to Annual Reporting Requirements can be found at Appendix A.

Independent Review in project and investment decisions

On 2 March 2020, the Minister for Energy and Emissions Reduction requested the Secretary of the Department of Industry, Science, Energy and Resources to lead an independent review of CEFC project and investment decisions relating to peer-to-peer lender RateSetter (since renamed Plenti). The CEFC has participated fully with the Independent Review. At the time of writing the final report was pending release.

Australian National Audit Office Performance Audit

During 2019–20 the ANAO conducted an audit of the CEFC to 'assess the effectiveness of the selection, contracting and ongoing management of investments … and the extent to which the CEFC is meeting its legislated objective'. At the time of writing, the ANAO report had not been released.

There were no other reports about the CEFC from the Auditor-General in 2019–20 apart from the Independent Auditor's Report accompanying the financial statements, as reproduced in the CEFC 2018–19 Annual Report.

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2019–20 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 Commonwealth Ombudsman Annual Report for 2018–19 disclosed the CEFC as an agency which had received fewer than four public interest disclosures.

As far as the CEFC is aware, the only Parliamentary Committee report which substantially involved the CEFC during 2019–20 was the Senate Environment and Communications Legislation Committee Report on Additional Estimates 2019–20 (March 2020).

The CEFC was made aware that in this section of the CEFC 2018–19 Annual Report an additional Committee report should have been disclosed, being the *Report of the Senate Select Committee on Electric Vehicles*, delivered in January 2019.

Other government policy

The CEFC works closely with the Department of Industry, Science, Energy and Resources and other portfolio agencies, including ARENA, to contribute to the delivery of Australian Government policy initiatives. In 2019–20, specific examples included the formal secondment of CEFC employees to the Underwriting New Generation Investments (UNGI) program, as well as contribution to the development of the Technology Investment Roadmap.

As a corporate Commonwealth entity we are not formally bound by many Australian Government policies (such as those applicable to *Public Service Act 1999* agencies). However, the CEFC applies policy guidance on matters distributed by central authorities (such as the Australian Public Service Commission (APSC)) in a range of areas (an example is in respect to workplace bargaining and remuneration policy). Such policies are applied by the CEFC on a case-by-case basis having regard to the particular policy and the CEFC circumstances. For example, most recently, the CEFC has chosen to align with recent APSC guidance on wage restraint during the COVID-19 pandemic, with more detail provided in Appendix G.

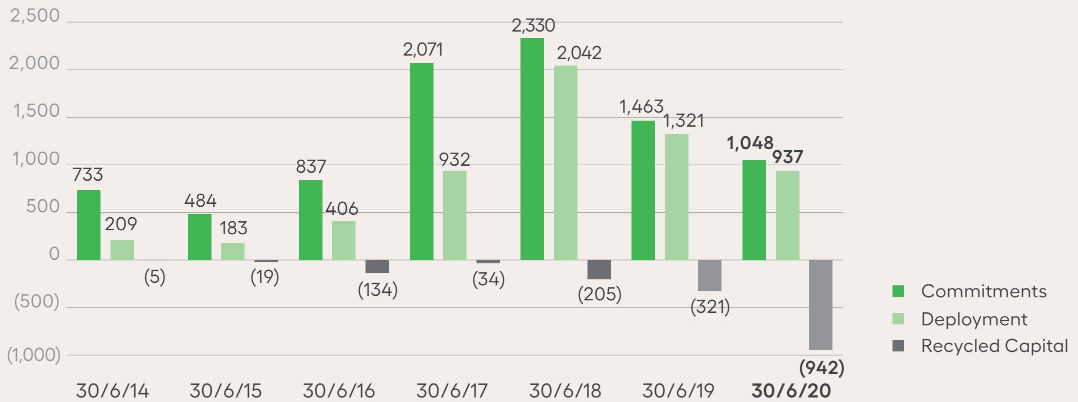
03

Financial Information

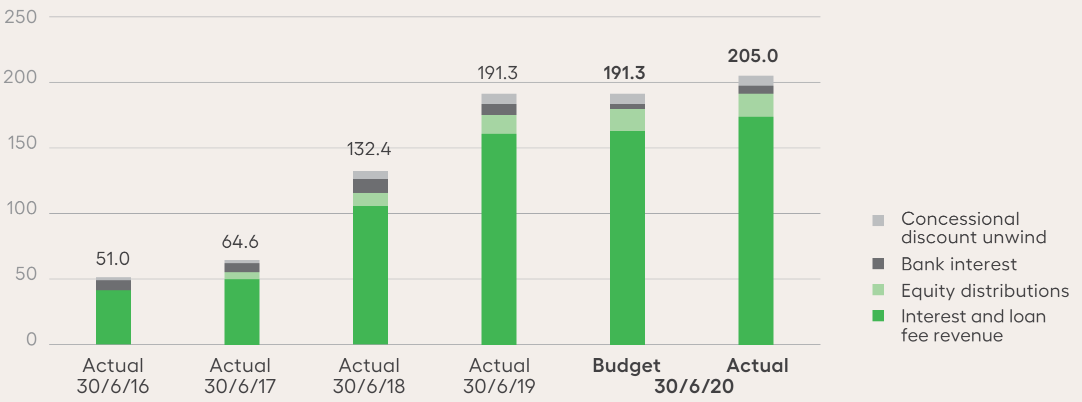
Summary financial data

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

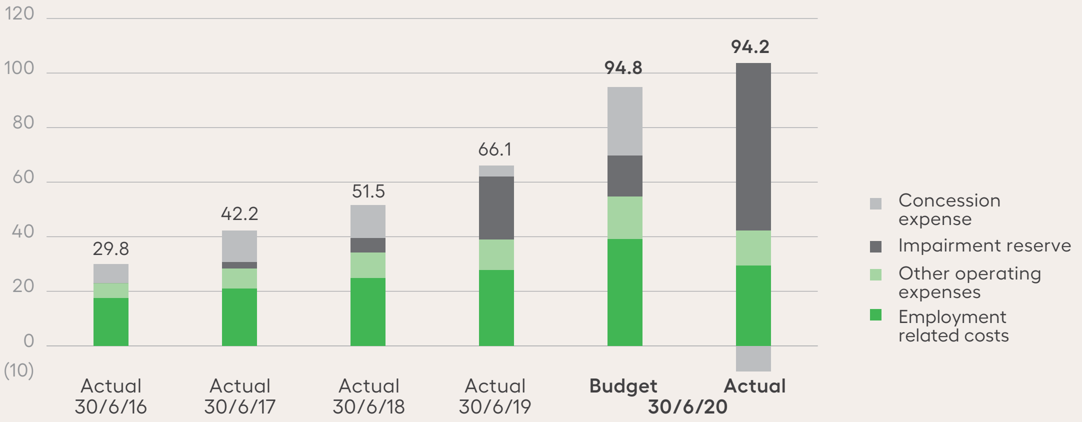
New commitments/deployment/recycled capital ($m)



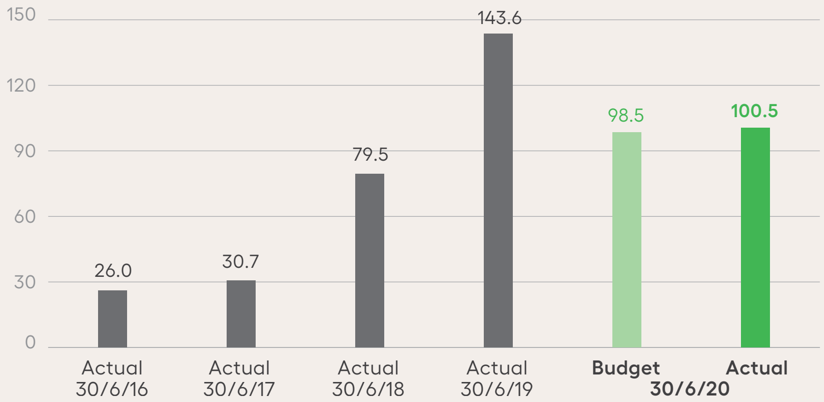
Revenue ($m)



Operating expenses/impairment/concession ($m)



Normalised surplus from operations ($m)



Reconciliation of Surplus from operations to Normalised surplus from operations ($m)

	Actual 30/6/2016	Actual 30/6/2017	Actual 30/6/2018	Actual 30/6/2019	**Budget 30/6/2020**	**Actual 30/6/2020**
Reported surplus from operations	21.1	21.7	73.7	218.8	81.5	**151.8**
Less: FV Gains from loans and bonds at FVTPL	–	–	–	(71.5)	–	**(34.6)**
Less: Concessional Discount Unwind	(2.0)	(2.4)	(6.2)	(7.6)	(8.0)	**(7.3)**
Add: Concession expense	6.9	11.4	12.0	3.9	25.0	**(9.4)**
Normalised surplus from operations	**26.0**	**30.7**	**79.5**	**143.6**	**98.5**	**100.5**

Notes

Normalised surplus from operations represents the underlying financial performance of the Corporation and excludes:

a. The non-cash concessional loan charges and unwind of these as revenue

b. The impact of fair value gains/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 Corporation.

Core Portfolio PBR[1] (%)

	30/06/20 Actual	30/06/20 Normalised
Cumulative return[2]	4.75[3,4]	4.30[4]
PBR (5 year bond rate + 3–4%)	5.28–6.28	5.28–6.28
Annualised return	3.56[5,6]	2.84[6]
Annualised PBR (5 year bond rate + 3–4%)	5.05–6.05	5.05–6.05

Notes

1. The Portfolio Benchmark Return (PBR) rates are established as targets in the Clean Energy Finance Corporation Investment Mandate Direction 2018
2. Since inception
3. Includes 0.72% FV Gains on Bonds and Loans at FVTPL
4. Net of 0.83% relating to impairment allowance for portfolio losses
5. Includes 0.72% FV Gains on Bonds and Loans at FVTPL
6. Net of 1.37% relating to impairment allowance for portfolio losses.

Clean Energy Innovation Fund PBR[1] (%)

	30/06/2020 Actual
Cumulative return[2]	(6.02)
PBR (5 year bond rate + 1%)	3.15

Notes

1. The Portfolio Benchmark Return (PBR) rates are established as targets in the CEFC
2. Returns since its inception include the impact of fair value adjustments on early-stage equity commitments, where negative returns may be anticipated in the early years of investment.

Independent Audit Report

INDEPENDENT AUDITOR'S REPORT

To the Minister for Energy and Emissions Reduction

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 2020:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2020 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 2020 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive Officer and Chief Financial Officer;
- 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 2020 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.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Consolidated Entity, the Members of the Board of the Corporation ("Board") are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements 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.

Independent Audit Report
continued

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

Brandon Jarrett

Senior Executive Director

Delegate of the Auditor-General

Canberra

20 August 2020

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

In our opinion, the attached financial statements for the year ended 30 June 2020 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	**Laura Reed**	**Ian Learmonth**	**Andrew Powell**
Chair of the Board	Board member	Chief Executive Officer	Chief Financial Officer
20 August 2020	20 August 2020	20 August 2020	20 August 2020

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	29,518	27,827
Suppliers	2.1B	9,835	10,215
Depreciation and amortisation	3.2A	2,806	1,031
Finance costs	2.1F	27	–
Concessional loan charges	2.1C	4,044	9,106
Impairment loss allowance on financial instruments	2.1D	61,400	23,099
Total expenses		**107,630**	**71,278**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	2.2A	187,203	177,141
Distributions from trusts and equity investments	2.2B	17,789	14,162
Total own-source revenue		**204,992**	**191,303**
Gains and losses			
Fair value losses on financial instruments	2.1E	(48,707)	(15,427)
Fair value gains on financial instruments	2.2C	43,130	95,775
Profit from sale of assets	2.2D	44,387	11,230
Reversal of prior period concessional loan charges	2.1C	13,410	5,184
Total net gains/(losses)		**52,220**	**96,762**
Total own-source income		**257,212**	**288,065**
Net contribution by services		**149,582**	**216,787**
Revenue from government	2.3	1,925	–
Share of associates and joint ventures	3.1F	2,260	2,051
Surplus from continuing operations		**153,767**	**218,838**
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	(6,967)	(162)
Total other comprehensive income		**(6,967)**	**(162)**
Total comprehensive income		**146,800**	**218,676**

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

Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	848,179	350,761
Trade and other receivables	3.1B	17,629	18,479
Loans and advances	3.1C	2,273,066	2,569,117
Other debt securities	3.1D	1,447,706	1,308,708
Equities and units in trusts	3.1E	520,757	487,264
Equity accounted investments	3.1F	180,104	153,631
Total financial assets		**5,287,441**	**4,887,960**
Non-financial assets			
Property, plant and equipment	3.2A	3,208	1,039
Computer software	3.2A	413	450
Prepayments		535	552
Total non-financial assets		**4,156**	**2,041**
Assets held for sale	3.1G	–	1,374
Total assets		**5,291,597**	**4,891,375**
LIABILITIES			
Payables and deferred revenue			
Suppliers	3.3A	5,515	3,660
Deferred revenue	3.3B	39,195	43,686
Other payables	3.3C	7,491	8,293
Derivative financial liabilities	3.3D	1,887	1,514
Total payables and deferred revenue		**54,088**	**57,153**
Interest bearing liabilities			
Leases	3.4	2,808	–
Total interest bearing liabilities		**2,808**	**–**
Provisions			
Employee provisions	5.1	3,391	2,546
Other provisions	3.5	4,441	11,607
Total provisions		**7,832**	**14,153**
Total liabilities		**64,728**	**71,306**
Net assets		**5,226,869**	**4,820,069**
EQUITY			
Contributed equity	4.1	4,668,363	4,408,363
Reserves	2.4A	(6,889)	78
Retained surplus		565,395	411,628
Total equity		**5,226,869**	**4,820,069**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Opening balance								
Balance carried forward from previous year	411,628	179,071	78	42,791	4,408,363	3,808,363	4,820,069	4,030,225
Adjustment on initial application of AASB 9	–	13,719	–	(42,551)	–	–	–	(28,832)
Adjusted opening balance	**411,628**	**192,790**	**78**	**240**	**4,408,363**	**3,808,363**	**4,820,069**	**4,001,393**
Comprehensive income								
Surplus for the year	153,767	218,838	–	–	–	–	153,767	218,838
Other comprehensive income		–	(6,967)	(162)	–	–	(6,967)	(162)
Total comprehensive income	**153,767**	**218,838**	**(6,967)**	**(162)**	**–**	**–**	**146,800**	**218,676**
Transactions with owners								
Contributions by owners								
Equity injection from CEFC Special Account	–	–	–	–	260,000	600,000	260,000	600,000
Total transactions with owners	**–**	**–**	**–**	**–**	**260,000**	**600,000**	**260,000**	**600,000**
Closing balance as at 30 June	**565,395**	**411,628**	**(6,889)**	**78**	**4,668,363**	**4,408,363**	**5,226,869**	**4,820,069**

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

Consolidated Cash Flow Statement

for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from government		1,925	–
Interest and fees		151,406	147,288
Income distributions from trusts and equity investments		17,065	14,748
Total cash received		**170,396**	**162,036**
Cash used			
Employees		29,090	25,834
Suppliers		9,082	9,806
Interest payments on lease liabilities		27	–
Total cash used		**38,199**	**35,640**
Net cash from operating activities		**132,197**	**126,396**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		689,263	196,818
Sale of other debt securities		55,329	83,711
Sale of equities and units in trusts		251,145	24,213
Sale of investments in associates and joint ventures		10,487	40,667
Distributions from associates and joint ventures		1,791	4,199
Total cash received		**1,008,015**	**349,608**
Cash used			
Loans made to other parties		484,644	682,591
Purchase of other debt securities		134,779	278,937
Purchase of equities and units in trusts		237,697	79,751
Investment in associates and joint ventures		42,884	171,007
Purchase of property, plant and equipment		384	193
Purchase of computer software		598	518
Total cash used		**900,986**	**1,212,997**
Net cash from/(used by) investing activities		**107,029**	**(863,389)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		500,000	600,000
Total cash received		**500,000**	**600,000**
Cash used			
Return of equity		240,000	–
Principal payments of lease liabilities		1,808	–
Total cash used		**241,808**	**–**
Net cash from financing activities		**258,192**	**600,000**
Net increase/(decrease) in cash held		**497,418**	**(136,993)**
Cash and cash equivalents at the beginning of the reporting period		350,761	487,754
Cash and cash equivalents at the end of the reporting period	**3.1A**	**848,179**	**350,761**

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

Table of Notes to Consolidated Financial Statements

Notes to the 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 object 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); and
   - 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; and

- 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 2020, two new Investment Mandates were received replacing their predecessors:

- At the start of the year, the *Clean Energy Finance Corporation Investment Mandate Direction 2018* (**Investment Mandate 2018**) was in effect. Among other things, the Investment Mandate 2018 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**)
    - $200 million for debt and equity investment through the Clean Energy Innovation Fund (**Innovation Fund**), which (unlike the two notional reserves above) has a greater risk and a lower Portfolio Benchmark Return target than the CEFC's core 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.
- On 17 December 2019, the *Clean Energy Finance Corporation Investment Mandate Direction 2019* (**Investment Mandate 2019**) came into effect repealing and replacing the Investment Mandate 2018.
  - The 2019 Investment Mandate leaves the above 2018 Investment Mandate settings in place, but created a new $100 million Australian Recycling Investment Fund with the same risk and return settings as the core fund (similar to the RFP and the SCIP).

