CEFC
CLEAN ENERGY FINANCE CORPORATION

Annual Report 2012-13

Clean Energy Finance Corporation
ABN: 43 669 904 352

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http://www.cleanenergyfinancecorp.com.au/reports/annual-report.aspx

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Annual Report

of the

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ABN: 43 669 904 352

2012-13

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MISSION

Our mission is to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in emissions reduction.

CEFC
CLEAN ENERGY FINANCE CORPORATION

The Hon. Joe Hockey MP
Treasurer

Senator the Hon. Mathias Cormann
Minister for Finance

Parliament House
CANBERRA ACT 2600

26 September 2013

ANNUAL REPORT FOR 2012-2013

Dear Ministers

I am pleased to present the *Clean Energy Finance Corporation Annual Report 2012-2013* as required by section 9 of the *Commonwealth Companies and Authorities Act 1997*.

This report has been prepared according to the requirements of the *Clean Energy Finance Corporation Act 2012*, the *Commonwealth Companies and Authorities Act 1997*, the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)*, and the *Commonwealth Authorities (Annual Reporting) Orders 2011* for presentation to Parliament, and includes the following:

- The Audited Annual Financial Report
- Additional information required by section 74 of the *Clean Energy Finance Corporation Act 2012* and the *Commonwealth Authorities (Annual Reporting) Orders 2011*
- Mandatory reports under the section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* and under the *Work Health and Safety Act 2011*, Schedule 2, Part 4, Section 4.

As per the requirements of clause 5 of the *Commonwealth Authorities (Annual Reporting) Orders 2011*, this Annual Report was approved by resolution at the 23rd Meeting of the Board of the Clean Energy Finance Corporation, held at the Corporation's offices, at Level 17, 1 Bligh Street, Sydney on this day of 26 September 2013.

Yours sincerely

Jillian Broadbent AO
Chair of the Board
Clean Energy Finance Corporation

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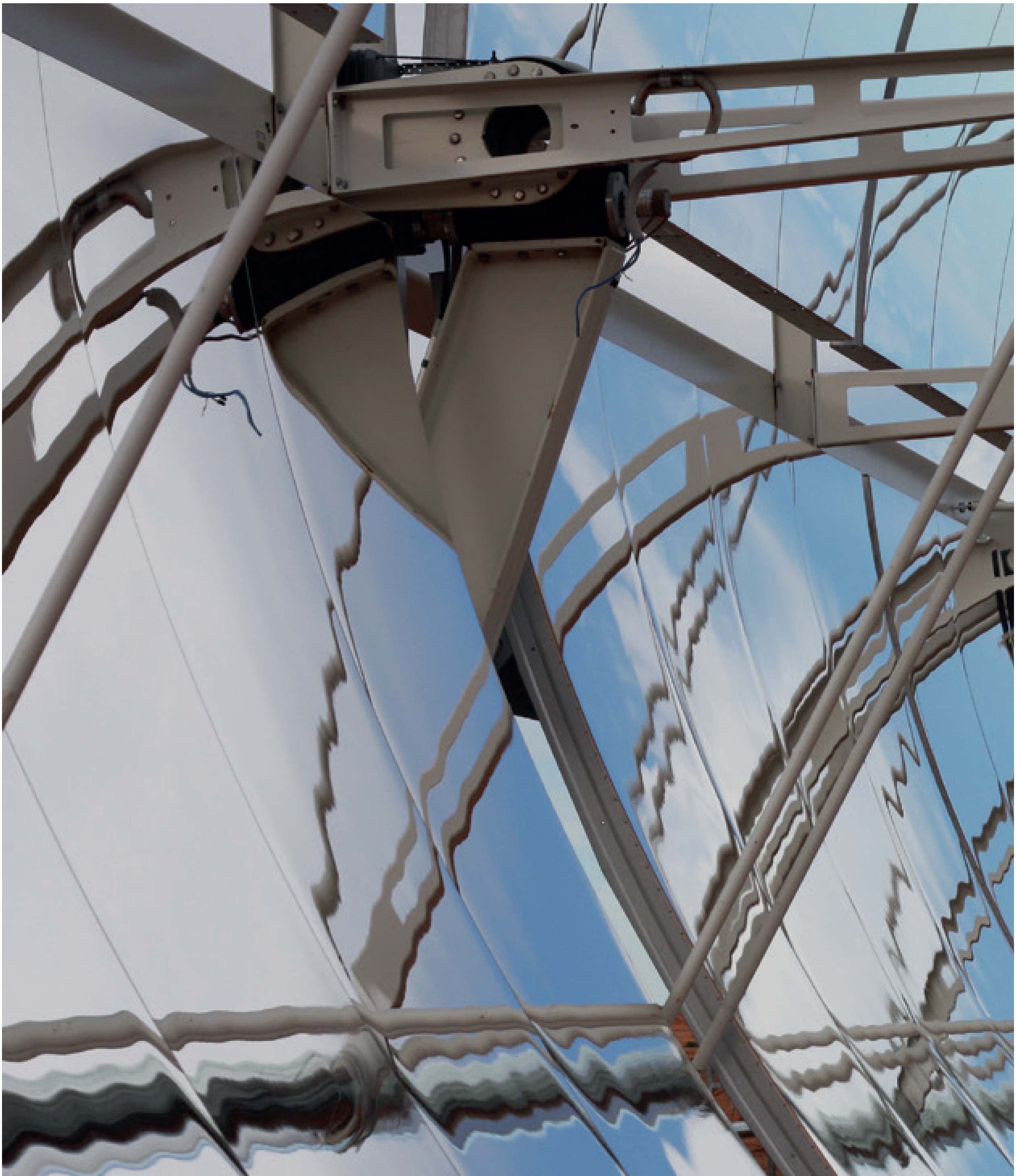


"Over the past year, the CEFC has achieved real success in addressing its challenging objective of funding transactions with a public policy objective, applying a commercial filter, and achieving financial self-sufficiency and a return on capital." Jillian Broadbent AO

Chair's Report

Jillian Broadbent AO, Chair of the Clean Energy Finance Corporation

Governments globally have adopted a variety of policy tools to prepare and position their economies for a carbon constrained world. Government-backed sector specific funds have proved effective in this globally challenging pursuit. As a specific fund to invest in Australia's clean energy and emissions reduction, the Clean Energy Finance Corporation (CEFC) is an important development.

In 2011-12, I chaired an Expert Review Panel to consider the merits of a CEFC model. After wide consultations and receiving many public submissions, the Panel identified many inhibitors to investment in Australia's emissions reduction. We recommended that the CEFC could be an effective tool to develop the sector, its financing, skills and technologies, thus enhancing Australian industry's preparedness for a lower carbon world. The Australian Government supported these recommendations and in July 2012, Parliament passed the *Clean Energy Finance Corporation Act 2012* ('the CEFC Act') to bring it into effect.

Over the last year, the CEFC Board and Management have moved efficiently to establish a highly operational institution and to develop sound commercial relationships with key parts of the market.

Our mission is 'to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase private sector investment in emissions reduction'. The Board has pursued this mission with the goal of minimising the cost to Government. This has been done through adopting a commercial approach, building a team with financial and sector skills to impact the market, and by using co-financiers and minimising concessionality.

Our Investment Mandate, received in April 2013, was a key foundation stone for development and release in May 2013 of the *CEFC Investment Policies* and strategy. These provide investment criteria, portfolio diversification strategies and a framework for CEFC governance and management.

I am pleased to report that our experienced and highly capable team has engaged quickly and effectively with the market to demonstrate the CEFC's capability and potential. The integration into the CEFC of Low Carbon Australia Limited's (LCAL) energy efficiency programs, staff, systems and platforms enhanced the development of new CEFC financing opportunities, particularly in the area of energy efficiency and low emissions technologies.

The strong positive response from the market has enabled the CEFC, as at 20 August 2013, to successfully build a total portfolio of $536 million comprising a diverse range of nationally significant investments, including LCAL investments.

The CEFC portfolio of contracted investments is presently expected to earn an average return of approximately 7 per cent, around 4 per cent above our benchmark return of the Government five-year bond rate. This positions us well to cover our operating costs. It demonstrates the potential for us to readily meet the target of providing a steady flow of dividends to ARENA. By adopting a robust commercial risk management approach, the CEFC has no adverse impact on Government net debt.

Within our first year of operations, we are solidly on track to meet our 2018 Portfolio Vision. We have financed projects involving wind, solar, and bioenergy across Australia (both on-grid and off-grid), as well as energy efficiency and low emissions technology projects in manufacturing, buildings and local government. We have worked to expand the market's understanding of risk and the investment capacity in emissions reduction projects. The CEFC's portfolio has demonstrated how we contribute to the diversification of Australia's renewable energy generation sources.

Co-financing is integral to our strategy. Through matched private sector funds of $2.90 for each $1 of CEFC investment, the CEFC has been able to catalyse over $1.55 billion in non-CEFC private capital investment in projects and programs to deploy renewables and to improve energy efficiency. Our pioneering of new aggregation finance and corporate facilities has increased awareness and adoption of energy efficiency across a broad market sector. This has encouraged the development of new employment opportunities and assisted the growth of new enterprises.

CEFC's participation in the market provides liquidity to ensure efficient pricing. Our lower cost of funds, flexible structuring and capacity to match the term of the financing to the life of the assets has allowed us to de-risk transactions so that private financiers become involved. We have helped create a demonstrable improvement to the flow and diversification of funds into the sector – in particular from new sources, including European and Asian institutions, working to crowd-in (not crowd-out) capital from new and existing sources.

We are joining the banks at the table as a sector-focused entity, with strong financial and energy sector skills to address deal structuring and risk issues to enable transactions to proceed. Importantly, the CEFC's participation has been largely without concessionality. On the basis of internationally accepted terms and returns for the sector, co-financiers have been receptive to working with us and respectful of our approach and purpose. We have facilitated Australian content through persuasion rather than handouts.

CEFC involvement with other co-financiers in aggregation finance for smaller scale investments in the energy efficiency field is providing a demonstration of the benefits to encourage others to follow. The CEFC's role is to develop these market segments with a co-finance and/or delivery partner with a view to exiting once the market is established.

Financings have been progressed across the full spectrum of the market, with participants highly responsive to our flexible, interactive and less prescriptive approach. Australia has an appetite to progress emissions reduction investments, but needs a catalyst to do so.

Consistent with our global counterparts in the USA, UK, Germany, Brazil and China, the CEFC, too, has shown itself to be a low cost emissions abatement tool for Government. Within its first year of operation, the CEFC has catalysed investments responsible for 3.9 million tonnes of CO_2-equivalent abatement annually, which has been generated at a negative cost (net benefit) of approximately $2.40 per tonne.

Australia has made a valuable investment in establishing the CEFC as a flexible and low cost policy tool. Combining finance and energy technology, market know-how, and the staff and assets of LCAL, the CEFC has demonstrated a capacity to mobilise private capital to achieve emissions reduction.

THE BOARD

Michael Carapiet, Ian Moore, Anna Skarbek and Andrew Stock were appointed to join me on the Board in August 2012. Paul Binsted and Martijn Wilder AM were subsequently appointed in December 2012. I would like to pay tribute to each of the Directors for their dedication, hard work and positive enthusiasm for the mission and work of the CEFC. They have provided strong vision, commitment, and the benefit of diverse experience during this period of establishing the Corporation and its operations, and should feel justifiably proud of the results achieved.

CEFC EXECUTIVE AND STAFF

The standup of the Corporation, its governance and operating platforms and its initial investment portfolio has been achieved through the skill, energy and leadership of our CEO, Oliver Yates, his Executive team and the tremendous work of the investment team and staff. The Board thanks Oliver and his team as they have successfully transitioned through establishment to full operations. I congratulate them on their achievement and thank them for their professionalism and commitment.

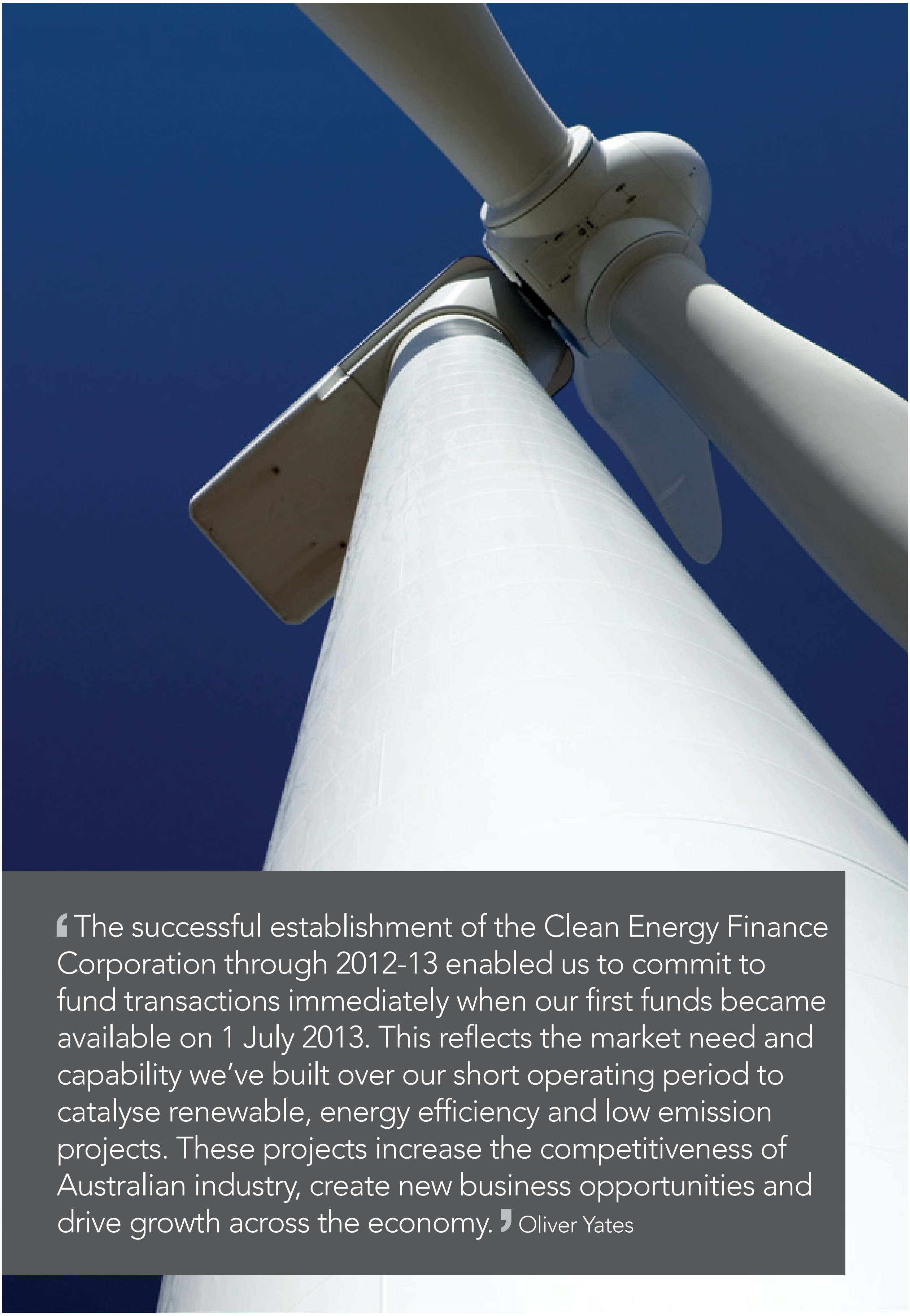
THE FUTURE

At the time of writing, the future of the CEFC is in doubt, with the Australian Government preparing legislation for the repeal of the CEFC Act, making this possibly my first and last report as Chair.

Comparable institutions to the CEFC around the globe have attracted bipartisan support for their work and achievements. Despite the lack of such support in Australia, it is reassuring that use of a commercial approach and of private sector skills has been well received across the finance and new energy technology industries. Through interfacing with the market daily, we have seen a reactivation of capital expenditure in emissions reduction projects. Including the CEFC's $536 million, $2.2 billion worth of investment has been facilitated by the CEFC, building skills across financing, construction, adaptive engineering and commercial services for new technologies.

The CEFC has been an effective catalyst for the public and private sector to overcome current market failures in financing carbon reducing investment at scale. After two years in developing and shaping this Corporation, I am confident there is a significant opportunity for the CEFC model to make a cost effective contribution to achieving the type of economic transformation required for Australia's bipartisan goal of emissions reduction by 2020.

Jillian Broadbent AO
Chair



“The successful establishment of the Clean Energy Finance Corporation through 2012-13 enabled us to commit to fund transactions immediately when our first funds became available on 1 July 2013. This reflects the market need and capability we’ve built over our short operating period to catalyse renewable, energy efficiency and low emission projects. These projects increase the competitiveness of Australian industry, create new business opportunities and drive growth across the economy.” Oliver Yates

Chief Executive Officer's Report

Oliver Yates, the Chief Executive Officer of the Clean Energy Finance Corporation

The CEFC has received an extremely positive response from both project proponents and financiers. We have a strong pipeline of future projects covering diverse economic sectors and technologies, across all Australian states.

Australia has world leading renewable energy resources, internationally recognised technology and high-level engineering skills. Together with capital support they provide a platform that should allow Australia to realise a competitive advantage that will benefit all Australians in a carbon-constrained future.

The CEFC operates as a sector-focused financial institution that provides market based support and long-term financing. For the economy to move efficiently towards a lower carbon future, it requires long-term capital, long-term commitment and focused expertise. This is what the CEFC delivers.

Our commercial approach to achieve and maintain profitability required the CEFC to build a strong risk management culture. We have established robust risk management and assessment procedures and the capability to manage risk prudently.

By design, the CEFC provides a number of important market 'enablers' to facilitate increased flows of investment:

1. The CEFC's focused capabilities and experience gives us a capacity which is unique. Our skills enable the CEFC to work with the market to develop opportunities and to reshape projects that otherwise may not proceed.
2. As a specialised organisation, we have access to the latest market intelligence. To enhance our technical and financial expertise and breadth of experience across the clean energy and low carbon sectors, the CEFC is able to work together with agencies like ARENA and the CSIRO to tap Australia's leading minds to tackle the assessment of complex technical and engineering risk.
3. Our funding structure under the CEFC Act means we are able to provide longer-term fixed-rate financing solutions to match the long-term investment horizon in this sector. For example, the CEFC can provide the term flexibility required for investments like Environmental Upgrade Agreements where the term of an investment could extend, as ultimate collection responsibility resides with local councils.
4. Our sector specialised team enables the CEFC to consider investment in all classes of capital together, from equity through to debt with structuring responsive to client needs.
5. Whilst covering costs is critical, maximising profitability is not. This allows the CEFC to invest more time, effort and resources in our transactions which have public policy benefits that we value. The transactions might be small, yet still complex, such as community wind farm projects. They might be remote and involve special challenges like transmission issues or first in-kind technology that can take more than a year to reach financial close. They might involve a range of skill sets that are not easily assembled in larger financial institutions.

The CEFC is proud of the role we play to assist innovation become reality. We invest time and effort with developers and entrepreneurs early in their project's life to build a bankable case ready to be shared with the market.

I am pleased how effectively we have catalysed investments and how our presence has encouraged co-financiers to participate in the projects alongside the CEFC. As every entrepreneur or developer knows, it is the first amounts of committed capital that are critical to encourage additional investment.

ANNOUNCED TRANSACTIONS

To 20 August 2013, we have developed a portfolio of investments totalling over $536 million that assists in funding projects with a value of over $2.2 billion. Our current portfolio represents a diverse mix across the economy, with projects comprising 56 per cent of renewables, 30 per cent in energy efficiency and 14 per cent in low emissions technologies.

Some of the key projects include the following:

- Co-financing with ANZ and EKF (the official export credit agency of Denmark) of an approximately $280 million package for the construction and operation of a new wind farm near Taralga, NSW is enabling this major renewables project to proceed. The Taralga Wind Farm will use Australian manufactured towers made in Portland from BlueScope steel, providing a boost for the local wind engineering sector, and further develop Australian manufacturing capability and supply chain scale, creating valuable business and regional manufacturing employment.
- The $100 million Energy Efficient Loan facility co-financed by CEFC with the Commonwealth Bank will provide funding to smaller businesses, particularly those from the manufacturing sector, to upgrade facilities and equipment to be more energy efficient and reduce energy costs, with the additional positive effect of reducing carbon emissions.
- Our participation in the Macarthur Wind Farm refinancing and sale by Meridian Energy demonstrated that developers of large-scale renewable energy projects in Australia could successfully complete a development-finance-exit cycle. This facilitated the developer's ongoing activities in Australia. Meridian's selection of Australia as a listing home for its IPO will deepen the market's understanding of renewable energy investments as an asset class. CEFC's finance helped ensure efficient market pricing and encouraged other banks to participate.
- The CEFC is providing $75 million to Energy Developments Limited (EDL) for investment in new projects generating energy from waste coal mine gas and landfill gas. Fugitive emissions from coal mines and landfill are potent greenhouse gases. Using them to generate electricity that would otherwise come from higher emissions sources creates environmental and economic efficiency benefits. EDL will also use CEFC funds for remote generation solutions involving hybrid technologies that use renewable energy.
- The CEFC and National Australia Bank are co-financing Australia's largest beef company, Australian Agricultural Company Limited (AACo), for the installation of solar photo voltaic (PV) units across 15 grid-connected sites in Queensland. The solar PV systems will enable AACo to cut current grid energy consumption and associated carbon emissions by just under 30 per cent.
- The CEFC and National Australia Bank co-financing of an innovative waste-to-energy project at poultry business Darling Downs Fresh Eggs provides a good demonstration of small-scale projects. This project draws upon CEFC strategic alliance partner and leading biogas based renewable energy company, Quantum Power, who is working with its own strategic partner, US company RCM International to design and deliver the $2.86 million onsite power plant for the family-owned poultry business at Pittsworth in southeast Queensland. The project will reduce the business's grid electricity usage by 60 per cent in the first year and, once demonstrated, is both replicable

and scalable across Australia. The CEFC has received strong market interest for aggregation finance and delivery models for productivity enhancing projects like this one.

- The CEFC is providing up to $60 million of senior debt finance to Moree Solar Farm for the development and construction of a 56MW solar photovoltaic power plant. The Moree Solar Farm is a large scale single-axis tracking PV solar energy project located in northern New South Wales. The CEFC's participation provides a precedent in the Australian market for financing large scale solar PV on a merchant basis, bridging the required debt funding in the immediate term to enable the sponsors to proceed to construction and provide flexibility to secure a PPA in the future. Its tracking technology will allow the facility to capture a higher volume of peak priced electricity.
- The CEFC is co-financing Sundrop Farms' 20 hectare greenhouse development near Port Augusta, South Australia, which will use solar-thermal technology to desalinate seawater to provide irrigation, and to heat and cool the greenhouses. Sundrop Farms' facility will produce over 15,000 tonnes of tomatoes a year for metropolitan markets across Australia. The project shows how new technology can be applied to transform the Australian economy and create new industries in regional areas. Once implemented, this project will be a demonstration of sustainable horticulture practices at scale. It addresses the challenges of food security, water and energy availability.
- After 10 years of development, the CEFC provided finance to enable the final stage of the Portland Wind Energy Project to start construction. This is a world-class wind site and the project involves significant local industry participation. It has strong community support, all of which make this a hallmark project, demonstrating the CEFC's catalytic role.

The CEFC is catalysing emissions reductions at a much lower budget cost to many other programs, and the investment model is generating abatement which is delivering a financial return for the CEFC, for the Government, for business, for the taxpayer and the economy. Renewables are very much a focus for, and offer significant potential to benefit enterprises and communities in regional Australia.

BUILDING A PROJECT PIPELINE

The response that we have received from the market is extremely encouraging and we currently have 179 project proponents for projects to the estimated value of $14.9 billion in our pipeline at varying stages of development.

Projects in our pipeline representing significant opportunity for achievement of emissions reduction include:

- Investing in community renewable projects to make renewable investment accessible for participants in smaller and regional communities
- Creating a green residential mortgage product to replicate international energy efficient housing programs and incentivise energy efficient new housing construction
- Expanding availability of finance for Environmental Upgrade Agreements (EUAs) to promote energy efficiency in existing commercial buildings
- Working with Australian manufacturers and service providers to participate in projects to build supply chain capability for growth and jobs in the lower carbon economy
- Developing an ungeared listed vehicle to enable pension funds and other retail investors to benefit from the stable cash generation properties of renewable energy projects

- Supporting remote renewables projects to reduce their reliance on diesel generation and provide long-term energy cost savings
- Encouraging the reduction in transmission capital expenditure and consequent consumer changes by promoting efficient demand management and appropriate augmentation activities
- Developing financing options for roof-top residential and commercial solar solutions such that solar solutions are easily accessible to everyone
- Further supporting the expansion of utility scale solar projects where they can demonstrate progressively improved economic gains
- Expanding co-finance vehicles targeted at energy efficiency and small-scale emissions reduction projects in small to mid-sized businesses for improved energy productivity across the economy.

LOOKING FORWARD 2013-14

As we head into a new year, we remain committed to continuing the successful programs now underway that are proving case-by-case how we can assist the Australian economy move to a low carbon future at lowest cost and maximise the productivity gains for all sectors.

We have only scratched the surface of opportunities available. We believe we have demonstrated clearly the effectiveness of an investment model as a natural complement to the suite of other government policies directed at achieving emissions reductions. The experience of comparable institutions established in other major economies has shown that the CEFC model utilising the 'discipline of debt' offers significant benefits, as we can drive investment at no cost to the taxpayer.

Our operation represents a unique asset to the sector. The CEFC comprises a team of professionals experienced in infrastructure and energy finance who have deep passion and commitment to the public policy purpose we serve.

APPRECIATION

I would like to extend my thanks to the Board members of the CEFC who have given generously of their time and insight, to play a central role in our successful progress towards achieving the Corporation's objectives.

On behalf of all the staff of the CEFC, I express our appreciation to our Chair Jillian Broadbent AO, for her wisdom and guidance to the Corporation. We thank our Responsible Ministers, the Treasurer, and the Minister for Finance, both of the former and current Government for their engagement and interest in the business.

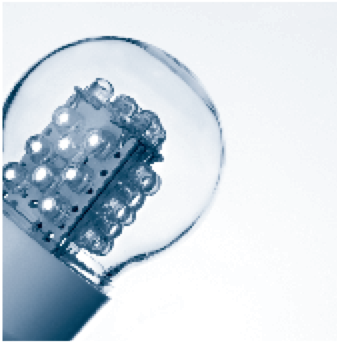
Special thanks go to my leadership team of Ted Dow (Chief Investment Officer), Kevin Holmes (Chief Governance and Strategy Officer), Meg McDonald (Chief Operating Officer) and Andrew Powell (Chief Financial Officer and Company Secretary). The CEFC has been very fortunate in the wealth of experience and talent within our team of 45 people. Each member has significant expertise, making a diverse group where collaboration creates a workplace that is innovative, motivated, successful and exciting to be part of. I thank all of them for their hard work and perseverance and congratulate them on their achievements and dedication.