- On 2 May 2020 the *Clean Energy Finance Corporation Investment Mandate Direction 2020* (**Investment Mandate 2020**) came into effect repealing and replacing the Investment Mandate 2019 and remains the current Investment Mandate.
  - The Investment Mandate 2020 leaves the Investment Mandate 2019 settings in place but created a new Advancing Hydrogen Fund for up to $300 million concessional finance designated in respect of hydrogen technologies with risk and return settings similar to the Innovation Fund.

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 general purpose financial statements and 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

- Australian Accounting Standards ('AAS') and Interpretations – Reduced Disclosure Requirements ('RDR') 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 except for the changes in accounting policies required following the adoption of new Accounting Standards effective from 1 July 2019, discussed further under New Accounting Standards below.

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: Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

While the specific areas of judgement described in these Notes to the Consolidated Financial Statements did not change, the impact of COVID-19 resulted in the application of further judgement in calculating the provision for impairment described in Notes 2.1D and 3.1.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Consolidated Entity's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Impact of COVID-19 on the macro-economic outlook

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the Consolidated Entity's forward-looking assumptions for the purposes of its expected credit loss (ECL), has been provided in Note 3.1 to the financial statements.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Notes to the Consolidated Financial Statements

Note 1: Overview continued

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, the Group has:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above
- updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities
- reviewed external market communications to identify other COVID-19 related impacts
- reviewed public forecasts and experience from previous downturns
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19
- run multiple stress testing scenarios to assess the potential impacts of the COVID-19 pandemic on its portfolio to assist in the organisation's prudent risk management, and
- considered the impact of COVID-19 on the Group's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Key statements of financial position sheet items and related disclosures that have been impacted by COVID-19 were as follows:

Loans and advances and Other debt instruments

In response to COVID-19 the Group undertook a review of its credit portfolio and other financial asset exposures, carried at Amortised Cost, and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology, Significant Increase in Credit Risk (SICR) thresholds, and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weightings, together with the determination of the staging of exposures were however revised. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Notes 2.1D and 3.1.

Equities and units in trusts

Given recent market volatility, the Group reviewed the appropriateness of the valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of exposures in the fair value hierarchy. The Group's financial investments include a portfolio of unlisted equity investments which are measured at fair value through profit or loss (FVTPL). The determination of the investments' carrying value included a consideration of the impact of COVID-19. We have seen property and infrastructure funds starting to factor in the anticipated impacts of COVID-19 economic slowdown with incremental movements to 30 June 2020. We expect this will become more apparent in the valuations over the course of the September 2020 quarter (and if recovery is protracted, potentially December 2020) as the underlying businesses continue to assess the short and longer term implications and factor these into their budgets and business plans. Independent property valuations covering the assets within the funds in which we have invested have typically incorporated immediate/short term cashflow implications (e.g. rental abatements) rather than revisions to core assumptions such as capitalisation and discount rates (in the absence of market comparable data and given market uncertainty). We expect the latter to be assessed over the ensuing months and this could see further volatility in the valuation of our interests in equities and units in unit trusts over the ensuing months.

Interest in associates and joint ventures and investments in subsidiaries

The Group and the Corporation test the carrying amount of each of their investments for impairment, by comparing the investment's recoverable amount with its carrying value. In addition to the Corporation assessing its investments in subsidiaries for impairment, the Corporation and Group re-affirmed that there were no circumstances as a result of COVID-19 that would affect the existing control or significant influence conclusion for these investments. Refer to Note 3.1F.

Property, plant and equipment and right-of-use assets

Given the impact of COVID-19, the Group's fixed assets were subject to impairment testing which concluded that no material impairment was required. Refer to Note 3.2.

Intangible assets

Consistent with the Group's accounting policies, the Group has tested intangible assets (comprising computer software) for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets. Such assessment incorporated a consideration of COVID-19. Refer to Note 3.2.

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 2020, and no certainty as to whether any benefit from those losses would ever be realised as they have incurred losses for the year ended 30 June 2020.

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; and

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.

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.

The new/revised/amending standards and/or interpretations applicable to the current reporting period include:

Standard/Interpretation	Application date for the Group
AASB 15 *Revenue from Contracts with Customers*	1 July 2019
AASB 16 *Leases*	1 July 2019
AASB 1058 *Income of Not-for-Profit Entities*	1 July 2019

All other new/revised/amending standards and/or interpretations that became applicable in the period are not expected to have a future material impact on the Group's financial statements.

No accounting standard has been adopted earlier than the application date as stated in the standard.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 superseded the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations for financial years beginning on or after 1 January 2019 for Not-for-profit entities.

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers, except for contracts within the scope of other accounting standards such as:

a) leases (AASB 16)

b) insurance contracts (AASB 4) and

c) financial instruments and other contractual rights or obligations within the scope of AASB 9 'Financial Instruments', AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 127 'Separate Financial Statements' and AASB 128 'Investments in Associates and Joint Ventures'.

As the Group's revenue is largely derived from its investments in financial instruments, adoption of AASB 15 has not had a material impact on the Corporation's revenue recognition.

Notes to the Consolidated Financial Statements

Note 1: Overview continued

AASB 16 *Leases*

AASB 16, which has replaced AASB 117, effectively does away with the distinction between an operating lease and a finance lease as lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group has applied AASB 16 with effect from 1 July 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under both AASB 117 and Interpretation 4 Determining whether an arrangement contains a lease. The resultant reclassifications and adjustments arising upon transition to AASB 16 have been recognised as a transition adjustment to the opening retained earnings on 1 July 2019.

At transition, the Group recognised lease liabilities of $4.6 million (including $0.7 million that was included in Other payables at 30 June 2019) under Interest bearing liabilities and right-of-use (ROU) assets of $3.9 million as part of property, plant and equipment. There was no net impact on Retained earnings as a result of adopting AASB 16.

The impact of the adoption of AASB 16 on the disclosure of premises lease payments is summarised in Note 2.1B.

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 'Revenue from Contracts with Customers'.

As the Group's revenue is largely derived from its investments in financial instruments, adoption of AASB 1058 has not had a material impact on the Corporation's revenue recognition.

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 Revised Conceptual Framework for Financial Reporting	1 July 2020

The AASB Conceptual Framework applies to for-profit entities. As the CEFC is a not-for-profit Australian Government controlled entity, the AASB Revised Conceptual Framework for Financial Reporting is not applicable.

1.6: Events after the Reporting Period

On 14 July 2020 the CEFC returned $350 million of surplus funds as a return of equity into the CEFC Special Account.

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 2020.

2.1: Expenses

	2020 $'000	2019 $'000
2.1A: Employee Benefits		
Wages and salaries	26,684	25,299
Superannuation		
Defined contribution plans	1,708	1,520
Leave and other entitlements	845	375
Separation and redundancy	281	633
Total employee benefits	**29,518**	**27,827**

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.

Notes to the Consolidated Financial Statements

Note 2: Financial Performance continued

	2020 $'000	2019 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	155	139
Consultants and contractors	2,477	2,228
Custody and facility fees	776	603
Data feeds and other subscriptions	688	538
Facility services and outgoings	334	338
Financial statement audit services	307	252
Information technology services	639	417
Insurance	263	242
Internal audit services	330	240
Legal fees	972	674
Marketing and communications	488	571
Recruitment services	531	452
Staff training and development	238	186
Telecommunications	157	145
Travel and incidentals	893	1,240
Other	525	280
Total goods and services supplied or rendered	**9,773**	**8,545**
Goods supplied	239	273
Services rendered	9,534	8,272
Total goods and services supplied or rendered	**9,773**	**8,545**
Other suppliers		
Rental expense – external parties	33	1,621
Workers compensation expenses	29	49
Total other suppliers	**62**	**1,670**
Total suppliers	**9,835**	**10,215**

Leasing commitments

The Group has entered into operating leases for office premises which expire between 28 February 2021 and 30 September 2022. The adoption of AASB 16 on 1 July 2019 has changed the way in which payments in connection with these rental agreements are disclosed.

	2020 AASB 16 $'000	2019 AASB 117 $'000
Rental paid is recognised as:		
Rental expense	33	1,621
Finance cost	27	–
Reduction in lease liability	1,808	138
Total premises lease payments	**1,868**	**1,759**
The amount expensed for premises rental is recognised as:		
Rental expenses	33	1,621
Finance cost	27	–
Depreciation of right-of-use asset	1,594	–
Total premises lease expense	**1,654**	**1,621**

	2020 $'000	2019 $'000
2.1C: Concessional Loan Charge/(Reversal)		
Concessional loan charges on commitments during the year	4,044	9,106
Reversal of concessional loan charges on prior period commitments, due to expiration or early termination of concessional loan arrangements	(13,410)	(5,184)
Total concessional loan (reversal)/charge	**(9,366)**	**3,922**

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.

Notes to the Consolidated Financial Statements

Note 2: Financial Performance continued

	2020 $'000	2019 $'000
2.1D: Impairment Loss Allowance on Financial Instruments		
Impairment charge on loans carried at Amortised Cost	59,740	23,050
Impairment charge on other debt securities carried at Amortised Cost	1,660	49
Total impairment on financial instruments	**61,400**	**23,099**

Accounting Judgements and Estimates

Impairment charge on loans and debt securities carried at Amortised Cost

Please also see discussion of the impact of COVID-19 in Note 1.

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 cash flows, 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 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:

- PR3 or worse for loans with current SCR BB+ and below
- PR4 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:

- 3 notch downgrade in loans with origination SCR's of AAA to A+
- 2 notch downgrade in loans with origination SCR's of A to BBB+
- 1 notch downgrade in loans with origination SCR of BBB and below

The Group's impairment provisioning methodology is discussed further in Note 3.1.

	2020 $'000	2019 $'000
2.1E: Fair Value Losses on Financial Instruments		
Fair value losses on loans carried at FVTPL	1,254	107
Fair value losses on other debt securities carried at FVTPL	1,412	–
Fair value losses on equities and units in trusts carried at FVTPL	46,041	15,320
Total fair value losses on financial instruments	**48,707**	**15,427**

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.

	2020 $'000	2019 $'000
2.1F: Finance Costs		
Interest on lease liabilities	27	–
Total finance costs	**27**	**–**

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with Notes 1.5, 2.1B and 3.4.

Notes to the Consolidated Financial Statements

Note 2: Financial Performance continued

2.2: Own-Source Revenue and Gains

	2020 $'000	2019 $'000
2.2A: Interest and loan fee revenue		
Interest and fees from loans and advances	131,826	123,587
Interest from other debt securities	41,997	37,370
Interest from cash and short-term investments	6,115	8,511
Unwind of concessional interest rate discount	7,265	7,673
Total interest and loan fee revenue	**187,203**	**177,141**

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.

	2020 $'000	2019 $'000
2.2B: Distributions from trusts and equity investments		
Distributions from trusts and equity instruments	17,789	14,162
Total distributions from trusts and equity investments	**17,789**	**14,162**

Accounting Policy

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

	2020 $'000	2019 $'000
2.2C: Fair value gains on Financial Instruments		
Fair value gains on Loans carried at FVTPL	–	432
Fair value gains on other debt securities carried at FVTPL	34,885	71,194
Fair value gains on equities and units in trusts carried at FVTPL	8,245	24,149
Total fair value gains on financial instruments	**43,130**	**95,775**

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 wherever possible.

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 cash flows 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)).

	2020 $'000	2019 $'000
2.2D: Profit from sale of assets		
Realised gains on sale of Financial investments carried at FVTPL		
Investments in trusts and equity instruments	41,890	4,722
Investments in debt securities	2,497	3,556
Realised profit on sale of interest in Associate	–	2,952
Total profit on sale of investments	**44,387**	**11,230**

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.

2.3: Revenue from government

	2020 $'000	2019 $'000
Contribution from Department of Industry, Science, Energy and Resources towards operating costs of Grid Reliability Fund	1,925	–
Total revenue from government	**1,925**	**–**

Notes to the Consolidated Financial Statements

Note 2: Financial Performance continued

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

2.4A: Reconciliation of unrealised gains/(losses) in reserves at 30 June 2020

	Cash Flow Hedge $'000	Total $'000
Unrealised gains/(losses) included in reserves, 1 July 2019	78	78
Unrealised gains/(losses) recorded in other comprehensive income during 2020	(6,967)	(6,697)
Unrealised gains/(losses) included in reserves, 30 June 2020	**(6,889)**	**(6,889)**

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 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.

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

Judgements and Estimates

Please also see discussion of the impact of COVID-19 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% of the principal relating to all the loans it makes, although the Group has not identified any individual loans that are not expected to be recoverable at the reporting date (2019: nil).

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 and, based on simulations applying the AASB 9 methodology to the Group's portfolio during the latter part of the financial year, the volatility of impairment provisions is expected to increase, although cash flows and cash losses would remain unchanged.

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 2020**	Weighting 2019
Base case	60%	60%
Upside	10%	10%
Downside	25%	25%
Electricity price collapse	5%	5%
Total statistically calculated provision	**100%**	**100%**

While the weighting ascribed to each of the scenarios is the same for both 2020 and 2019, the assumptions in each scenario have been updated since 1 July 2019. This change in assumptions included lower electricity price forecasts, lower GDP forecasts in recognition of the fact that the Australian economy is now in recession, as well as updates to interest rate and property price expectations, and contributed approximately $17 million of the increase in the Group's impairment provision year over year.

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

The provision at 30 June 2020, under each of these scenarios would have been between $65.1 million and $292.8 million and has been calculated on a weighted average basis as $121.1 million as follows, and disclosed as $119.2 million against loans and advances (refer Note 3.1C) and $1.9 million against other debt securities (refer Note 3.1D):

Scenario	Key Assumptions at 30 June 2020	Statistical Provision $m	Weighted Value $m
Base case	**Electricity prices:** Most recent quarterly forecast of wholesale prices sourced from an independent consultancy in both 2020 and 2019. 2020 forecasts are significantly lower over the near term than the 2019 forecasts. **Foreign Exchange rate:** June quarterly forecasts sourced from a financial information service at 30 June 2020 and 2019. **Interest rates:** Average June quarterly forecasts sourced from a financial information service at 30 June 2020 and 2019. The forward rates are anticipated to be lower longer than was forecast in the prior year. **GDP growth rate:** Real GDP forecast sourced from a financial information service at 30 June 2020 (2019: Federal Budget Statement 2019–20). The base case recognises that the Australian economy is now in recession, whereas this was only a hypothetical downside scenario in 2019. **Property prices:** These are anticipated to decrease from 1 July 2019 to 30 June 2021 and then recover by 30 June 2025 (2019: in line with then market expectations which was a slight increase over time).	101.1	60.6
Upside	Electricity prices are assumed to be 20% higher than the Base case from 1 July 2022 onwards. Property prices decrease less than the Base case and recover by 30 June 2022. GDP and interest rates are the same as the Base case.	65.1	6.5
Downside	Electricity prices are 20% lower than the Base case. Property prices decrease more than the Base case and do not recover in the near term. Interest rates increase from 1 July 2022 onwards. the current recession is anticipated to continue for longer than in the Base case.	157.4	39.4
Electricity price collapse	As for Downside scenario, however, wholesale electricity prices drop to $40/MwH and remain at that level.	292.8	14.6
			121.1

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 changes to Marginal Loss Factors in the 2018–19 financial year that seem to have not been anticipated by the industry, significant reductions in wholesale electricity prices across the NEM in the 2019–20 financial year, delays being experienced in construction and in connection to the network and some recent 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.

	2020 $'000	2019 $'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	848,179	350,761
Total cash and cash equivalents	**848,179**	**350,761**

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.

	2020 $'000	2019 $'000
3.1B: Trade and Other Receivables		
Goods and services receivables		
Trade debtors – external parties	138	–
Other receivables		
Interest and fees	14,720	16,795
Dividends and distributions	1,925	1,211
Accrued revenue	**16,645**	**18,006**
Unbilled receivables	805	323
Other receivables	41	150
Total other receivables	**17,491**	**18,479**
Total trade and other receivables (gross)	**17,629**	**18,479**
Less: Impairment allowance	**–**	**–**
Total trade and other receivables (net)	**17,629**	**18,479**

Credit terms for goods and services were within 30 days (2019: 30 days).

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

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

3.1C: Loans and Advances

	2020 Amortised Cost $'000	2020 FVTPL $'000	**2020 Total $'000**
Gross funded loans and advances	2,349,751	45,541	**2,395,292**
Concessional loan discount on drawn loans	(3,911)	(263)	**(4,174)**
Cumulative fair value adjustments	–	1,176	**1,176**
Funded loans, net of concessionality discount	2,345,840	46,454	**2,392,294**
Less impairment allowance	(119,228)	–	**(119,228)**
Net loans and advances	2,226,612	46,454	**2,273,066**

	2019 Amortised Cost $'000	2019 FVTPL $'000	**2019 Total $'000**
Gross funded loans and advances	2,549,688	86,453	**2,636,141**
Concessional loan discount on drawn loans	(9,436)	(531)	**(9,967)**
Cumulative fair value adjustments	–	2,431	**2,431**
Funded loans, net of concessionality discount	2,540,252	88,353	**2,628,605**
Less impairment allowance	(59,488)	–	**(59,488)**
Net loans and advances	2,480,764	88,353	**2,569,117**

Maturity analysis loans and advances, net of concessionality:

	2020 $'000	2019 $'000
Overdue or impaired	–	–
Due in 1 year	14,602	194,460
Due in 1 year to 5 years	887,672	596,213
Due after 5 years	1,490,020	1,837,932
Funded loans, net of concessionality discount	**2,392,294**	**2,628,605**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2020 was for an amount of $196.1 million (2019: $196.7 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2020			2019		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10m	37	47,049	2%	40	48,304	2%
$10m – $50m	20	462,670	19%	32	851,697	32%
$50m – $100m	15	1,043,303	44%	12	820,212	31%
>$100m	6	839,272	35%	6	908,392	35%
Funded loans, net of concessionality discount	**78**	**2,392,294**	**100%**	**90**	**2,628,605**	**100%**

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).