Oliver Yates
Chief Executive Officer

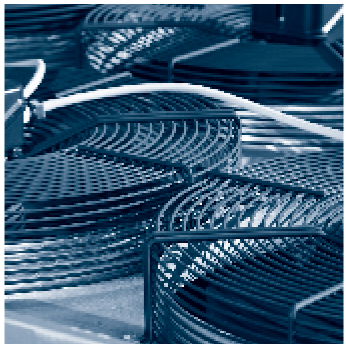
2012-13 Highlights

Active discussions

with 37 proponents for $4.5 billion in projects and initial assessment of a further 142 projects together representing 179 projects and $14.9 billion of opportunity



Funding projects in regional and rural Australia, supporting 21st century jobs in local communities



Many industries benefiting, including agribusiness, property, manufacturing, utilities and local government

Over 500MW

of clean electricity generation capacity installed or supported

A total portfolio of $536 million of committed funds to projects over $2.2 billion in value

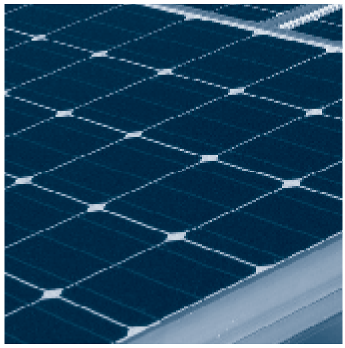
Delivered abatement at negative cost to the taxpayer of

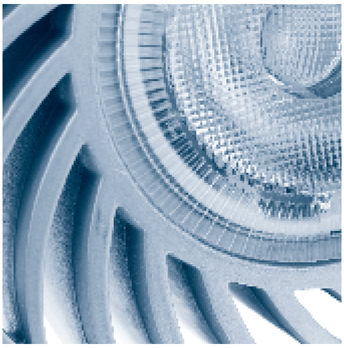
$2.40 per tonne of CO2 abated

(net of government cost of borrowing)

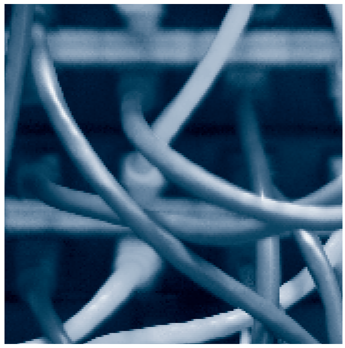
$2.90

of private sector investment attracted for every $1 the CEFC invests





Investments across a broad range of technologies including wind, solar, energy efficiency and low emissions technologies



Investments demonstrate benefits of proven technologies in the Australian market

39

investments in the portfolio to August 20

Annual tonnes CO2-e abated:

more than 3.88 million

Investments assist in building **Australia's clean energy supply chain capability**

Investments at a Glance

Jandakot, WA
Major Australian garden products supplier, Richgro is using waste-to-energy technology to meet all of its power needs by recycling organic waste

Port Augusta, SA
Solar thermal technology for a major greenhouse, for sustainable crop production by Sundrop Farms

Baw Baw, VIC
Street lighting cost savings for Baw Baw Shire Council by replacing its mercury vapour street lights with the most energy efficient lights

Portland, VIC
Financing for construction of Stage Four of Pacific Hydro's Portland Wind Energy Project

Macarthur, VIC
Senior debt finance for Macarthur Wind Farm, the largest in the southern hemisphere


Moranbah, QLD
Energy Developments Limited's coal mine waste gas to energy and remote renewables projects will provide significant carbon abatement
Dalby, QLD
Cost saving solar PV for Australia's largest beef producer (AACo) will reduce emissions by around 30 per cent
Pittsworth, QLD
Waste-to-energy project using an anaerobic digester will reduce Darling Downs Fresh Eggs' grid electricity usage by 60 per cent
Moree, NSW
Senior debt finance to Moree Solar Farm for a large scale single-axis tracking PV solar energy project
Brisbane
Sydney, NSW
Frasers Property landmark development 'Central Park' to benefit from low carbon on-site energy through EUA finance
Adelaide
Sydney
Taralga, NSW
Construction and operation of the Taralga Wind Farm supports Australian manufacturing, resources and skills
Canberra
Melbourne
Melbourne, VIC
CBD buildings cut energy costs by 30 to 50 per cent using Environmental Upgrade Agreement (EUA)
Hobart
Wagga Wagga, NSW
Wagga Wagga City Council halves aquatic centre's annual energy costs through installation of a gas-fired cogeneration unit
Kingston, TAS
Kingborough Council lighting upgrade has cut its civic centre lighting energy costs by 75 per cent

‘There has been an extremely positive response to the CEFC from the market, demonstrating the role the CEFC can play to catalyse investment into renewable energy, low emissions and energy efficient technologies.’ Oliver Yates

CEFC
CLEAN ENERGY FINANCE CORPORATION

SECTION 1:
Performance

Appropriations and Budgeted Outcome

The CEFC has one Appropriations Outcome: *Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to invest in renewable energy, low emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.*

2012-13 Appropriations

The CEFC is funded through two means:

- Firstly, operational funding of $18.383 million in 2012-13, funded through ordinary Appropriations Acts. Over time the CEFC is expected to become self-funding (through its investment return), but these funds were appropriated to the CEFC for start-up and its initial operations.
- Secondly, investment funds of $10 billion that became available to invest over 5 years commencing from 1 July 2013. These funds are provided for by a special appropriation under section 46 of the *Clean Energy Finance Corporation Act 2012* and are not held by the CEFC, but are made available by the Treasury from the Commonwealth Special Account when the CEFC identifies investments that it intends to make.

Table 1.1. *CEFC Appropriations 2012-13.*

Appropriation Acts	$18.383 million
Special Account Appropriation#	$0#
Total Appropriations	$18.383 million
#$2 billion is credited to the CEFC Special Account each 1 July for five years from 1 July 2013 under section 46 CEFC Act.	

More information about how the Special Account works and details of transfers to and from the Special Account are available at **Appendix A**.

Performance Against Key Performance Indicators

The performance of the CEFC is measured by reference to the following key performance indicators:

- Performance against the portfolio benchmark return set by the Government
- Placement of funds into Australia's clean energy sector
- Investment in renewable energy, low emissions and energy efficiency technologies
- Building industry capacity; and
- Dissemination of information to industry stakeholders.

The 2012-13 performance of the CEFC against these performance indicators is set out in the table below:

Table 1.2. *CEFC Performance against Appropriations Outcome KPIs.*

Key Performance Indicator	Measure	Target	Result to 30 June 2013	Result to 20 August 2013
Performance against the portfolio benchmark return set by Government	Percentage against rolling Portfolio Benchmark Rate (rPBR) (a)	rolling Portfolio Benchmark Rate (a)	NA (b)	NA (b)
Placement of funds into Australia's clean energy sector	$ invested	$2 billion per annum commencing 1 July 2013	$137.5 million	$482 million (c)
Investment in renewable energy, low emissions and energy efficiency technologies [Report under Section 74 (1)(a) CEFC Act]	$AUD invested	Per annum: Renewable Energy Technologies (RET): $1 billion Energy Efficiency Technologies (EET): no target (d) Low Emissions Technologies (LET): no target (d)	RET: $87.5 million EET: $50 million LET: $0	RET: $299 million EET: $108 million LET: $75 million
Building industry capacity	Qualitative	NA (e)		
Dissemination of information to industry stakeholders	No. of contacts	NA (f)	Over 51,000 discrete communications to 20 August 2013.	

Notes to Table 1.2 above:

(a) See 'KPI – The Portfolio benchmark' below for more information.
(b) Not Applicable – the CEFC only received its investment funds from the Special Account as at 1 July 2013.
(c) CEFC-originated only – not inclusive of $54 million in LCAL projects gifted to the CEFC as at 20 August 2013 (including these projects the figure is $536 million in total).
(d) Note the CEFC Act imposes a minimum 50% target for investment in renewable energy technologies. While the remainder of CEFC investment funds may be directed towards these technologies, there is no target established by the Act for either 'energy efficiency technologies' or 'low emissions technologies'.
(e) The CEFC commenced operational activity independent of Treasury at stand up on 15 April 2013. Please see 'KPI – Building industry capacity' below.
(f) There was no specified target for this KPI in the financial year. See 'KPI – Dissemination of information' below.

KPI – THE PORTFOLIO BENCHMARK

The CEFC aims to receive a portfolio benchmark return in excess of the five-year government bond rate and cover the operating costs of the Corporation.

For the purpose of the CEFC's Investment Mandate, the Government has directed the Board to adopt a portfolio benchmark return for the performance of funds invested by the CEFC, net of operating expenses, based on a weighted average of the five-year Australian Government bond rate. The portfolio benchmark return is a long-term target and expected to be earned across the portfolio and over a period of time. Individual investments can be made with expected individual returns above or below the portfolio benchmark return.

We take a commercial approach to our investments and assess opportunities on a case-by-case basis, seeking stable, cash flow generative transactions. Our focus is on projects at the later stages of technology development, which have a positive expected rate of return, will repay capital and generate a return such that our overall portfolio income covers our operating costs and delivers a minimum return of the five-year bond rate.

All the investments undertaken by the CEFC so far exceed the five-year Australian Government bond rate. The CEFC investments to 20 August 2013 carry an average yield of 7.33 per cent. The five-year bond rate across the portfolio was 3.11 per cent.

This positions us well to cover our operating costs. It demonstrates the potential for us to readily meet the target of providing a steady flow of dividends to ARENA. By adopting a robust commercial risk management approach, the CEFC has no adverse impact on Government net debt.

As our portfolio grows, the CEFC expects revenues to also cover all operating costs, enabling us to exceed our portfolio benchmark target.

Full details of investments undertaken by the CEFC to 20 August 2013 are shown in Table 2.3 at 'Our Investment Portfolio' at page 59 below.

KPI – PLACEMENT OF FUNDS

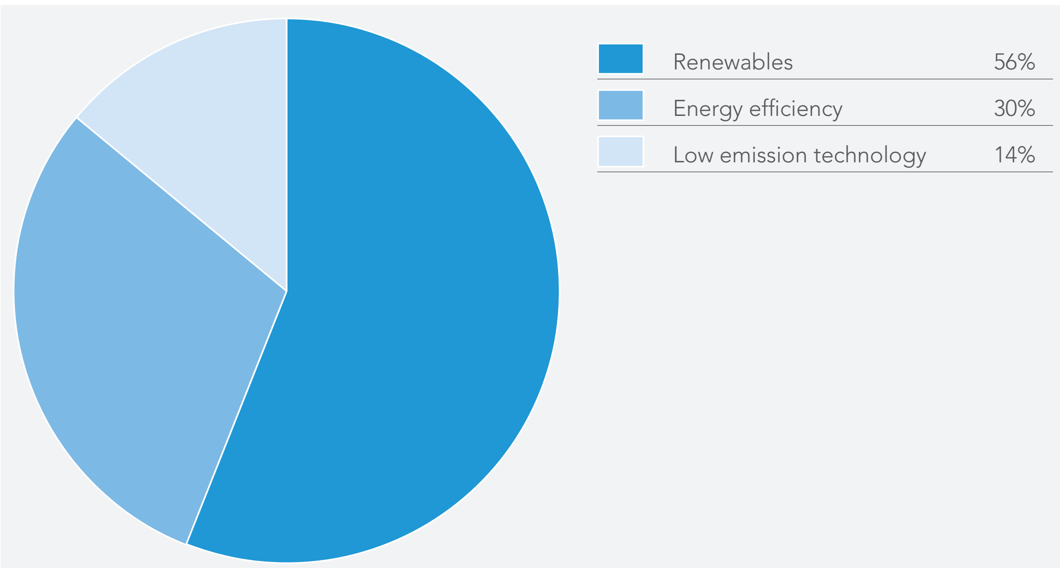
With $10 billion to become available to invest over the next five years, a steady pipeline of renewable energy, energy efficiency and low emissions technology projects is required in order to fulfil the purpose and objectives established for the CEFC. To 20 August 2013, we have currently committed $536 million of funding to projects with a total project value of over $2.2 billion, thus leveraging our funding to private sector funding in a ratio of approximately 1:3 (including the LCAL-originated investments).

While the CEFC has capacity to fund up to $2 billion a year, the Board does not consider achieving this level of deployment a KPI. Consistent with the Investment Mandate, if investments cannot be found that meet our investment and risk criteria, the CEFC will not draw funding from The Treasury.

KPI – INVESTMENT IN RENEWABLE ENERGY, LOW EMISSIONS AND ENERGY EFFICIENCY TECHNOLOGIES

The CEFC 2018 Target Portfolio set out in the 2018 Portfolio Vision aims to achieve a broad range of investments across renewable energy, energy efficiency and low emissions technology. The CEFC values diversity of technology and sector exposure as an important KPI. All sectors of the economy can contribute to emissions reduction and projects should be drawn widely. While the portfolio is expected to evolve over time to move towards the 2018 Target Portfolio, we have already undertaken investments in each of the key target areas. The range of technologies in our current portfolio is shown in the chart below.

Fig 1(a). *CEFC Contracted Portfolio by Clean Energy Technology by CEFC $ Funded.*



KPI – BUILDING INDUSTRY CAPACITY

There are several ways in which the CEFC builds industry capacity:

- The CEFC attracts new finance to the Australian market for investment in emissions reduction – the CEFC is working to help improve the flow and diversification of funds into the sector, in particular from new sources, including local and international finance, superannuation funds and national funding institutions
- The CEFC can assist project proponents as an arranger, helping to develop the business case and introduce the proponents to other financiers to seek transaction close
- The CEFC can build capacity within the finance sector by participating in transactions to de-risk the investment (for example by familiarising the financier with new asset types or through reducing their size of exposure)
- The CEFC works with the finance sector to develop and deliver new financial products to the market, specifically tailored to the needs, attributes and emerging delivery models for new technologies (e.g. distributed generation) and energy efficiency – in turn enabling small and mid-sized businesses to access finance
- The CEFC works with industry peak groups to promote opportunities in reducing energy costs; and
- Large scale projects are required to develop Australian Industry Participation Plans (AIPPs), which help to open up supply opportunities to Australian suppliers of goods and services.

The range of investments undertaken by the CEFC will build capacity in the industry and in businesses contributing to achievement of emissions reductions. The projects are across a broad range of technologies and a wide range of industries from utilities to government to retail. Regional projects build new businesses and capability across regional centres in Australia.

KPI – DISSEMINATION OF INFORMATION

Successful projects are the best means of demonstrating the benefits of the activities being enabled by CEFC financing. The CEFC works closely with our borrowers to disseminate learnings. Our Chair, CEO, CIO, COO and various other senior members of staff have been actively involved in attending, presenting at and participating in numerous conferences and forums to actively distribute information on the CEFC and its activities to industry stakeholders, including:

- Presentations at 25 conferences, symposiums and industry events, with an estimated total audience of well over 5,000
- Over 11,000 direct communications with stakeholders
- Over 35,000 visits to our website and over 118,000 page views
- 10 fact sheets developed describing the activities of the CEFC
- Over 40 case studies produced describing our investments, and 20 media releases keeping the media and stakeholders up to date; and
- Commissioning of a study on demand management.

ROLE IN THE MARKET PLACE AND PUBLIC POLICY PURPOSE

The CEFC differs from a regular financial institution in that it has a public policy purpose. In addition to meeting the benchmark returns, CEFC investments generate positive external impacts, particularly in improvements to energy productivity and reduction in Australia's carbon emissions. Over time, these have a cumulative impact across the sector, both on carbon emissions and in contribution to the task of accelerating Australia's transformation towards a more competitive economy in a carbon constrained world. Aspects of these positive impacts include:

- Positive external impacts result from technologies moving faster along the innovation chain, down the cost curve and through greater acceptance in financing markets. They also flow from improvements in technology design, supply chain depth, construction practices, operating skills, financing structures and market risk appetite
- Expanding the number of renewable and low carbon technologies deployed in Australia and developing additional new technologies increases future energy optionality. The CEFC de-risks such projects which helps 'prove-up' technologies new to the Australian market, supporting the completion of 'first wave' projects which employ a new or emerging technology, which in turn lowers the cost for subsequent similar projects
- Leveraging and catalysing private sector funds into sucessful emissions reducing investment, creates advances in technology, industry expertise and improving practices and skills, allowing more transactions to be performed
- Expanding the investor base to encourage the participation in renewable and low carbon energy investment across all investor classes (such as retail investors and superannuation funds) broadens the knowledge base of the sector and reduces the cost of capital the sector faces; and
- Building and maintaining local market capacity in terms of technological know-how, engineering, manufacturing capability or localised supply chains creates jobs for Australians and will positively impact domestic GDP. The CEFC applies its sector expertise and experience in working with proponents of innovative projects, helping create a sector-based 'can-do' environment which will help promote further innovation.

The CEFC is progressing Australia's reduction in emissions to ensure an efficient transition to a competitive economy in a lower carbon world.

Response Generated

As a measure of the effectiveness of communications, since commencing operations the CEFC has fielded over 300 investment enquiries indicating interest in CEFC finance for some $25 billion in transactions.

Carbon Emissions Saved

The CEFC portfolio as at 20 August (that is, including previous LCAL investments) is estimated to achieve 3.88 million tonnes CO_2-e emissions abatement annually, at a cost to the CEFC (inclusive of government borrowing costs) of negative $2.40 per tonne. That is, the CEFC actually makes money for government while assisting industry to abate CO_2 emissions.

Note some CEFC projects (including LCAL-originated projects) have independently received government grants to assist their project – whether from state or federal government/s. Grants are typically non-repayable funds provided under a range of government programs to encourage recipients into a particular course of action (for example, de-risking a project by reducing the amount of finance the project proponent needs to borrow or raise).

Concessionality

The CEFC has catalysed investments without the need to provide significant levels of concessionality. Of our $300 million annual limit (as provided under our Investment Mandate), to end of the 2012-13 financial year, the total value of concessions provided by the CEFC is $5.9 million across three investments. As at 20 August 2013 the CEFC has only needed to deploy concessionality of $9.3 million to achieve our objectives. In all concessional loans, our rate exceeded the five-year Australian Government bond rate.

A concessional loan is one offered on more favourable terms than could be expected to be available between a private sector lender and private sector borrower. The concession(s) provided may take many forms but typically will be one or more of:

- Lower than market interest rates
- Longer loan maturity; and
- Longer/more flexible grace periods before the payment of principal and/or interest is due.

The size of the concession must be quantified for accounting purposes as a concessionality charge.

To facilitate achievement of its purpose under the CEFC Act and its Investment Mandate, the CEFC is able to provide loans at commercial and concessional rates. Where it is necessary and justified in the CEFC's assessment, the CEFC may choose to deploy concessional finance to assist in overcoming financial impediments and facilitate realisation of an otherwise bankable project. This might happen where the project needs it or where the CEFC is lending to public sector organisations like universities and local councils.

OPERATING COSTS AND EXPENSES BENCHMARK REPORT

Under the CEFC Act, the Corporation must include in its annual report:

- The Corporation's operating costs and expenses for the financial year
- 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 required report is presented at **Appendix B**.

The Corporation's operating costs and expenses for the financial year are reported in *Section 4: Financial Statements and Notes* (pages 91-133), but a summary is also reproduced at **Appendix B** for convenience.

OTHER CEFC-SPECIFIC REPORTABLE MEASURES

Section 74 of the CEFC Act requires certain extra matters specific to the CEFC be reported in the annual report. These relate to various performance, governance and financial requirements and, where possible, are integrated with other annual reporting information. A cross referenced table including section 74 requirements is available at **Appendix C.**

Operations Highlights

RENEWABLE ENERGY

Australia has enormous renewable energy potential with world-class solar and wind energy resources in many areas. The CEFC's investment in renewable energy technologies is directed at utilising abundant renewable resources as part of the transformation to diversify Australia's sources of energy and help reduce carbon emissions, and improve Australia's competitive position.

Renewables account for only 10 per cent of electricity currently generated in Australia. The CEFC Act provides for a minimum of 50 per cent of the CEFC portfolio to be invested in renewable energy technologies by 1 July 2018.

A vibrant renewable and low carbon energy sector requires capital. Australia's renewable and low carbon energy market is an early-stage market, characterised by incomplete knowledge and limited experience of risk in newer technologies and applications. The combination of this with other market barriers has had the effect of inhibiting the efficient allocation of capital, making investment and therefore energy produced more expensive than it need be.

The CEFC investments in renewable technologies span a range of energy sources – wind, solar and bioenergy – and different financial structures. The CEFC has co-financed utility scale investments along with other Australian and international banks, co-financed businesses to maximise their potential use of renewable energy resources, and participated in refinancing deals.

The CEFC's role in overcoming market impediments is to help accelerate action towards this transformation, minimise its ultimate cost and create positive adjustment for the economy, including through new forms of clean technology business, new jobs, development of new or expansion of existing businesses and development of new technological know-how.

In addition to utility scale investments in renewables, the CEFC has developed financing which is assisting Australian businesses to more readily access finance for renewables projects.

The CEFC places priority on its investments generating economic, social and environmental benefits, including building capacity and capability within the renewable and low carbon energy sector, demonstrating applications and financing for new technologies, development of new or existing businesses and development of new technologies and know-how.

CEFC investments to date – even at this initial phase – are demonstrating the potential to expand Australia's manufacturing capability and create new industry and employment opportunities across the country, particularly in regional areas.

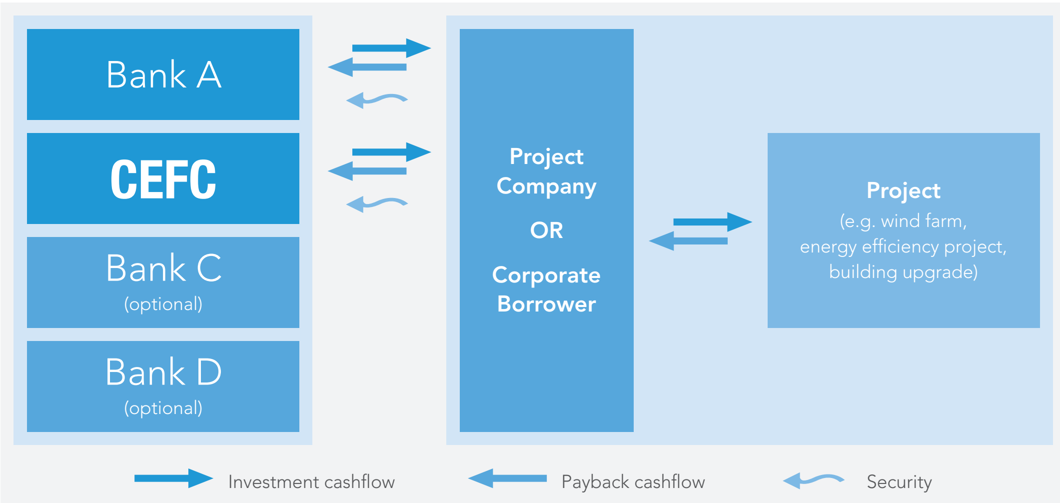
Wind

Around one third of all proposals for CEFC investment relate to wind technology. This is reflected in funded projects. While wind is one of the most cost-competitive renewable electricity sources, the cost of implementation remains high and impediments remain to financing new wind projects.

The CEFC's participation as a senior debt provider alongside other syndicated lenders in co-financing of wind projects such as the Macarthur Wind Farm and Taralga Wind Farm has catalysed investment by these other lenders, encouraged participation in these projects, and helped enable the transactions to proceed. In providing additional market liquidity, the CEFC has helped increase the total amount of investment in renewable wind energy projects and ensured efficient market pricing.

By co-financing the construction of the Taralga Wind Farm, the CEFC has enabled development of a significant new project. Using Australian–engineered and built towers, CEFC investment is facilitating the development of the Australian wind industry, and helping to build local manufacturing capability and supply chain scale.

Fig 1(b). *Example of a project finance funding structure for a single project. Variations to this type of structure are tailored to fit the project.*



The CEFC's participation in the co-financing of a debt package to refinance a 50 per cent stake in the Macarthur Wind Farm encouraged international banks to participate, helping ensure the financing was fully subscribed. This refinancing was an important demonstration of a feasible exit strategy for companies that invest in large-scale renewable energy projects in Australia. This transaction allowed Meridian Energy to exit the investment prior to undertaking an IPO. Meridian Energy is expected to list on the Australian Securities Exchange (ASX), further deepening the market for renewables development in this country.

Solar

With the highest average solar radiation per square metre of any country in the world and huge cost reductions in solar technology over recent years, there is significant future opportunity for growth in deployment of solar technologies in Australia. Rapid take-up of solar PV in the residential market has already impacted the demand for grid electricity. Despite this, large scale solar PV investment in Australia has lagged behind other countries and is still not competitive with wind at a wholesale electricity market level and continues to experience a challenging regulatory environment.

The significant potential for solar power in the utility and commercial sectors remains mostly under-developed. Investment to date in large-scale solar PV projects has experienced challenges in accessing finance, and projects have often had to rely on government grants to proceed.

Nearly one quarter of the proposals for CEFC investment utilise solar technology. This reflects strong market interest from project proponents seeking to introduce new financing models for rooftop solar PV, particularly to capture potential in the commercial and industrial sectors.

CEFC financing for larger scale solar PV projects is providing a precedent in the Australian market where commercial banks have been reluctant to fully fund such projects. In enabling these projects to proceed, CEFC participation is demonstrating the potential for Australia's utility scale solar power and providing precedents for financing such projects on a merchant basis.

CEFC investment in the Sundrop Farms project in Port Augusta (SA) represents an innovative application of solar thermal technology to provide irrigation from desalinated seawater, and heating and cooling for a 20 hectare greenhouse complex. This unique application of proven technology demonstrates how CEFC investments can help drive innovation across the economy. Sundrop Farms is providing leading-edge sustainable food production for semi-arid regions, and demonstrates the potential to create new industries in regional areas. The project will also extend Australia's leading agricultural technological know-how and skills, and demonstrate its potential to help meet the challenge of increasing global food production.

The CEFC has co-financed solar PV installations by Australian Agricultural Company Limited (AACo) across a number of its regional and remote facilities. This highlights the potential for businesses across the country to reduce costs and increase competitiveness through greater use of solar PV and other renewable energy sources.

Figure 1(b) above demonstrates (in a generic and simplified way) the type of project finance structure utilised by the CEFC in financing projects like Sundrop Farms and AACo.

Bioenergy and biofuels

Bioenergy has a strong track record as a very cost-effective means of reducing carbon emissions and a reliable renewable energy source. However, bioenergy is still a relatively new technology in Australia. A dollar invested in a biogas project can produce five to 10 times the CO2-e savings of some other technologies, reducing carbon emissions from both direct methane and electricity or gas offset.