	2020		2019	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AAA	3,665	0%	7,595	0%
AA+ to AA–	75,836	3%	146,856	6%
A+ to A–	92,216	4%	296,273	11%
BBB+ to BBB–	527,948	22%	723,883	28%
BB+ to BB–	1,671,178	70%	1,397,899	53%
B+ to B–	21,451	1%	56,099	2%
Total loans and advances, net of concessionality discount	**2,392,294**	**100%**	**2,628,605**	**100%**

Risk factors are discussed further in Note 6.2.

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

Impairment allowance

Reconciliation of the Impairment Allowance:

Movements in relation to loans and advances	2020 Stage 1 (12 month ECL)	2020 Stage 2 (lifetime ECL)	**2020 Total $'000**
As at 1 July 2019	**45,664**	**13,824**	**59,488**
Increase recognised in impairment loss allowance on financial instruments	290	59,450	**59,740**
Change from Stage 1 to Stage 2	(6,299)	6,299	**–**
Change from Stage 2 to Stage 1	–	–	**–**
Closing balance at 30 June 2020	**39,655**	**79,573**	**119,228**

	2019 Stage 1 (12 month ECL)	2019 Stage 2 (lifetime ECL)	**2019 Total $'000**
As at 1 July 2018			**7,036**
Adjustment on adoption of AASB 9			**29,402**
Revised opening balance	**13,852**	**22,586**	**36,438**
Increase recognised in impairment loss allowance on financial instruments	24,993	(1,943)	**23,050**
Change from Stage 1 to Stage 2	(11,443)	11,443	**–**
Change from Stage 2 to Stage 1	18,262	(18,262)	**–**
Closing balance at 30 June 2019	**45,664**	**13,824**	**59,488**

The Group did not have any amounts past due but not impaired and no loans in provisioning Stage 3 at 30 June 2020 or 30 June 2019.

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.

3.1D: Other Debt Securities

	2020 Amortised Cost $'000	2020 FVTPL $'000	**2020 Total $'000**
Gross funded debt securities	383,027	969,752	**1,352,779**
Concessional loan discount	(650)	(7,710)	**(8,360)**
Cumulative amortisation of bond discount/(premium)	716	(1,918)	**(1,202)**
Cumulative fair value adjustments	–	106,410	**106,410**
Debt securities before impairment allowance	383,093	1,066,534	**1,449,627**
Impairment allowance	(1,921)	–	**(1,921)**
Net Other debt securities	381,172	1,066,534	**1,447,706**

	2019 Amortised Cost $'000	2019 FVTPL $'000	**2019 Total $'000**
Gross funded debt securities	343,160	905,964	**1,249,124**
Concessional loan discount	–	(12,026)	**(12,026)**
Cumulative amortisation of bond discount/(premium)	496	(1,561)	**(1,065)**
Cumulative fair value adjustments	–	72,936	**72,936**
Debt securities before impairment allowance	343,656	965,313	**1,308,969**
Impairment allowance	(261)	–	**(261)**
Net Other debt securities	343,395	965,313	**1,308,708**

Maturity analysis of debt securities:

	2020 $'000	2019 $'000
Overdue or impaired	–	–
Due in 1 year	82,960	2,908
Due in 1 year to 5 years	535,088	437,942
Due after 5 years	831,579	868,119
Other debt securities before impairment allowance	**1,449,627**	**1,308,969**

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 impairment charge of $1.66 million (2019: $0.049 million) in respect of its holding of other debt securities.

The largest single exposure in the other debt securities at 30 June 2020 was for an amount of $116.3 million (2019: $110.2 million).

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

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

	2020			2019		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
<$10m	1	5,484	1%	1	2,908	1%
$10m – $50m	18	541,328	37%	12	332,674	25%
$50m – $100m	12	786,467	54%	13	863,148	66%
>$100m	1	116,348	8%	1	110,239	8%
Total Other debt securities	**32**	**1,449,627**	**100%**	**27**	**1,308,969**	**100%**

The following table shows the diversification of Other debt securities at 30 June 2020 and 2019 by SCR:

	2020		2019	
	Value $'000	%	Value $'000	%
Corporation's Shadow Credit Rating				
AAA	10,842	1%	20,040	2%
AA+ to AA–	1,150,253	79%	1,125,435	86%
A+ to A–	156,556	11%	133,504	10%
BBB+ to BBB–	111,604	8%	29,990	2%
B+ to B–	20,372	1%	–	–
Total Other debt securities	**1,449,627**	**100%**	**1,308,969**	**100%**

Risk factors are discussed further in Note 6.2.

Impairment allowance – Other debt securities

	2020 $'000	2019 $'000
Reconciliation of the Impairment Allowance:		
Movements in relation to Other debt securities		
As at 1 July	261	–
Adjustment on adoption of AASB 9	–	212
Revised opening balance	**261**	**212**
Increase recognised in impairment loss allowance on financial instruments	1,660	49
Utilised for loan written off	–	–
Closing balance at 30 June	**1,921**	**261**

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

3.1E: Equities and units in trusts

	2020 $'000	2019 $'000
Gross funded Equities and units in trusts	516,422	445,133
Cumulative fair value adjustments	4,335	42,131
Equities and units in trusts	**520,757**	**487,264**

All equities and units in trusts are held at FVTPL in 2020 and 2019.

Concentration of risk and impairment – Equities and units in trusts

Equity investments are amounts held by way of 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.

The largest single exposure in the Equities in Units in Trusts portfolio at 30 June 2020 was for an amount of $92.9 million (2019: $120.6 million).

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

	2020			2019		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
<$10m	11	21,547	4%	13	29,385	6%
$10m – $50m	3	75,156	15%	2	33,543	7%
$50m – $100m	6	424,054	81%	1	75,523	15%
>$100m	–	–	–	3	348,813	72%
Total Equities and units in trusts	**20**	**520,757**	**100%**	**19**	**487,264**	**100%**

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

3.1F: Equity Accounted Investments

	2020 $'000	2019 $'000
Balance at 1 July	153,631	87,495
Investments made during the year	43,199	171,007
Distributions received during the year	(1,666)	(4,349)
Share of income/(loss) of Associates and Joint Ventures		
– through Profit and Loss	2,260	2,051
– through Other Comprehensive Income	(6,833)	–
Disposals made during the year	(10,487)	(37,715)
Reclassifications from FVTPL	–	752
Reclassifications to FVTPL	–	(65,610)
Balance at 30 June	**180,104**	**153,631**

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

	2020		2019	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity Accounted Investments				
Artesian Clean Energy Seed Fund	4,266	37.9%	2,083	38.1%
High Income Sustainable Office Trust	22,768	35.8%	22,951	42.2%
Jet Charge	3,490	20.4%	–	–
Kiamal Solar Farm	56,289	42.5%	49,835	42.5%
Mirvac Australian BTR Club	51,010	30.0%	31,282	30.0%
Morrison Growth Infrastructure Fund	20,722	29.9%	19,266	47.6%
Ross River Solar Farm	18,226	25.0%	24,307	25.0%
Tenacious Ventures Management Partnership	290	29.0%	–	–
Relectrify	3,043	22.2%	3,195	22.2%
Warada Capital*	–		712	50.0%
Total investments accounted for using the equity method	**180,104**		**153,631**	

* The Group disposed of its interest in Warada Capital during the year. Proceeds equalled the carrying value at disposal.

The Group has not made any loans to Associates and Joint Ventures at 30 June 2020 (2019: $Nil). The Group procured a $5 million bank Letter of Credit on behalf of Kiamal Solar Farm, with an expiry date of 31 August 2020, to facilitate the business activities of CEFC Investments Pty Ltd (2019: $Nil).

At 30 June 2020 the Group had committed to invest up to a further $209 million (2019: $389 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: Assets held for sale

	2020 $'000	2019 $'000
Equities and units in trusts for which the Group has issued instruction to sell	–	1,374
Assets held for sale	**–**	**1,374**

Accounting Policy

When the Group has commenced steps to dispose of a financial or non-financial asset it is reclassified as held for sale.

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 2020

	Property, plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2019			
Gross book value	2,545	1,104	3,649
Accumulated depreciation and amortisation	(1,506)	(654)	(2,160)
Total as at 1 July 2019	**1,039**	**450**	**1,489**
Initial recognition of Right-of-use asset on adoption of AASB 16	3,949	–	3,949
Additions:			
By purchase or internally developed	391	598	989
Depreciation and amortisation expense	(2,171)	(635)	(2,806)
Disposals:			
Gross book value	(258)	(642)	(900)
Accumulated depreciation and amortisation	258	642	900
Total as at 30 June 2020	**3,208**	**413**	**3,621**
Total as at 30 June 2020 represented by:			
Gross book value	6,627	1,060	7,687
Accumulated depreciation and amortisation	(3,419)	(647)	(4,066)
Total as at 30 June 2020	**3,208**	**413**	**3,621**

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

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

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

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 amounts of the assets do not differ materially from their fair values. As at 30 June 2020, 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 licence expires or when no further future economic benefits are expected from its use or disposal.

3.3: Payables and Deferred Revenue

	2020 $'000	2019 $'000
3.3A: Suppliers		
Trade creditors and accruals	5,515	3,660
Total suppliers	**5,515**	**3,660**

Settlement of supplier balances was usually made within 30 days.

	2020 $'000	2019 $'000
3.3B: Deferred Revenue		
Deferred establishment fees income	39,195	43,686
Deferred revenue expected to be recognised:		
No more than 12 months	7,005	5,901
More than 12 months	32,190	37,785
Total deferred revenue	**39,195**	**43,686**

	2020 $'000	2019 $'000
3.3C: Other Payables		
Wages and salaries	7,310	7,463
Superannuation	159	139
FBT liability	–	11
Lease liability*	–	667
Other	22	13
Total other payables	**7,491**	**8,293**

* Lease liability was reclassified to Interest Bearing Liabilities (Note 3.4) on 1 July 2019 upon the adoption of AASB 16.

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 FVPL

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.

Notes to the Consolidated Financial Statements

Note 3: Financial Position continued

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.

	2020 $'000	2019 $'000
3.3D: Derivative financial liabilities		
Cross Currency swaps	1,887	1,514
Total derivative financial (liabilities)/assets	**1,887**	**1,514**
Maturity analysis of derivative financial (liabilities)/assets:		
Due within 1 year	1,887	1,514
Due in 1 year to 5 years	–	–
Total derivative financial (liabilities)/assets	**1,887**	**1,514**

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

	2020 $'000	2019 $'000
Lease liability falling due within 1 year	1,582	–
Lease liability falling due between 1 and 5 years	1,226	–
Total interest bearing liabilities	**2,808**	**–**

The lease liability relates to office premises leases which expire between 28 February 2021 and 30 September 2022. 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.

3.5: Other Provisions

	Provision for concessional investments $'000	Provision for make good $'000	Total $'000
As at 1 July 2019	**11,257**	**350**	**11,607**
Additional provisions made	4,044	7	4,051
Amount reversed upon cancellation of facilities	(7,606)	–	(7,606)
Offset to Loans and advances and Other debt securities	(3,312)	–	(3,312)
Unwind of concessional interest rate discount	(299)	–	(299)
Total at 30 June 2020	**4,084**	**357**	**4,441**

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.

Notes to the Consolidated Financial Statements

Note 4: Funding

This section identifies the Group's funding structure.

4.1: Contributed Equity

Equity from CEFC Special Account

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

	2020 $'000	2019 $'000
Appropriations credited during the year to the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources	–	–
Funds drawn during the year as an equity contribution from the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources (2019: CEFC Special Account was maintained by the Department of the Environment and Energy)	500,000	600,000
Funds returned during the year to the CEFC Special Account maintained by the Department of Industry, Science, Energy and Resources	(240,000)	–
Net amount drawn from the CEFC Special Account	**260,000**	**600,000**

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 Industry, Science, Energy and Resources (2019: Department of the Environment and Energy) 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 held by the Department of Industry, Science, Energy and Resources (2019: CEFC Special Account was held by the Department of the Environment and Energy) 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 held by the Department of Industry, Science, Energy and Resources (2019: Department of the Environment and Energy) 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 held by the Department of Industry, Science, Energy and Resources (2019: Department of the Environment and Energy) 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.

	2020 $'000	2019 $'000
Summary of Contributed Equity		
Opening balance – 1 July	4,408,363	3,808,363
Equity injection from CEFC Special Account	500,000	600,000
Return of equity to CEFC Special Account	(240,000)	–
Closing contributed equity balance – 30 June	**4,668,363**	**4,408,363**

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

	2020 $'000	2019 $'000
Annual and long service leave	3,391	2,546
Total employee provisions	**3,391**	**2,546**

Notes to the Consolidated Financial Statements

Note 5: People and Relationships continued

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 seven non-executive Board members, and the Executive team comprising the Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Investment Officers, the Chief Risk Officer (from 24 September 2018), the Chief Asset Management Officer (from 29 January 2019) and the Chief People and Culture Officer.

	2020 $	2019 $
Short-term employee benefits		
Non-executive Board member fees	446,851	434,720
Executive base salaries	3,165,049	3,165,851
Performance based compensation	364,400	1,015,151
Annual leave (paid)/accrued, net	83,117	(2,598)
Total short-term employee benefits	**4,059,417**	**4,613,124**
Post-employment benefits		
Superannuation contributions on behalf of Board members and executives	196,633	205,696
Total post-employment benefits	**196,633**	**205,696**
Other long-term employee benefits		
Performance based compensation	767,797	338,384
Long service leave (paid)/accrued, net	48,887	69,931
Total other long-term employee benefits	**816,684**	**408,315**
Termination benefits		
Separation and redundancy payments	–	232,634
Total termination benefits	**–**	**232,634**
Total key management personnel remuneration expenses	**5,072,734**	**5,459,769**

The total numbers of key management personnel that are included in the above table are:

	2020 No.	2019 No.
Summary of key management personnel		
Non-executive Directors	7	7
Executives	9	10
Total key management personnel	**16**	**17**

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

  Senator the Hon Mathias Cormann

- **Board Members**

  Mr Steven Skala AO

  Ms Leeanne Bond

  Mr Philip Coffey

  Ms Laura Reed

  Mrs Andrea Slattery

  Ms Samantha Tough

  Ms Nicola Wakefield Evans

- **Key management personnel**

  Mr Ian Learmonth, CEO

  Mr Michael Johnston

  Mr Paul McCartney

  Ms Leanne McDonald

  Ms Sara Leong

  Mr Andrew Powell

  Mr Ludovic Theau

  Mr Saxon (Jay) Tolson (commenced 15 June 2020)

  Ms Rebecca Cottrell (until 15 November 2019)

- **Other Federal Government agencies**
- **Investments that are classified as Associates and Joint Ventures as disclosed in Note 3.1F: Equity Accounted Investments.**

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 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: $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 2020, Michael Johnston's wife provided a series of eight weekly 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 $800 (2019: $Nil).

Notes to the Consolidated Financial Statements

Note 5: People and Relationships continued

Transactions with Director-Related Entities

Mr Philip Coffey and Ms Nicola Wakefield Evans are independent non-executive directors of Lendlease Corporation Limited and Lendlease Responsible Entity Limited, where the CEFC has a $93 million equity investment at 30 June 2020 (2019: $109 million) in Lend Lease Real Estate Investments Limited managed Australian Prime Property Fund Commercial.

Mr Philip Coffey and Ms Nicola Wakefield Evans are also independent voting directors of Macquarie Group Limited and Macquarie Bank Limited. The CEFC has $100 million invested in fixed rate bonds with Macquarie Bank Limited as at 30 June 2020 (2019: $100 million). Through its wholly owned subsidiary, CEFC Investments Pty Ltd, the CEFC has invested $56 million at 30 June 2020 (2019: $75.5 million) in Macquarie Agriculture Fund – Crop Australia managed by Macquarie Agricultural Funds Management Limited and has committed a further $100 million of equity investment at 30 June 2020 (2019: $Nil) to Macquarie Australian Infrastructure Trust (MAIT) managed by Macquarie Infrastructure and Real Assets (MIRA), the infrastructure business of Macquarie Group Limited.

Ms Andrea Slattery is an independent non-executive director of AMP Limited. CEFC has a $62.5 million equity investment at 30 June 2020 (2019: $121 million) in the AMP Capital Wholesale Office Fund, for which the trustee is AMP Capital Investors Limited, a controlled entity of AMP Limited.

Ms Nicola Wakefield Evans' husband is a director of Blue Sky Alternatives Access Fund Limited. The CEFC has previously provided a loan facility to Waymouth Street Property Trust (a related entity) which has a balance outstanding of $Nil at 30 June 2020 (2019: $28 million).

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 is currently in discussions with a number of projects regarding potential future investment transactions related to Snowy Hydro Limited.

The Directors named above took no part in the relevant decisions of the 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 2020 (2019: 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. This was administered by the Department of Industry, Science, Energy and Resources from 1 February 2020 and previously by the Department of the Environment and Energy.