Much of the fuel for bioenergy plants in Australia comes from agricultural waste (e.g. sugar cane bagasse which accounts for over 60 per cent of Australia's bioenergy capacity). Landfill gas is the 2nd largest contributor to bioenergy, making up just over 20 per cent. The biogas sector also holds tremendous potential for the intensive agriculture, meat and food processing industries, offering significant opportunities for cost-effective energy savings, renewable energy generation and carbon abatement.

Businesses in the industries with the greatest opportunities (food production and processing) often have relatively low margins and difficulties in obtaining additional finance for non-core investments. In addition, while implementing bioenergy generation can assist in waste management and reduce waste, many individual businesses don't have the skills and resources to manage a power generation unit. Through its work with strategic alliance partners involved in design, construction and management of bioenergy facilities CEFC finance has been demonstrating how to overcome these barriers.

There has been strong interest from the market for CEFC financing of bioenergy and biogas projects.

CEFC co-financing of biogas projects in the agriculture, food production and processing and horticulture industry sectors has enabled these businesses to significantly reduce their energy costs and increase their competitiveness. Furthermore, with biogas creating a source of onsite energy utilising the waste produced by the business, these projects help the companies manage their waste more efficiently.

With CEFC financing, home gardening and horticulture products supplier Richgro will install an anaerobic digestion plant that will produce sufficient energy to power the company's equipment and onsite vehicle fleet. One of Australia's largest egg producers, Darling Downs Fresh Eggs, will have onsite power from an anaerobic digester and generators that convert chicken manure and other organic waste into power and heat. This achieves cost savings of more than $250,000 a year, and eliminates about half the labour and transporting costs associated with the disposal of poultry farm waste products.

Case Studies

TARALGA WIND FARM

The CEFC is providing $37.5 million in senior debt finance as part of a financing package of approximately $280 million for the construction and operation of the Taralga Wind Farm, 45 km north of Goulburn, NSW. The project involves construction for 51 Vestas wind turbines, with a 10-year Power Purchase Agreement (PPA) with Energy Australia to supply the grid.

The CEFC is a co-lender as part of an international consortium, including ANZ, with EKF (the official export credit agency of Denmark), and the primary equity sponsor for the project, Santander (a major international retail and commercial bank based in Spain), along with CBD Energy. The project is fully permitted and construction is underway.

CEFC finance helped enable the transaction to proceed, bringing in new sources of overseas finance for the Australian renewables sector and participation of other financiers. The CEFC investment facilitated use of Australian-engineered and built towers, supporting the further development of local market manufacturing capability and supply chain scale in the Australian wind industry. It also helps create valuable business and regional manufacturing employment.

MOREE SOLAR FARM

The CEFC has agreed to provide $60 million of senior debt finance to Moree Solar Farm for the development and construction of a 56MW solar photovoltaic power plant.

The Moree Solar Farm is a large scale single-axis tracking PV solar energy project located 10km south of Moree in northern New South Wales. The project will provide enough solar power for approximately 15,000 homes and abate over 95,000 tonnes of CO_2 equivalent. The Moree Solar Farm has secured approval from the NSW Government and is sponsored by Fotowatio Renewable Ventures (FRV) and Pacific Hydro.

CEFC participation in this transaction will provide a precedent in the Australian market for financing large scale solar PV on a merchant basis. The CEFC financing will bridge the required debt funding in the immediate term to enable the sponsors to proceed to construction and provide flexibility to secure a PPA in the future. This is one of the first utility scale solar PV developments in Australia and should help drive down future construction costs as industry participants gain experience building large scale solar projects, and encourage greater development of a local supply chain.

ENERGY EFFICIENCY AND LOW EMISSIONS TECHNOLOGY

Under the CEFC Act, up to 50 per cent of funds are to be invested in energy efficiency and low emissions technology. These areas offer significant opportunity for least cost emissions reductions and major productivity improvements across the economy.

Research by the Climate Institute shows improving energy efficiency by just one per cent per year would boost Australia's economic growth to generate an additional $8 billion in Gross Domestic Product (GDP) by 2020 and $26 billion by 2030.

An increasing share of business effort is already being directed towards energy efficiency improvement, with the biggest drivers for action being concerns about energy prices and the desire to maintain or enhance profit margins. Australian Industry Group's (AiG) July 2012 report *Energy Shock: pressure mounts for efficiency action*, found most businesses were looking for quick wins, only considering a project when the expected payback period was less than three years.

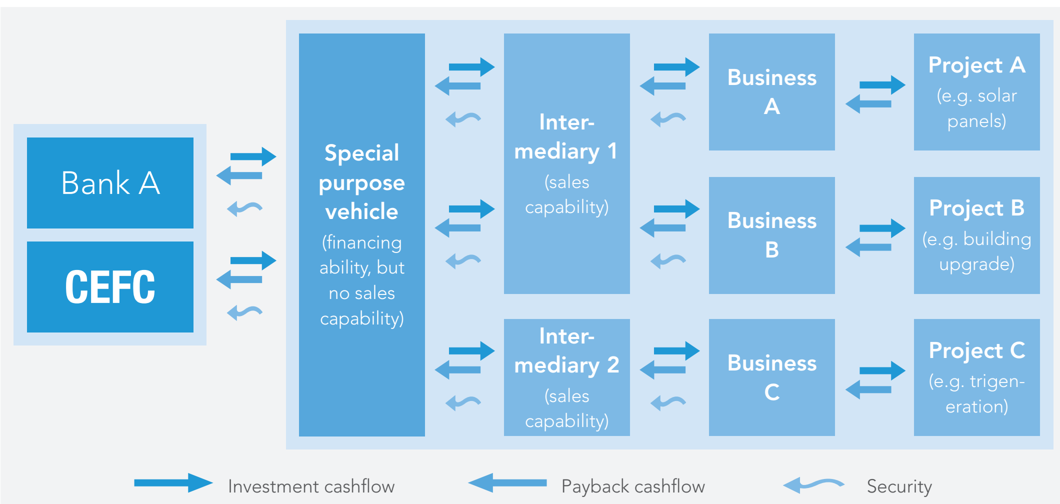
Access to upfront finance, access to suitable information about available technologies, global economic pressures and uncertainty surrounding government policy direction have been shown to be very real impediments to achievement of the energy productivity and costs savings that investment in energy efficiency would deliver, as well as being the most cost-effective path towards a low carbon economy.

The CEFC is building on energy efficiency programs established by Low Carbon Australia, to improve access to finance so that organisations in all sectors can take advantage of the energy productivity gains and cost reductions available through implementing more efficient and cleaner technologies.

There has been strong and diverse interest in financing for energy efficiency from sectors across the economy including manufacturing and industry, commercial building, government, agriculture, mining, retail and utilities.

Financing programs have been designed to cater for a broad spectrum of business needs, include leasing finance, on-bill finance, and finance for commercial property retrofits,

Fig 1(c). *An example of an aggregation funding structure (with intermediaries). While the diagram is only generic, LCAL developed similar structures and the CEFC intends to use these pilots to facilitate innovative clean energy finance.*



finance that is tied to technology installations carried out by accredited vendors and individually tailored direct loans.

The CEFC is partnering with Commonwealth Bank to provide finance to the $100 million **Energy Efficient Loan** program aimed at manufacturers and other businesses upgrading their equipment and processes. Loans are available through Commonwealth Bank for upgrades including but not limited to lighting, power factor correction, variable speed drives, building management systems and metering, boiler upgrades, heating ventilation and air-conditioning (HVAC) upgrades, cogeneration or trigeneration installation and small-scale solar PV.

Environmental Upgrade Agreements (EUAs), which tie finance to a commercial property rather than its owner and enable repayments through council rate notices, have now been available in Australia since 2011. Before EUAs, which involve an agreement between the property owner, finance providers and a local council, finding the right finance for building retrofits often proved difficult. The EUA structure has been designed to allow for longer payback periods, which improves the attractiveness of undertaking energy efficiency upgrades.

CEFC/LCAL EUA finance through NAB and ANZ funds managed by Eureka Funds Management has been used for energy efficiency upgrades involving air conditioning systems, building management systems and lighting. It also provides opportunity for enhanced return on larger projects such as those involving onsite power generation and related technologies.

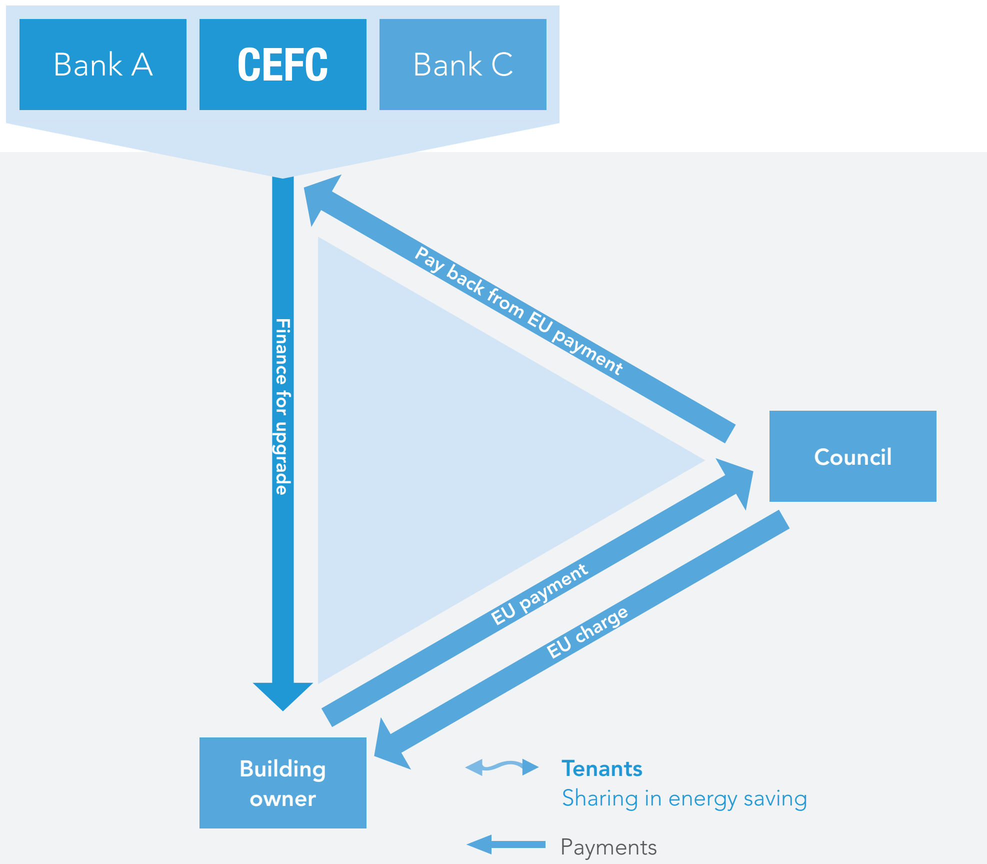
State legislation is enabling EUAs to be utilised through City of Melbourne in Victoria, and across New South Wales including City of Sydney, North Sydney, Parramatta, Lake Macquarie and Newcastle local government areas. The CEFC believes these programs are ready to scale up to funds of over $100 million as additional councils adopt and roll out EUA programs.

The most significant CEFC (and national) EUA financing deal to date has been for a $26.5 million trigeneration plant installed at the ground-breaking residential and commercial Central Park development in Sydney's inner west. This EUA, financed with ANZ, was the first to be approved by the City of Sydney.

Expected EUA financed projects include a $7 million upgrade to an office block in Swanston Street, Melbourne and a $1.9 million upgrade to a boutique commercial retail and office building in Sydney that are expected in both cases to reduce building energy costs and carbon emissions by around 50 per cent. Uptake of EUA finance is expected to grow as additional councils join the program. The provision of EUAs is in planning for Penrith and Wollongong in NSW, while the South Australian government is working with key stakeholders to develop the business model and business case for establishing EUAs in that state. The Brisbane City Master Plan 2013 has proposed investigation of the use of EUAs to achieve energy efficiency upgrades of Brisbane CBD's existing building stock.

Figure 1(d) following shows in a simplified sense how the EUA finance structure works in a diagrammatic form.

Fig 1(d). *Environmental Upgrade Agreement (EUA) Structure.*



Key Features

EUA Fund Special Purpose Vehicle (SPV) – the CEFC and other financiers provide financing for individual EUAs. The loans are secured and tied to the land title of property, not the building owner.

Building owner and/or tenant – the building owner agrees to carry out the environmental upgrade works. Building owners can ask tenants to contribute towards repayments via the EU charge.

Council – agrees to levy environmental upgrade charges and pass the proceeds as loan repayments on to finance providers.

Trustee manager (Eureka) – manages the fund and operations of the EUA financing.

Case Studies

CENTRAL PARK

$10 million in CEFC finance through an Environmental Upgrade Agreement (EUA) with the City of Sydney and with ANZ and Eureka Funds Management will enable Frasers Property Group to install a $26.5 million highly-efficient, gas-powered trigeneration plant for the landmark 'Central Park' precinct urban redevelopment in Sydney. The EUA finance is being repaid by a charge on the land levied by the council on the financiers' behalf.

The 5.8 hectare precinct is under construction and includes 14 new buildings with 3,000 apartments, 900 student accommodation units, 50,000 square metres of commercial office space and 25,000 square metres of retail space. The two-megawatt trigeneration plant will be used to provide low-carbon thermal energy, heating and cooling for the major new residential and commercial development.

The plant will reduce greenhouse gas emissions by 190,000 tonnes over its 25-year design life, equivalent to removing 62,500 cars from the road. Additional emission reductions of 76 tonnes will be saved by using absorption chillers instead of electric chillers which use refrigerants that leak.

RADEVSKI COOLSTORES

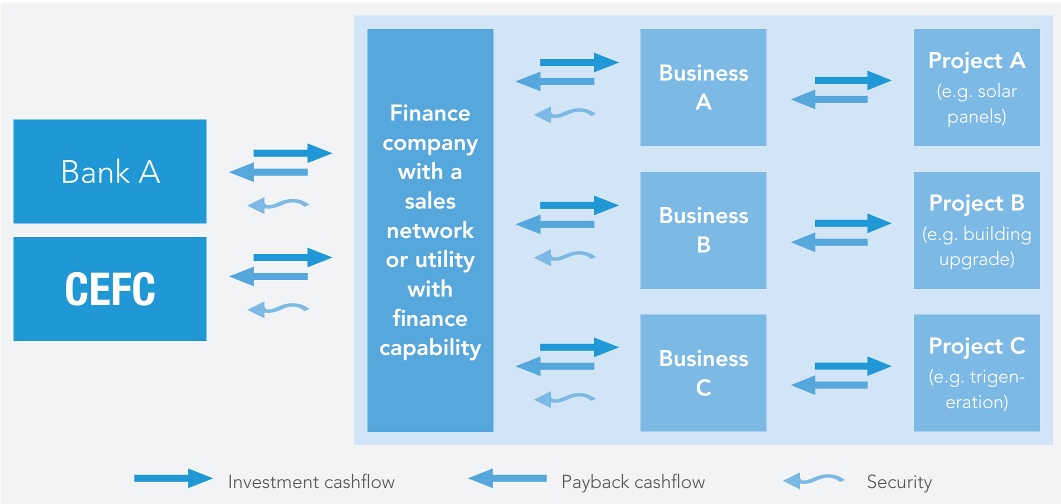
Radevski Coolstores reduced its refrigeration energy use and carbon emissions by about one quarter through a $1.15 million refrigeration upgrade of its cool rooms.

Low Carbon Australia (now integrated with the CEFC) and Commonwealth Bank co-financed a $1.15 million refrigeration upgrade at Radevski Coolstores, a major Goulburn Valley supplier of apples and pears to Coles supermarkets.

A new ammonia-based refrigeration system implemented by refrigeration engineering and design consultants MINUS40 (a CEFC strategic alliance partner), services the business' 16 cool rooms. It will reduce energy costs by over $140,000 a year and carbon emissions by about one quarter.

Increasing energy and refrigerant prices had significantly increased the business' operating costs and the refrigeration upgrade will help to future-proof the business and enable it to remain competitive in the domestic produce market.

Fig 1(e). *An example of an aggregation funding structure, where the CEFC utilises the end customer 'reach' of a utility or a finance company to find and finance smaller projects in the market that would be too costly to service directly.*



The CEFC has acquired the **On-bill finance** product developed by Low Carbon Australia and Origin. This finance offering provides Australian businesses an energy saving service with finance which involves paying for energy efficient technology upgrades through regular energy bills. The payments are structured to be equal to, or less than, the energy savings achieved from the technology and at the end of the repayment period, the customer owns the equipment and continues to benefit from its lower energy-use benefits. Over the past year, the program has financed increased energy productivity through diverse projects including lighting upgrades for small retailers, upgrading chiller systems for office buildings, upgrading an air-compressor system for an abattoir and lighting upgrades at a Victorian school.

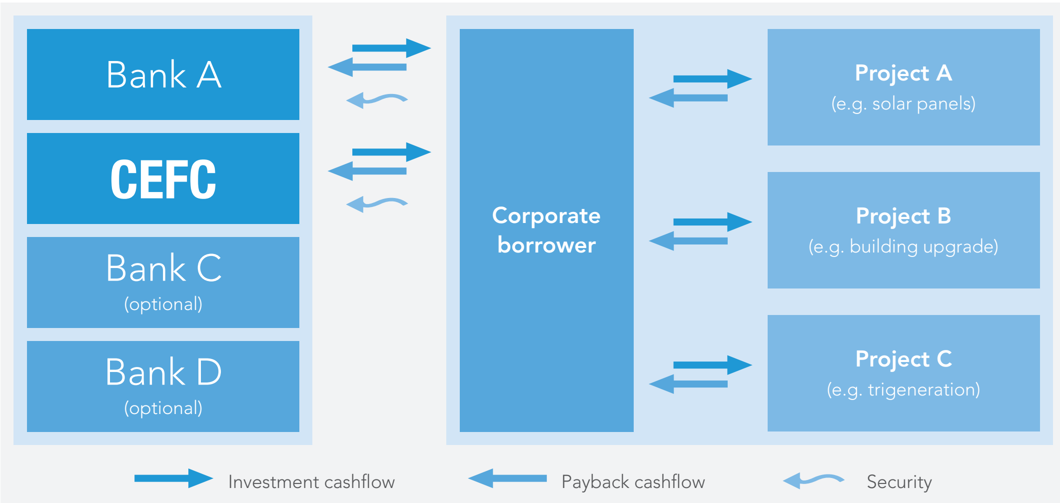
The CEFC is also committed to expanding programs established by Low Carbon Australia aimed at mid-market to larger enterprises seeking leasing finance for energy efficiency projects in excess of $100,000.

To further support the adoption of energy efficiency, low emissions and renewable technologies, the CEFC has extended Low Carbon Australia's **strategic alliance program**, which involves working with a range of specialists and consultants to provide business with streamlined access to technical expertise and finance. The CEFC now has strategic alliances with 2XE, Rudds Consulting Engineers, Quantum Power, Wiley, MINUS40 and New Forests.

Under the low emissions technology stream, the CEFC has provided $75 million in finance to **Energy Developments Limited (EDL)** towards projects that capture waste coal mine gas or mine vent air methane and landfill gas, and use these gases to generate electricity, as well as for remote hybrid renewables projects. The first project to be financed is EDL's expansion of its Moranbah North power station which will increase its low emissions energy generation capacity from 45 to 63 megawatts and increase its carbon abatement by 40 per cent.

This facility is for multiple projects and is similar to the generic corporate funding structure at Figure 1(f).

Fig 1(f). *A generic depiction of corporate funding structures utilised by the CEFC. The CEFC can sit within, or outside of a corporate banking facility with the borrowing corporation's other financiers.*



Significant future opportunity exists for CEFC investment in low emissions technology solutions to meet energy network and transmission constraints. For example, in 2012, Low Carbon Australia and ANZ co-financed an $11 million pilot energy generation project at Traralgon in Victoria to demonstrate the potential for improving power security across Australia's eastern seaboard. Powered by **NovaPower's** high-efficiency Caterpillar® gas-fired engines, the facility can produce up to 10 MW of electricity at lower emissions intensity than comparable peaking generators or traditional coal-fired power generation and represents a flexible market alternative to costly network upgrades.

MANUFACTURING

ClimateWorks' *Industrial Energy Efficiency Data Analysis* survey of medium to large companies accounting for half of Australia's total energy consumption found those companies had cut their energy use by 4.8 per cent through energy savings projects worth $1.2 billion a year.

ClimateWorks found that savings could be more than doubled if all projects identified were carried out. The total energy savings of both existing and identified projects amounted to about half the total residential energy use in Australia.

One quarter of the energy used by manufacturing is in the form of electricity. Australia's manufacturing industry has faced multiple challenges in recent years, including a high Australian dollar and rising electricity prices that have further tightened already competitive operating conditions. Over the last five years, income for manufacturing businesses has increased by only 1.6 per cent while expenses have grown by 4.4 per cent.

Among the hardest hit by these factors are food processing industries which are large users of energy for refrigeration, cooking, heating, boilers and steam generation, sterilising, conveyors, and auxiliary equipment.

Significant energy costs savings can be achieved by optimising existing equipment, investing in process innovation and equipment upgrades and investing in low carbon energy supply options, but access to internal capital, concerns about payback period criteria and an ability to sift through the wealth of information about available technologies have played significant roles in preventing manufacturers from embracing change.

The CEFC's finance has focused on addressing these issues.

The CEFC co-financing arrangement with the Commonwealth Bank has made available a pool of $100 million in finance for the Energy Efficient Loan program designed to suit manufacturers.

This arrangement is modelled on a pilot program using LCAL, now part of CEFC, and Commonwealth Bank finance, that saw **Radevski Coolstores,** a major Goulburn Valley supplier of apples and pears to Coles supermarkets implement a $1.15 million refrigeration upgrade to reduce refrigeration energy use and carbon emissions by about one quarter. Under the same pilot, the installation of a $4 million gas-fired trigeneration will help a renderer to save more than $480,000 a year on energy costs by supporting the electricity, hot water and steam needs of the rendering plant and associated abattoir, while **Labelmakers** has installed three new printing presses for $5.5 million which operate at twice the speed, use half the energy of the company's old presses and allow manufacture of a broader range of higher-quality printed products.

CEFC/LCAL finance also helped leading South Australian ice-cream manufacturer **Golden North** and Australia's largest pork producer **Rivalea** upgrade their refrigeration in projects to improve energy productivity. The upgraded refrigeration which improved Golden North's production capacity is supporting its bid to expand its business to South-East Asian markets.

Australian Paper is using a $9.9 million loan from CEFC/LCAL to support construction of a $90 million de-inking recycled paper plant at Maryvale in Victoria. The plant will increase Australian Paper's competitiveness in the domestic market by delivering recycled paper products to meet consumer demand, reduce industry waste and Australian Paper estimates it will reduce its carbon emissions by up to 270,000 tonnes annually.

CEFC is also working with a range of co-financiers and through strategic alliances to catalyse investment and help smaller manufacturers improve their energy productivity through improved access to direct loans, on-bill finance and equipment leasing arrangements.

Origin's On-bill finance helped Sydney manufacturer **Joyce Foam Products** reduce its lighting bills by more than 50 per cent through a $95,000 lighting upgrade to its 40-year-old foam manufacturing plant at Moorebank in Sydney's west and helped **Boral Ltd** to cut the energy costs of a major shared service facility by more than one quarter. The $600,000 lighting upgrade to its Greystanes House at Prospect in western Sydney was financed through **Origin's on-bill** finance.

Case Studies

RICHGRO

Richgro is harnessing ground-breaking waste-to-energy technology to meet all its power needs by recycling organic waste.

A $2.195 million loan facility for a $3.3 million anaerobic digestion waste-to-energy plant will enable Richgro, a manufacturer and supplier of home gardening products, to produce enough power for equipment and onsite vehicle fleet operations at Jandakot in Western Australia. The by-product from the plant can be used as a raw material in Richgro's garden products.

The plant has capacity of up to 2 megawatts, enough to process more than 35,000 tonnes a year of commercial and industrial organic waste, diverting it from landfill. Over a 20 year life the project is expected to save more than 142,000 tonnes of CO2-e.

The project also received an Australian Government Clean Technology Investment Program grant.

LABELMAKERS

Three new energy efficient presses at Labelmakers operate at twice the speed, using half the energy of the company's old presses, while allowing a broader range of higher-quality printed products to be manufactured.

The company provides label printing services for some of the nation's best known brands including Coca-Cola, The Daily Juice Company, Milo, Edgell, Vegemite, Nescafe, Penfolds, Heineken, Mortein and Dettol as well as printing labels for its own wine division.

The South Australian presses manufacture high quality wine labels for domestic and export markets while the Victorian press covers printing requirements for a broad range of companies.

The $5.5 million upgrade to the presses, financed by Commonwealth Bank of Australia and Low Carbon Australia (now integrated with the CEFC) also received a grant for one third of the cost through the Australian Government's Clean Technology Investment Program.

The new presses reduce carbon emissions onsite by 14 per cent and energy costs by 14 per cent. They improve productivity and capability and contribute operational savings of over $4.3 million through use of cheaper solvent based inks and reduced paper wastage.

AGRICULTURE

The agriculture sector and its use of energy – both the type and amount – varies widely across different types of activities. Agriculture accounts for nearly 4 per cent of industry energy usage in Australia, with energy being consumed in 3 major forms on most farms – general electricity (lighting, appliances), fuel (machinery, vehicles and freight costs) and heating/cooling and refrigeration (especially in industries such as dairy, horticulture, piggeries and poultry).

Electricity and natural gas account for nearly half of all energy use in horticulture and intensive animal production. Broadacre and pastoral farming accounts for approximately 80 per cent of energy consumption in the sector, with dairy farming accounting for another 11 per cent.

Small to medium-sized farming enterprises have experienced significant increases in energy costs over the last 5 years. The National Irrigators' Council has identified escalating electricity prices as very worrying for farmers, making Australia uncompetitive in the global food market.

CEFC/LCAL co-financing for the agriculture sector has covered diverse projects, facilitating greater use of available renewable energy sources and allowing them to save on energy costs, offset the impact of rising energy prices and increase competitiveness. Electricity runs refrigeration, compressors, electrical motors, air compressors and lighting, while thermal energy is consumed by on-site treatment of waste products and hot water heating.

The amount of fossil fuel energy consumed in processing plants varies between sites. While 85 per cent of organic solid waste produced is re-used, mainly as compost, converting waste into energy means there is substantial potential for biogas to be used as an energy source in the agricultural and related food processing sectors.

There is also significant potential for the agriculture sector to make greater use of available solar resources.

The CEFC financing for innovative projects at scale include the circa $40 million for Sundrop Farms' application of solar thermal technology for a 20 hectare greenhouse complex in Port Augusta, SA which will supply 15,000 tonnes of tomatoes annually to national markets. CEFC is co-financing with NAB for Australia's largest beef company (AACo) to install solar PV units, which demonstrates the potential for agriculture businesses to reduce their grid energy consumption and costs.