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2020:

Related party	Purpose	2020 $	2019 $
Purchases from Related Parties:			
Comcover	General insurance premiums	188,747	168,644
Comcare	Workers compensation insurance premiums	37,730	47,228
Department of Defence	Vetting of executives	3,515	3,675
Department of the Environment and Energy	Certification fee for the Carbon Neutral Program	2,563	5,000
Receipts from Related Parties:			
Department of the Environment and Energy	Staff secondment fees	134,461*	–
Department of Industry, Science, Energy and Resources	Administrative funding for the Grid Reliability Fund program	1,925,000	–

* *$52,525 of this balance was outstanding at 30 June 2020.*

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 2020 or 2019 that are not disclosed elsewhere in these accounts.

Unquantifiable Contingencies

At 30 June 2020 and 2019 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*.

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2: Financial Instruments

6.2A: Categories of Financial Instruments

Financial Assets

Financial Assets 30 June 2020	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2020 $'000
Cash and cash equivalents	848,179	–	–	848,179
Trade and other receivables	17,629	–	–	17,629
Financial investments				
Loans and advances	2,226,612	46,454	–	2,273,066
Other debt securities	381,171	1,066,535	–	1,447,706
Equities and units in trusts	–	520,757	–	520,757
Total financial investments	**2,607,783**	**1,633,746**	**–**	**4,241,529**
Carrying amount of financial assets	**3,473,591**	**1,633,746**	**–**	**5,107,337**

Financial Assets 30 June 2019	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2019 $'000
Cash and cash equivalents	350,761	–	–	350,761
Trade and other receivables	18,479	–	–	18,479
Financial investments				
Loans and advances	2,480,764	88,353	–	2,569,117
Other financial assets				
Other debt securities	343,395	965,313	–	1,308,708
Equities and units in trusts	–	487,264	–	487,264
Total financial investments	**2,824,159**	**1,540,930**	**–**	**4,365,089**
Carrying amount of financial assets	**3,193,399**	**1,540,930**	**–**	**4,734,329**

Financial Liabilities

Financial Liabilities 30 June 2020	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2020 $'000
Trade creditors and accruals	5,515	–	–	5,515
Provision for concessional investments	–	4,084	–	4,084
Derivative financial instruments	–	1,887	–	1,887
Lease liability	2,808	–	–	2,808
Carrying amount of financial liabilities	**8,323**	**5,971**	**–**	**14,294**

Financial Liabilities 30 June 2019	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2019 $'000
Trade creditors and accruals	3,660	–	–	3,660
Provision for concessional investments	–	11,257	–	11,257
Derivative financial instruments	–	1,514	–	1,514
Carrying amount of financial liabilities	**3,660**	**12,771**	**–**	**16,431**

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2B: Net Gains or Losses on Financial Assets

	2020 Amortised Cost $'000	2020 FVTPL $'000	**2020 Total $'000**	2019 Total $'000
Cash and cash equivalents				
Interest from cash and short-term investments	6,115	–	6,115	8,511
Interest from other financial assets	–	–	–	
Net gains on cash and cash equivalents	**6,115**	**–**	**6,115**	**8,511**
Loans and advances				
Interest income and fees	129,109	2,715	131,824	123,587
Unwind of concessional interest rate discount	2,635	268	2,903	3,543
Fair value gains	–	–	–	433
Fair value losses	–	(1,254)	(1,254)	(107)
Reversal of prior period concessional loan charges	8,604	3,201	11,805	3,255
Net gains on loans and advances	**140,348**	**4,930**	**145,278**	**130,711**
Other Debt Securities				
Interest income from debt securities	14,417	27,580	41,997	37,370
Unwind of concessional interest rate discount	56	4,306	4,362	4,130
Profit on sale	1,153	1,344	2,497	3,556
Fair value gains	–	34,885	34,885	71,194
Fair value losses	–	(1,412)	(1,412)	–
Reversal of prior period concessional loan charges	–	1,604	1,604	1,928
Net gains on other debt securities	**15,626**	**68,307**	**83,933**	**118,178**
Equities and Units in Trusts				
Income distributions from equities and units in trusts	–	17,789	17,789	14,162
Profit on sale		41,890	41,890	7,674
Fair value gains	–	8,245	8,245	24,149
Fair value losses	–	(46,041)	(46,041)	(15,320)
Net gains on equities and units in trusts	**–**	**21,883**	**21,883**	**30,665**
Net gains on financial assets	**162,089**	**95,120**	**257,209**	**288,065**

The total income from financial assets not at fair value through profit or loss was $162,089,000 (2019: $143,514,000).

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 creditworthiness 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

	Note	**Not past due nor impaired 2020 $'000**	Not past due nor impaired 2019 $'000	**Past due or impaired 2020 $'000**	Past due or impaired 2019 $'000	**Total 2020 $'000**	Total 2019 $'000
Cash and cash equivalents	3.1A	848,179	350,761	–	–	848,179	350,761
Trade and other receivables	3.1B	17,629	18,479	–	–	17,629	18,479
Financial assets at:							
Amortised Cost:							
Loans and advances	3.1C	2,226,612	2,480,764	–	–	2,226,612	2,480,764
Other debt securities	3.1D	381,171	343,395	–	–	381,171	343,395
FVTPL:							
Loans and advances	3.1C	46,454	88,353	–	–	46,454	88,353
Other debt securities	3.1D	1,066,534	965,313	–	–	1,066,534	965,313
Equities and units in trusts	3.1E	520,757	487,264	–	–	520,757	487,264
Total financial assets		**5,107,336**	**4,734,329**	**–**	**–**	**5,107,336**	**4,734,329**
Committed loans and advances	6.5	701,442	1,014,178	–	–	701,442	1,014,178
Committed Other debt securities	6.5	65,059	51,633	–	–	65,059	51,633
Committed trust and equity investments	6.6	533,545	475,129	–	–	533,545	475,129
Total financial asset commitments		**1,300,046**	**1,540,940**	**–**	**–**	**1,300,046**	**1,540,940**
Total credit risk exposure		**6,407,382**	**6,275,269**	**–**	**–**	**6,407,382**	**6,275,269**

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.

Notes to the Consolidated Financial Statements

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 2020	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	–	5,515	–	–	–	5,515
Provision for concessional loans	–	0	96	1,071	2,917	4,084
Derivative financial instruments	–	1,887	–	–	–	1,887
Lease liability	–	1,582	1,003	223	–	2,808
Total	**–**	**8,984**	**1,099**	**1,294**	**2,917**	**14,294**

Maturities for financial liabilities 2019	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	–	3,660	–	–	–	3,660
Provision for concessional loans	–	3,202		999	7,056	11,257
Derivative financial instruments	–	1,514		–	–	1,514
Total	**–**	**8,376**	**–**	**999**	**7,056**	**16,431**

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 $5,262.8 million (2019: $ 4,762.8 million) from this Special Account to fund its investments and has returned amounts totalling $681.8 million (2019: $441.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $4,581 million at 30 June 2020 (2019: $4,321 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. Refer also to Note 1.3 for discussion about COVID-19 impacts.

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; and
- 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.

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

	2020 $'000	2019 $'000
Interest Bearing Financial Assets		
Classified as floating rate		
Cash and cash equivalents	848,179	350,761
Other financial assets	–	–
Loans and advances	256,283	216,999
Other debt securities	119,774	30,040
Total classified as floating rate	**1,224,236**	**597,800**
Classified as fixed rate		
Loans and advances	2,055,895	2,411,606
Other debt securities	1,327,932	1,278,929
Total classified as fixed rate	**3,383,827**	**3,690,535**
Interest Bearing Financial Liabilities		
Classified as floating rate		
Provision for concessional loans	1,241	1,072
Total classified as floating rate	**1,241**	**1,072**
Classified as fixed rate		
Provision for concessional loans	2,843	10,185
Lease liability	2,808	–
Total classified as fixed rate	**5,651**	**10,185**

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 $6.0 million (2019: $3.0 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 $59 million (2019: $58 million) impact on the fair value at which the instruments are recorded in the 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 change 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. The Australian Energy Regulator reported in May 2020 that wholesale electricity prices across the National Electricity Market (NEM) fell to their lowest Q1 level since 2015, as gas prices continued on the downward path established in 2019.

The Group manages this risk by establishing limits in relation to merchant energy price exposure, including gearing and break-even covenants 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 creditworthiness 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 one US dollar denominated receivable and has entered into a single cash flow hedge relationship in relation to that loan. Movements in the foreign currency exchange rates are expected to have no impact on the reported profit or loss unless the investment is redeemed or the hedge broken prior to anticipated maturity and crystallises a previously unrealised gain or loss. The underlying hedged item is a loan classified as loans and receivables at amortised cost.

Movement in the cash flow hedge reserve is as follows:

	2020 $'000	2019 $'000
Cash flow hedge reserve		
Opening balance cash flow hedge reserve	78	240
Increase in value of derivative financial liability	(374)	(1,273)
Net unrealised gain on hedged asset	240	1,111
Net movement in share of Associates' cash flow hedge reserves	(6,833)	–
Closing balance cash flow hedge reserve	**(6,889)**	**78**

Fair value hedges are intended to hedge the exposure to variability in fair value movements that are attributable to future interest cash flows only. No fair value hedges are currently held.

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

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 2020 and 2019.

	Foreign currency fair value exposures	
	2020 AUD'000	2019 AUD'000
Financial assets exposures in foreign currencies at 30 June		
Loans and advances	20,987	23,473
Derivative financial asset	–	–
Total financial assets exposures in foreign currencies	**20,987**	**23,473**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	19,100	21,959
Derivative financial liability	1,887	1,514
Total financial liabilities exposures in foreign currencies	**20,987**	**23,473**
Net foreign exchange exposures in foreign currencies	**–**	**–**

As shown by the above table, the net foreign exchange exposure as at 30 June 2020 is minimal. Any imbalance in this currency will arise largely due to movements in credit risk.

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.

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 2020				2020 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
Loans and advances	–	46,454	–	46,454	46,454
Other debt securities	905,535	160,999	–	1,066,534	1,066,534
Equities and units in trusts	–	499,209	21,548	520,757	520,757
Financial assets for which fair value is disclosed					
Loans and advances	–	1,933,994	533,761	2,467,755	2,226,612
Other debt securities	346,380	34,791	–	381,171	381,171
Total for financial assets	**1,251,915**	**2,675,447**	**555,309**	**4,482,671**	**4,241,528**
Financial liabilities at fair value					
Derivative financial liabilities		1,887		1,887	1,887
Provision for concessional investments			4,084	4,084	4,084
Total for financial liabilities	**–**	**1,887**	**4,084**	**5,971**	**5,971**

There was no transfer between levels.

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

	Fair Value at 30 June 2019				2019 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
Loans and advances	–	88,353	–	88,353	88,353
Other debt securities	860,809	104,504	–	965,313	965,313
Equities and units in trusts	–	457,879	29,385	487,264	487,264
Financial assets for which fair value is disclosed					
Loans and advances	–	1,842,516	860,471	2,702,987	2,480,764
Other debt securities	349,325	13,121	–	362,446	343,395
Total for financial assets	**1,210,134**	**2,506,373**	**889,856**	**4,606,363**	**4,365,089**
Financial liabilities at fair value					
Derivative financial liabilities		1,514		1,514	1,514
Provision for concessional investments			11,257	11,257	11,257
Total for financial liabilities	**–**	**1,514**	**11,257**	**12,771**	**12,771**

There was no transfer between levels.

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.

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; and
- 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.

Notes to the Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.4: Concessional Loans

	2020 $'000	2019 $'000
Loan Portfolio		
Nominal value	642,823	942,952
Less principal repayment	(113,554)	(51,223)
Less unexpired discount	(4,174)	(9,967)
Less impairment allowance	(16,473)	(3,427)
Carrying value of concessional loans	**508,622**	**878,335**

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 2020 the Group is irrevocably committed to fund loan facilities totalling $701 million (2019: $1,014 million) and to purchase bonds totalling $65 million (2019: $52 million).

At 30 June 2020 the Group had also entered into agreements to provide loan advances totalling $80 million (2019: $80 million) and purchase corporate bonds totalling $130 million (2019: $50 million) subject to the occurrence of future uncertain events. Due to the uncertainty around the occurrence of the future events, these amounts have been excluded from Committed Credit Facilities disclosed in Note 6.2C.

At 30 June 2020 there was approximately $3.2 million (2019: $1.2 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 2020 the Group had entered into agreements to make future equity investments totalling $743 million (2019: $865 million) comprising $209 million disclosed in Note 3.1F and $534 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.

7.2: Parent Entity Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits		29,518	27,827
Suppliers		9,332	9,769
Depreciation and amortisation		2,806	1,031
Finance costs		27	–
Concessional loan charges		4,044	9,106
Impairment loss allowance on financial instruments		61,400	23,099
Total expenses		**107,127**	**70,832**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue		187,203	177,134
Interest on loans to subsidiaries	7.4B	16,078	7,087
Distributions from equity investments		15,082	14,093
Total own-source revenue		**218,363**	**198,314**
Gains and losses			
Fair value losses on financial instruments		(48,007)	(15,427)
Fair value gains on financial instruments		42,147	94,682
Profit from sale of assets		44,387	8,278
Reversal of prior period concessional loan charges		13,410	5,184
Total net gains/(losses)		**51,937**	**92,717**
Total own-source income		**270,300**	**291,031**
Net contribution by services		**163,173**	**220,199**
Revenue from government		1,925	–
Share of associates and joint ventures		(1,342)	(682)
Surplus from continuing operations		**163,756**	**219,517**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Net fair value loss taken to equity on cash flow hedge		(7)	(162)
Total other comprehensive income		**(7)**	**(162)**
Total comprehensive income		**163,749**	**219,355**

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

Notes to the Consolidated Financial Statements

Note 7: Parent Entity Information continued

7.3: Parent Entity Statement of Financial Position

as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		847,918	350,497
Trade and other receivables	7.4C	27,018	22,350
Loans and advances		2,273,066	2,569,117
Loans to subsidiaries	7.4B	248,543	200,679
Other debt securities		1,447,706	1,233,185
Equities and units in trusts		430,237	487,264
Equity accounted investments		33,856	28,941
Investment in subsidiaries	7.4A	400	350
Total financial assets		**5,308,744**	**4,892,383**
Non-financial assets			
Property, plant and equipment		3,208	1,039
Computer software		413	450
Prepayments		535	552
Total non-financial assets		**4,156**	**2,041**
Assets held for sale		**–**	**1,374**
Total assets		**5,312,900**	**4,895,798**
LIABILITIES			
Payables and deferred revenue			
Suppliers		5,330	3,543
Deferred revenue		39,195	43,686
Other payables		7,491	8,293
Derivative financial liability		1,887	1,514
Total payables and deferred revenue		**53,903**	**57,036**
Interest bearing liabilities			
Leases	3.4	2,808	–
Total interest bearing liabilities		**2,808**	**–**
Provisions			
Employee provisions		3,391	2,546
Other provisions		4,441	11,607
Total provisions		**7,832**	**14,153**
Total liabilities		**64,543**	**71,189**
Net assets		**5,248,357**	**4,824,609**
EQUITY			
Contributed equity		4,668,363	4,408,363
Reserves		70	78
Retained surplus		579,924	416,168
Total equity		**5,248,357**	**4,824,609**

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

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.

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 2020: 6.88% (2019: 7.10%)
- Interest payment dates: 15 January and 15 July each year
- Maturity dates: ranging from 15 June 2026 to 16 June 2029

The balance outstanding at 30 June 2020 was $248.5 million (2019: $200.7 million) and interest receivable for the year amounted to $16.1 million (2019: $7.1 million).

7.4C: Trade and other receivables

	2020 $'000	2019 $'000
Accrued interest on loan to CEFC Investments Pty Ltd	9,834	3,844
Reimbursement owed by Clean Energy Investment Management Pty Ltd	–	27
Others	17,184	18,479
	27,018	**22,350**

Note 8: Other Information

8.1: Aggregate Assets and Liabilities

The following table represents further analysis of the Group's aggregate assets and liabilities:

	2020 $'000	2019 $'000
Assets expected to be recovered in:		
No more than 12 months	1,634,889	1,220,672
More than 12 months	3,656,708	3,670,703
Total Assets	**5,291,597**	**4,891,375**
Liabilities expected to be settled in:		
No more than 12 months	28,166	29,442
More than 12 months	36,562	41,864
Total Liabilities	**64,728**	**71,306**

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 2019–20 Portfolio Budget Statements (PBS) for the Environment and Energy Portfolio, to the Actual 2019–20 outcome as presented in accordance with AAS for the Group.

The Budget is not audited.