Examples of how the type of financing offered by the CEFC (or previously by LCAL) works for agriculture include:

- A rendering plant/abattoir in regional NSW is installing a $4 million gas-fired trigeneration unit to save more than $480,000 a year on energy costs by supporting the electricity, hot water and steam needs of the rendering plant and associated abattoir
- Australia's largest renderer will increase its onsite biogas utilisation, lowering costs and reducing grid electricity consumption and the associated carbon emissions by 35 per cent
- A pastoral company upgraded its air compressor system to achieve energy savings of more than 40 per cent
- Australia's largest pork producer upgraded its industrial refrigeration to save 10 per cent in total energy consumption, including gas and electricity; and
- A major Goulburn Valley supplier of apples and pears is reducing its energy costs by over $140,000 and its refrigeration energy use by 24 per cent.

Case Studies

SUNDROP FARMS

The CEFC has agreed to co-finance a world leading greenhouse development by Sundrop Farms near Port Augusta, South Australia. The sustainable greenhouse is the first of its kind using solar thermal technology to provide irrigation from desalinated seawater, and heating and cooling for the greenhouses.

Sundrop Farms is building a 20 hectare greenhouse facility which will use a renewable power supply and a sustainable water source to produce over 15,000 tonnes of tomatoes a year for metropolitan markets across Australia. The project should be completed by mid-2015. CEFC financing would be for approximately one quarter of the project cost, with the remaining financing from institutional banks currently being finalised.

CEFC finance is helping to catalyse other finance for this innovative application of proven, world-leading clean energy technology. The project will demonstrate the potential to transform the Australian economy and create new industries in regional areas, creating 200 jobs when fully operational and substantial opportunities for local and South Australian-based businesses during the construction phase. It will also demonstrate Australia's leading position in agriculture for semi-arid environments, extending this to sustainable horticulture practices using clean energy technology.

DARLING DOWNS FRESH EGGS

The CEFC and National Australia Bank (NAB) are co-financing an innovative waste-to-energy project at Queensland poultry business Darling Downs Fresh Eggs. The $2.86 million project cost is being met with CEFC finance of $950,000, NAB finance for nearly half the project cost and an Australian Government grant of $333,823 through the Clean Technology Food and Foundries Investment Program.

The anaerobic digester and generators will convert chicken manure and other organic waste into power and heat. Heat from the biogas generator will also be used to warm the chicken rearing sheds and heat the water for the grading floor.

Darling Downs Fresh Eggs will achieve cost savings of more than $250,000 a year, and eliminate about half the labour and transporting costs associated with the disposal of poultry farm waste products. The plant will reduce grid electricity usage by 60 per cent in the first year and will produce 100 per cent of the company's energy requirements in non-peak periods. Darling Downs Fresh Eggs will reduce carbon emissions of up to 1,000 tonnes per annum and methane emissions by over 6,000 tonnes of CO2-e a year.

LOCAL GOVERNMENT AND COMMUNITY SECTOR

Australia's 565 local councils account for over $20 billion annually in cost of providing infrastructure, economic and community services while facing increasing cost pressures and relying on revenue from a mix of sources including rates, government funding and investments. To date, there has been a substantial underinvestment by councils in renewable and low carbon technology due to capital constraints, and its perceived non-core-service nature. Lack of information about the cost savings potential of renewable and low carbon technology has been a major barrier to its adoption.

Finance tailored to local government needs such as the Energy Efficient Loan offered through the CEFC co-financing relationship with Commonwealth Bank is designed to break down those impediments.

Street lighting offers potential for councils to make substantial inroads into energy costs and carbon emissions. Australia-wide, street lighting is estimated to cost more than $400 million annually in energy and maintenance. Owned and operated by energy suppliers rather than councils, streetlights can be a complex area for councils to navigate in order to realise cost savings. **Baw Baw Shire Council** and **Warrnambool City Council** in Victoria have used finance through the CEFC and Low Carbon Australia and grant funding to upgrade their streetlights. Baw Baw's upgrade is expected to save $160,000 a year and reduce the council's overall carbon emissions by 18 per cent and Warrnambool is expecting to reduce its street lighting bill by more than $100,000 at current prices. **Richmond Valley Council** in New South Wales realised similar street lighting savings using Low Carbon Australia finance.

Councils can achieve operational savings through retrofitting buildings with energy efficient technologies, the installation of solar PV, installation of gas-fired generators and carbon abatement at landfill sites. **Tumut Shire Council**, in New South Wales, combined a lighting upgrade, air conditioning system upgrade and the installation of solar panels to reduce its administration building's grid electricity consumption by over 60 per cent. **Central Goldfields Shire Council** in Victoria installed solar PV, energy efficient lighting and upgrades to air conditioning systems to lower the energy costs and carbon emissions by about 14 per cent across its leisure centre, resource centre and council offices.

Wagga Wagga City Council will halve its Oasis Aquatic Centre's energy costs to save approximately $276,000 by installing a cogeneration unit using Low Carbon Australia finance and CEEP funding. The new system will provide up to 85 per cent of the centre's electricity demand and will supply hot water for space heating and for the swimming pools and cut carbon emissions by up to 55 per cent in the first year of operation.

Like councils, the health, education and community sectors are also pursuing strategies to combat rising electricity prices. There are 1,345 hospitals, 41 universities, 71 colleges and over 16,000 schools in Australia, as well as 6,500 not-for-profit community-based licensed clubs. Many, with restricted cash reserves, are not in the position to consider changes that involve upfront capital, with some organisations particularly interested in upfront finance offerings that are bundled with technical expertise.

To 20 August 2013, the CEFC also acquired loans made via LCAL which included **Central Coast Youth Club** (CCYC) at Niagara Park, Gosford, using Origin on-bill finance to carry out a lighting upgrade to reduce its court energy use by 64 per cent. Nearby, **Gosford City Basketball and Sports Stadium** at Terrigal also undertook a lighting upgrade using Origin on-bill finance, with similar savings.

Case Studies

BAW BAW SHIRE COUNCIL

The CEFC is providing finance of $550,000 to Baw Baw Shire Council, Victoria for a $1,039,546 upgrade to its street lighting. The council was awarded a grant from the Australian Government's Community Energy Efficiency Program (CEEP) for the remaining $489,546.

Street lighting is responsible for about 40 per cent of Baw Baw Shire Council's carbon emissions. The upgrade will save the council more than $160,000 a year and cut its overall carbon emissions by 18 per cent.

The council has estimated that the cost of doing nothing would effectively cost its ratepayers $450,000 by 2020.

'Switching to more energy efficient street lighting will help reduce our overall emission level by about 18 per cent.'

Murray Cook, Mayor, Baw Baw Shire

CENTRAL COAST YOUTH CLUB

As well as cutting the club's total energy bill by about a third, the upgrade has reduced carbon emissions by about 70 tonnes a year and improved lighting levels.

On-bill finance through Origin of $49,000 to the Central Coast Youth Club (CCYC) at Gosford, New South Wales for a $58,000 lighting upgrade has reduced the club's court energy use by over 60 per cent and will cut the club's total energy bill by about a third. The CCYC makes repayments through the club's regular energy bill, structured so that the savings exceeded the costs, making the project cash flow positive from day one.

Global Sustainability Initiatives (GSI) installed Australian designed and manufactured, multi lamp high technology reflector lighting at the stadium's basketball courts, stadium entrance and trampoline area.

The upgrade has reduced carbon emissions by about 70 tonnes a year while improving the lighting levels on the courts.

BUILDINGS

Around 20 per cent of Australia's national greenhouse gas emissions come from buildings, with commercial buildings accounting for nearly half of these emissions. Existing commercial buildings make up the majority of commercial building stock and are responsible for the majority of its energy demand.

According to ClimateWorks, the energy intensity of existing commercial buildings has improved only slightly (2 per cent) over the last 10 years, driven by a small number of market leaders and capture of 'low hanging fruit'. Other than in large offices, activity has been patchy and fragmented and often linked to government incentives and white certificate schemes.

ClimateWorks concluded that if current trends are continued, only 8 per cent of the sector's potential energy savings would be realised by 2020.

Retrofitting building stock to enhance its energy efficiency is one of the most cost-effective ways for the commercial property sector to reduce emissions and on-going operational costs, as well as reduce the impact of rising energy prices, attract tenants and boost productivity. The improvements also often enhance the building's value and extend the life of the building.

Despite the opportunities for on-going operational cost savings there has been substantial underinvestment in retrofitting commercial buildings. A key challenge has been accessing the upfront funding required for these projects, from relatively low cost energy efficiency projects such as lighting retrofits or more capital intensive projects like trigeneration units.

The CEFC has worked with co-finance partners building on the work of Low Carbon Australia to develop innovative financing structures to address the financial impediments that currently inhibit businesses and building owners from investing in highly energy efficient buildings and retrofits.

Upgrading lighting in commercial buildings, from office space to retail outlets and community groups, can deliver reductions in lighting energy costs of up to 75 per cent depending on the project.

Sydney's landmark urban redevelopment at Central Park is using a $26.5 million Environmental Upgrade Agreement (EUA) to finance a two-megawatt highly-efficient, gas-powered trigeneration plant that will provide low-emissions thermal energy, heating and cooling. The plant will reduce greenhouse gas emissions by 190,000 tonnes over its 25-year design life.

EUA financing, also helped in the implementation of a lighting upgrade at a high-rise office building in Parramatta NSW that achieved savings of about 70 per cent on its lighting bills. The operating savings from lower maintenance costs and reduced electricity use are shared between the building owner and the tenant.

Case Studies

MACARTHUR WIND FARM

The CEFC provided $50 million as part of a debt package to refinance a 50 per cent stake in Macarthur Wind Farm, located in South-Western Victoria. CEFC's contribution supported the other syndicated members to provide market liquidity.

The Macarthur Wind Farm has been fully operational since January 2013 and is the largest in the southern hemisphere, with 140 turbines with a capacity of 420 megawatts. The $1 billion Macarthur Wind Farm was developed under a joint venture between Meridian Wind Macarthur Pty Limited (a wholly owned subsidiary of Meridian Energy Ltd) and Macarthur Wind Farm Pty Limited (a wholly owned subsidiary of AGL).

CEFC's participation in this refinancing encouraged other banks to participate in the project, helping ensure that the financing was fully subscribed. Our investment provided additional liquidity to the market, ensuring efficient market pricing. This is the first refinancing of a large renewable project in Australia and demonstrates a feasible exit strategy for companies that develop and invest in large scale renewable energy projects.

AACo

CEFC is providing a $500,000 corporate loan facility for a $990,000 project to install solar PV systems at 15 grid-connected locations. NAB is financing the balance of the project cost. The CEFC finance is structured so the savings from the project and new revenue streams cover the capital and financing costs.

AACo will reduce its grid energy consumption and carbon emissions at the selected locations by around 30 per cent through installing solar PV systems, ranging from 2 kilowatts to 99 kilowatts.

CEFC finance helped enable the project to proceed, and enabled AACo to realise the energy cost savings whilst keeping capital available for its other developments underway. The solar installations are part of AACo's overall sustainability plans.

RETAIL

Retailers face competitive market pressures due to changes to consumer habits and online commerce, as well as rising energy costs. Whilst this provides incentive for the sector to embrace the potential savings of clean technology, there are still barriers such as capital constraint, the split-incentive between building owners and tenants or short term owners, and a lack of information critical to making decisions about energy use.

The CEFC is working with co-finance partners and strategic alliance partners to encourage retailers to access the benefits of clean technology sooner and has found that bundled expertise and finance is proving attractive to small business owners.

Suburban grocery store **IGA Milton**, in Brisbane's inner west used Origin on-bill finance for a $28,000 lighting upgrade, replacing old fluorescents with LED lighting in a project that was cash-flow positive from day one and reduced the store's annual electricity bill by more than 22 per cent.

‘The CEFC’s current portfolio represents a diverse mix of investments across the economy and has increased flows of private sector funds into clean energy projects and technologies.’ Jillian Broadbent AO

CLEAN ENERGY FINANCE CORPORATION

SECTION 2:
Investments

Investment Framework

The CEFC Act, Investment Mandate, Definitional Guidance and Investment Policies and Risk Management Framework

The CEFC invests in accordance with its governing legislation, the *Clean Energy Finance Corporation Act 2012* ('the CEFC Act') and the *Clean Energy Finance Corporation Investment Mandate Direction 2013* (the 'Investment Mandate').

The CEFC's Investment Mandate, issued by Responsible Ministers, the Treasurer and the Minister for Finance and Deregulation as a ministerial direction in April 2013, provides the CEFC with high-level policy direction from the Government and articulates the Government's broad expectations of how the CEFC will invest and be managed.

The CEFC Board has adopted *CEFC Investment Policies* under Section 68 (1) of the CEFC Act, setting out requirements, approach and intentions with respect to the investment strategy of the Corporation, benchmarks and standards for assessing performance of the CEFC's investments and of the Corporation itself and risk management for its investments and for the Corporation itself.

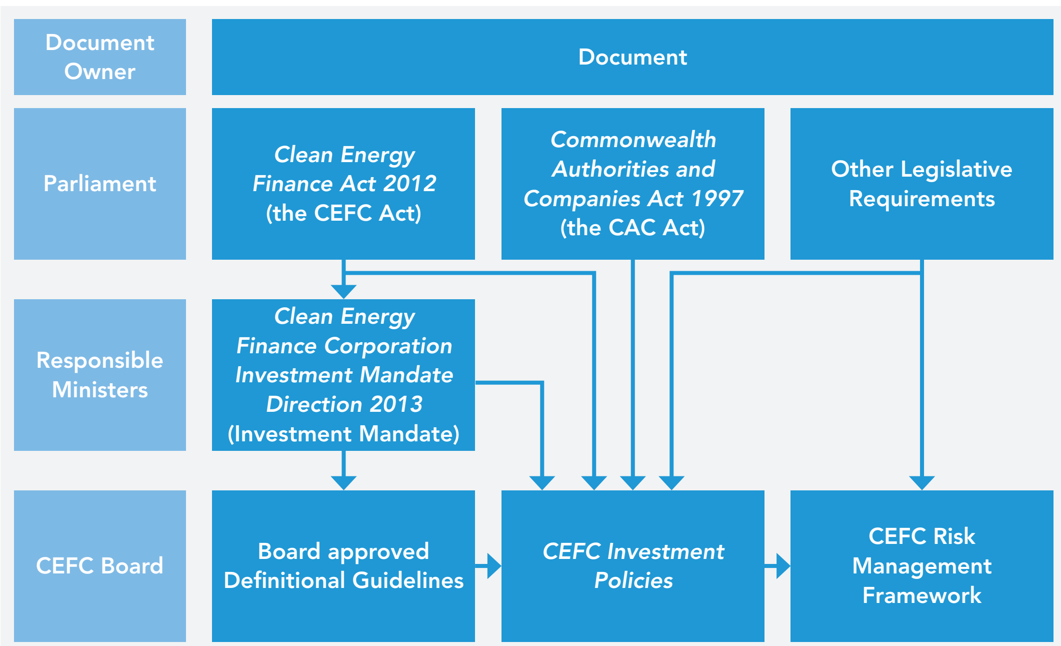
In addition, as prescribed and provided for under the CEFC Act, the Board has also issued definitions and guidelines concerning eligibility of different technologies for the purposes of its investments. Details of this framework are illustrated below, with further details following describing how the elements of this framework are operationalised.

INVESTMENT MANDATE

The CEFC's Investment Mandate directs that the CEFC will:

- Mobilise investment in renewable energy, low emissions and energy efficiency projects and technologies in Australia as well as manufacturing businesses and services that produce required inputs

Fig 2(a). *The CEFC Investment Framework, showing the Corporation's key investment documents, how they interlock, and who has responsibility for them.*



- Apply commercial rigour and make its investment decisions independently of Government
- Achieve a benchmark rate of return based on a weighted average of the five-year Australian Government bond rate across the portfolio of investments over time
- Invest responsibly and manage risk to achieve financial self-sufficiency
- Whilst the Corporation may invest at the demonstration, commercialisation and development stages it is expected that much of its portfolio will focus on projects and technologies at the later stages of development
- Use financial products and structures to address impediments inhibiting investments in the sector
- Be limited to providing $300 million of concessionality in any one financial year
- Take a long-term outlook when setting its investment strategy
- Ensure that projects seeking CEFC funding of greater than $20 million comply with Australian Industry Participation Plans (AIPP) policy
- Consider its potential impact on the operation of Australian financial and energy markets when making its investment decisions, and specifically on the market for Large Scale Generation certificates under the RET; and
- Have regard to positive externalities and public policy outcomes when making investment decisions and when determining the extent of any concessionality for an investment.

DEFINITIONAL GUIDANCE

The CEFC Board has specified definitions for the purposes of CEFC investment for the following phrases in CEFC legislation:

- Solely or mainly Australian based
- Renewable energy technologies
- Energy efficiency technologies; and
- Low emissions technologies.

The full versions of these definitions are available at **Appendix D.**

INVESTMENT POLICIES

The *CEFC Investment Policies* includes the following:

Governance

The *CEFC Investment Policies* outline a governance framework for the CEFC which clarifies the roles of the Board, the Executive Team, committees and external advisors.

Investment Strategy

The Board is responsible for the development of an investment strategy and approach which is consistent with the Corporation's obligations under the CEFC Act, Investment Mandate and normal investment risk management practices.

The CEFC investment strategy includes:

- **2018 Portfolio Vision:** Discussed further below
- **Investment approach and guidelines:** When the CEFC evaluates an opportunity for investment, two broad threshold factors are considered**:**
  - **Eligibility constraints**: The CEFC's ability to invest is limited by legislation (namely the CEFC and CAC Acts) along with the Investment Mandate
  - **Investment selection criteria**: The CEFC will evaluate the commercial merits and relative investment attractiveness of each prospective investment, influenced by the risk management approach of the CEFC and the implications of each potential investment decision for the 2018 Portfolio Vision.

The CEFC's 2018 Portfolio Vision

The Board has established the CEFC's Portfolio Vision 2018, which sets out Portfolio targets, parameters and outcomes criteria as shown in the diagram below:

Fig 2(b). *The CEFC's 2018 Portfolio Vision.*

50 per cent renewable energy
50 per cent energy efficiency and low emissions

Renewable energy	Energy efficiency and low emissions
Wind	Manufacturing
Solar PV	Transport
Solar thermal	Commercial buildings
Concentrated Solar Power	Government
Biomass	Retail
Geothermal	Mining
Tidal	Agriculture
Other	

Characteristics

- Diversified across Australia
- Diversified by borrower
- On-grid, off-grid and behind the meter
- Direct and indirect financial participation
- Creative and innovative structures to reduce the cost of capital
- Enabling transactions in energy storage and transmission
- Market-first joint transactions with ARENA

Outcomes

- Diversification of renewable energy generation sources in Australia
- Significant awareness and adoption of energy efficiency across industries
- Significantly lower emissions in Australia
- Matched private sector funds from co-financiers of 3:1
- Demonstrable improvement of the flow of funds into the clean energy sector from institutions, individuals and commercial banks
- Financial self-sufficiency
- Steady flow of dividends to ARENA

- The 50 per cent renewable energy portion of the portfolio will include investments in wind, solar PV, thermal and CSP, biomass, geothermal, tidal and other renewable energy. This will include both on-grid and off-grid, will include creative and innovative structures to reduce the cost of capital and will enable transactions in energy storage and transmission
- The 50 per cent low emissions and energy efficiency portion of the portfolio will be balanced between low emissions and energy efficiency transactions and consist of investments in manufacturing inputs, transport, government, private and other sectors; and
- The total portfolio will be diversified across Australia and by borrower and include both direct and indirect financial participation.

PORTFOLIO DIVERSIFICATION STRATEGY

The CEFC will reduce the systemic risk posed by large concentrated exposures in any single investment, technology, industry, counterparty or geography.

Portfolio Limits

Table 2.1. *Portfolio limits, established by the Corporation's key investment documents as illustrated in Fig 2(a) (above).*

Measure	Limit
Renewable energy requirement	From 1 July 2018, no less than 50%
Guarantees	5% maximum limit
Concessional loans	$300 million annual NPV Limit each year
Equity investments	Must be a minority, non-controlling stake
Derivatives	Only to: i) protect the value of investments, ii) achieve indirect exposure to financial assets; or iii) for transactional efficiency

Portfolio Diversification Guidelines

Table 2.2. *Portfolio diversification guidelines, established by the CEFC's investment policies.*

Measure	Guideline
Preferred minimum CEFC investment size – renewable energy	$20 million*
Maximum individual transaction size	$200 million or 10% of the amount credited to the CEFC Special Account
Concentration of technology, industry or geography	No more than 30%
Technology maturity	Later stage development that is cash generative and able to service debt
Security type	Debt target 80%

*The preferred minimum CEFC investment size of $20 million is considered appropriate for renewable energy technology investments. In order to address smaller transactions and the SME market, the CEFC preference is to establish pooled financing and partnership strategies which leverage the larger market reach of financial intermediaries such as fund managers and commercial banks.

Permitted Investment Instruments

The CEFC has the capability to invest directly or indirectly and across the capital structure in publicly traded or privately held instruments such as:

- Senior debt
- Subordinated debt
- Preferred equity / convertible debt
- Common equity
- Interests in pooled investment schemes, trusts and partnerships; and
- Net profits interests, royalty interests, entitlements to volumetric production payments.

Outcomes

The 2018 Portfolio Vision will achieve the following:

- Diversification of renewable energy generation sources in Australia
- Significant awareness and adoption of energy efficiency across industries
- Significantly lower emissions in Australia
- Matched private sector funds from co-financiers of 3:1
- Demonstrable improvement of the flow of funds into the renewable and low carbon energy sector from institutions, individuals and commercial banks
- Financial self sufficiency; and
- Steady flow of dividends to ARENA.

Risk Management

All investment activity involves the acceptance of risk. Investment is integral to the CEFC business and investment risk management is embedded within the Corporation's integrated enterprise-wide approach to risk management. The CEFC seeks to actively manage and mitigate risks.

The CEFC is exposed to the risks associated with extending credit to other parties. The sector specific purpose of the CEFC limits the scope for diversification as a risk mitigant.

The CEFC is exposed to market risks. Risks are associated with a general fall in prices of energy and in particular a fall in realised as compared to expected prices for both 'green' and black electricity prices. Such price changes may adversely impact a borrower's ability to make repayments in accordance with a loan facility.

The CEFC is exposed to technology risks. Technology risk is defined as the risk of losses arising as a result of a technology not operating as effectively as predicted which may arise from design, engineering and/or implementation issues.

Renewable energy, energy efficiency and low emissions technologies all present varying degrees of technological risk depending on the nature of the technology under consideration, its stage of development along the innovation chain and the nature of its application in the subject investments. Assessment, analysis and mitigation for technology risk is a key component of the CEFC's investment risk analysis process.

The CEFC has concentration risks. At the portfolio level, diversification and concentration guidelines are applied to technology types along with geographic, single asset and industry level exposures. The level of assessed risk of any single technology is also instructive to the portfolio's composition as to the amount of exposure to that technology at any given point in time.

Conducting thorough technical due diligence and integrating those findings and outcomes with financial modelling analysis is a key component of the overall investment analysis process. Critical considerations for the CEFC's technical due diligence include the historical data on the reliability of the technology, the assessed suitability of the technology for the purpose and location, the degree of customisation required, levels of testing undertaken and the confidence levels expressed regarding the expected performance of the technology. CEFC staff have diverse specialist technical knowledge and experience which is supplemented by external due diligence working together with agencies like ARENA and the CSIRO on complex technical and engineering risk assessments.

Rigorous due diligence and financial modelling analysis along with assessments of other key investment risks, including credit risk, are used to determine appropriate investment structures, financial covenants and the required legal undertakings for an intended investment, all designed to enhance and protect the CEFC's position.

The CEFC's loans are early in their life and the Corporation does not yet have a long history from which to ascertain the future performance of these investments.

Collective provision overlays may be appropriate in future periods and the CEFC will need to accumulate data in relation to trends and its experience as well as monitoring for impairment indicators that may give rise to a need for provisioning of losses. In the meantime, the Board has required all lending to take place at a sufficient margin to allow for recovery of 'normal' loan loss ratios in a commercial lending portfolio in the energy sector.

To mitigate against risk the CEFC prefers opportunities where:

1. The CEFC lends to projects where it is joined as a co-lender by private sector

parties such as a large commercial bank

2. The CEFC lends to projects where there is a sufficient equity buffer against underperformance
3. The CEFC has full recourse to a large commercial energy supply company's assets (and of course project equity)
4. The CEFC has, and is, diversifying its portfolio geographically, by technology, by off-take (Power Purchase Agreement or merchant sale of power), by counter parties and project sponsors; and
5. If the CEFC lends to projects selling power at 'merchant rates', it does so where the loan is expected to be comfortably serviced from revenue even where actual prices received fall below current future forecast prices.

More information about the Corporation's approach to risk management and related policies can be found at 'Investment Portfolio Credit Risk Profile and Management' (page 63), Section 3 (pages 73, 88); and at Section 4 (pages 103-4 and 130-2).

WHERE THE CEFC INVESTS

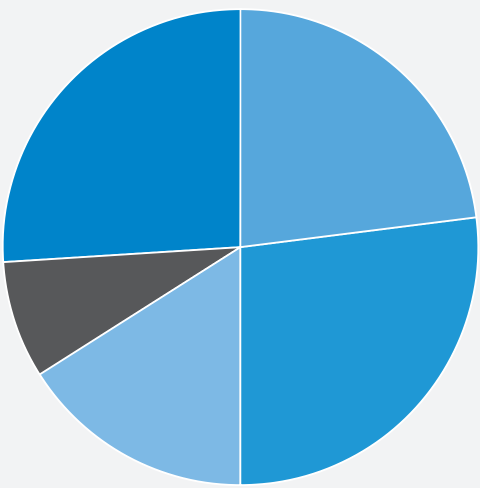
The CEFC operates nationally, and under section 61 of the CEFC Act the Corporation must only make investments that are solely or mainly Australian based. The CEFC Board has published guidelines as to what activity constitutes 'solely or mainly Australian based', and these are published on the Corporation's website at https://www.cleanenergyfinancecorp.com.au/what-we-do/definitions-and-guidelines.aspx.

By Geography

Investments to date have a heavy weighting towards projects in NSW and Victoria due to the large initial CEFC transactions in these states (e.g. Macarthur and Taralga wind farms, and Moree Solar Farm). Large national exposure is achieved through the aggregation finance arrangements that have the potential to invest nationally.

The map on pages 20-21 shows locations of CEFC investments up to 20 August 2013.

Fig 2(c). *CEFC contracted portfolio distribution by geography by CEFC amount funded.*



National	23.5%
NSW	26.6%
QLD	16.2%
SA	7.5%
TAS	< 0.1%
VIC	25.7%
WA	0.4%

OUR INVESTMENT PORTFOLIO

Table 2.3 below is the CEFC-originated investment portfolio as at 20 August 2013 (excludes LCAL-originated loans of $54 million).

Table 2.3. *CEFC-originated investment portfolio – 20 August 2013.*

Project	Contracted Value ($m)	Avg Lifetime Yield (incl. fees) (% p.a.)*	5-Year Bond Reference Rate (% p.a.)	Yield Spread Above Reference Rate (% p.a.)
CBA Energy Efficient Loans	50.0	5.25%	3.00%	2.25%
Macarthur Wind Farm	50.0	6.16%	3.03%	3.13%
Taralga Wind Farm	35.8	5.60%	3.03%	2.57%
Energy Developments Limited Loan	75.0	8.13%	3.06%	5.07%
CBA Energy Efficient Loans – Government and NFP	50.0	3.95%	3.01%	0.94%
(Unannounced Project)	43.5	7.81%	3.01%	4.80%
Moree Solar Farm	60.0	8.22%	3.25%	4.97%
Pacific Hydro Portland Wind Farm	70.0	9.25%	3.25%	6.00%
Baw Baw Shire Council	0.5	5.19%	3.13%	2.06%
(Unannounced Aggregation Facility)	7.0	4.47%	3.03%	1.44%
Sundrop Farms	40.0	9.15%	3.25%	5.90%
Total	**481.8**	**7.33%**	**3.11%**	**4.22%**

Notes:
* Yields quoted for CBA Energy Efficient Loans, CBA Energy Efficient Loans – Government and the unannounced aggregation facility are estimates only, as actual interest rates to be earned are not yet determined and will reflect the portfolio of loans actually undertaken through these facilities.

Investment Portfolio Analysis

PORTFOLIO PERFORMANCE

As at 20 August 2013, the contracted CEFC portfolio consists of the Low Carbon Australia investments to a value of $ 54 million and 12 CEFC transactions (including one subsidiary transaction under the CBA Energy Efficient Loans) to a value of $482 million. This portfolio is diversified across individual assets, technologies, industries and state geographies.

The contracted level of senior debt at the 4th quarter 2012-13 is above the investment policy guidelines, reflecting the preference for a senior position typically taken in respect of the investments made by both the CEFC and LCAL.

By Technology

Under the CEFC Act, at least half of the CEFC funding is designated for investment in renewable energy technologies, related enabling technologies and hybrid technologies that integrate renewable energy technologies. The chart below shows the breakdown of investments across renewables, energy efficiency and low emissions technologies.

Fig 2(d). *CEFC contracted portfolio distribution by clean energy technology by CEFC amount funded.*

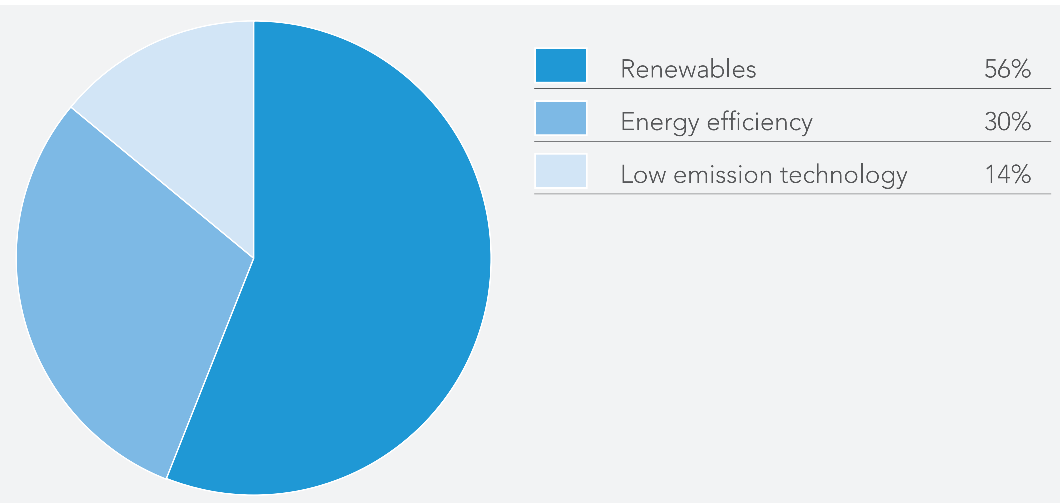
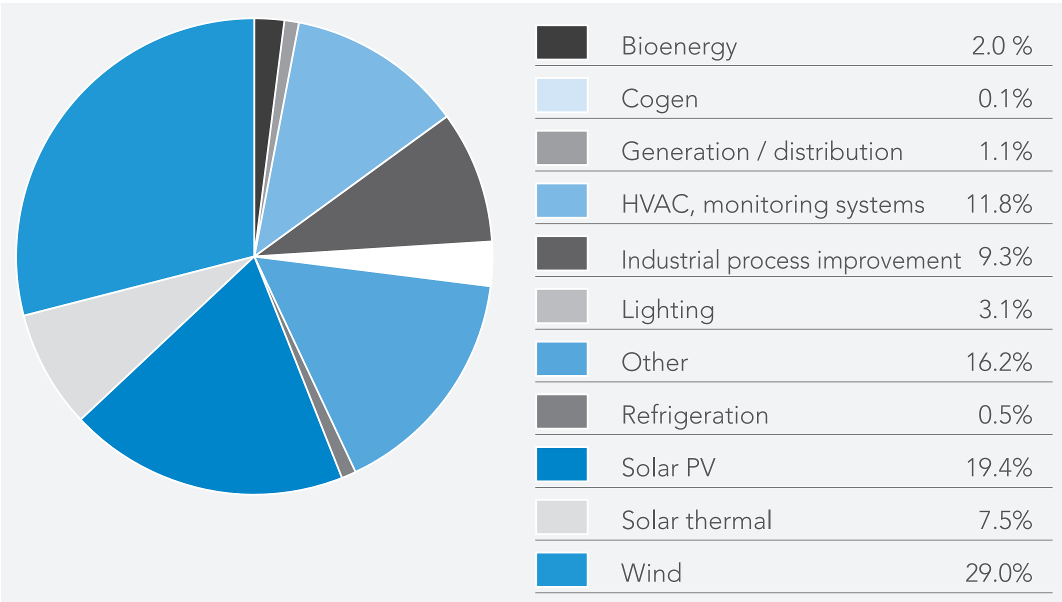


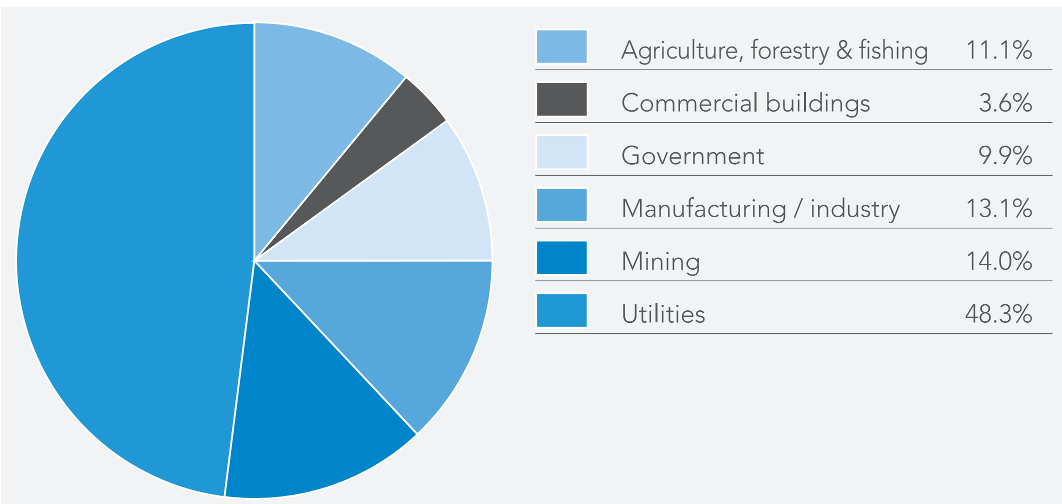
Fig 2(e). *CEFC contracted portfolio distribution by technology by CEFC amount funded.*



By Sector

The CEFC contracted portfolio is well balanced across manufacturing, industry (LCAL projects), mining (EDL) and utilities (Taralga, Portland, Macarthur, and Moree).

Fig 2(f). *CEFC contracted portfolio distribution by industry sector by CEFC amount funded.*



Case Studies

ENERGY DEVELOPMENTS LIMITED

The CEFC is providing $75 million to Energy Developments Limited (EDL) for investment in new projects generating energy from waste coal mine gas and landfill gas, as well as remote hybrid renewables projects.

CEFC finance will be used to fund individual projects that meet the CEFC eligibility criteria to enable EDL to expand its clean energy and abatement projects and develop new opportunities in its core business areas of landfill gas, waste coal mine gas, mine vent air abatement and remote energy solutions.

The CEFC loan facility enables EDL to implement economically viable projects in its pipeline that will substantially reduce greenhouse gas emissions. The CEFC funding, which is in addition to funding the company has from other banks and the market, accelerates the implementation of new projects in their pipeline.

'The potential to help Australia achieve its targets for reduction in greenhouse gas emissions using this technology to abate waste methane from mining and landfills is significant.'

Greg Pritchard, Managing Director, EDL

AUSTRALIAN PAPER

A $9.9 million loan towards a new $90 million de-inking recycled paper plant at Australian Paper's Maryvale Mill in the Latrobe Valley, Victoria will help the company more than triple its use of premium recycled fibre.

The recycling plant will divert up to 80,000 tonnes of waste paper from Australian landfill or export each year. When operational in 2014, the new paper recycling plant is expected to increase Australian Paper's competitiveness in the domestic market by delivering sustainable, certified, recycled paper products that environmentally conscious consumers demand. The project will contribute around $110 million to the economy and support more than 960 full-time equivalent jobs during construction. Once complete, it will support 246 full-time equivalent jobs including flow-on effects.

It will allow Australian Paper to increase its range of recycled content papers and use more recycled fibre, thereby reducing greenhouse gas emissions by up to 270,000 tonnes CO2-e annually, and by 6.75 million tonnes CO2-e during the lifetime of the plant, according to Australian Paper.

The project also received an Australian Government grant of $9.5 million and support from the Victorian Government.

INVESTMENT PORTFOLIO CREDIT RISK PROFILE AND MANAGEMENT

The CEFC's portfolio reflects the fact that we are a specialised, sector-focused institution. Most of the investments within the CEFC's portfolio are project finance loans in favour of the Australian energy sector. They exhibit a credit profile, which matches those of banks active in providing such facilities.

As a key part of CEFC's investment risk evaluation process, Shadow Credit Ratings (SCR) that align with the Standard & Poors' credit rating scale are assigned to counterparties to characterise each investment.

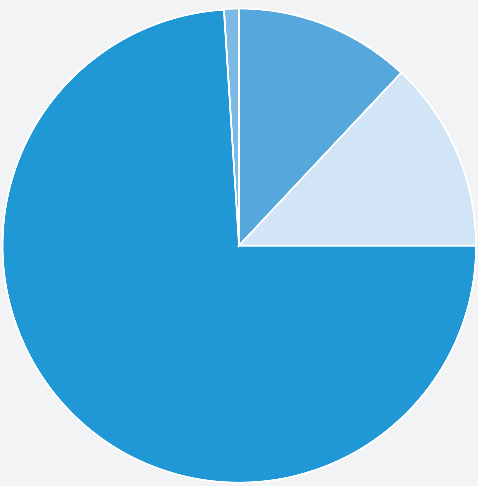
Board approved investments involve approval of the assigned SCR. The SCR is reviewed periodically over the lifetime of each investment to maintain the accuracy of CEFC's investment portfolio risk assessment.

On a weighted average basis, by $ invested, CEFC's contracted investment portfolio of $536m as at 20 August 2013 has an overall SCR of BB.

The CEFC is investing alongside the private market.

When appraising potential losses, should CEFC's counterparties actually default, consequences external to CEFC are also considered. Consideration is given to CEFC's security position on each investment – typically whether we are a senior or subordinated lender – to estimate potential co-financier and equity losses relative to CEFC's.

Fig 2(g). *CEFC's Investment Portfolio of $536m by Shadow Credit Rating*



	A	12%
	BBB	13%
	BB	74%
	Other	1%

MANAGING THE PORTFOLIO

To effectively and prudently manage our investments, the CEFC has the following governance arrangements in place:

1. A well-developed investment portfolio strategy, covering diversification requirements, clear definitions around key target markets and supporting procedures
2. An intensive, reiterative and multi-phase assessment and approval process for individual investments, based on standardised templates and risk assessment processes
3. An experienced portfolio management team which monitors individual investments, analyses performance and investment reporting against portfolio benchmarks and guidelines and provides regular periodic reporting to the Executive Investment Committee and the Board
4. An effective and timely escalation and remedial process for underperforming investments; and
5. Highly experienced, engaged staff involved in multiple levels.

Case Studies

URS

URS Australia, part of a global engineering and environmental professional services company, has financed a new, more efficient $30,000 lighting system and occupancy sensors through Origin on-bill finance. The project will cut the company's lighting bills by more than 40 per cent and help reduce carbon emissions from URS's Adelaide facility by around 7 per cent.

The new lighting system involves upgrades to existing down lights in the entry foyer with new LED fittings and new occupancy sensors throughout the open plan office areas to reduce lighting when it isn't needed.

'Through this lighting upgrade, we're targeting reduction of more than 14 tonnes of greenhouse gas emissions a year.'

David Williamson, Regional Manager, URS

PORTLAND WIND ENERGY PROJECT

Pacific Hydro will bring the fourth stage of the Portland Wind Energy Project in south-west Victoria to market and develop a retail business for renewable energy.

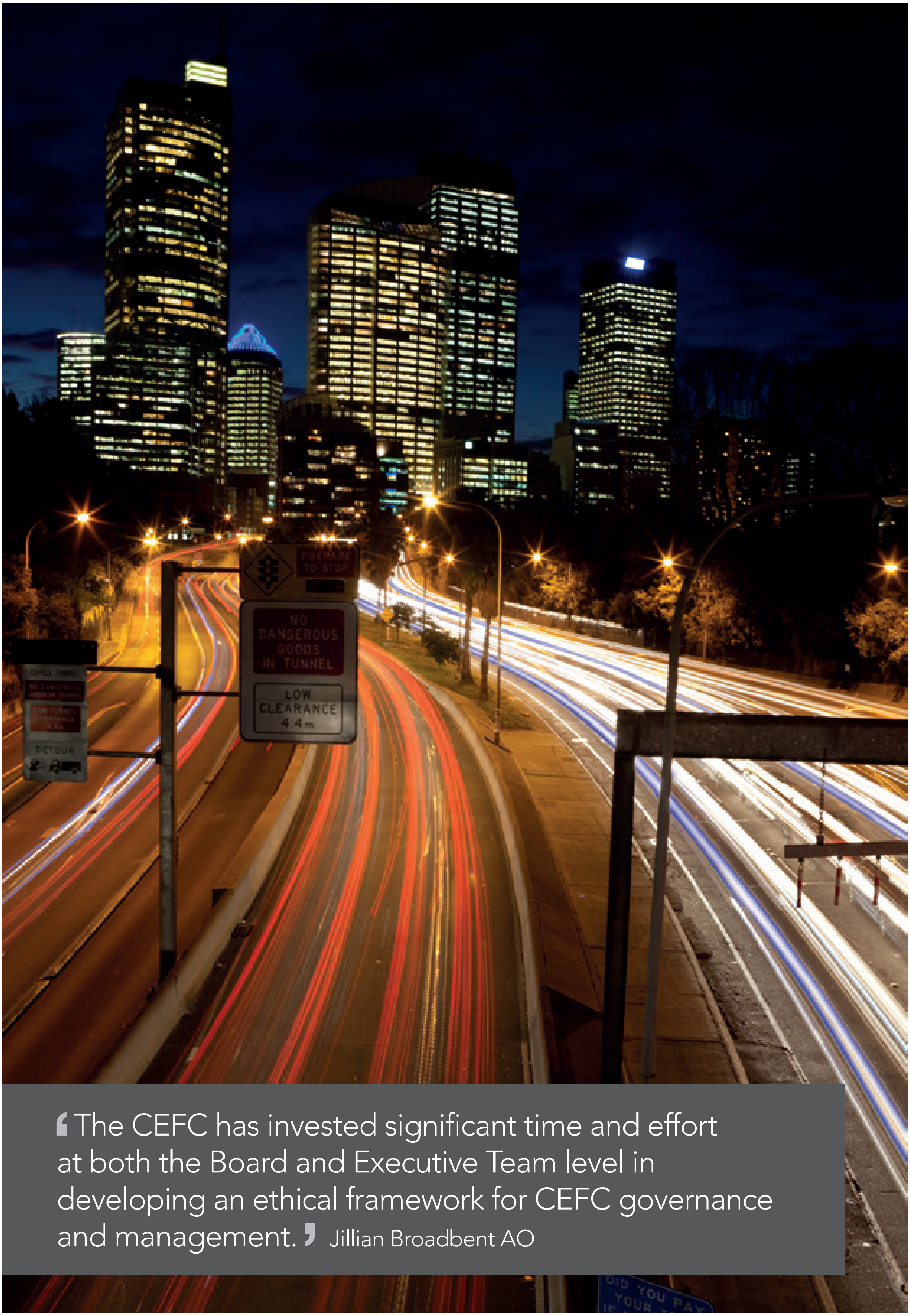
CEFC is providing $70 million in debt financing alongside a consortium of domestic and international banks, towards the $361 million project that involves financing the construction of stage four and refinancing stages two and three.

The three stages of Portland Wind Energy Project will sell the electricity and large-scale generation certificates (LGCs) they produce to Pacific Hydro's retailing business under an 18-year Power Purchase Agreement (PPA). That business will on-sell the output to the market. Pacific Hydro has guaranteed the PPA obligations for the benefit of the project.

This will enable Pacific Hydro to expand its generation capacity and demonstrate the potential for a viable integrated wind energy business in Australia.

Pacific Hydro plans to source towers from Australian manufacturers and local construction companies will deliver electrical and civil works. REpower will supply and install turbines. The construction phase is expected to create around 400 jobs that Pacific Hydro plans to mainly source locally. Once operational, about 10 people will be required to manage and maintain stages two, three and four.

The CEFC's participation in this project has encouraged other commercial lenders to take part, enabling the transaction to proceed and the fourth stage to be built.



> "The CEFC has invested significant time and effort at both the Board and Executive Team level in developing an ethical framework for CEFC governance and management." Jillian Broadbent AO

CLEAN ENERGY FINANCE CORPORATION

SECTION 3:
Corporate Governance and Public Accountability

ENABLING LEGISLATION

The Clean Energy Finance Corporation is a Commonwealth authority established on 3 August 2012 by the *Clean Energy Finance Corporation Act 2012* ('the CEFC Act').

The object of the CEFC is specified in section 3 of the CEFC Act as being 'to facilitate financial flows into the clean energy sector'.

The main function of the CEFC is the 'investment function' [as specified in section 9 and subsection 58(1) of the CEFC Act] to invest, directly and indirectly, in renewable, energy efficiency and low emissions technologies. Section 9 also specifies a number of support functions such as:

- Liaison with relevant individuals, businesses and agencies to facilitate the investment function
- To perform any other functions conferred by the CEFC Act or any other Commonwealth law; and
- To do anything incidental or conducive to the performance of the investment function or the other functions.

During the financial year there were no amendments to the CEFC's enabling legislation.

KEY GOVERNANCE EVENTS AFFECTING THE CEFC

The Corporation was created as an entity within the reporting period by proclamation made under the CEFC act. The Corporation stood up as entity independent of The Treasury on 15 April 2013, and commenced its investment activity with execution of its first contract for investment on 27 June 2013.

On 19 December 2012, the Australian Government and Boards of both the CEFC and Low Carbon Australia Limited (LCAL) announced the intention that the CEFC and LCAL integrate. Integration of staff occurred on 17 April 2013, and at the end of financial year, integration of the LCAL investment portfolio was ongoing (with the bulk of the LCAL portfolio transferring as at 1 July 2013).

In addition to the CEFC Act, the CEFC is governed by the *Commonwealth Authorities and Companies Act 1997* ('the CAC Act'). There were no 'significant events' reportable under the CAC Act during the reporting period.

During the reporting period, the *Public Governance, Performance and Accountability Act 2013* ('the PGPA Act') was passed, which will repeal and replace the CAC Act from July 1, 2014. This is a highly significant change to the governance of public sector entities like the CEFC, but as a relatively new organisation, the CEFC is well placed to adapt its systems and structures to new requirements arising out of the PGPA Act.

More information about the CEFC's governance context in the reporting period is available in the financial statements at Section 4 (Notes 1, 2 and 13), and in the Chair's Report (pages 9-11).

Responsible Ministers

Under section 4 of the CEFC Act, the **Responsible Ministers** are the Treasurer and the Minister for Finance. Under the Administrative Arrangements Order issued 18 September 2013, responsibility for the CEFC Act lies in the Treasury portfolio.

During the reporting period the ministerial arrangements for the CEFC were as outlined in Table 3.1 below:

Table 3.1. *Responsible Ministers.*

Period	Responsible Ministers
Establishment 3 August 2012 to 27 June 2013	The Hon. Wayne Swan MP, Deputy Prime Minister and Treasurer Senator the Hon. Penny Wong, Minister for Finance and Deregulation
From 27 June 2013 to 18 September 2013	The Hon. Chris Bowen MP, Treasurer Senator the Hon. Penny Wong, Minister for Finance and Deregulation
From 18 September 2013	The Hon. Joe Hockey MP, Treasurer Senator the Hon. Mathias Cormann, Minister for Finance

After the reporting period the Federal election was announced, to be held on 7 September 2013. Following the election, a new government was sworn in on 18 September 2013. At the time of writing, the Responsible Ministers were the Hon. Joe Hockey MP and Senator the Hon. Mathias Cormann.

The **Nominated Minister** is one of the Responsible Ministers who exercises additional powers and functions under the CEFC Act. Subsection 76(1) of the CEFC Act provides that the Responsible Ministers must determine between them which is to be the Nominated Minister. The Treasurer is designated as the Nominated Minister by the *Clean Energy Finance Corporation (Nominated Minister) Determination 2012* agreed and made 7 February 2013.

MINISTERIAL DIRECTIONS

Under section 64 of the CEFC Act, the Responsible Ministers may give the CEFC Board directions about the performance of the Corporation's investment function, and must give at least one such direction. The directions together constitute the CEFC's 'Investment Mandate'.

On 3 April 2013, then Responsible Ministers the Hon Wayne Swan MP (the then Treasurer) and Sen. the Hon. Penny Wong (then Minister for Finance and Deregulation) issued the *Clean Energy Finance Corporation Investment Mandate Direction 2013* which came into effect 25 April 2013 (the day after it was registered on the Federal Register of Legislative Instruments). During the reporting period there were no amendments to this Direction, and the Direction was fully complied with.

The CEFC did not receive any other ministerial directions under the enabling legislation or other legislation during the reporting period.

GOVERNMENT POLICIES AFFECTING THE CEFC

The CEFC was established on 3 August 2012, therefore no pre-1 July 2008 General Policy Orders apply.

During the reporting period there were no General Policy Orders that applied to the CEFC under section 48A of the CAC Act.

However, during the year, the Australian Government published *Australian Government Protocols Governing the Engagement Between Commonwealth Bodies and the Parliamentary Budget Officer*, and the CEFC was consulted by the then Treasurer on applicability of a draft General Policy Order to the CEFC.

While the CEFC understands the draft General Policy Order was not made prior to the 7 September 2013 election, the CEFC agrees the Parliamentary Budget Office (PBO) will make an important contribution to the development of public policy and, mindful of the protocols referred to above, has cooperated with the PBO on each occasion when requests have been made of it.

OTHER STATUTORY REQUIREMENTS AFFECTING THE CEFC

As a statutory authority which acts actively and commercially in the finance sector, there are a range of other statutory reporting requirements. These are outlined below:

Equal Employment Opportunity (Commonwealth Authorities) Act 1987

The CEFC was formed as a Corporation on 3 August 2012, and under this legislation, the Corporation's first program report will fall due on 17 July 2014 (that is, one year and three months after the anniversary of which the Corporation first had 40 employees). In the interim, the Corporation has reported on gender equity at **Appendix E.**

Environment Protection and Biodiversity Conservation Act 1999

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations – including authorities such as the Clean Energy Finance Corporation – to include in their annual report a section detailing their environmental performance and their contribution to ecologically sustainable development (ESD). The CEFC is defined under the EPBC Act as a 'Commonwealth agency' under limb (c) of the definition under s528 and must report annually under s516A. See **Appendix F** for more information on the CEFC's ESD activities.

Freedom of Information Act 1982

The CEFC is a new agency for *Freedom of Information Act 1982* (the FOI Act) purposes. Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

The CEFC is also required to lodge an annual statistical return with the Information Commissioner on statistics relating to time spent by employees of the CEFC in managing obligations under the FOI Act, the IPS and the non-employee costs attributed to these functions. The CEFC lodged its annual statistical return with the Information Commissioner on 31 July 2013.

The CEFC has displayed on its website (www.cleanenergyfinancecorp.com.au) a plan showing what information it publishes in accordance with IPS requirements.

A table summarising the list of FOI activities for 2012–13 is available in **Appendix G**.

During the reporting period, the Corporation received one application and this application was refused on grounds that the scope of the application was too wide. More information on FOI applications and the CEFC's IPS is available at https://www.cleanenergyfinancecorp.com.au/freedom-of-information.aspx.

Privacy Act 1988

The CEFC is required to report a Personal Information Digest annually to the Information Commissioner on information relating to records kept by the record-keeper under Information Privacy Principle (IPP) 5.3 & 5.4 in section 14 of the *Privacy Act 1988*. The report is also disclosed on the Corporation's website at https://www.cleanenergyfinancecorp.com.au/freedom-of-information.aspx.

The 2012-13 Personal Information Digest was the Corporation's first, given it did not stand up until 15 April 2013. The 2012-13 Personal Information Digest was reported to the Information Commissioner on 31 July 2013.

Work Health and Safety Act 2011

The CEFC is required to report annually under the *Work Health and Safety Act 2011*. This obligation replaces annual reporting obligations of Commonwealth authorities previously found in the *Occupational Health and Safety Act 1991*, and a full report can be found at **Appendix H**.