Notes to the Consolidated Financial Statements

Note 8: Other Information continued

8.2A: Budgetary Reports

Clean Energy Finance Corporation

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2020

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	29,518	39,043	(9,525)
Suppliers	9,835	14,325	(4,490)
Depreciation and amortisation	2,806	1,439	1,367
Finance costs	27	–	27
Concessional loan charges	4,044	25,000	(20,956)
Write-down and impairment of financial instruments	61,400	30,000	31,400
Total expenses	**107,630**	**109,807**	**(2,177)**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	187,203	174,548	12,655
Distributions from trusts and equity investments	17,789	16,759	1,030
Total own-source revenue	**204,992**	**191,307**	**13,685**
Gains and losses			
Fair value losses on financial instruments	(48,707)	–	(48,707)
Fair value gains on financial instruments	43,130	–	43,130
Profit on sale of assets	44,387	–	44,387
Reversal of prior years' concessional loan charges	13,410	–	13,410
Total gains/(losses)	**52,220**	**–**	**52,220**
Total own-source income	**257,212**	**191,307**	**65,905**
Net contribution by/(cost of) services	**149,582**	**81,500**	**68,082**
Revenue from government	1,925	–	1,925
Share of associates and joint ventures	2,260	–	2,260
Surplus/(deficit) from continuing operations	**153,767**	**81,500**	**72,267**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain taken to equity on cash flow hedge	(6,967)	–	(6,967)
Total other comprehensive income	**(6,967)**	**–**	**(6,967)**
Total comprehensive income	**146,800**	**81,500**	**65,300**

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 2019–20 PBS for the Environment and Energy 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 2019–20. Explanations of major variances are provided after the tables in Note 8.2B.*

Clean Energy Finance Corporation

Consolidated Statement of Financial Position
as at 30 June 2020

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	848,179	291,459	556,720
Trade and other receivables	17,629	21,718	(4,089)
Loans and advances	2,273,066	2,588,671	(315,605)
Other debt securities	1,447,706	1,287,263	160,443
Equities and units in trusts	520,757	913,805	(393,048)
Equity accounted investments	180,104	351,326	(171,222)
Total financial assets	**5,287,441**	**5,454,242**	**(166,801)**
Non-financial assets			
Property, plant and equipment	3,208	1,303	1,905
Computer software	413	1,277	(864)
Prepayments	535	740	(205)
Total non-financial assets	**4,156**	**3,320**	**836**
Total assets	**5,291,597**	**5,457,562**	**(165,965)**
LIABILITIES			
Payables and deferred revenue			
Suppliers	5,515	4,496	1,019
Deferred revenue	39,195	39,362	(167)
Other payables	7,491	7,500	(9)
Derivative financial liabilities	1,887	1,439	448
Total payables and deferred revenue	**54,088**	**52,797**	**1,291**
Interest bearing liabilities			
Leases	2,808	–	2,808
Total interest bearing liabilities	**2,808**	**–**	**2,808**
Provisions			
Employee provisions	3,391	4,006	(615)
Other provisions	4,441	12,690	(8,249)
Total provisions	**7,832**	**16,696**	**(8,864)**
Total liabilities	**64,728**	**69,493**	**(4,765)**
Net assets	**5,226,869**	**5,388,069**	**(161,200)**
EQUITY			
Contributed equity	4,668,363	5,028,363	(360,000)
Reserves	(6,889)	65	(6,954)
Retained surplus	565,395	359,641	205,754
Total equity	**5,226,869**	**5,388,069**	**(161,200)**

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 2019–20 PBS for the Environment and Energy 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 2019–20. Explanations of major variances are provided after the tables in Note 8.2B.*

Note 8: Other Information continued

Clean Energy Finance Corporation

Consolidated Statement of Changes in Equity
for the year ended 30 June 2020

	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	411,628	278,141	133,487	78	65	13	4,408,363	4,408,363	–	4,820,069	4,686,569	133,500
Comprehensive income												
Surplus for the year	153,767	81,500	72,267	–	–		–	–		153,767	81,500	72,267
Other comprehensive income	–	–		(6,967)	–	(6,967)				(6,967)	–	(6,967)
Total comprehensive income	**153,767**	**81,500**	**72,267**	**(6,967)**	**–**	**(6,967)**	**–**	**–**	**–**	**146,800**	**81,500**	**65,300**
Transactions with owners												
Contributions by owners												
Equity injection from Special Account	–	–	–	–	–	–	260,000	620,000	(360,000)	260,000	620,000	(360,000)
Total transactions with owners	**–**	**–**	**–**	**–**	**–**		**260,000**	**620,000**	**(360,000)**	**260,000**	**620,000**	**(360,000)**
Closing balance as at 30 June	**565,395**	**359,641**	**205,754**	**(6,889)**	**65**	**(6,954)**	**4,668,363**	**5,028,363**	**(360,000)**	**5,226,869**	**5,388,069**	**(161,200)**

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 2019–20 PBS for the Environment and Energy 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 2019–20. Explanations of major variances are provided after the tables in Note 8.2B.*

Clean Energy Finance Corporation

Consolidated Cash Flow Statement
for the year ended 30 June 2020

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	1,925	–	1,925
Interest and fees	151,406	150,763	643
Distributions from trusts and equity investments	17,065	16,009	1,056
Total cash received	**170,396**	**166,772**	**3,624**
Cash used			
Employees	29,090	37,543	(8,453)
Suppliers	9,082	14,324	(5,242)
Interest payments on lease liabilities	27	–	27
Total cash used	**38,199**	**51,867**	**(13,668)**
Net cash from operating activities	**132,197**	**114,905**	**17,292**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	689,263	463,022	226,241
Sale of other debt securities	55,329	–	55,329
Sale of equities and units in trusts	251,145	28,672	222,473
Sale of investment in associates and joint ventures	10,487	–	10,487
Distributions from associates and joint ventures	1,791	–	1,791
Total cash received	**1,008,015**	**491,694**	**516,321**
Cash used			
Loans made to other parties	484,644	604,718	(120,074)
Purchase of other debt securities	134,779	71,633	63,146
Purchase of equities and units in trusts	237,697	445,890	(208,193)
Investment in associates and joint ventures	42,884	138,238	(95,354)
Purchase of property, plant, equipment and computer software	982	1,500	(518)
Total cash used	**900,986**	**1,261,979**	**(360,993)**
Net cash from/(used by) investing activities	**107,029**	**(770,285)**	**877,314**

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 2019–20 PBS for the Environment and Energy 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 2019–20. Explanations of major variances are provided after the tables in Note 8.2B.*

Notes to the Consolidated Financial Statements

Note 8: Other Information continued

	Actual $'000	Budget[1] $'000	Variance[2] $'000
FINANCING ACTIVITIES			
Cash received			
Contributed equity	500,000	620,000	(120,000)
Total cash received	**500,000**	**620,000**	**(120,000)**
Cash used			
Return of equity	240,000	–	240,000
Principal payments of lease liabilities	1,808	–	1,808
Total cash used	**241,808**	**–**	**241,808**
Net cash from financing activities	**258,192**	**620,000**	**(361,808)**
Net increase/(decrease) in cash held	**497,418**	**(35,380)**	**532,798**
Cash and cash equivalents at the beginning of the reporting period	350,761	326,839	23,922
Cash and cash equivalents at the end of the reporting period	**848,179**	**291,459**	**556,720**

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 2019–20 PBS for the Environment and Energy 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 2019–20. Explanations of major variances are provided after the tables in Note 8.2B.*

8.2B: Major Budget Variance for 2019–20

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Comprehensive Income:	
Employee benefits	The Group has spent $9.5 million 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.
Suppliers	The expense recorded against suppliers is $4.5 million less than budget due to a reduction in rental expense following the adoption of the new leasing standard AASB 16 (as discussed in Note 2.1B) and savings in other expenses such as consulting fees and travel related costs.
Concessional loan charges and Reversal of prior years' concessional loan charges	The budget had assumed concessional loan charges of $25.0 million but the actual was a net reversal of $9.4 million, a positive variance of $34.4 million. The mix of transactions undertaken this year, the compression in market margins, and lower overall interest rate environment generally, have reduced the need for, and benefit from, providing as much concessionality as was anticipated. In most instances, the Group has been able to be appropriately compensated for the longer tenor or fixed rate aspects of the loans written, without jeopardising the project economics of the transactions. Previously recorded concessionality charges were reversed upon the early repayment/refinance or lower-than-anticipated utilisation of concessional loans and debt securities contracted in prior years. With the significant fall in interest rates, CEFC has been refinanced out of a number of fixed rate facilities at an earlier point in time than originally anticipated, and has therefore not provided the full amount of concession for which it was originally contracted.
Write down and impairment of financial instruments	The Group's impairment provision expense for the year was $61.4 million resulting in an unfavourable variance of $31.4 million in Write down and impairment of financial instruments. This was due to a number of loans, particularly in the renewable energy generation sector, entering AASB 9 impairment provisioning Stage 2 (as illustrated in Note 3.1) in addition to the worsening macroeconomic environment. The renewable generation sector has been faced with significant challenges, including falling electricity prices, delays in connection, EPC contractors failing, periods of curtailment for certain facilities, cuts to marginal loss factors (and therefore revenue), increasing FCAS costs, etc. These have combined to increase the risk across the renewables loan portfolio.
Interest and loan fee revenue	Interest and loan fee revenue has a $12.7 million 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). This has been accentuated in the current year with the falling interest rates incentivising customers to refinance longer-term fixed rate debt facilities offered by the CEFC.
Fair value gains and losses on financial instruments	Due to the inherent uncertainty in predicting future changes in the value of financial assets, the Budget did not include Fair value gains or losses. The actual result was a net fair value loss of $5.6 million. Fair value gains of $43.1 million relate primarily to 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 increased in value as a result of the decline in market interest rates. Fair value losses of $48.7 million relate primarily to Equities and units in trusts and include the decrease in value of the Group's investment in a shopping centre fund since the onset of the COVID-19 pandemic.
Profit on sale of assets	The positive variance of $44.4 million realised on the sale of assets relates primarily to the reduction in the Group's holding in prime office property funds and the listing and subsequent sale of shares in an investment in the CEFC Innovation Fund.

Notes to the Consolidated Financial Statements

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 $556.7 million higher than budget, despite drawing $360.0 million less from the CEFC Special Account, due to the investment variances discussed below.
Loans and advances	Loans and advances are $315.6 million lower than budget. This is principally due to loan repayments received $226.2 million higher than budget and loan drawdowns by borrowers $120.1 million lower than budget, as discussed under Consolidated Cash Flow Statement below.
Other debt securities	Other debt securities are $160.4 million higher than budget, largely due to fair value gains, on bonds held at FVTPL as a result of the lower market interest rates, of $34.9 million in the current year and $71.2 million in the prior year, which were not included in the budget.
Equities and units in trusts	Equities and units in trusts are $398.0 million lower than budget. This is due to (a) the unbudgeted sale of some investments in equities and trusts to rebalance the portfolio and realise gains, as discussed for Profit on Sale of Assets above, and (b) budgeted investments, primarily the Group's committed $150 million equity investment into an infrastructure fund, not yet being drawn.
Equity accounted investments	Equity accounted investments are $171.2 million lower than budget due to committed investments, classified as Associates and Joint Ventures, calling for funds at a slower rate than anticipated in the budget.
Property, plant and equipment and Interest bearing liabilities	Property, plant and equipment is $1.9 million (146%) higher than budget due to the adoption of the new leasing standard AASB 16 with effect from 1 July 2019. This is also the reason for the unbudgeted balance of $2.8 million for Interest bearing liabilities.
Other provisions	Other provisions are $8.2 million lower than budget, principally as a result of a reduced provision for concessional loans.
Contributed equity	During the year, the Corporation drew $120 million less from the CEFC Special Account and returned $240 million more to the CEFC Special Account than was budgeted, giving a total variance of $360 million, due to the investment variances described above. Some investments have been slower to deploy capital and others have repaid CEFC facilities more rapidly than budgeted, creating more liquidity for CEFC than expected, so CEFC has drawn less funding from the CEFC Special Account and in fact has returned surplus funds as well.
Reserves	Reserves are $7.0 million lower than budget, principally due to recognition of the Group's share of the negative hedge reserves of an investment classified as an Associate.
Retained Surplus	The retained surplus at 30 June 2020 is $205.8 million higher than budget. Of this amount, $72.3 million is due to the higher-than-budgeted surplus generated in the year, discussed under Consolidated Statement of Financial Income above, and $133.5 million due to the higher-than-budgeted opening balance.
Total equity	Total Equity at 30 June 2020 is $161.2 million lower than budget due to: Contributed equity $360.0 million and Reserves $7.0 million lower than budget partly offset by Retained surplus exceeding budget by $205.8 million.

Affected Line Items	Explanations of Major Variances
Consolidated Cash Flow Statement:	
Net cash from operating activities	The $17.3 million positive variance to budget is largely a reflection of the lower-than-budgeted employment related costs and the impact of adopting AASB 16 which has resulted in payments previously (2019 Actual and 2020 Budget) included as rental expense in operating cash flows now being recorded as a financing cash flow.
Principal loan repayments received	Principal loan repayments received are $226.2 million higher than budget as a result of the unbudgeted early repayment of loans by borrowers in the property and community housing sectors.
Sale of other debt securities	The $55.3 million increase, compared to budget, includes the sale of a bank bond no longer required to support that bank's on-lending to SME borrowers under their aggregation program due to amortisation of the underlying loans.
Sale of equities and units in trusts	The $222.5 million variance relates to the sale of units in property trust investments, to rebalance the portfolio and to realise some of the valuation gains, and the sale of shares in an Innovation Fund investment, to realise gains, upon the listing of that company's shares on the ASX.
Sale of investment in associates and joint ventures	The $10.5 million includes equalisation payments received from an investment, where the Group was a cornerstone investor, upon that fund attracting additional investors.
Loans made to other parties	Cash used to fund loans made to other parties is $120.1 million below budget. This has been caused by a number of project finance deals drawing at a slower rate than originally expected. Construction has been delayed on some borrowers' projects due to supply chain issues under COVID-19.
Purchase of other debt securities	The amount invested in other debt securities during the year exceeds budget by $63.1 million as a result of the Group subscribing for a green bond issued by a property sector borrower, as part of their refinancing of their loans, and purchase of a bank's bond in connection with their new green home loans product.
Purchase of equities and units in trusts	The amount invested is $208.2 million lower than budget largely as a result of the Group's committed $150 million equity investment into an infrastructure fund not yet being drawn.
Contributed equity and Return of equity	The Corporation drew $120 million less than budgeted from the CEFC Special Account and repaid $240 million to the CEFC Special Account, giving a total variance of $360 million, as a result of the unbudgeted loan repayments received and the lower-than-budgeted deployment of funds towards new loans and equity investments.
Cash and cash equivalents at the end of the reporting period	Cash and cash equivalents are $556.7 million higher than budget, despite drawing $360.0 million less from the CEFC Special Account, due to the investment variances discussed above.

04

Appendices

Appendix A: Index of Annual Reporting requirements

Figure 32: Index of CEFC Annual Reporting requirements

Statutory requirement	Legislation reference	Section	Page
Index of *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and *Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)* Annual Reporting Requirements			
Provision of Annual Report (including financial statements and performance report) to responsible Minister by 15 October each year	PGPA Act, section 46	Letter of Transmittal	2
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	2
Annual performance statements	PGPA Act, section 39 PGPA Rule, section 16F and 17BE(g)	1	56
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, PGPA (Financial Reporting) Rule 2015	3	
Parliamentary standards of presentation	PGPA Rule, section 17BC	Full report	All
Publication on *transparency.gov.au*	PGPA Rule, section 17BCA	Full report	All
Plain English and clear design, including glossary	PGPA Rule, section 17BD	Full report	All
Details of the legislation establishing the entity	PGPA Rule, section 17BE(a)	2	
Summary of the objects and functions of the entity as set out in the legislation	PGPA Rule, section 17BE(b)(i)	2	70
The purposes of the entity as included in the entity's corporate plan for the period	PGPA Rule, section 17BE(b)(ii)	2	70
Names and titles of responsible Ministers	PGPA Rule, section 17BE(c)	2	92
Directions given to the entity by a Minister under an Act or instrument	PGPA Rule, section 17BE(d)	2	93
Government Policy Orders that applied in relation to the entity during the period under section 22 of the PGPA Act	PGPA Rule, section 17BE(e)	2	93
Particulars of non-compliance with a Ministerial direction or a Government Policy Order	PGPA Rule, section 17BE(f)	No incidents reported	93
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 Rule, sections 17BE(h) and (i)	No incidents reported	96
Information on the Board and Board members	PGPA Rule, section 17BE(j)	2	71–73
Outline of the organisational structure (including subsidiaries)	PGPA Rule, section 17BE(k)	2	80

Statutory requirement	Legislation reference	Section	Page
Statistics on employees	PGPA Rule, section 17BE(ka)	Appendix B	
Outline of the location of major activities or facilities	PGPA Rule, section 17BE(l)	1	10
Main corporate governance practices used	PGPA Rule, section 17BE(m)	2	
Related entities, transactions and decision-making process	PGPA Rule, sections 17BE(n) and (o)	2, 3	
Any significant activities and changes that affected the operations or structure	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 Rule, section 17BE(q)	2	97
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 Rule, section 17BE(r)	2	97
Explanation where required information is unable to be obtained from subsidiaries	PGPA Rule, section 17BE(s)	Not applicable	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Rule, section 17BE(t)	2	77
Information about executive remuneration	PGPA Rule, section 17BE(ta)	Appendix G	
A direct electronic address of the audit and risk charter determining the functions of the audit committee	PGPA Rule, section 17BE(taa)(i)	Section 2 Governance	74
The name of each member of the audit committee during the period	PGPA Rule, section 17BE(taa)(ii)	Section 2 Board Operations	75
The qualifications, knowledge, skills or experience of those members of the audit committee	PGPA Rule, section 17BE(taa)(iii)	Section 2 Our Board	71–73
Information about each of those audit committee members' attendance at meetings of the audit committee during the period	PGPA Rule, section 17BE(taa)(iv)	Section 2 Board Operations	75
The remuneration of each of those audit committee members	PGPA Rule, section 17BE(taa)(v)	Section 2 Executive Remuneration reporting	76
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 Rule, section 17BE(u)	Appendix A	
Publish report on entity website	PGPA Rule, section 30A	Full report	All

Appendix A: Index of Annual Reporting requirements

continued

Statutory requirement	Legislation reference	Section	Page
Index of *Clean Energy Finance Corporation Act 2012* (CEFC Act) requirements			
Total value of section 63 investments, by reference to the class of clean energy technologies	CEFC Act, section 74(1)(a)	Section 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)	Not applicable – see section 1	16
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 and 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	94
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	
Index of Clean Energy Finance Corporation Investment Mandate Direction 2018 requirements			
Reporting on non-financial investment outcomes for 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	
Other statutory Annual Reporting requirements			
Equal Employment Opportunity Report	Equal Employment Opportunity (Commonwealth Authorities) Act 1987, section 9	Appendix B	177
Work Health and Safety Report	Work Health and Safety Act 2011, Schedule 2, Part 4, section 4	Appendix D	186
Environmental Performance and Ecologically Sustainable Development Report	Environment Protection and Biodiversity Conservation Act 1999, section 516A	Appendix C	180

Appendix B: Equal Employment Opportunity Report

Reporting period

The CEFC reports its obligations under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act) annually. This EEO Report covers the period 1 July 2019 to 30 June 2020 inclusive.