EXEMPTIONS FROM REPORTING REQUIREMENTS

During the reporting period, no exemptions from the *Commonwealth Authorities (Annual Reporting) Orders 2011* were sought or granted. A cross referenced index of reporting requirements is available at **Appendix C.**

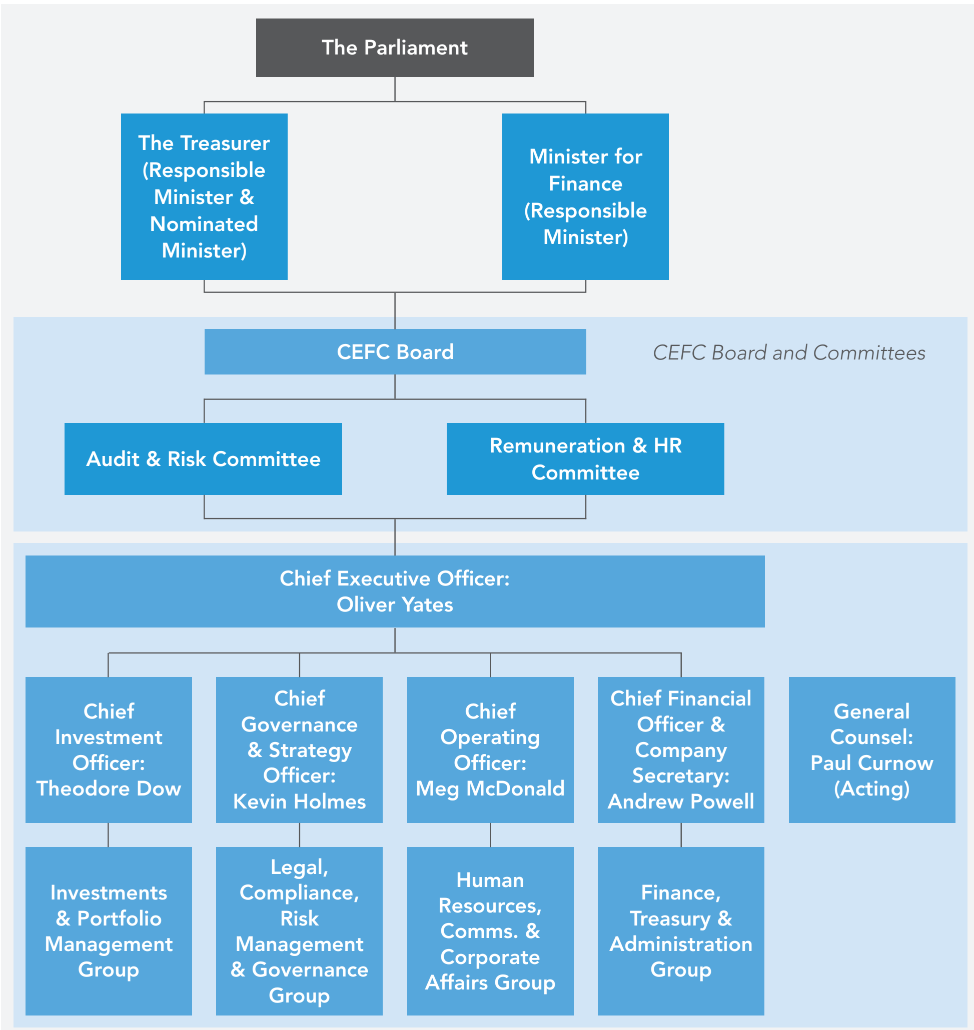
CEFC Organisational Structure

The CEFC is constituted as a Commonwealth statutory authority by the *Clean Energy Finance Corporation Act 2012*. The Act provides for a governing Board made up of Australian Government appointees, a statutory office of the Chief Executive Officer and staff employed under such terms and conditions as the Board sees fit.

Authority resides in the Board unless delegated to the Chief Executive Officer or to the Corporation's staff. Day-to-day management of the Corporation is performed by the CEO, and the Corporation has been structured with a leadership group of four supporting executives and the Corporation's General Counsel.

During the reporting period, the Corporation had no subsidiaries. A diagram illustrating these arrangements is outlined below.

Fig 3(a). *CEFC Organisational Structure.*



CEFC Governance Structure

The governance structure of the CEFC is determined partly by the CEFC Act and the CAC Act, and partly by policies, procedures and systems established by the Board and Management.

In summary, under the CEFC Act, the CEFC is governed by a Board, which (in consultation with the Responsible Ministers) appoints a Chief Executive Officer. A system of delegations from the Board, to the Chief Executive Officer, to staff, ensure that the Corporation has sufficient resources. The CAC Act specifies the duties of Board members, senior managers and staff, and provides for internal oversight by establishment of a Board audit committee and external oversight by the Australian National Audit Office as auditors.

In addition to the governance regime specified by the CEFC and CAC Acts, the CEFC Board is instructed by Item 11 of the Investment Mandate that:

> *In performing its investment function, the Corporation must have regard to Australian best practice in determining its approach to corporate governance principles.*

The Board has therefore built upon the statutory framework by providing charters which specify Board and Board Committee responsibilities, and further adopted codes of ethics and conduct, written delegations of authority, and corporate policies and procedures to provide a complete ethical decision making framework for the Corporation.

From this basis, the Board and Executive have together further extended and built out a robust set of investment policies, risk management policies, accompanying procedures and an internal support structure which assists in meeting the high standards required of the CEFC as a public authority.

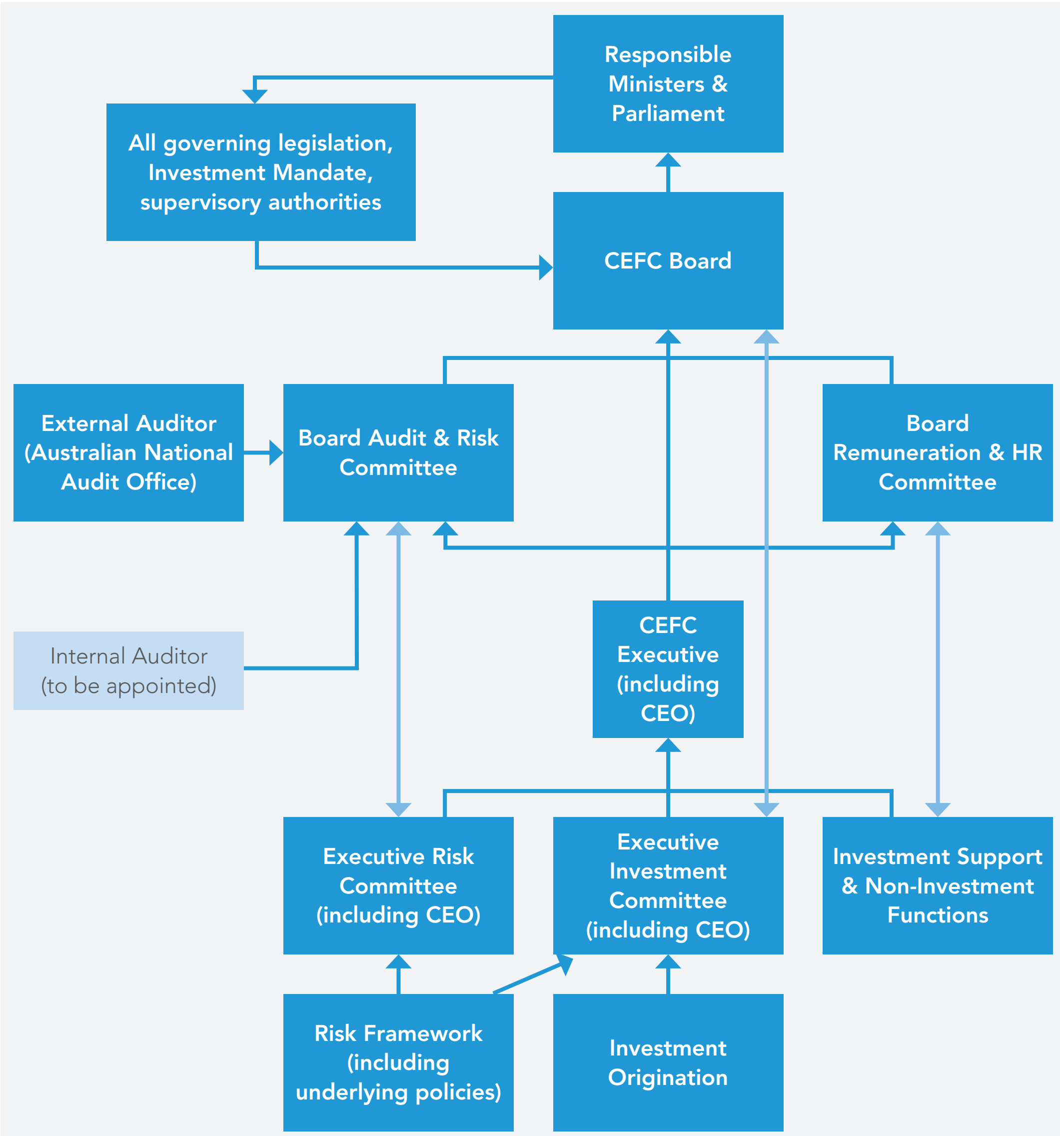
Collectively, this interlocking system of:

- documented policies and procedures
- clear reporting lines and responsibilities
- a well-developed corporate ethos; and
- properly inducted and trained people;

creates a streamlined system of both internal and external oversight, checks and balances that gives the CEFC Board the confidence that the Corporation's governance is well on its way to 'Australian best practice' appropriate for an organisation of its type and maturity.

While not always relevant to the circumstances of the CEFC, the Board has also reported against *The Corporate Governance Principles and Recommendations with 2010 Amendments* produced by the Australian Securities Exchange (ASX) Corporate Governance Council. This report is at **Appendix J**.

Fig 3(b). *The CEFC Governance Framework.*



About the Board and Board Committees

Under the CEFC Act, the Corporation is governed by a Board consisting of a Chair, and at least 4 and no more than 6 other members, each appointed by the Responsible Ministers to act on a part-time basis.

As mentioned above, the Board has adopted a charter which sets out its rules and responsibilities.

In addition, the Board established two separately chartered Committees during the financial year as follows:

- ***Audit & Risk Committee*** – which supervises financial governance, financial performance, annual reporting, compliance and risk management; and
- ***Remuneration & Human Resources (HR) Committee*** – which supervises workforce staffing, and performance evaluation and monitoring, remuneration and succession planning for the CEFC Executive.

Readers should note that under the CEFC Act the Australian Government (through the Responsible Ministers and Cabinet process) appoints Board members and there is no nominations process allotted to the Board under the CEFC Act.

CEFC BOARD MEMBERS

Under the CEFC Act, all Board members are part-time, independent non-executive directors. Further, employees of the Commonwealth and full time office holders under a law of the Commonwealth are ineligible from holding office.

The CEFC Act also specifies that each Board member must have substantial experience or expertise; and professional credibility and significant standing in at least one of the following fields:

- banking and finance
- venture capital, private equity or investment by way of lending or provision of credit
- economics
- engineering
- energy technologies
- government funding programs or bodies
- the environmental sector
- financial accounting; or
- law.

(L-R) ***Michael Carapiet, Martijn Wilder AM, Jillian Broadbent AO, Andrew Stock, Anna Skarbek, Paul Binsted, Ian Moore***

CEFC Board members during the reporting period were as follows:

Ms Jillian Broadbent AO (Chair)

Ms Broadbent has had a distinguished career in the banking sector. In 2003, she was made an Officer of the Order of Australia for service to economic and financial development in Australia and the community through administrative support for cultural and charitable groups. Ms Broadbent was a member of the Board of the Reserve Bank from 1998 to 2013.

Ms Broadbent also serves on the board of Woolworths Limited and is the Chancellor of the University of Wollongong. She was a director of ASX Limited (February 2010 to October 2012), Special Broadcasting Corporation (SBS), Qantas Airways Limited, Wesfield Property Trusts, Woodside Petroleum Limited and Coca Cola Amatil Limited (1999 – 2010).

The CEFC benefits from Ms Broadbent's leadership, reputation and experience gained over her career and as Chair of the CEFC's Expert Review Panel.

Ms Broadbent was appointed with effect from 7 August 2012 for five years.

Mr Paul Binsted

Mr Binsted has extensive experience in investment banking and other aspects of corporate financial advice. Mr Binsted's breadth of experience comes from his previous position as Managing Director and Joint CEO of Lazard in Australia and roles with other investment banks, including Citigroup Australia.

Mr Binsted was appointed with effect from 6 February 2013 for five years.

Mr Michael Carapiet

Mr Carapiet is Chair of SAS Trustees (NSW State Super) and Chair of Safety, Return to Work and Support Board covering Workers Compensation Insurance, Motor Accidents Authority and Lifetime Care in NSW. He is also a Director of Southern Cross Media Limited and on the advisory boards of Norton Rose Australia and Transfield Holdings. He was the Deputy Chair and Board member for the Export Finance and Insurance Corporation from 2005 to 2011. Mr Carapiet retired from Macquarie Group in July 2011 after first joining Macquarie in 1985. He held several senior executive roles and was a member of the Executive Committee from 2005 until his retirement, when he was Executive Chairman of Macquarie Capital and Macquarie Securities.

Mr Carapiet was appointed with effect from 7 August 2012 for five years.

Mr Ian Moore

Mr Moore was a member of the recent CEFC Expert Review Panel. He has 22 years of banking and finance experience, predominantly at Bankers Trust. He was the head of Bankers Trust's corporate finance business and a member of the bank's Credit Committee. He is on the board and audit committee of the Challenger Diversified Property Fund.

Mr Moore was previously a board member and chair of the risk committee of hedge fund, Artesian Capital Management.

Mr Moore was appointed with effect from 7 August 2012 for five years.

Ms Anna Skarbek

Ms Skarbek is the executive director of ClimateWorks Australia. Before this, she worked in London's carbon markets as vice president at Climate Change Capital, a specialist investment manager and advisor dedicated to raising and deploying capital for low carbon activities.

Her career also includes being a senior policy advisor to the Victorian Deputy Premier, investment banker in Macquarie Bank's energy and utilities team and a solicitor with Mallesons Stephen Jaques. Ms Skarbek is currently a member of the Land Sector Carbon and Biodiversity Advisory Board and a Director of the Carbon Market Institute.

Ms Skarbek was appointed with effect from 7 August 2012 for five years.

Mr Andrew Stock

Mr Stock recently retired after a long career at Origin Energy. As executive general manager, major development projects and an Australia Pacific LNG director, he was responsible for Origin's major capital projects in upstream petroleum, power generation, and low-emissions technology businesses.

His almost 40 years' experience in the energy sector included senior management roles in petroleum and petrochemical companies in Australia and overseas. He is a Director of Geodynamics Limited, Horizon Oil Limited and a member of Engineering and Energy Advisory Boards at Adelaide and Melbourne Universities.

Mr Stock was appointed with effect from 7 August 2012 for five years.

Mr Martijn Wilder AM

Martijn Wilder AM is a Partner with Baker & McKenzie and established and heads their Global Environmental Markets and Climate Change practice. Mr Wilder is also Chair of Low Carbon Australia and an Adjunct Professor of Climate Change Law at the Australian National University and an Affiliate of the Cambridge Centre for Climate Change Mitigation Research Department of Land Economy University of Cambridge.

His other roles include Chair of the NSW Government's Climate Change Council, being on the Governing Board of the International Renewable Energy and Energy Efficiency Partnership (REEEP), a founder member of the Renewable Energy and International Law Project (REILP), a Director and Governor of the World Wildlife Fund (WWF) (Australia), and on the Advisory Group of the Climate Institute.

Mr Wilder holds a Bachelor of Economics (Hons) from the University of Sydney, LLB Honours from the Australian National University, LLM from the University of Cambridge and has studied at the Hague Academy Centre for Studies and Research in International Law and International Relations. He is also a Graduate of the Australian Institute of Company Directors.

Board Committee Membership

Each of the Board members, other than the Chair, participates on one of the Board Committees as a Committee chair or member. Committee meetings are open to all Board members to attend, but only Committee members have voting rights.

Committee Memberships of the Board members in the Board's foundation year are outlined in the table below.

Table 3.2. *Board Committee Memberships 2012-13.*

Board Member	Audit & Risk Committee	Remuneration & HR Committee
Jillian Broadbent AO (Chair of the Board)		
Paul Binsted	Chair	
Michael Carapiet		Chair
Ian Moore	Member	
Anna Skarbek		Member
Andrew Stock		Member
Martijn Wilder AM	Member	

Director Attendance

Between 7 August 2012, when the first Board members were appointed, and the end of the reporting period at 30 June, there were 18 Board meetings – this busy foundation period saw the Board meet on average once every 18 days.

In addition, there have been two meetings of the Audit & Risk Committee since it was established on 1 March 2013. The Remuneration & HR Committee held its first meeting outside the reporting period on 16 July 2013, and is therefore not reported in the table below.

Table 3.3. *Board member Attendance Record 2012-13.*

Meeting Type	Board Meeting Attendance		Audit & Risk Committee Meeting Attendance*		Remuneration & HR Committee Meeting Attendance*	
Board Member	**No. of Meetings Eligible to Attend**	**No. of Meetings Attended**	**No. of Meetings Eligible to Attend**	**No. of Meetings Attended**	**No. of Meetings Eligible to Attend**	**No. of Meetings Attended**
Jillian Broadbent AO (Chair of the Board)	17	16				
Paul Binsted	10	9	2	2		
Michael Carapiet	18	17			0	0
Ian Moore	18	16	2	1		
Anna Skarbek	18	18			0	0
Andrew Stock	18	16			0	0
Martijn Wilder AM	11	10	2	2		
Total Number of Meetings Held in Financial Year	**18**		**2**		**0**	
*NB: Attendance is only recorded for voting members of the Committee.						

Director Remuneration

Under the CEFC Act and the *Remuneration Tribunal Act 1974*, remuneration for Board members is determined independently by the Australian Government's Remuneration Tribunal.

During the financial year, the Tribunal made one determination in relation to remuneration of CEFC Board members over the reporting period. A summary of the fees payable under each of these are presented in the table below.

Please note the actual amounts paid to each Board member during the reporting period are specified in Note 12 in the Financial Statements and Notes at page 123.

Table 3.4. *Board member Fees Payable 2012-13.*

Office	Annual Fee	Additional Fees Payable
CEFC Chair of the Board	100,000	Nil
CEFC Board member	50,000	Until 30 June 2013, in addition to the annual fee, a daily fee of $850 is payable for 7½ aggregated hours of work; only where a member is involved in organisational establishment tasks over and above those reasonably expected of Board members. Payment is subject to approval by the Chair. Member's remuneration is capped at $60,000 during the 2012/13 financial year

During the year Board members were also provided allowances for travel under Remuneration Tribunal *Determination 2004/03 – Official Travel by Office Holders* (as amended).

Related Entity Transactions

Establishment and Integration of LCAL

The CEFC has undertaken extensive related party transactions during the reporting period, which reflects the establishment of the Corporation within the Department of Treasury and the method of integration of Low Carbon Australia Limited ('LCAL').

Until the CEFC was stood up as an entity independent of Treasury control on 15 April 2013, the CEFC was reliant on Treasury officials to establish the Corporation and manage its accounts.

On 19 December 2012, the Boards of the CEFC and LCAL and the Australian Government announced an intention to integrate the existing LCAL business into the CEFC. The Australian Government determined that this should be achieved by a transfer of staff and a gift of assets (including novated loans) to the CEFC, and winding up of the remaining LCAL entity.

In this context and also on 19 December 2012, the Australian Government announced that the Chair of the Board of LCAL Mr Martijn Wilder AM was to be appointed to the CEFC Board.

Various related entity transactions were undertaken by the LCAL Board in furtherance of the establishment of the Clean Energy Finance Corporation and the Australian Government's determination that this include the staff and assets of Low Carbon Australia. These are described at Notes 1, 2 and 13 within the Financial Statements and Notes.

Related entity transactions and conflicts of interest generally

The CEFC approach to dealings with related entities is governed firstly by the procedures of the CEFC Act and CAC Act, and then by the Board Audit & Risk Committee which is chartered to review all related party transactions. Board members disclose their standing interests to the other directors and conflicts of interest are managed strictly in accordance with the law.

The CEFC Board is comprised of experienced individuals chosen for their professional experience. From time to time this can lead to conflicts of interest. The CEFC Board adopts the approach of maintaining a register of Directors' declared interests, and there is a standing agenda item of conflicts of interest maintained for all Board meetings in relation to the discussion of matters at hand. The Board adopts the following thresholds for materiality in determining conflicts of interest:

- A Director holds 10 per cent or more of the equity in a particular entity; or
- A particular investment constitutes greater than 5 per cent of a Director's personal net worth.

A material conflict of interest is dealt with strictly in accordance with the relevant provisions of the CAC Act.

The Corporation also maintains an embargo register of exchange tradable instruments of entities with which the CEFC has dealings in, with which both Board members and staff avoid trade.

Where the relation to the other entity is via a Board member, the member takes no part in the decision on whether to enter the transaction or decline.

Individual related entity transactions are disclosed in accordance with the relevant standards in the Financial Statements and Notes at Note 13 on page 123.

DIRECTOR EDUCATION AND PERFORMANCE REVIEW

During the reporting period, the primary concern for the Board has been in establishing the Corporation as an operational business, including its policies, systems and procedures.

In the 2013/14 financial year, the Board expects to undertake a self-assessment process in relation to director performance and education.

CEFC Staff and Offices

Although a Commonwealth authority, the CEFC is not staffed under the *Public Service Act 1999* and is instead staffed under the provisions of the CEFC Act.

Including the CEO and Executive, the Corporation had a staffing complement of 45 at the end of the reporting period.

All staff other than the CEO and Executive are appointed by the CEO under terms and conditions and policies established by the Board under the CEFC Act.

The CEFC supports a diverse workforce and is committed to principles of gender equity and diversity. The CEFC values its employees, and the Corporation's policies, procedures and practices specify a zero tolerance of unlawful discrimination and sexual harassment in the workplace.

More information about CEFC staff can be found in the gender and diversity report at **Appendix E**.

The CEFC is headquartered in 1 Bligh Street, Sydney and also has an office at 140 Ann Street, Brisbane.

Chief Executive Officer

Oliver Yates, the Chief Executive Officer of the Clean Energy Finance Corporation

Under the CEFC Act, the Chief Executive Officer (CEO) of the Corporation is a statutory officer responsible for the day-to-day administration of the CEFC, and performs this role according to the policies established by the Board. The CEO cannot be a Board member under the CEFC Act.

The CEO is appointed by the Board after consultation with the Responsible Ministers, and holds office during the Board's pleasure. The terms and conditions of the CEO's employment are established by the Board and the Board also delegates authority to the CEO by standing delegation or other delegations as it sees fit from time to time.

Mr Oliver Yates was appointed as the Corporation's inaugural Chief Executive Officer from 26 November 2012.

Mr Yates has over 20 years of global experience in corporate advisory, financial structuring, project finance, debt structuring, equity raising and listings, with extensive experience in clean energy. At Macquarie Bank he was involved in establishing new businesses and growing operations internationally, and leading the Bank's initiatives in wind, solar, biofuels, carbon credits and other renewable businesses.

Mr Yates has played key roles in clean energy, terrestrial and bio-sequestration and other solutions to the climate change challenge over many years. He established BioCarbon, a leading international project developer which invests forestry, land-use and sustainable energy service projects, as a joint venture between Global Forest Partners LP, the International Finance Corporation (IFC) and Macquarie Group.

He is an investor in, and has held board positions on a number of innovative energy ventures. He participated in the South Australian Government's Green Grid study to look at unlocking renewable resources on the Eyre Peninsula and the Victorian Government study into carbon capture and storage (CCS) for the Latrobe Valley.

Mr Yates holds a Bachelor of Commerce from the University of Melbourne, and is a Graduate Member of the Australian Institute of Company Directors (GAICD) with an Advanced Diploma in Mastering the Boardroom.

CEFC Executive Team

*(L-R) **Theodore Dow, Kevin Holmes, Andrew Powell, Meg McDonald, Oliver Yates***

The CEFC Executive consists of the Chief Executive Officer and four executives who assist in the day to day administration of the Corporation. The CEFC Executive are appointed by the Board, and are remunerated according to Board-established terms and conditions in accordance with the CEFC Act and the Corporation's policies.

Theodore Dow, Chief Investment Officer

Mr Dow has over 25 years of experience in treasury, finance and banking. A mezzanine and high yield debt specialist, he was most recently Managing Director of DIF Capital Partners, a boutique funds management and advisory operation which has raised in excess of $580 million in institutional commitments over its history for investment in private debt, hybrid capital, equity-linked bonds and private equity. Mr Dow holds an Advanced MBA from the University of Queensland, a Masters in Financial Management from Manchester Business School (UK), a Postgraduate Degree from Kansai Gai Dai University (Japan) and a Magna Cum Laude Honors BA Degree in Economics from Boston University.

Meg McDonald, Chief Operating Officer

Ms McDonald was CEO of Low Carbon Australia prior to its merger with the CEFC and has had significant career experience in business and carbon policy. Ms McDonald had roles with Alcoa as President of Alcoa Foundation and Director, Global Issues, Alcoa Inc. in New York and General Manager, Corporate Affairs for Alcoa in Australia. Before joining Alcoa, she was a senior Australian diplomat, holding roles including Australia's Deputy Ambassador to the United States, and as Australia's Ambassador for the Environment in 1997-98, where she was lead negotiator for the Kyoto Protocol.

As CEO of Low Carbon Australia, Ms McDonald led the development of innovative financial solutions to Australian business, government and the wider community to encourage action on energy efficiency, cost-effective carbon reductions, and accreditation for carbon neutral products and organisations. Ms McDonald holds an Honours Degree in Applied Science from the University of NSW.

Kevin Holmes, Chief Governance and Strategy Officer

Mr Holmes was previously Chief Financial Officer at Energy Australia (formerly TRUenergy), where he had a key role in the growth and transformation of the business by way of acquisitions. Prior to that, Mr Holmes was Chief Operating Officer and Chief Financial Officer of Pacific Hydro. He has also held senior positions within BHP Billiton, both in Australia and overseas as well as with British Gas in the United Kingdom. He is a Chartered Accountant, a Commerce Graduate of Otago University in New Zealand and a Graduate of the Australian Institute of Company Directors.

Andrew Powell, Chief Financial Officer and Company Secretary

Mr Powell has over 25 years of business experience in Australia and overseas, working within industry and public accounting, undertaking mergers and acquisitions, public listings, and transaction and deal structuring. He was previously the Chief Financial Officer and Company Secretary of Low Carbon Australia Limited, a public company established by the Commonwealth Government in 2010. Prior to this, Mr Powell spent 8 years as the Senior Vice President of Finance at Symyx Technologies Inc. in California.

Mr Powell is a member of the Institute of Chartered Accountants, in Australia holds a Bachelor of Economics from Macquarie University and is a Board member and Chair of the Finance, Risk, Audit and Compliance Committee of Scripture Union Queensland, the largest employer of school chaplains in Australia.