Approach to EEO

The CEFC seeks to reflect the diverse nature of the Australian community and is committed to developing and supporting positive working relationships and a healthy and safe workplace where employees are employed, trained and promoted fairly, on merit, without discrimination.

CEFC policies and procedures are underpinned by EEO principles, in particular:

- The CEFC Code of Conduct and Ethics which sets the standards for the way we work at the CEFC, including expectations in relation to standards of professional behaviour
- The Workplace Bullying, Discrimination and Harassment Policy which reflects the CEFC commitment to provide a positive work environment free from inappropriate workplace behaviour such as workplace bullying, discrimination and harassment.

EEO implementation

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 accessible at all times via the employee intranet.

Compliance training includes EEO, workplace bullying, harassment and discrimination, the CEFC Code of Conduct and Ethics, the *Public Interest Disclosure Act 2013* and workplace health and safety. This training is refreshed regularly to ensure it reflects current legislation.

Since implementation, the CEFC has not identified any policies or practices that discriminate against, or any patterns of lack of equality of opportunity, in respect of women and designated groups.

The ongoing program of work includes policy development in the areas of remuneration, promotions and recruitment to include EEO principles and practices which mitigate bias in pay, promotion and selection decisions.

EEO monitoring and evaluation

The Employee Engagement Survey (conducted every 12–18 months) is the primary means by which the CEFC monitors performance in the area of EEO, diversity and inclusion. The most recent survey was conducted in May 2019. The following survey items are used to gain an understanding of the employee experience in relation to EEO:

- The CEFC has effective processes for dealing with concerns about bullying and harassment
- The CEFC respects and is fair in interactions with employees
- At the CEFC people with diverse backgrounds can succeed regardless of e.g. race, gender, age, disability, religion, sexual orientation or cultural background
- I have the flexibility I need to manage my work and caring responsibilities
- My manager genuinely supports equality between women and men.

More broadly, quarterly status reports are provided to the Executive Risk Committee noting the number of misconduct issues raised and substantiated in the previous quarter.

Paid parental leave

The paid parental leave scheme includes enhanced payments to employees taking parental leave. During the reporting period, two employees used the CEFC paid parental leave scheme, six employees used the CEFC paid “dad and partner” leave scheme and for the first time, one male employee accessed paid parental leave as a primary carer on a flexible basis. At 30 June 2020, two employees had applied for either future paid parental leave or future paid “dad and partner” leave.

Appendix B: Equal Employment Opportunity Report

continued

Flexible Work Arrangements

The CEFC offers Flexible Work Arrangements (FWAs) based on the National Employment Standards for employees with caring commitments. However, the CEFC has a commitment to provide access to flexible working to all employees. Of the 116 CEFC employees, 20 (17.2 per cent) use formal, approved FWAs, including part-time hours, flexible work hours, compressed working week and/or working from home/remotely. This is a slight decrease from 21 employees in the previous reporting period. Of the employees with approved FWAs, seven (33 per cent) are male. From 23 March 2020 and during the pandemic period, 100 per cent of employees have been able to work from home, with gradual office return based on guidance from respective State governments.

In addition to formally approved FWAs, employees are encouraged to use FWAs on an ad-hoc basis (e.g. flexible start and finish times) to help them more effectively balance personal and work commitments. The CEFC information and communications technology system supports enhanced flexibility for employees.

Gender pay equity

A gender pay analysis is conducted at least twice per year, with a full report provide to the Board People and Culture Committee in March annually. A second analysis is conducted at the time of the annual remuneration review to inform pay decisions and to monitor and mitigate any bias in decision making.

Particulars of directions by responsible Ministers under s12

The CEFC has not received any directions made by responsible Ministers under section 12 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*.

Diversity profile: CEFC employee statistics

At 30 June 2020, the CEFC had 116 employees, including 113.32 full-time equivalents and the CEO, who is a full-time statutory officer under the CEFC Act (excluding Board members).

The CEFC has 46 per cent female employees and 54 per cent male employees. This is a one per cent decrease in female representation from the previous reporting period. The Executive team includes two women, representing 25 per cent of the Executive team, which represents a 13 per cent decrease compared to the previous reporting period.

Of the 26 new hires since the previous reporting period, 13 were female (50 per cent) and 13 were male (50 per cent).

The proportion of employees born overseas has increased to 47 per cent. The CEFC workforce is culturally diverse, with 55 employees from 21 countries, in addition to those born in Australia. The CEFC has 19 employees (16 per cent) who report that English is their second language.

During the reporting period, the average age of the workforce was slightly higher than the previous reporting period, at 42 years (an increase of 0.5 years).

To date, no employees have identified as being Indigenous. In addition, no employees have identified as having a disability. These are unchanged from the previous reporting period.

Figure 33: CEFC employee diversity profile 30 June 2020

	Total	Male	Female	Born overseas	English 2nd language
CEO*	1	1	0	0	0
Executive	7	5	2	3	1
Executive Director/Head of Function	10	8	2	5	0
Head of Platform	6	3	3	1	0
Director	18	12	6	9	2
Associate Director	21	12	9	10	2
Senior Associate	13	9	4	6	3
Associate	8	3	5	2	1
Manager/Specialist	11	5	6	4	2
Associate/Officer	14	5	9	11	7
Administration	7	0	7	4	1
TOTAL	**116**	**63**	**53**	**55**	**19**

* The CEO is a full-time statutory officer and not classified as 'staff' under the CEFC Act.

Figure 34: CEFC EEO reporting comparison

	30 June 2019		30 June 2020	
EEO Designated Group	Employees	%	Employees	%
Female	47	47	53	46
Born overseas	43	43	55	47
English as a second language	16	16	19	16

Appendix C: Environmental Performance and Ecologically Sustainable Development Report

In 2019–20, the CEFC made investment commitments of more than $1 billion across a range of transactions targeting lower emissions. These commitments enable the CEFC to directly apply the principles of Ecologically Sustainable Development (ESD) to our activities, in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)*.

Figure 35: ESD activities 2019–20

Reporting requirement	CEFC response
How have CEFC activities accorded with the principles of ESD?	By mobilising investment in renewable energy, energy efficiency and low emissions technologies, CEFC investment commitments support the development, deployment and commercialisation of projects and businesses to reduce greenhouse gas emissions across diverse areas of economic activity.
Outcomes contributing to ESD	The CEFC furthers and advances the principles of ESD through: – The “integration principle”: The CEFC demonstrates how financial returns can be achieved by investing for environmental and sustainable outcomes. By catalysing private sector co-investment, the CEFC is able to demonstrate the integration of economic, environmental, social and equitable considerations into investment decision-making. – The “valuation principle”: The CEFC investment experience can be used to establish and expand an investment track record for new technologies or asset classes in Australia. This can facilitate improved valuation, pricing and risk evaluation in the clean energy sector. – The “dissemination principle”: The CEFC gathers evidence based on our project experience and shares this with the broader market to demonstrate how investments in low emission outcomes make sound business sense and to encourage the uptake of clean energy technologies. We work with project developers, counterparties and other investors to share the ESD achievements and insights gained as a result of our investment commitments.

Figure 36: Environmental performance reporting

Theme	Steps taken to improve CEFC ESD performance	Further measures to improve CEFC ESD outcomes
Energy efficiency and emissions reduction	The CEFC has a range of measures in place to increase its own energy efficiency and emissions reduction, including: – Open plan offices, allowing for increased occupant density and enhanced control of air conditioning systems – Energy efficient laptops and monitors, which employees are encouraged to turn off at the end of each day – Energy efficient lighting and controls in our Sydney, Melbourne, Perth and Brisbane offices – Centralised printing facilities, allowing for fewer high capacity multi-function devices, which have energy saving modes when not in use – Reduction in business travel through active utilisation of video conferencing facilities In addition: – The Sydney office lease has a 5.5 Star NABERS Energy Rating for the base building – The Brisbane and Perth office leases each have a 5 Star NABERS Energy Rating for the base building – The Melbourne 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 or use public transport to and from work. However, owing to COVID-19 restrictions, access for some offices has been limited during the reporting period – No corporate car parking spaces or corporate vehicles provided to employees.	As well as our investments, which seek to make a positive contribution to ESD principles, the CEFC is committed to reducing our own carbon footprint, including adopting opportunities for increased energy efficiency where possible. We undertake an annual assessment of our organisational carbon footprint in accordance with the Australian Government Climate Active Carbon Offset Standard and offset our carbon emissions through an accredited scheme. The CEFC organisational carbon footprint was independently assessed and audited at 1,317.2 tCO_2-e for 2018–19, the latest available data. For 2019–20, our emissions will be fully offset via accredited carbon offset units from the Wiralla Station carbon farming project. The CEFC was pleased to obtain carbon neutral certification for 2016–17, 2017–18 and 2018–19. We will continue to maintain Climate Active Carbon Neutral Certification (formerly the National Carbon Offset Standard). The CEFC Climate Active Public Disclosure Statements (PDS) are available on the CEFC website.

Appendix C: Environmental Performance and Ecologically Sustainable Development Report

continued

Figure 36: Environmental performance reporting continued

Theme	Steps taken to improve CEFC ESD performance	Further measures to improve CEFC ESD outcomes
Waste	The CEFC has a range of measures in place to reduce waste, including: – All offices have waste recycling schemes and staff are encouraged to use the appropriate waste stream to reduce landfill waste – The Sydney and Melbourne offices offer coffee cup recycling scheme using the Simply Cups collection initiative provided by building management – In the Sydney and Brisbane offices, organic waste is put into a specific waste stream provided by building management – Employees are given the opportunity to dispose of e-waste through specialised collection systems offered from time to time.	The CEFC strongly supports the internationally recognised waste hierarchy and actively promotes this with clients, counterparties and employees. Opportunities to improve waste outcomes are taken where available. In December 2019, the CEFC welcomed the creation of the $100 million Australian Recycling Investment Fund. The new fund will encourage increased investment in clean energy technologies which support waste recycling, leading to lower landfill related emissions.
Water	The Sydney office has a black water system in operation. Our office leases also have the following NABERS Water ratings: – Melbourne 3.5 Stars – Perth 4.5 Stars – Sydney 4.5 Stars	Opportunities to improve water outcomes for CEFC offices are taken where available.

Environmental performance

The CEFC was established to increase flows of finance into renewable energy, energy efficiency and low emissions technologies. Our work with co-investors, project developers, governments, industry groups and others is focused on delivering a positive environmental impact. The CEFC is also committed to minimising our own impact on the environment. We have embedded sustainability as part of considerations regarding CEFC operations and procurement. Reflecting our unique role in the market, we also work to raise awareness about sustainable business practices in our external engagement activities.

The CEFC is a growing organisation, a result of the increasing scale and breadth of new investment commitments and the investment portfolio under management. At 30 June 2020, the CEFC had 116 employees, including 112.32 full-time equivalents (FTE) and the CEO, who is a full-time statutory officer under the CEFC Act. The CEFC continues to work to identify ways to further reduce our environmental impact per employee.

Climate Active Carbon Neutral certification

The CEFC operates with a commitment to minimise our impact on the environment. We are committed to reducing the emissions associated with our own business activities, as well as the investments we make. In 2018–19, and for the third year, we engaged Pangolin Associates to undertake our carbon neutral certification under the Climate Active Carbon Neutral Standard.

The Climate Active Carbon Neutral Standard provides best practice guidance on how to measure, reduce, offset, report and audit emissions that occur as a result of the operations of an organisation. Carbon neutral certification is undertaken annually and is based on carbon emissions borne from an organisation's operational activities such as work travel, electricity, staff commute, catering, cleaning, supplies, etc.

The CEFC retired 1,318 Australian Carbon Credit Units (ACCUs) to offset our carbon footprint for 2018–19. The ACCUs were purchased from Landfill Gas Industries (LGI) and Cleanaway, which are companies to which the CEFC has provided finance for clean energy projects.

In support of our Reconciliation Action Plan, the CEFC procured 1,000 ACCUs from the Wiralla Station carbon farming project to offset 2019–20 emissions. The carbon farming project involves native forest regeneration and collaboration between the Traditional Custodians of Wiralla Station, the pastoralist and the carbon agent, Climate Friendly.

The Climate Active initiative requires the CEFC to publish a Public Disclosure Summary of its footprint, the efforts being undertaken to reduce its footprint and the amount and source of offsets required to achieve carbon neutrality. This summary is available on the CEFC website.

Appendix C: Environmental Performance and Ecologically Sustainable Development Report

continued

Figure 37: Environmental performance indicators

Theme	ESD indicators	ESD performance: 2019–20
Energy efficiency	Total consumption of energy: – includes energy consumed in CEFC office tenancies in the performance of CEFC operations.	Tenancy electricity consumed for CEFC operations (excludes travel in electric vehicles, trains, base building energy consumption and electricity consumed by staff working offsite): – 145,808 kWh (a six per cent decrease on 2018–19 largely attributable to reduced office use owing to COVID-19 restrictions) Tenancy electricity consumed for CEFC operations per FTE: – 1,287 kWh (an 18 per cent decrease on 2018–19 due to an increase in FTE and reduced office use owing to COVID-19 restrictions) Total gas purchased/consumed for CEFC operations (excludes gas-powered travel and gas consumed by staff working offsite): – Unknown* Total cost for tenancy energy purchased per FTE: – $324.48 (a 30 per cent decrease from 2018–19 due to an increase in FTE and reduced office use owing to COVID-19 restrictions)
	Total consumption of green energy: – includes the purchase of energy from sustainable sources.	GreenPower consumed/purchased: – 67,384 kWh (a 0.1 per cent decrease on 2018–19) The balance of emissions produced by electricity is offset via carbon offsets.
	Total consumption of energy: – includes transportation cost and distance travelled for vehicle and air transport respectively when undertaking the functions of the agency.	Vehicle expenditure (includes taxis, car rentals and train fares for staff when working offsite; the CEFC does not provide corporate vehicles): – $146,673 (a 32 per cent decrease from 2018–19 largely attributable to a reduction in staff travel owing to COVID-19 restrictions) Distance travelled by air for CEFC work-related purposes: – 1,702,149 kilometres (a 33 per cent decrease from 2018–19 largely attributable to a reduction in staff travel owing to COVID-19 restrictions)

Theme	ESD indicators	ESD performance: 2019–20
Water	Total consumption of water: – includes all water consumed when undertaking the functions of the agency.	Water purchased/consumed (litres): – Unknown*
Waste	Total waste production: – includes all waste (i.e. unwanted by-products) produced when undertaking the functions of the agency.	Waste produced (tonnes): – Unknown*
Greenhouse gas emissions	Total carbon emissions of agency under operational control and quantity offset.	Total net emissions (excludes GreenPower): – 1,317.2 tCO_2-e for 2018–19, the latest available data (a 15 per cent increase from 2017–18 largely attributable to an increase in FTE) Total net emissions per FTE: – 11.6 tCO_2-e for 2018–19 (a two per cent increase from 2017–18 largely attributable to an increase in business activity, including the continued establishment of the Perth office) All emissions produced by the CEFC are offset using the Climate Active Carbon Neutral Standard.

* As a tenant in each of our office facilities, the CEFC does not have a means to capture data to this level of specificity.

Appendix D: Workplace Health and Safety Report

Reporting period

The CEFC is a "public authority" under the *Work Health and Safety Act 2011* (Cth) (WHS Act) and is required to report annually according to the particulars of Schedule 2, Part 4, section 4.

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 standards 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.

A respectful workplace

The CEFC is committed to providing a positive, respectful and supportive work environment, free from inappropriate workplace behaviour. The highest standards of conduct and ethical behaviour are essential to create a work environment which enables CEFC employees to contribute to the success of the organisation and their own career development, as well as promoting the integrity and accountability of the Commonwealth public sector.

Employee training

On their first day, new employees are provided with access to a new starter induction space on the CEFC intranet. This includes links to all CEFC policies, including the CEFC Code of Conduct and Ethics, and the policies for each of workplace bullying, discrimination and harassment, equal employment opportunity, and workplace health and safety. Mandatory online induction training in these policies is also provided and new employees are required to acknowledge their understanding of these policies and confirm they will behave in accordance with the expectations contained in them.

All CEFC employees undertake mandatory annual refresher training covering the CEFC Code of Conduct and Ethics, discrimination and equal employment opportunity, workplace bullying, and workplace health and safety. 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 whistleblower protection for Commonwealth Government employees, contractors and the employees of contractors who report wrongdoing within the Commonwealth public sector and Commonwealth entities.

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 (e.g. employment matters that may be representative of a culture of bullying or harassment), further investigation under the PID Act may be appropriate.

Workplace safety

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:

- Continuing to exercise a risk appetite and maintaining a Risk Management Framework
- Maintaining corporate policies and procedures.