EXECUTIVE REMUNERATION

During the reporting period, Total Annual Remuneration Packages (TARPs) for the 5 CEFC Executives was comprised of the following components:

- Base Salary
- Superannuation
- Allowances; and
- Variable Compensation.

There were no variable compensation payments made within the reporting period, or performance evaluations relating to the same within the period.

The Board Remuneration & HR Committee is chartered with responsibility for the structuring of Executive remuneration and evaluation of performance of executives against any variable component.

Variable compensation payments for each 12 month period are determined within the guidelines established by the Remuneration & HR Committee.

The method for calculation is based on both short-term and longer-term metrics agreed by the Board and comprise of financial, operational and personal targets. Eligibility to receive a variable compensation payment is determined after an individual performance assessment, which takes into account the CEFC's broader achievement of goals.

More information on payments made to Senior Executives in the reporting period is available in Section 4: Financial Statements and Notes at Note 14.

The CEFC Executive do not receive a travel allowance and travel and expenses claims are dealt with on an indemnity and reimbursement basis (see 'Indemnities and insurance premiums for officers' below).

"The CEFC has adopted a robust commercial risk management approach and developed assessment procedures that give us the ability to prudently manage risk." Oliver Yates

Indemnities and Insurance Premiums for Officers

The CEFC has made certain indemnities and insurances to 'officers' of the Corporation. Under section 5 of the CAC Act, an 'officer' includes the directors (i.e. Board members) and senior managers (for the CEFC, this is the Executive).

Table 3.5. *Indemnities and Insurance Premiums for Officers.*

Indemnity/Insurance	Officers Included	Period of coverage	Premium / Fees paid
Comcover General liability Insurance including coverage for Directors and Officers	All Board members and the CEFC Executive	1 January 2013 – 30 June 2013	$Nil
Deed of Insurance, Access & Indemnity with each Director and Officer	All Board members and the CEFC Executive	10 May 2013 – 7 years after ceasing to be a Director or Officer of he Corporation	Nil – indemnity only
Supplementary Directors and Officers Insurance to fill in gaps in the Comcover coverage	All Board members and Officers	14 June 2013 to 14 June 2021	$590,665
Comcare Workers Compensation Insurance	All Board members and Officers are covered as part of this policy	1 January 2013 – 30 June 2013	$15,844
Indemnification for Reasonable Travel and Expenses	All Board members and Officers	on-going	Nil – indemnity only

Note on Comcover and Comcare Insurance

These insurances have general application that includes directors and officers (among others) as per the ordinary insurances required of Commonwealth entities. The Corporation did not pay a premium to Comcover in respect of the 2012-13 financial year, as the Corporation was added to an existing Comcover policy that had been maintained by Low Carbon Australia Limited.

Note on Travel and Expense Claim Reimbursement

The CEFC does not issue corporate credit cards for staff travel and expenses and instead, through its employment contract, indemnifies staff members (including the Executive) for reasonable travel and ancillary expenses incurred by staff in the performance of their duties, based on verified claims on a reimbursement basis.

Board members do not generally require travel reimbursement as their expenses are met through allowances as determined by the Remuneration Tribunal (see Director Remuneration at page 80 above).

Other Governance Information

PROCUREMENT CONTRACTS

Under section 74 of the CEFC Act, the Corporation must specify in the annual report the details for each procurement contract on foot within the financial year. These contracts are specified at **Appendix G.**

RISK MANAGEMENT

The CEFC operates under a sound risk management framework designed to identify and effectively manage critical risks. The CEFC must also inevitably accept a certain risk profile to achieve its dual objectives of achieving both its commercial return and public policy outcomes. There is a clear requirement to have a well-defined enterprise and investment risk management approach. The CEFC adopts the following approaches to risk management:

- **Investment risk:** For effective and prudent investment risk management, the CEFC has put in place the following governance arrangements:
  1. A highly developed investment portfolio strategy
  2. A multi-phase assessment and approval process for individual investments
  3. A dedicated portfolio management team
  4. Effective escalation and a remedial process for underperforming investments; and
  5. Highly experienced, engaged staff involved in multiple levels.

Operational, legal, financial, technical, market and taxation due diligence are critical – both as part of the investment decision process and the on-going monitoring of investments and the overall portfolio. More information about how the Corporation manages credit risk is available at Section 2 (pages 57-8 and 63) and Section 4 (pages 103-4 and 130-2) of this report.

- **Enterprise risk:** Enterprise risk is managed by a focus on the six pillars of risk management activities:
  1. Investment Portfolio Strategy
  2. Risk Profiling and Reviews
  3. Governance
  4. Compliance
  5. Controls; and
  6. Assurance.
- **Investment structuring:** The CEFC only invests through arrangements and structures that are commonplace and well-tested by other financial institutions, funds management operations and commercial banks in terms of compliance with applicable laws, regulations and commercial risk management practices.

Environmental, Social & Governance Risk Management

The Board believes that effective management of financial and reputational risks, including matters related to environmental, social and governance (ESG) issues will, over the long term, support its objectives and mission. More information about the Corporation's environmental and social impact is available in Section 1 (Performance) and **Appendix F** of this Annual Report.

COMPLIANCE FRAMEWORK

The CEFC operates a CAC Act Compliance Framework to manage compliance issues under the CAC Act. This framework and compliance with other legislation (such as the *Anti-Money Laundering and Counter-Terrorism Financing Act 2007*) is performed and oversighted by the Executive Risk Committee and the Board Audit & Risk Committee. Investment compliance with the CEFC Act and Investment Mandate is performed by the Executive Investment Committee overseen by the Board.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The CEFC Board members are able to access independent professional advice including legal advice at the cost of the Corporation where agreed by resolution of the Board.

JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

Judicial and Administrative Tribunal Decisions

In 2012-13, there were no judicial decisions or decisions of administrative tribunals that have had or may have significant impact on the operations of the Corporation.

Reports on the Operations of the Company by Other External Review Bodies

Auditor-General

There were no reports on the operations of the Corporation by the Auditor-General in the 2012-13 year, other than the Independent Auditor's Report as required by the CAC Act. A copy of the Independent Auditor's Report is included in this Annual Report at page 92.

Parliamentary Committees

There were two reports of Parliamentary Committees in the 2012-13 year which included an examination of the establishment and operations of the CEFC:

- Senate Economics Legislation Committee (2013) *Budget Estimates 2012-13*, June 2013; and
- Senate Economics Legislation Committee (2013) *Additional Estimates 2012-13*, February 2013.

Office of the Commonwealth Ombudsman

There were no reports on the operations of the Corporation by the Office of the Commonwealth Ombudsman in the 2012-13 year.

Office of the Australian Information Commissioner

There were no reports on the operations of the Corporation by the Office of the Australian Information Commissioner in the 2012-13 year.

‘The CEFC takes a commercial approach to our investments and assess opportunities on a case-by-case basis, seeking stable, cash flow generative transactions.’

Oliver Yates

CEFC
CLEAN ENERGY FINANCE CORPORATION

SECTION 4:
Financial Statements and Notes

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying financial statements of the Clean Energy Finance Corporation for the year ended 30 June 2013, which comprise: a Statement by the Directors, Chief Executive and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Clean Energy Finance Corporation are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clean Energy Finance Corporation's preparation of the financial statements that give a true and fair view 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 Clean Energy Finance Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Clean Energy Finance Corporation's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

Ian Goodwin
Group Executive Director
Delegate of the Auditor-General

Canberra
21 August 2013

Clean Energy Finance Corporation Statement by the Directors, Chief Executive Officer and Chief Financial Officer

In our opinion:

a) the accompanying financial statements are drawn up so as to give a true and fair view of the performance of the Corporation for the period ended 30 June 2013 and the financial position of the Corporation at 30 June 2013;

b) the financial statements give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended;

c) the financial statements have been prepared in accordance with Australian Accounting Standards;

d) the financial statements have been prepared based on properly maintained financial records; and

e) at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors.

Jillian Broadbent AO Chairman 20 August 2013	Paul Binsted Director 20 August 2013	Oliver Yates Chief Executive Officer 20 August 2013	Andrew Powell Chief Financial Officer 20 August 2013

Clean Energy Finance Corporation
Statement of Comprehensive Income

for the period ended 30 June 2013

	Notes	2013 $'000
EXPENSES		
Employee benefits	3A	3,489
Supplier	3B	2,972
Depreciation and amortisation	3C	6
Finance costs	3D	16
Concessional loan charge	3E	5,890
Total expenses		**12,373**
LESS:		
OWN-SOURCE INCOME		
Own-source revenue		
Interest income	4A	89
Other revenue	4B	58
Total own-source revenue		**147**
Net cost of services		**12,226**
Revenue from Government	4C	18,383
Surplus before income tax on continuing operations		**6,157**
Income tax expense	1.18	–
Surplus after income tax on continuing operations		**6,157**
Surplus after income tax		**6,157**
OTHER COMPREHENSIVE INCOME		
Total other comprehensive income after income tax		**–**
Total comprehensive income		**6,157**

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

Clean Energy Finance Corporation
Balance Sheet

as at 30 June 2013

	Notes	2013 $'000
ASSETS		
Financial Assets		
Cash and cash equivalents	5A	14,133
Loans and receivables at amortised cost	5B	50,000
Trade and other receivables	5C	63
Total financial assets		**64,196**
Non-Financial Assets		
Property, plant and equipment	6A, 6B	68
Intangibles	6C, 6D	12
Prepayments	6E	701
Total non-financial assets		**781**
Total assets		**64,977**
LIABILITIES		
Payables and Unearned Income		
Suppliers	7A	542
Unearned income	7B	874
Other payables	7C	871
Total payables and unearned income		**2,287**
Interest Bearing Liabilities		
Interest bearing liabilities	8A	50,016
Total interest bearing liabilities		**50,016**
Provisions		
Employee provisions	9A	289
Provision for concessional loans	9B	5,890
Total provisions		**6,179**
Total liabilities		**58,482**
Net assets		**6,495**
EQUITY		
Parent Entity Interest		
Contributed equity	17	338
Retained surplus		6,157
Total parent entity interest		**6,495**
Total equity		**6,495**

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

Clean Energy Finance Corporation
Statement of Changes in Equity

for the period ended 30 June 2013

	Retained earnings 2013 $'000	Contributed equity/capital 2013 $'000	Total equity 2013 $'000
Opening balance			
Balance carried forward from previous period	–	–	–
Adjusted opening balance	**–**	**–**	**–**
Comprehensive income			
Other comprehensive income	–	–	–
Surplus for the period	6,157	–	6,157
Total comprehensive income	**6,157**	–	**6,157**
Transactions with owners			
Contributions by owners			
Equity injection	–	338	338
Sub-total transactions with owners	**–**	**338**	**338**
Closing balance as at 30 June	**6,157**	**338**	**6,495**

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

Clean Energy Finance Corporation
Cash Flow Statement

for the period ended 30 June 2013

	Notes	2013 $'000
OPERATING ACTIVITIES		
Cash received		
Receipts from Government		18,383
Interest		947
Total cash received		**19,330**
Cash used		
Employees		2,664
Suppliers		2,906
Borrowing costs		6
Total cash used		**5,576**
Net cash from operating activities	10	**13,754**
INVESTING ACTIVITIES		
Cash used		
Purchase of property, plant and equipment		72
Purchase of intangibles		14
Total cash used		**86**
Net cash used by investing activities		**86**
FINANCING ACTIVITIES		
Cash received		
Contributed equity		465
Total cash received		**465**
Net cash from financing activities		**465**
Net increase in cash held		**14,133**
Cash and cash equivalents at the beginning of the reporting period		–
Cash and cash equivalents at the end of the reporting period	5A	**14,133**

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

Clean Energy Finance Corporation
Schedule of Commitments

as at 30 June 2013

	Notes	2013 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Committed credit facilities	16	(87,500)
Total capital commitments		**(87,500)**
Other commitments		
Operating leases		(1,166)
Other		(451)
Total other commitments		**(1,617)**
Total commitments payable		**(89,117)**
Net commitments by type		**(89,117)**
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less		(87,500)
From one to five years		–
Total capital commitments		**(87,500)**
Other commitments		
One year or less		(853)
From one to five years		(764)
Over five years		–
Total operating lease commitments		**(1,617)**
Total commitments payable		**(89,117)**
Net commitments by maturity		**(89,117)**

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

Clean Energy Finance Corporation
Schedule of Contingencies

as at 30 June 2013

	2013 $'000
Contingent assets	
Guarantees	–
Total contingent assets	**–**
Contingent liabilities	
Total contingent liabilities	**–**
Net contingent assets	**–**

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

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Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Entity

The Clean Energy Finance Corporation was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* and the period presented in these financial statements is from 3 August 2012 to 30 June 2013. The Clean Energy Finance Corporation is an Australian Government controlled entity and its objectives are to:

1. invest, directly and indirectly in clean energy technologies, which can be any one or more of the following:
    - Renewable energy technologies, which include hybrid technologies that integrate renewable energy technologies and enabling technologies, that are related to renewable energy technologies
    - Energy efficiency technologies, including enabling technologies that are related to energy conservation technologies or demand management technologies; and
    - Low emissions technologies

   in order to catalyse and leverage an increased flow of funds for the commercialisation and deployment of Australian based renewable energy, energy efficiency and low emissions technologies, thus preparing and positioning the Australian economy and industry for a carbon constrained world
2) liaise 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) work 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
4) do anything incidental or conducive to the performance of the above functions.

1.2 Basis of Preparation of the Financial Statements

Part 5 of the *Clean Energy Finance Corporation Act 2012* makes provision for funding of the Clean Energy Finance Corporation. Any change to the continued existence of the entity in its present form and with its present Investment Mandate would require a decision by Government to amend the Investment Mandate or an act of Parliament to amend the *Clean Energy Finance Corporation Act 2012*. The financial statements have been prepared on the basis of the Corporation remaining a going concern and able to continue realising its assets and discharging its liabilities in the normal course of business.

The financial statements are general purpose financial statements and are required by:

a) clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*; and
b) section 74 of the *Clean Energy Finance Corporation Act 2012*.

The financial statements have been prepared in accordance with:

a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain 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 financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

As a result of the uncertainties inherent in financial products, many items in the financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. An estimate needs revision when changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

In the process of applying the accounting policies listed in this note, the entity has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

Concessional Loan Discount Calculations

The Corporation is authorised to make loans at a discount to the prevailing market equivalent rates or terms. For each investment the Corporation 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 Corporation taking a position that is not generally offered by other market participants (e.g. longer term fixed-rate debt, sub-ordinated 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 Corporation 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.

The following accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Impairment of loans

The Corporation is required to ascertain the extent to which its loans are likely to be recoverable. Given the risk position that may be assumed by the Corporation in its various loans (e.g. senior debt, unsecured debt, sub-ordinated or mezzanine debt, longer terms, policy risk in relation to the RET, electricity price volatility, etc.) it is considered possible that the Corporation will not fully recover 100% of the principal relating to all the loans it makes, although the Corporation has not identified any individual loans that are not expected to be recoverable at the reporting date. The Corporation's loans are early in their life (of what can be 10+ year fixed terms) and the Corporation does not have a history from which to ascertain the likely extent of ultimate defaults and consequential losses.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The Corporation has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012:

- AASB 2011-9 *Presentation of Items of Other Comprehensive Income* effective 1 July 2012
- AASB 119 *Employee Benefits (reissued)* effective 1 July 2012.

The adoption of the standards or interpretations is described below:

AASB 2011-9 Presentation of Items of Other Comprehensive Income

AASB 2011-9 amends AASB 101 *Presentation of Financial Statements* to introduce new presentation requirements for items classified within other comprehensive income.

These amounts are now grouped under two separate headings in the statement of profit or loss and other comprehensive income based upon whether they will/will not be reclassified subsequently to the profit or loss.

These amendments relate to presentation only and do not impact which items of other comprehensive income should be reclassified to profit or loss. AASB 2011-9 also makes consequential amendments to a number of Australian Accounting Standards.

AASB 119 Employee Benefits (Reissued)

AASB 119 (reissued) is the result of the International Accounting Standard Board's (IASB) project to increase the usability and comparability of post-employment benefit liabilities.

The recognition rules and definitions related to termination benefits have been revised, which could impact when entities recognise termination expenses within their financial statements.

Short-term employee benefits are now defined as employee benefits that are expected to be settled wholly within twelve months after reporting date. Previously, short-term employee benefits were defined as employee benefits due to be settled within twelve months.

AASB 119 requires retrospective application, with limited exemptions for comparative information and previously capitalised employee costs.

Future Australian Accounting Standard Requirements

There have been no new or revised standards and interpretations issued by the Australian Accounting Standards Board, which are expected to have a financial impact on the Corporation for future reporting periods.

1.5 Revenue

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 Corporation and the revenue can be reliably measured.

Interest Revenue

Revenue is recognised as interest accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. 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.

Revenue from Government

Funding received or receivable from agencies (appropriated to the Corporation as a CAC Act body payment item for payment to this Corporation) is recognised as revenue from Government by the Corporation unless the funding is in the nature of an equity injection or a loan.

1.6 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted directly against contributed equity.

Other Distributions to Owners

The *Clean Energy Finance Corporation Act 2012* established the Clean Energy Finance Corporation Special Account managed by the Department of the Treasury. The *Clean Energy Finance Corporation Act 2012* also provides that any amounts returned to the Commonwealth must be retained in this Special Account and may only be used to make payments to the Corporation, or to make payments to ARENA from retained earnings of the Corporation if requested by the Corporation and authorised by the nominated Minister.

1.7 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve 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.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

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 entity is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are 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 entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

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 using the projected unit credit method. 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.

The National Paid Parental Leave scheme came into effect on 1 January 2011. The scheme is funded by the Australian Government and provides parental leave pay to mothers and other primary carers who have been in the paid workforce and who have a baby or adopt a child on or after 1 January 2011. Amounts received in relation to the paid parental leave scheme are held by the Corporation in an agent capacity. As such, receipts of such funds are not considered to be revenue for the Corporation, nor are payments of these amounts considered to be expenses of the Corporation. Transactions in relation to the paid parental leave are to be recognised on the Statement of Financial Position.

Superannuation

The Corporation's staff are members of various defined contribution plans to which the Corporation 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 period of the year.

1.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 Borrowing Costs

All borrowing costs are expensed as incurred.

1.10 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a) cash on hand; and
b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.11 Financial Assets

The entity classifies its financial assets in the following categories:

a) financial assets at fair value through profit or loss
b) held-to-maturity investments
c) available-for-sale financial assets; and
d) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Financial Assets at Fair Value Through Profit or Loss (FVPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

a) have been acquired principally for the purpose of selling in the near future
b) are derivatives that are not designated and effective as a hedging instrument; or
c) are parts of an identified portfolio of financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost – if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, 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 discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available for sale financial assets – if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost – if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.12 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, 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.

Supplier 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).

1.13 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet 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 virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.14 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. 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*.

1.15 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.16 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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 entity where there exists an obligation to restore premises to original condition. These costs are included in the value of the entity's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

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

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2013
Leasehold improvements	5 years (or the remaining lease period if shorter)
Plant and equipment	
• Office Equipment	3 to 5 years
• Furniture and Fittings	5 years (or the remaining lease period if shorter)
• Computer Equipment	2 to 3 years

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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.

1.17 Intangibles

The entity's intangibles comprise purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are 2 to 3 years.

All software assets were assessed for indications of impairment as at 30 June 2013.

1.18 Taxation

The entity is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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 since financial supplies, such as loans, are input taxed.

Note 2: Events after the Reporting Period

In July 2013, the Corporation received an initial tranche of funding amounting to $811.6 million from the CEFC Special Account. This funding is an equity injection into the Corporation by its owner and is to be used to fund the initial investments being made by the Corporation.

On 3 July 2013 the Corporation repaid all interest bearing liabilities in full – refer Note 8 for further information.

Since balance date the Corporation has provided funding of $87.5 million to two projects that had been committed prior to balance date and closed shortly after balance date. These amounts were shown as committed credit facilities at balance date – refer Note 16.

Since balance date the Corporation has entered into contracts to fund up to $353 million of additional investments in clean energy projects.

Effective 1 July 2013 the Corporation received a gift of assets from a related entity – Low Carbon Australia Limited. These assets included a right to the Low Carbon Australia investment portfolio, cash to meet future obligations under loan agreements that are being novated to the Corporation, furniture and fittings, office equipment and computer related equipment and software and a right to any surplus cash on wind-up of Low Carbon Australia. The Corporation has agreed to assume the future obligations under the Low Carbon Australia operating lease for the Brisbane facility currently occupied by the Corporation including lease payments and make good obligations. The net asset value will be finally determined upon wind-up of Low Carbon Australia Limited but has been estimated by the Corporation at approximately $89 million. The assets and liabilities will be recorded at fair value by the Corporation and the net asset value received will be recorded as an equity contribution.

Note 3: Expenses

	2013 $'000
Note 3A: Employee Benefits	
Wages and salaries	3,050
Separation and redundancy	3
Superannuation:	
Defined contribution plans	235
Leave and other entitlements	201
Total employee benefits	**3,489**
Note 3B: Supplier Expenses	
Goods and services	
Consultants	698
Contractors	661
Legal	656
Website	113
Other	570
Total goods and services	**2,698**
Goods and services are made up of:	
Provision of goods – external parties	12
Rendering of services – related parties	80
Rendering of services received free of charge – related parties	58
Rendering of services – external parties	2,548
Total goods and services	**2,698**
Other supplier expenses	
Minimum lease payments	258
Workers' compensation expenses	16
Total other supplier expenses	**274**
Total supplier expenses	**2,972**
Note 3C: Depreciation and Amortisation	
Depreciation:	
Property, plant and equipment	4
Total depreciation	**4**
Amortisation:	
Intangibles	2
Total amortisation	**2**
Total depreciation and amortisation	**6**

	2013 $'000
Note 3D: Finance Costs	
Loans	16
Total finance costs	**16**

Note 3E: Concessional Loan Charge	
Concessional loan charge	5,890
Total concessional loan charge	**5,890**

While the Corporation had funded only one loan prior to 30 June 2013, it is required to record the concessionality charge relating to all three loans originated prior to balance date. The Corporation 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 at loan origination and will un-wind 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 Corporation from the charge and income will net to $Nil.

Note 4: Income

	2013 $'000
OWN-SOURCE REVENUE	
Note 4A: Interest Income	
Loans at amortised cost	16
Deposits	73
Total interest Income	**89**
Note 4B: Other Revenue	
Resources received free of charge – services – related entity	58
Total other revenue	**58**
REVENUE FROM GOVERNMENT	
Note 4C: Revenue from Government	
Department of the Treasury:	
CAC Act Body payment for operational expenditures	18,383
Total revenue from Government	**18,383**

Note 5: Financial Assets

	2013 $'000
Note 5A: Cash and Cash Equivalents	
Cash on hand or on deposit	14,133
Total cash and cash equivalents	**14,133**
Note 5B: Loans and Receivables at Amortised Cost	
Gross funded loans	50,000
Loans and receivables (gross)	**50,000**
Less: Total impairment allowance account	**–**
Total loans and receivables at amortised cost	**50,000**
Maturity analysis loans and receivables gross:	
Overdue – impaired	–
Due after 1 year to 5 years	50,000
Total loans and receivables (gross)	**50,000**

Concentration of risk

The loan portfolio at 30 June 2013 includes a single loan which represents 100% of the portfolio.

Provision for impairment – term loans

There are no specifically identified impaired loans in the portfolio at 30 June 2013. A loan or receivable will be recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for impairment.

	2013 $'000
Note 5C: Trade and Other Receivables	
Other receivables:	
Interest	15
Other	48
Total other receivables	**63**
Total trade and other receivables (gross)	**63**
Less: Total impairment allowance account	**–**
Total trade and other receivables (net)	**63**
Receivables are expected to be recovered in:	
No more than 12 months	63
Total trade and other receivables (net)	**63**
Receivables are aged as follows:	
Not overdue	63
Total receivables (gross)	**63**

Note 6: Non-Financial Assets

	2013 $'000
Note 6A: Property, Plant and Equipment	
Other property, plant and equipment:	
Fair value	72
Accumulated depreciation	(4)
Total other property, plant and equipment	**68**
Total property, plant and equipment	**68**

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

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Note 6B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2013

	Other property, plant & equipment $'000	Total $'000
As at 1 July 2012		
Gross book value	–	–
Accumulated depreciation and impairment	–	–
Net book value 1 July 2012	**–**	**–**
Additions:		
By purchase	72	72
Depreciation expense	(4)	(4)
Net book value 30 June 2013	**68**	**68**
Net book value as of 30 June 2013 represented by:		
Gross book value	72	72
Accumulated depreciation and impairment	(4)	(4)
Net book value 30 June 2013	**68**	**68**

Note 6C: Intangibles

	2013 $'000
Computer software:	
Purchased – in use	14
Accumulated amortisation	(2)
Total computer software	**12**
Total intangibles	**12**

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

	Computer software purchased $'000	Total $'000
Note 6D: Reconciliation of the Opening and Closing Balances of Intangibles 2013		
As at 1 July 2012		
Gross book value	–	–
Accumulated amortisation and impairment	–	–
Net book value 1 July 2012	**–**	**–**
Additions:		
By purchase or internally developed	14	14
Amortisation	(2)	(2)
Net book value 30 June 2013	**12**	**12**
Net book value as of 30 June 2013 represented by:		
Gross book value	14	14
Accumulated amortisation and impairment	(2)	(2)
Net book value 30 June 2013	**12**	**12**

	2013 $'000
Note 6E: Prepayments	
Total prepayments	**701**
Total prepayments – are expected to be recovered in:	
No more than 12 months	187
More than 12 months	514
Total prepayments	**701**

No indicators of impairment were found for prepayments.

Note 7: Payables and Unearned Income

	2013 $'000
Note 7A: Suppliers	
Trade creditors and accruals	536
Operating lease rentals	6
Total suppliers' payables	**542**
Suppliers' payables expected to be settled within 12 months:	
Related entities	131
Other	411
Total suppliers' payables expected to be settled within 12 months	**542**
Total suppliers' payables	**542**

Settlement was usually made within 30 days.

Note 7B: Unearned Income	
Total unearned income	**874**
Total unearned income is expected to be recognised in:	
No more than 12 months	175
More than 12 months	699
Total unearned income	**874**
Note 7C: Other Payables	
Wages and salaries	541
Superannuation	108
Other	222
Total other payables	**871**
Total other payables are expected to be settled in:	
No more than 12 months	871
Total other payables	**871**

Note 8: Interest Bearing Liabilities

	2013 $'000
Note 8A: Interest bearing liabilities	
Amount owing under a promissory note[1]	50,016
Total interest bearing liabilities	**50,016**
Interest bearing liabilities are expected to be settled in:	
No more than 12 months	50,016
Total interest bearing liabilities	**50,016**

1. The promissory note was issued on 28 June 2013 as part of a delayed settlement arrangement in relation to an investment made by the Corporation. The promissory note was designated in Australian Dollars and settled in full on 3 July 2013. The interest rate implicit in the note was 5.9075%.