During 2019–20, the CEFC had up to seven emergency wardens across the Sydney, Brisbane and Melbourne offices. These CEFC emergency wardens conducted emergency response and evacuation training in accordance with requirements under New South Wales, Queensland and Victorian law. The CEFC Perth office is supported by serviced office emergency warden representatives.

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 first aid equipment are available to all employees.

COVID-19 response

During March 2020, in response to the escalating COVID-19 threat, CEFC activated a plan to protect employees while continuing to work in the office. All CEFC employees moved to remote working in March 2020.

Working from home potentially poses new risks for employees related to physical safety and mental and physical wellbeing. Several initiatives were implemented in response:

- Regular "pulse" surveys which aimed to identify issues related to productivity, connectedness and wellbeing
- WHS audits of employee home workspaces, including follow up ergonomic support
- Employee reimbursements for home safety equipment and IT accessory purchases
- Support for employees who wished to purchase ergonomic chairs for their home office
- Flexible working options to address the challenges of working from home full time
- Specialised resilience coaching for employees requiring additional support
- Additional personal leave provisions to address the potential for prolonged illnesses and/or carer responsibilities
- Virtual exercise and meditation programs
- Enhanced communication, including a dedicated intranet space hosting information relevant to working from home and to provide social opportunities for employees
- Increased access to the Employee Assistance Program.
- Prior to re-opening our offices in July, we made modifications to ensure our facilities were COVID-Safe, based on SafeWork Australia guidelines. When offices have been in a position to reopen, workforce rotations have ensured we have met social distancing requirements and a return to the office has been on a voluntary basis.

A subsequent internal audit of the CEFC COVID-19 Response has assisted the CEFC to enhance the design and implementation of key WHS controls already established in our offices, to protect employees who may be more vulnerable to COVID-19 due to compromised immune systems or chronic illnesses.

Wellbeing in the workplace

The CEFC Wellness Program continues to promote wellbeing initiatives for employees, including a corporate partnership which provides employees with access to competitive rates for fitness programs, as well as virtual fitness classes for home access during COVID-19 stage three restrictions in April, May and June. Further, in-house wellness initiatives include lunch time education sessions on both physical and mental health topics, executive health checks, wellness rooms in our Sydney and Brisbane offices, meditation and mindfulness sessions throughout the year, office based ergonomic desk assessments conducted by a physiotherapist and support for employee-funded corporate massage.

The CEFC encourages employees to participate in healthy exercise. CEFC premises provide lockers and end-of-trip facilities for employees wishing to exercise around their work commitments.

The CEFC encourages employees to participate in wellbeing activities and provides corporate sponsorship for employees to enter corporate fitness challenges and events, including National Ride2Work Day, the LawRight Street Soccer Tournament and various runs and walks throughout the year.

CEFC offices are located in secure buildings with restricted security pass access to the offices and to the buildings generally at nights and weekends.

Workstation design and facilities exhibit up-to-date safety features, such as adjustable seats and computer monitor arms. Employees are provided with additional equipment as required, including foot stands, laptop stands, dual monitors, wrist supports and variable-height desks and are reminded to undertake ergonomic self-assessments.

The CEFC has a long-standing relationship with Drake WorkWise, which provides a confidential, employer-funded Employee Assistance Program (EAP) for employees and their families. The Board, Executive and employees are unified in their commitment to provide a caring work environment that reflects the CEFC values. The provision of a confidential EAP helps us achieve this goal.

Appendix D: Workplace Health and Safety Report

continued

The CEFC is a supporter of R U OK? Day, which falls in September each year. The initiative continues to remind people to ask family, friends and colleagues 'R U OK?' in a meaningful way, in order to create connections with people who might be experiencing difficulties.

The CEFC offers voluntary annual flu vaccinations to support employees to maintain their health and wellbeing.

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 four workplace injuries reported, including three leg injuries (two knee and one hamstring) plus a lower back injury. Of these incidents, two were due to falls sustained on a footpath outside work premises, one was due to participation in a work sponsored sporting event and one due to an employee squatting which led to a knee injury while in the office.

Notifiable incidents

There were no notifiable incidents (i.e. deaths, serious injury or illness and dangerous incidents) for the reporting period.

Investigations

The CEFC must report any investigations conducted during the year 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 over the financial year 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).

At the end of the reporting period, the JCPAA had not specified additional requirements for the CEFC under this provision.

Appendix E: Summary of operating costs and expenses and benchmark

Under the CEFC Act, the Corporation must include in its Annual Report:

- The Corporation's operating costs and expenses for the financial year and
- A benchmark of the Corporation's operating costs and expenses for the financial year against the operating costs and expenses of other comparable entities for that financial year.

The Corporation's operating costs and expenses for the financial year are reported in the Financial Statements and Notes and are also reproduced below in extract for convenience.

About the CEFC structure

The CEFC is a corporate Commonwealth entity with an independent Board that makes investment decisions to invest in renewable energy, energy efficient and low emissions technologies according to the CEFC Act and ministerial directions supplied by an Investment Mandate. The CEFC investment focus is on debt and equity that is solely or mainly Australian-based. The CEFC cannot invest directly in non-financial assets and does not have a large cash investment function. At 30 June 2020, the CEFC had 116 employees (113.3 full-time equivalent), based in Sydney (headquarters), Brisbane, Melbourne and Perth. The CEFC has drawing rights against the Clean Energy Finance Corporation Special Account maintained by the Australian Department of Industry, Science, Energy and Resources.

Note on comparisons

Direct comparisons of the CEFC with other entities are difficult because:

- There are very few Government-owned public purpose entities that perform the type of function the CEFC does at a similar scale
- Current financial year data on other entities is not necessarily readily available
- Data is not always reported using the same expense categories across different entities.

Entities chosen for the purposes of comparison

In order to provide some meaningful comparison as required under section 74 of the CEFC Act, the CEFC has compared its consolidated 2019–20 operating costs and expenses against the latest publicly available information for three Government-owned entities which were formed for public purpose with a commercial mode of operation:

- Future Fund Board of Guardians, as supported by the Future Fund Management Agency (Future Fund)
- Export Finance Australia (Export Finance)
- Northern Australia Infrastructure Fund (NAIF)

Future Fund Management Agency (Future Fund) – structure

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 supplied by an Investment Mandate.

The Future Fund is neither geographically nor sector limited to renewable and low carbon technology in the same way as the CEFC and pursues a broad sectoral spread in a range of investments. At 31 March 2020 these were: Australian equities (6.1 per cent), global equities (27.6 per cent), private equity (18.2 per cent), property (6.6 per cent), infrastructure and timberland (7.6 per cent), alternative assets (14.7 per cent), debt securities (9.7 per cent) and cash (9.6 per cent). The Future Fund had circa AUD$162 billion funds under management, invested in Australia and overseas, at 31 March 2020.

For more information visit www.futurefund.gov.au.

Appendix E: Summary of operating costs and expenses and benchmark

continued

Export Finance Australia (Export Finance) – structure

Like the CEFC, Export Finance is a corporate Commonwealth entity governed by an independent board. Export Finance operates on a commercial basis and partners but does not compete with banks. The organisation has four key functions under its enabling legislation:

1. To facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade
2. To encourage banks and other financial institutions in Australia to finance or assist in financing exports
3. To manage the Australian Government aid-supported mixed credit program (a facility which has now been discontinued, although loans are still outstanding under it)
4. To provide information and advice regarding insurance and financial arrangements to support Australian exports.

The Export Finance investment function is primarily related to the issuing of insurance and security guarantees, working capital guarantees and longer term finance guarantees within these functions. Export Finance is headquartered in Sydney. It reported 147 transactions totalling $377.6 million during 2018–19 and had exposures of some $2.6 billion at 30 June 2019 (made up of $2.1 billion on the Commercial Account and $0.5 billion on the National Interest Account).

For more information visit www.exportfinance.gov.au.

Northern Australia Infrastructure Facility (NAIF) – structure

The Northern Australia Infrastructure Facility (NAIF) was established on 1 July 2016 as a corporate Commonwealth entity under the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act). A commercially focused independent board oversees the NAIF and is responsible for making investment recommendations to deploy finance.

The NAIF offers up to $5 billion in debt or alternative financing mechanisms, which may be on concessional terms, to benefit northern Australia. It is designed to be a key catalyst for the longer term transformation of the northern Australian economy and population through the construction of infrastructure. This may include developments in airports, communications, energy, pipelines, ports, roads, rail and water. NAIF investments may support growth in sectors across northern Australian, such as food and agribusiness, international education, medical research, tourism, energy and resources.

For more information visit www.naif.gov.au.

Figure 38: Operating costs and expenses benchmark – Comparison with Annual Reports

	CEFC 2019–20		Future Fund 2018–19[c]		Export Finance 2018–19[c],[d]		NAIF 2018–19[c]	
	$'000	%	$'000	%	$'000	%	$'000	%
Employee benefit expenses								
Wages and salaries	26,237		49,408		17,400		6,331	
Superannuation	1,667		2,675		1,700		555	
Leave and other entitlements	845		827		400		316	
Other expenses	281		–		900		–	
Total employee benefit expenses	**29,030**	**27**	**52,910**	**22**	**20,400**	**63**	**7,202**	**72**
Board remuneration[e]								
Wages and salaries	447		801					
Superannuation	41		82					
Total Board remuneration	**488**	**0**	**883**	**0**	**–**	**0**	**–**	**0**
Total employee and Board remuneration and benefits	**29,518**	**27**	**53,793**	**22**	**20,400**	**63**	**7,202**	**72**
Other costs								
Interest expense	27	0						
Provision for impairment	61,400	57			600	2		
Concessional loan discount[b]	4,044	4						
Professional fees and expenses	3,779	4	116,640	48	1,260	4	879	9
Other investment portfolio expenses	1,464	1	21,367	9	500	1	4	0
Travel and incidentals	893	1			400	1	412	4
Office facility costs	524	0			1,700	5	470	5
Insurance	292	0					28	0
Marketing and Communications	643	1			700	2	11	0
Depreciation and amortisation	2,806	3	3,154	1	5,400	17		
Auditors' remuneration	307	0	217	0	240	1		
Administrative, IT and other expenses	1,933	2	47,551	20	1,400	4	1,032	10
Total Expenses	**107,630**	**100**	**242,722**	**100**	**32,600**	**100**	**10,038**	**100**

Notes

a. Like for like comparisons are not strictly possible since different entities group and report costs differently (applies to all figures)
b. Non-cash charge that reverses over the life of the underlying loans
c. From 2018–19 Annual Report, as 2019–20 Information was not available at the time of preparing this report
d. Costs are shown gross before National Interest Account allocation
e. Board remuneration is not distinguishable from employee remuneration in some entity reports

Appendix E: Summary of operating costs and expenses and benchmark

continued

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 Figure 39.

Figure 39: Green bank benchmarking

	CEFC To 30 June 2020	NY Green Bank To 31 March 2020[a]
Commencement year	2013	2013
Capital committed since commencement	A$8.2b	US$0.96b
Total transaction values	A$27.8b	US$2.4b
Financial leverage	A$2.30	US$1.40
Estimated lifetime emission reductions (MT CO_2e)	220	15.2
Installed megawatts of renewable energy	3,400[b,c]	866
Capital committed per tonne of estimated lifetime emission reductions	A$37	US$63

Notes

a. From NY Green Bank Metrics, Reporting & Evaluation Quarterly Report No. 23 (through March 31, 2020).

b. Figure excludes some small-scale renewable energy, such as rooftop solar finance through CEFC aggregation programs.

c. Includes large-scale generation 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. However, some of these are repaid or sold earlier than expected. In some cases they may be repaid as the borrowers are able to refinance on more advantageous terms once the projects have been constructed or otherwise de-risked
- Some investment commitments are never drawn, for example because the borrower fails to meet conditions precedent. They are reported here, at the original commitment value, for the sake of completeness.

Figure 40: Investment commitments realised through repayment or disposal in 2019–20

Counterparty	Investment description	Commitment year	Commitment value	Outcome
Central Goldfields Shire Council	Finance for installation of 30 kW solar system on Resource Centre roof	2012–13	$0.08m	Loan fully amortised
Taralga Wind Farm	Finance for 106.8 MW wind farm	2012–13	$37.5m	Borrower refinanced with a commercial lender
Quintessential Equity	Finance for landmark office development in Geelong, Victoria	2015–16	$68.4m	Borrower refinanced with a commercial lender
City of Melbourne	Finance for a range of renewable energy and energy efficient projects	2015–16	$30.0m	Borrower repaid early
SGCH (St George Community Housing)	Finance to facilitate renewable energy and energy efficiency initiatives in new social and affordable housing and retrofits to existing dwellings	2015–16 2016–17	$170.0m	Borrower refinanced with another lender
Kidston Solar Farm	Finance for 60 MWdc (50 MWac) large scale solar farm	2016–17	$37.6m	Original loan refinanced with a commercial lender. CEFC remains a lender to the borrower's parent
Mirvac	Investment in residential development project, including solar and battery storage technologies	2016–17	$90.0m	Borrower repaid early as developments did not proceed in the timeframe envisaged
QIC Shopping Centre Fund	Senior debt facilities to facilitate energy efficiency upgrades and onsite renewable energy projects across a national portfolio of shopping centres	2016–17	$200.0m	Borrower repaid early

Appendix F: Realised investments

continued

Counterparty	Investment description	Commitment year	Commitment value	Outcome
FlexiGroup	Subscription in a Climate Bonds Initiative-certified bond tranche within a larger securitisation, using residential solar PV assets as receivables	2016–17	$20.0m	Investment fully amortised
Blue Sky Private Real Estate and Goldman Sachs	Debt investment in private student accommodation project in Adelaide	2016–17	$31.8m	Loan repaid early
Hayman and Daydream Solar Farms	Portfolio financing of 150 MWac Daydream Solar Farm and 50 MWac Hayman Solar Farm near Collinsville, Queensland	2017–18	$89.9m	Facility refinanced. CEFC remains one of the lenders in the replacement facility
Carbon Revolution	Convertible note to finance development of carbon fibre wheels	2018–19	$2.1m	Note converted and shares sold into Initial Public Offering
Warada Capital Pty Ltd	Equity stake in a project development business focusing on renewable energy and energy efficiency investments	2018–19	$5.0m	Joint venture dissolved

Notes

a. Shows the total original investment commitment realised upon receipt of the final repayment or disposal being made in the current year

b. Excludes scheduled amortisation payments on loans that have not been realised in full in the current year

Figure 41: Investment commitments partially realised, contractually cancelled, allowed to expire or reduced in 2019–20

Borrower/project	Investment	Commitment	Investment commitment change	Explanation
National Australia Bank	Five year term deposit to support asset finance aggregation program	2014–15	$40.0m	Deposit matured
NAB Climate Bond	Investment in climate themed bonds issued to raise finance specifically for climate change solutions	2014–15	$5.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Carbon Revolution	Shares in Geelong-based business that designs, manufactures and markets carbon fibre composite wheels	2016–17	$ 9.7m	Sale of shares at and following Initial Public Offering
Westpac Climate Bond	Investment in climate bond backed by a range of Australian and New Zealand assets	2015–16	$7.0m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Commonwealth Bank Climate Bond	Investment in certified climate bond financing a mix of green buildings, wind and low carbon transport	2016–17	$7.7m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Investa Commercial Property Fund Green Bond	Investment in commercial property fund certified climate bond issuance	2016–17	$1.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
AMP Capital Wholesale Office Fund	Equity investment in energy efficient commercial property portfolio	2016–17	$50.0m	Sale of units comprising part of CEFC interest in the AMP Capital Wholesale Office Fund
Investa Commercial Property Fund	Equity investment in energy efficient commercial property portfolio	2016–17	$44.8m	Sale of units comprising part of CEFC interest in the Investa Commercial Property Fund
Commonwealth Bank	Investment in bank bond to support asset finance aggregation program	2017–18	$40.0m	Disposal of surplus bonds no longer required to be held due to amortisation of underlying loans in the aggregation program
New Energy Solar	Facility to finance the acquisition of solar farms	2017–18	$50.0m	Facility expired without being drawn
Lendlease Australian Prime Property Fund Commercial	Equity investment in energy efficient commercial property portfolio	2017–18	$15.0m	Sale of units comprising part of CEFC interest in the Australian Prime Property Fund Commercial

Appendix F: Realised investments

continued

Borrower/project	Investment	Commitment	Investment commitment change	Explanation
National Australia Bank	Investment in a Climate Bonds Initiative–certified tranche within a larger securitisation backed by residential mortgage receivables	2017–18	$6.3m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Bannerton Solar Farm	105MWdc utility scale solar farm in Victoria	2017–18	$11.5m	Reduced at term conversion. Undrawn funds not required
Woolworths Green Bond	Investment in a green bond, financing energy efficiency initiatives in retail properties	2018–19	$2.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund
Curtin University Bentley Campus	Debt facility for renewable energy and energy efficiency technologies across a new campus development	2018–19	$33.5m	CEFC sold down a portion of its debt to new commercial lenders via a syndication process
QIC Shopping Centre Fund Green Bond	Investment into a shopping centre green bond issuance	2019–20	$2.5m	Transferred as part of CEFC investment via seed assets in the Australian Unity Green Bond Fund

Notes

c. Includes the portion of the original investment commitment realised, cancelled, allowed to expire or reduced during the year

d. Excludes the scheduled amortisation payments on loans that have not been realised in full in the current year

Appendix G: Executive remuneration reporting

In accordance with the *Public Governance, Performance and Accountability Rule 2014*, the CEFC has set out below 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 accruals basis.

Governance arrangements

Remuneration for non-executive Board members is determined by the Remuneration Tribunal, subject to the *Remuneration Tribunal Act 1973*.

The remuneration of the CEO and other Executives included as Key Management Personnel (KMP) is determined by the CEFC Board People and Culture Committee and approved by the non-executive Board.

The Board People and Culture Committee develops, reviews and makes recommendations to the Board on:

- The CEFC policy covering all Executive remuneration, and any changes to the Remuneration Policy and the implementation of the policy, including any required Ministerial approvals
- Corporate goals and objectives relevant to the remuneration and performance of Executives in light of these objectives
- The remuneration arrangements for the CEO and other Executives included within KMP (including base pay, incentive payments, superannuation and other retirement rights); and any changes to their remuneration including proposed awards after evaluating annual performance against KPIs
- CEFC policies on the recruitment, selection, retention and termination of the CEO and other Executives included within KMP and any changes to those policies
- Specific individual contractual arrangements for the CEO and other Executives included within KMP.

Remuneration for OHPS is governed by the CEFC Remuneration Policy and determined by the CEO in consultation with other members of the senior executive team.

Executive remuneration policies and practices

Executives are employed on individual contracts, with terms and conditions based on the National Employment Standards contained in the *Fair Work Act 2009*. KMPs are not covered by the *Australian Government Industry Award 2016*, which applies to other CEFC employees, including any OHPS, whose remuneration is shown in Figure 42.

During 2019–20, the total reward for Executives included fixed remuneration (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 large, medium and smaller organisations, both in the private and public sectors. FIRG market data provides comparisons for fixed remuneration as well as total reward (fixed plus variable compensation).

Executive remuneration is reviewed annually and may be adjusted to reflect market relativities or a change in individual responsibilities. The CEFC has committed to a maximum average salary increase of 2.0 per cent per annum over the next three years, in accordance with the *Australian Government Public Sector Workplace Bargaining Policy 2018*.

Appendix G: Executive remuneration reporting

continued

Variable compensation

Executives are invited to participate in the CEFC Variable Compensation Plan which covers performance-based remuneration. In developing the Variable Compensation Plan, consideration was given to the CEFC Act, the Investment Mandate, requirements of the charters of both the CEFC Board and Board People and Culture Committee, the Prudential Standards of Australian Prudential Regulation Authority (APRA) and other relevant legislation.

The nature of the market in which the CEFC operates means that variable compensation is a significant part of employee remuneration packages and enhances the ability of the CEFC to attract and retain appropriately qualified and experienced employees to both originate and manage the significant investments made by the Corporation. Variable compensation awards are made annually, based on the performance of both the Corporation and individuals against defined targets, measures and indicators that determine a quantifiable payment.

The CEFC Corporate Key Performance Indicators (KPIs) are central to the Variable Compensation Plan, and link Executive performance with organisational performance. The Corporate KPIs cover the strategic themes of Impact, Innovation and Organisational Effectiveness. The size of the available Variable Compensation Pool is entirely dependent on the achievement of the CEFC Corporate KPIs.

"On target" variable compensation is 50 per cent of fixed remuneration for the CEO and 30 per cent of fixed remuneration for other Executives included within the KMP and OHPS categories at senior levels. "On target" variable compensation for OHPS ranges between 15 and 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 and other Executives included within the KMP and OHPS categories at senior levels reflect a "split weighting" between corporate and individual components, of 75 per cent and 25 per cent respectively. Payments to OHPS at lower career levels are based on a 100 per cent individual component.

The Board People and Culture Committee makes recommendations in relation to payments to the CEO and other Executives included within the KMP category for Board approval prior to payment.

In line with industry practice, payments to the CEO, other Executives included within the KMP and OHPS categories at senior levels 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. *Refer following section.*

The CEO and Board also have the discretion to enact a "claw-back" of variable compensation amounts paid to an Executive to the extent an adverse outcome arises that causes a reassessment of an individual's performance in a previous performance period.

These provisions are designed to protect the CEFC and the delivery of its obligations under the CEFC Act, the PGPA Act and other governing legislation.

Impacts of the pandemic

Following the sudden downturn and impacts felt across the economy as a result of the pandemic, relevant Ministers and the Australian Public Service (APS) Commissioner asked agencies such as the CEFC, as a non-APS Government Agency, to exercise wage restraint during this time and to act in accordance with community expectations. This request included deferring wage increases for a period of six months, excluding pay increases relating to performance of duties at higher classifications such as promotions. While the CEFC is not covered by the *Public Service Act 1999*, the APS Commissioner asked non-APS agencies to act in accordance with the s24(3) determination (*Public Service Act 1999*).

In developing the CEFC approach to the July 2020 remuneration review in light of these requests, the Executive took into consideration community expectations balanced with other relevant factors. The CEFC plays a significant role in nation building projects which have the potential to provide economic stimulus and job creation. Our continued presence in the market is key to maintaining confidence in clean energy markets so that private sector investment can continue to flow into the sector. Protecting the resilience and engagement of our workforce to effectively perform this important role was key in setting remuneration. As a result, the Executive recommended a remuneration approach which would be regarded as reasonable, balanced and justified, and in the spirit of the APS and Ministerial requests.

The following recommendations were approved by the Board People and Culture Committee and the CEFC Board:

Fixed remuneration increases:

- Implement a “freeze” on fixed remuneration for the Executive Team for 12 months
- CEO contracted pay increase deferred for 12 months, to 14 May 2021
- Fixed remuneration increases for remaining employees (excluding promotions) deferred for six months to March 2021.

Variable compensation:

- Chief Executive Officer and Chief Financial Officer variable compensation payments subject to 100 per cent deferral and paid in equal instalments over three years (usually 25 per cent deferral)
- Variable compensation payments for remaining KMP (many of whom are included in OHPS) are subject to 50 per cent deferral and paid in equal instalments over three years (usually 25 per cent deferral)
- Variable compensation payments for all KMPs not higher than the previous period
- Other staff at Head Of and Executive Director level (all of whom are included in OHPS) are subject to a 25 per cent deferral in variable compensation payments, paid in equal instalments over three years (usually no deferral).

Key Management Personnel

The CEFC defines Key Management Personnel (KMPs) as Board Members and employees who have the authority and responsibility for planning, directing and controlling the activities of the CEFC, directly or indirectly. The CEFC has determined that non-executive Board members, the CEO and other members of the senior executive team reporting to the CEO are KMPs.

In the 2019–20 year, the senior Executive Team included the Chief Executive Officer; Chief Financial Officer; General Counsel and Corporate Secretary; Chief Investment Officer; Chief Clean Futures Officer; Chief Risk Officer; Chief Asset Management Officer; and Chief People and Culture Officer.

Appendix G: Executive remuneration reporting

continued

Figure 42: KMP Remuneration 2019–20

		Short-term benefits				
Name	Position	Annual fees[1] ($)	Base salary[2] ($)	Performance based compensation ($)	Movement in leave provisions[3] ($)	Other benefit and allowances[6] ($)
Non-Executive Board Members						
Steven Skala	Chair	111,715	–	–	–	–
Leeanne Bond	Director	55,856	–	–	–	–
Samantha Tough	Director	55,856	–	–	–	–
Nicola Wakefield Evans	Director	55,856	–	–	–	–
Philip Coffey	Director	55,856	–	–	–	–
Laura Reed	Director	55,856	–	–	–	–
Andrea Slattery	Director	55,856	–	–	–	–
CEO and Senior Executive Team						
Ian Learmonth	Chief Executive Officer	–	553,202	–	8,318	–
Andrew Powell	Chief Financial Officer	–	402,048	–	(3,097)	–
Leanne McDonald	Chief People and Culture Officer	–	344,140	61,062	12,267	–
Rebecca Cottrell	General Counsel	–	238,125[4]	–	2,465	–
Ludovic Theau	Chief Investment Officer	–	425,224	78,838	14,427	–
Paul McCartney	Chief Clean Futures Officer	–	402,048	78,250	15,356	–
Michael Johnston	Chief Risk Officer	–	381,894	70,825	11,609	–
Sara Leong	Chief Asset Management Officer	–	402,048	75,425	20,389	–
Saxon (Jay) Tolson[5]	General Counsel and Corporate Secretary	–	16,320	–	1,383	–
Total		**446,851**	**3,165,049**	**364,400**	**83,117**	**–**

Notes

1. Annual Board fees includes an additional two days accrual in the reporting period based on the way the number of working days fell with 2020 being a leap year.
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. Rebecca Cottrell resigned as General Counsel and Corporate Secretary effective 15 November 2019. Her base salary was paid through to 14 February 2020.
5. Saxon (Jay) Tolson was recruited as General Counsel and Corporate Secretary effective 15 June 2020. His remuneration is included for the period since his appointment.
6. The CEFC does not provide benefits or allowances (such as car parking and motor vehicle benefits, housing 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 contribution ($)	Performance based compensation ($)	Long service leave ($)	Other long-term benefits ($)	Termination benefits ($)	Total remuneration ($)
10,327	–	–	–	–	122,042
5,165	–	–	–	–	61,021
5,165	–	–	–	–	61,021
5,165	–	–	–	–	61,021
5,165	–	–	–	–	61,021
5,165	–	–	–	–	61,021
5,165	–	–	–	–	61,021
20,599	252,897	12,661	–	–	847,677
20,599	150,500	8,149	–	–	578,199
20,599	61,062	8,009	–	–	507,139
10,097	–	(13,070)	–	–	237,617
20,599	78,838	9,737	–	–	627,663
20,599	78,250	8,150	–	–	602,653
20,395	70,825	9,609	–	–	565,157
20,599	75,425	5,500	–	–	599,386
1,230	–	142	–	–	19,075
196,633	**767,797**	**48,887**	**–**	**–**	**5,072,734**

Appendix G: Executive remuneration reporting

continued

Senior executives

The CEFC does not have any senior executives other than those already included within the KMPs disclosures in Figure 42.

Other Highly Paid Staff

Other Highly Paid Staff (OHPS) are CEFC employees (excluding KMPs and senior executives) whose total remuneration exceeds the $225,000 threshold for the 2019–20 year.

Figure 43: 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] ($)	Average other benefits and allowances[4] ($)
$225,001 to $245,000	6	161,416	46,570	7,469	–
$245,001 to $270,000	9	176,578	45,721	3,935	–
$270,001 to $295,000	4	187,895	57,190	5,689	–
$295,001 to $320,000	3	213,638	49,905	1,358	–
$320,001 to $345,000	6	226,591	54,625	8,002	–
$345,001 to $370,000	2	242,094	63,375	10,974	–
$370,001 to $395,000	4	257,981	63,750	9,159	–
$395,001 to $420,000	3	269,317	74,250	10,896	–
$420,001 to $445,000	2	302,500	69,750	5,844	–
$445,001 to $470,000	1	326,027	64,500	7,224	–
$470,001 to $495,000	2	323,875	75,000	9,070	–
$520,001 to $545,000	3	383,979	62,667	(2,846)	–
$545,001 to $570,000	1	391,971	65,500	12,573	–

Notes

1. Average base salary includes an additional two days accrual in the reporting period based on the way the number of working days fell with 2020 being a leap year.
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 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 ($)	Average total remuneration ($)
16,627	–	4,581	–	–	236,663
17,579	7,826	4,872	–	–	256,511
18,173	–	5,197	–	–	274,144
20,032	16,667	5,467	–	–	307,067
20,366	18,208	5,570	–	–	333,362
20,546	21,125	7,134	–	–	365,248
20,504	21,250	6,207	–	–	378,851
20,599	24,750	7,355	–	–	407,167
20,599	23,250	7,927	–	–	429,870
20,599	21,500	7,577	–	–	447,427
20,599	47,500	7,389	–	–	483,433
20,447	62,667	9,653	–	–	536,567
20,599	65,500	9,059	–	–	565,202

Glossary

Term	Description
Abatement	Refers to reductions in CO_2-e emissions.
Advancing Hydrogen Fund	The Advancing Hydrogen Fund has up to $300 million available to invest in eligible projects which advance hydrogen production; develop export and domestic hydrogen supply chains, including hydrogen export industry infrastructure, establish hydrogen hubs and assist in building domestic demand for hydrogen.
Aggregation finance	The provision of CEFC finance via co-finance intermediary partners, to aggregate customer demand that would otherwise be too expensive to be serviced directly by the CEFC.
Appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament.
Australian Recycling Investment Fund	The $100 million Australian Recycling Investment Fund has a particular focus on large scale projects which use clean energy technologies to support the recycling of waste plastics, paper, glass and tyres.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation which creates and empowers the CEFC.
Clean Energy Innovation Fund	The Clean Energy Innovation Fund is a specialist financier focused on early-stage clean energy companies. It draws on CEFC finance to provide primarily equity finance to innovative clean energy projects and businesses which involve renewable, energy efficiency and low emissions technologies. The Innovation Fund operates with the assistance of ARENA.
Clean energy and clean energy technology	The types of technology the CEFC is permitted to invest in, which includes 'renewable energy technologies', 'energy efficiency technologies' and 'low emissions technologies' as defined in the CEFC Act.
Climate (or green) bonds	A specific type of green bond issued by the Climate Bond Standards and Certification initiative.
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.
Committed investment	Where the CEFC has made a commitment to invest funds if all necessary pre-conditions are fulfilled by the counterparties.
Concessionality	Concessionality is defined by the Investment Mandate and 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.
Cornerstone investor	Cornerstone investors are usually large institutional investors, or reputable individuals of substance, whose early stage involvement in an investment signals to the market that an opportunity may be worthwhile for other investors to also consider.
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 (ESD)	A set of principles that corporations and government entities must report against under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).
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.

Term	Description
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	The Australian Government's central piece of environmental legislation, which provides 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.
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 $1 billion Grid Reliability Fund will support 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	Key Management Personnel (KMPs) are Board Members and staff who 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.
Large scale	In reference to renewables, a power station large enough to earn certificates under the LRET (i.e. above 100 kW for solar PV).
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.
Marginal Loss Factors	Marginal Loss Factors (MLFs) modify the revenue received by electricity generators to reflect electricity 'lost' along the transmission and distribution networks. MLFs are calculated by AEMO annually under the National Electricity Rules.
National Australian Built Environment Rating System: NABERS	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: NatHERS	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.
National Energy Productivity Plan: NEPP	A COAG Energy Council agreed package of measures to improve Australia's energy productivity by 40 per cent between 2015 and 2030.
Off-grid	Not connected to the electricity grid, such as in remote areas.
Offtake agreement	An agreement between a producer (of energy or crops) and a purchaser to purchase production output for a defined period at a defined price.
Other Highly Paid Staff	Other Highly Paid Staff are CEFC employees (excluding KMPs and senior executives) whose total remuneration exceeds the threshold for 2019–20.
Portfolio Benchmark Return	A long-term target rate of return established by the CEFC Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured.

Glossary

continued

Term	Description
Positive externalities	Benefits which are not exclusive to parties to a contract, such as an investment contract. May include reduced carbon emissions which benefit society as a whole. It is a requirement of the CEFC Investment Mandate that positive externalities be considered when the CEFC makes investment decisions.
Power Purchase Agreement	A type of offtake agreement where a purchaser agrees to purchase and a supplier agrees to supply future generated electricity, usually at a specified price for a defined period.
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.
Project proponents	The 'proposers' or owners of a given project, as distinct from the project financiers.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.
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 Target	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*. Made up of the small-scale renewables scheme (SRES) and the large-scale target (LRET).
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.
Renewable Energy Zones	Areas in the NEM where clusters of large-scale renewable energy can be efficiently developed, promoting economies of scale in high-resource areas, capturing important benefits from geographic and technological diversity in renewable resources, and recognising the critical physical must-have requirements for power system security.
Roll-off	Investment amounts that exit the portfolio (e.g. by sale, repayment, cancellation of all or part of the facility, reduction in quantum borrowed etc).
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt.
South West Interconnected System	The largest interconnected power system in Western Australia, the South West Interconnected System (SWIS) incorporates over 7,800 kilometres of transmission lines, 5,798 MW of registered generation capacity (including 513 MW of non-scheduled generation), providing 18 terawatt hours of electricity supply each year to serve 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).

Term	Description
Sustainable Cities Investment Program	Through the Sustainable Cities Investment Program, the CEFC invests to accelerate the development and deployment of a broad range of clean energy projects in Australia’s 50 largest cities, from Alice Springs with 25,000 people; to Sydney, Australia’s largest city, at some 5.1 million people.
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of a loan.

Abbreviations

Abbreviation	Full Name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AEMO	Australian Energy Market Operator
AMEC	Australian Energy Market Commission
AIPP	Australian Industry Participation Plans
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
BNEF	Bloomberg New Energy Finance
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*
ERF	Emissions Reduction Fund
ESD	Ecologically sustainable development
FBT	Fringe benefits tax
FOI Act	*Freedom of Information Act 1982*
FRR	Public Governance, Performance and Accountability (Financial Reporting) Rule 2015
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
GRF	Grid Reliability Fund
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

Abbreviation	Full Name
KPI	Key performance indicators
kW	Kilowatt
kWh	Kilowatt hour
LED	Light emitting diode
MIRA	Macquarie Infrastructure and Real Assets
MLF	Marginal Loss Factors
MP	Member of Parliament
MW	Megawatt
MWh	Megawatt hour
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Fund
NEM	National Electricity Market
NEPP	National Energy Productivity Plan
NGO	Non government organisation
OHPS	Other Highly Paid Staff
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
PPP	Public Private Partnership
PV	Photovoltaic
RET	Renewable Energy Target
REZ	Renewable Energy Zone
SWIS	South West Interconnected System
TARP	Total Annual Remuneration Package
WHS Act	*Work, Health and Safety Act 2011*

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