There were no loan payable defaults during the period.

Note 9: Provisions

	2013 $'000
Note 9A: Employee Provisions	
Leave	289
Total employee provisions	**289**
Employee provisions are expected to be settled in:	
No more than 12 months	154
More than 12 months	135
Total employee provisions	**289**
Note 9B: Provision for Concessional loans	
Provision for concessional loans	5,890
Total provision for concessional loans	**5,890**
Provisions for concessional loans are expected to be settled in:	
No more than 12 months	5,890
Total provision for concessional loans	**5,890**

	Provision for concessional loans $'000	Total $'000
Carrying amount 1 July 2012	**–**	**–**
Additional provisions made	5,890	5,890
Amounts used	–	–
Unwinding of discount or change in discount rate	–	–
Closing balance 30 June 2013	**5,890**	**5,890**

Note 10: Cash Flow Reconciliation

	2013 $'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement	
Cash and cash equivalents as per:	
Cash flow statement	14,133
Balance sheet	14,133
Difference	**–**
Reconciliation of net cost of services to net cash from operating activities:	
Net cost of services	(12,226)
Add revenue from Government	18,383
Less income tax expense	–
Adjustments for non-cash items	
Depreciation / amortisation	6
Concessional loan charge	5,890
Changes in assets / liabilities	
(Increase) / decrease in net receivables	(63)
(Increase) / decrease in prepayments	(701)
Increase / (decrease) in employee provisions	188
Increase / (decrease) in supplier payables	542
Increase / (decrease) in unearned income	874
Increase / (decrease) in other payable	871
Increase / (decrease) in other provisions	(10)
Net cash from operating activities	**13,754**

Note 11: Contingent Assets and Liabilities

Quantifiable Contingencies

At 30 June 2013 the Corporation had no significant quantifiable contingencies.

Unquantifiable Contingencies

At 30 June 2013 the Corporation had no significant unquantifiable contingencies.

Significant Remote Contingencies

At 30 June 2013 the corporation had no significant remote contingencies.

Note 12: Directors' Remuneration

	2013 No.
The number of non-executive directors of the entity included in these figures are shown below in the relevant remuneration bands:	
$30,000 to $59,999	6
$60,000 to $89,999	–
$90,000 to $119,999	1
Total	**7**
Total remuneration received or due and receivable by directors of the entity	**$400,640**

Remuneration of executive directors is included in Note 14: Senior Executive Remuneration.

Note 13: Related Party Disclosures

Transactions with Directors or Director-Related Entities

The following table provides the total amount of transactions that were entered into with director-related parties during the financial period ended 30 June 2013. The directors involved took no part in the relevant decisions of the Board.

Director	Related Party	Transaction	Purchase from Related Party $'000	Receipt from Related Party $'000
Martijn Wilder AM	Baker & McKenzie	Staff secondment	100	–

Mr Wilder is also the Chairman of Low Carbon Australia Limited.

Transactions with Other Related Entities

The following transactions were entered into with other related parties under common control during the financial period ended 30 June 2013:

Department of the Treasury:

The Department of the Treasury has provided administrative funding totalling $18.383 million as a CAC Act Body payment for operational expenditures (refer Note 4).

The Department of the Treasury were also instrumental in establishing the operational capability of the Corporation. In establishing the Corporation the Treasury incurred costs on behalf of and for the benefit of the Corporation. These costs totalled $1.943 million in the period ended 30 June 2013 and have been included in the appropriate categories of expenditure in the Statement of Comprehensive Income rather than as a single line item of supplier expenses: rendering of services – related parties. Of this amount, $1.929 million was reimbursed to Treasury by the Corporation prior to 30 June 2013 and $14,000 remained outstanding and owing to Treasury at 30 June 2013.

Low Carbon Australia Limited:

The Corporation and Low Carbon Australia Limited have been working co-operatively throughout the year ended 30 June 2013 to achieve the practical integration of the two entities as announced by both Boards, and endorsed by the Australian Government on 19 December 2012. This arrangement included Low Carbon Australia Limited incurring approximately $228,000 of costs on behalf of the Corporation and charged to the Corporation during the year ended 30 June 2013 for matters such as rental of offices, third party IT infrastructure support services, travel and accommodation and website development. $179,000 has been included in the appropriate categories of expenditure in the Statement of Comprehensive Income rather than as a single line item of supplier expenses: rendering of services – related parties and $49,000 have been deferred as relating to future periods. Of the $228,000 incurred by Low Carbon Australia Limited, $110,000 was reimbursed by the Corporation prior to 30 June 2013 and $118,000 remained outstanding and owing to Low Carbon Australia at 30 June 2013.

The majority of Low Carbon Australia Limited staff were employed by the Corporation in April 2013. Prior to this date, a number of Low Carbon Australia staff were working on the set up and establishment of operational capability of the Corporation. The entities have estimated that the value of the work undertaken by Low Carbon Australia staff in this regard was approximately $184,000 and the Corporation has paid Low Carbon Australia Limited an amount of $80,000 (including GST) in respect of this work. The $80,000 has been included in supplier expenses: rendering of services – related parties (refer Note 3B). The $80,000 was paid to Low Carbon Australia Limited by the Corporation prior to 30 June 2013.

Subsequent to the Low Carbon Australia Limited staff joining the Corporation in April 2013, certain staff continued to provide services to Low Carbon Australia Limited through 30 June 2013 to ensure Low Carbon Australia Limited and its Board were able to meet their remaining contractual, portfolio management, regulatory, reporting administrative obligations. The entities have estimated that the value of the work undertaken by the Corporation's staff up to 30 June 2013 on behalf of Low Carbon Australia Limited was approximately $46,000 and the Corporation anticipates incurring up to another $50,000 in relation to similar services to be provided to Low Carbon Australia Limited after balance date including assistance with the annual audit and financial reporting process. Low Carbon Australia Limited has not been charged for this work in light of the significant work undertaken by Low Carbon Australia Limited to assist in the establishment of the Corporation prior to 30 June 2013.

An agreement was reached between Low Carbon Australia Limited and the Corporation that all Low Carbon Australia Limited staff transferring employment to the Corporation would retain their continuity of service in relation to both long service leave and redundancy (if any). In exchange for this undertaking, Low Carbon Australia Limited paid to the Corporation an amount of $465,000. The Corporation applied $26,000 of this amount towards the termination of a number of Low Carbon Australia Limited staff, included $101,000 in its provision for long service leave and recognised the remaining $338,000 as a contribution of equity.

Note 14: Senior Executive Remuneration

Note 14A: Senior Executive Remuneration Expenses for the Reporting Period

	2013 $
Short-term employee benefits:	
Salary	675,220
Annual leave accrued	53,819
Performance bonuses	223,708
Motor vehicle and other allowances	–
Total short-term employee benefits	**952,747**
Post-employment benefits:	
Superannuation	83,142
Total post-employment benefits	**83,142**
Other long-term employee benefits:	
Long-service leave	11,638
Total other long-term employee benefits	**11,638**
Total senior executive remuneration expenses	**1,047,527**

1. Note 14A is prepared on an accrual basis.
2. Note 14A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than $180,000.

Note 14B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration paid to substantive senior executives in 2013

Average annual reportable remuneration[1]	Substantive senior executives No.	Reportable salary[2] $	Contributed super-annuation[3] $	Reportable allowances $	Bonus paid $	Total reportable remuneration #
Total reportable remuneration (including part-time arrangements):						
$0 to $179,999	4	111,158	4,118	–	–	115,276
$270,000 to $299,999	1	260,095	16,470	–	–	276,565
Total number of substantive senior executives	**5**					

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
   a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column)
   b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes)
   c) exempt foreign employment income; and
   d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year. Performance bonuses were accrued but unpaid as of 30 June 2013 and therefore no amount has been included in table 14B for the 2013 financial year.

Note 15: Remuneration of Auditors

Financial statement audit services were provided to the Corporation by the Australian National Audit Office (ANAO).

	2013 $'000
Fair value of the services provided	
Financial statement audit services	100
Total	**100**

No other services were provided by the ANAO.

Note 16: Committed Credit Facilities

Commitments represent funds committed by the Corporation 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.

	2013 $'000
Committed credit facilities	87,500
Total committed credit facilities as per commitments note	**87,500**

As disclosed in Note 2, the entire amount of committed credit facilities converted to loans in July 2013.

Note 17: Contributed Equity

During the period ended 30 June 2013, the Corporation received cash from Low Carbon Australia Limited in exchange for assuming certain employee obligations.

	2013 $'000
Contributed Equity	
Cash received – Related Entity	465
Employee liabilities assumed	(127)
Total Contributed Equity	**338**

Note 18: Financial Instruments

	2013 $'000
Note 18A: Categories of Financial Instruments	
Financial Assets	
At fair value through profit or loss:	
Cash and cash equivalents	14,133
Total	**14,133**
At amortised cost:	
Loans and receivables at amortised cost	50,000
Trade and other receivables	63
Total	**50,063**
Carrying amount of financial assets	**64,196**
Financial Liabilities	
At amortised cost:	
Interest bearing liabilities	50,016
Trade creditors	542
Other	1,096
Total	**51,654**
Carrying amount of financial liabilities	**51,654**

Note 18B: Net Income and Expense from Financial Assets

Loans and receivables	
Interest Income	89
Net gain from loans and receivables	**89**
Net gain from financial assets	**89**

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2013.

Note 18C: Net Income and Expense from Financial Liabilities

Financial liabilities – at amortised cost	
Interest expense	16
Net loss from financial liabilities – at amortised cost	**16**
Net loss from financial liabilities	**16**

The total interest expense from financial liabilities not at fair value through profit or loss was $16,000.

Note 18D: Fair Value of Financial Instruments

	Carrying amount 2013 $'000	Fair value 2013 $'000
Financial Assets		
Cash and cash equivalents	14,133	14,133
Loans and receivables at amortised cost	50,000	50,000
Trade and other receivables	63	63
Total	**64,196**	**64,196**
Financial Liabilities		
Interest bearing liabilities	50,016	50,016
Trade creditors	542	542
Other	1,096	1,096
Total	**51,654**	**51,654**

The following table provides an analysis of financial instruments that are measured at fair value, 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 liabilities

	Level 1 2013 $'000	Level 2 2013 $'000	Level 3 2013 $'000	Level 4 2013 $'000
Financial liabilities at fair value				
Interest bearing liabilities	–	50,016	–	50,016
Trade creditors	–	–	542	542
Other	–	–	1,096	1,096
Total	**–**	**50,016**	**1,638**	**51,654**

There was no transfer between levels.

Note 18E: Credit Risk

Credit risk arises from the possibility of defaults on contractual obligations, resulting in financial loss.

The Corporation has assessed the risk of default on payment and has not identified any specific loans that are past due at reporting date and likely to be impaired. The Corporation managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Corporation had policies and procedures that guided employee's debt recovery techniques that were to be applied.

The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation 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.

Credit quality of financial instruments not past due or individually determined as impaired

	Note	Not past due nor impaired 2013 $'000	Past due or impaired 2013 $'000
Cash and cash equivalents	5A	14,133	–
Loans and receivables at amortised cost	5B	50,000	–
Receivables for goods and services	5C	63	–
Total financial assets		**64,196**	**–**
Committed credit facilities	16	87,500	–
Total Commitments		**87,500**	**–**
Total credit risk exposure		**151,696**	**–**

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia in accordance with the prudential controls set by the *Commonwealth Authorities and Companies Act 1997*.

Non-financial assets, including property, plant and equipment, have not been included in the above table as there is no significant associated credit risk.

Ageing of financial assets that were past due but not impaired for 2013

The Corporation had no amounts past due but not impaired at 30 June 2013.

Note 18F: Liquidity Risk

The Corporation's financial liabilities are trade creditors, operating leases and deferred revenue. The exposure to liquidity risk is based on the notion that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Corporation has significant cash balances, all invested short-term, access to government funding, and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Undiscounted financial assets 2013

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Cash and cash equivalents	14,133	–	–	–	–	14,133
Loans and receivables at amortised cost	–	–	–	50,000	–	50,000
Trade and other receivables	–	63	–	–	–	63
Total	**14,133**	**63**	**–**	**50,000**	**–**	**64,196**

Undiscounted financial liabilities 2013

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Interest bearing liabilities	50,016	–	–	–	–	50,016
Trade creditors	–	542	–	–	–	542
Other	–	1,096	–	–	–	1,096
Total	**50,016**	**1,638**	**–**	**–**	**–**	**51,654**
Net undiscounted financial assets/(liabilities)	**(35,883)**	**(1,575)**	**–**	**50,000**	**–**	**12,542**

The entity had no derivative financial assets or liabilities in 2013.

While the above maturity profile shows a financing shortfall in the next 12 months, this is addressed through the contribution of equity provided by government from the Special Account for the Clean Energy Finance Corporation that is to be funded in an amount of $2 billion per annum for the next 5 years. In July 2013, the Corporation drew an initial amount of $811.6 million from the Special Account to fund its initial tranche of investments, including the repayment of the interest bearing liability shown above.

Note 18G: Market Risk

The Corporation holds basic financial instruments that do not expose it to certain market risks, such as 'Currency risk' and 'Other price risk'. However, the Corporation is involved in lending and therefore inherent interest rate risks arise.

The only interest-bearing liability on the balance sheet is the 'Interest bearing liabilities'. These bear interest at a fixed interest rate and their values did not fluctuate due to changes in the market interest rate.

The Corporation accounts for loans and receivables at amortised cost, so 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. At 30 June 2013, there were no unrealised gains or losses due to changes in fair value as amortised cost approximated fair value for all assets.

Note 18H: 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 Corporation will have a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of Australian based renewable energy, energy efficiency and low emissions technologies, with at least 50% of its investment in the renewables sector.

The Corporation is in the early stage of investment and therefore will have a relatively concentrated exposure to individual assets, entities and industries until such time as it is able to establish a more broad and diversified portfolio.

At 30 June 2013, the Corporation had a concentration of investments in the renewable sector and in particular in relation to wind generation. It only had one investment on its balance sheet at 30 June and two additional investments contractually committed at balance date and therefore there is a significant concentration of credit risk exposure to these particular investments and counterparties.

Note 19: Financial Assets Reconciliation

	2013 $'000
Financial assets	
Total financial assets as per balance sheet	**64,196**
Total financial assets as per financial instruments note	**64,196**

Note 20: Compensation and Debt Relief

	2013 $'000
Compensation and Debt Relief	–

There have been no compensation or debt waivers granted by the Corporation during the financial period ended 30 June 2013.

Note 21: Reporting of Outcomes

The Corporation has one outcome – to facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.

Note 21A: Net Cost of Outcome Delivery

	Outcome 1 $'000	Total $'000
Departmental		
Expenses	12,373	12,373
Own-source income	147	147
Net cost of outcome delivery	**12,226**	**12,226**

> "The CEFC's flexible mandate and commercial approach provide an opportunity to achieve genuine market-based change." Jillian Broadbent AO

CEFC

CLEAN ENERGY FINANCE CORPORATION

SECTION 5:
Appendices, Glossary, Index and Endnotes

www.cleanenergyfinancecorp.com.au

APPENDIX A:

CEFC Special Account – a Report under the *Clean Energy Finance Corporation Act 2012*, section 74(1)(j)

ABOUT THE SPECIAL ACCOUNT

The CEFC's investment funds are provided for by a special appropriation under section 46 of the *Clean Energy Finance Corporation Act 2012* ('the CEFC Act'), and bar any amendment to that section, are credited to the CEFC in the Commonwealth Special Account as follows:

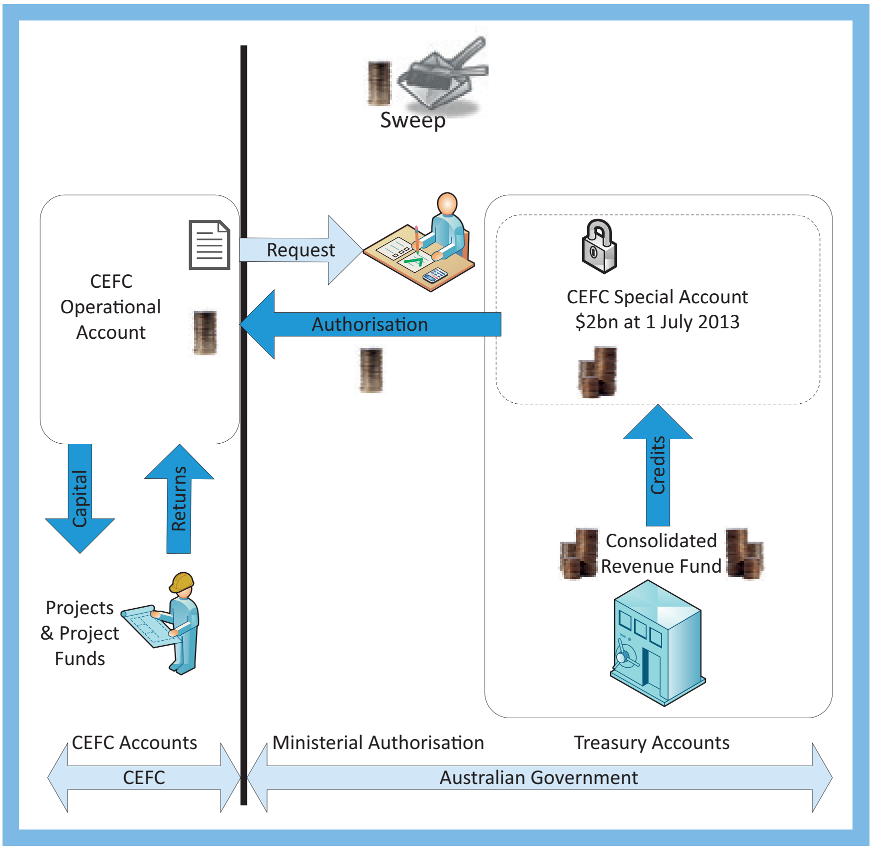
Table A.1. *Credits to the Special Account under CEFC Act, section 46.*

Specified Date	Amount Credited to Account on Specified Date under section 46	Cumulative section 46 credits as at Specified Date
1 July 2013	$2 billion	$2 billion
1 July 2014	$2 billion	$4 billion
1 July 2015	$2 billion	$6 billion
1 July 2016	$2 billion	$8 billion
1 July 2017	$2 billion	$10 billion

The CEFC was not created to exercise a major cash management function. Accordingly, funds credited to the Special Account do not actually leave the Consolidated Revenue Fund until they are released for investment when authorised by the Nominated Minister (at present the Nominated Minister is the Treasurer) in accordance with the procedure outlined in the Act. In other words – the funds depicted in the table above are a drawing right of the CEFC against the Special Account, rather than an actual transfer to the CEFC.

Investments are made (both directly by the CEFC and indirectly through intermediaries) into eligible clean energy projects. Repayments and returns from these projects are repaid directly to the CEFC's operational account. When the sum of funds in the operational account stands in excess of more than is immediately required, the excess is subject to a 'sweep' back into the Special Account by a ministerial direction. A simplified version of this process is illustrated in the diagram below.

Fig A(a). *Special Accounts.*



Under section 74(1)(j) of the CEFC Act, the Corporation must report annually on debits and credits to the Special Account in the financial year. During the 2012-13 financial year there were no credits or debits to the Special Account, and the balance was nil at all times.

Under the CEFC Act, and subject to ministerial authorisation, the Corporation may also make payments to the Australian Renewable Energy Agency (ARENA). As the balance of the Special Accounts was nil at all times during the financial year, no requests were made and no payments to ARENA occurred.

APPENDIX B:

Summary Of Operating Costs and Expenses & Benchmark Report

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 Section 4: Financial Statements and Notes, but are also reproduced below for convenience.

ABOUT THE CEFC'S STRUCTURE

The CEFC is a *Commonwealth Authorities and Companies Act 1997* ('CAC Act') authority with an independent Board that makes investment decisions to invest in renewable and low carbon technology sector according to ministerial directions supplied by an Investment Mandate. The CEFC's investment focus is on debt (i.e. loan-making) that is solely or mainly Australian based. It cannot invest in property and does not have a large cash management function. It has 45 employees based in two locations – Sydney (HQ) and Brisbane. During the financial year the CEFC had no investment funds, but accrued an AUD$2 billion drawing right on 1 July 2013 (see Appendix A).

NOTE ON COMPARISONS

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

a) the CEFC was only formed in August 2012, was in establishment mode from then until 15 April, and spent only two and a half months of the financial year in operations

b) expenses are weighted towards one-off establishment costs

c) the CEFC did not actually have any investment funds in the reporting year

d) there are very few government-owned public purpose entities that perform the type of function the CEFC does at a similar scale; and

e) current financial year data on other entities may not necessarily be readily available.

ENTITIES CHOSEN FOR THE PURPOSES OF COMPARISON

In order to provide some comparison as required under section 74 of the CEFC Act, the Corporation has compared its 2012-13 operating costs and expenses against the latest publicly available information for the Future Fund, the Export Finance & Insurance Corporation and the UK Green Investment Bank (all government-owned entities formed for public purpose with a commercial mode of operation). More information about these entities are outlined below.

Future Fund Management Agency ('Future Fund') – Structure

The Future Fund is a *Financial Management and Accountability Act 1997* entity governed by an independent Board, which makes investment decisions to invest according to ministerial directions supplied by an Investment Mandate. It is not sector-limited to renewable and low carbon technology in the same way the CEFC is, and pursues a broad sectoral spread in a range of investments – primarily equities (40%,) property (13%), alternative assets (18%), debt (20%) and cash (4%). It has approximately 89 employees based in Melbourne, and circa AUD$77 billion funds under management invested in Australia and overseas.

Export Finance and Insurance Corporation (EFIC) – Structure

Like the CEFC, EFIC is a CAC Act Commonwealth authority governed by an independent Board. EFIC is restricted to investing only where it does not compete with the private sector – this is a ministerial statement of expectation made by the responsible minister under the CAC Act. EFIC has four key functions under enabling legislation:

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

EFIC's investments are primarily related to the issuing of insurance and guarantees, bonds and loans within these functions. EFIC has approximately 87 employees, is headquartered in Sydney, has staff located in Austrade offices in Melbourne and Perth, and was reported to have some $3.9 billion under management.

Green Investment Bank (GIB) (UK) – Structure

Formed as a public company owned by the UK Government in May 2012 that became fully operational in October 2012 when it was granted State Aid approval by the European Commission to make investments on commercial terms. The GIB has a mission similar to the CEFC – which the GIB states as 'to accelerate the UK's transition to a green economy and to create an enduring Institution, operating independently of Government'. However, the GIB has a broader 'Green Impact' mandate that goes beyond renewable and low carbon energy and emissions reduction into areas such as recycling and reduction of landfill. Like the CEFC, the GIB can invest in projects in the form of equity, debt and guarantees. Also like the CEFC, it is still a very young business and at the end of its financial year (March 2013), had 75 employees in two locations – Edinburgh (HQ) and London (although the average number of employees for the period 15 May 2012 to 31 March 2013 was 23). The GIB was provided with starting capital of £3 billion (AUD $5.083 billion as at 10 September 2013).

The table below provides a comparison of the CEFC with these other entities in terms of operating costs and expenses.

Comparison of CEFC 2012-13 Actuals with latest publicly available actual data of Future Fund, EFIC and GIB

	CEFC 2012-13 $'000	%	Future Fund 2011-12 (c), (d) $'000	%	EFIC 2011-12 (c), (e) $'000	%	GIB 2012-13 (f) $'000	%
Staff Employment Related Expenses								
Wages & Salaries	2,201		23,090		14,500		4,295	
Superannuation	202		1,276		1,400		280	
Leave & Other Entitlements	201		748		500			
Incentive Compensation	485						698	
Recruitment Costs	654							
Other Expenses	15						518	
Total Staff Employment Related Expenses	**3,757**	***30%***	**25,114**	***7%***	**16,400**	***7%***	**5,791**	***59%***
Board Expenses								
Wages & Salaries	367		753					
Superannuation	33		68					
Other Expenses	33							
Total Board Expenses	**433**	***4%***	**821**	***0%***	**–**	***0%***	**345**	***4%***
Finance Costs								
Interest Expense	16				205,800			
Concessional Loan Discount (b)	5,890							
Total Finance Costs	**5,906**	***48%***	**–**	***0%***	**205,800**	***88%***	**–**	***0%***
Consultants' Fees and Expenses	699	*6%*						
Professional Fees	838	*7%*	306,316	*83%*	1,900	*1%*	2,015	*21%*
Other investment portfolio expenses	–	0%	22,972	*6%*	500	*0%*		
Travel & Incidentals	137	*1%*			1,500	*1%*		
Office Facility Costs	274	*2%*			1,700	*1%*	639	*7%*
Marketing & Communications	146	*1%*			1,400	*1%*		
Depreciation & Amortisation	6	*0%*	861	*0%*	2,500	*1%*	171	*2%*
Administrative & Other Expenses	178	*1%*	13,623	*4%*	2,200	*1%*	776	*8%*
Total Expenses	**12,373**	***100%***	**369,707**	***100%***	**233,900**	***100%***	**9,736**	***100%***

Comparison of CEFC 2012-13 Actuals and 2013-14 Budget with Future Fund Estimates

	CEFC 2012-13 (Actual) $'000	%	Future Fund 2012-13 (Estimate) (h) $'000	%	CEFC 2013-14 (Budget) (g) $'000	%	Future Fund 2013-14 (Budget) (h) $'000	%
Employee benefits	3,489	*28%*	30,382	*5%*	14,897	*7%*	32,121	*5%*
Supplier Costs	2,989	*24%*	579,336	*95%*	5,400	*3%*	633,204	*95%*
Depreciation & Amortisation	6	*0%*	1,753	*0%*	418	*0%*	2,425	*0%*
Concessional Loan Discount (b)	5,890	*48%*			170,434	*81%*		
Allowance for impairment of assets	–	*0%*			18,750	*9%*		
Total Expenses	**12,373**	***100%***	**611,471**	***100%***	**209,899**	***100%***	**667,750**	***100%***

Notes:

a) Like for like comparisons are not strictly possible since different entities group and report costs differently.

b) Non-cash charge that reverses over the life of the underlying loans.

c) From 2011-12 annual report since 2012-13 information is not available at the time of finalising this report for publication.

d) Excludes costs related to Timberlands & Investment Properties.

e) Costs are shown gross before National Interest Account allocation.

f) Green Investment Bank Group for approx. 5 month period ended 31 March 2013. Amounts coverted at 30-6-13 average exchange rate of 0.678.

g) As reported for inclusion in the *2013-14 Preliminary Economic Fiscal Outlook Statements*.

h) From 2013-14 Portfolio Budget Statements (Departmental + Administered).

i) EFIC does not appear in the 2013-14 Portfolio Budget Statements as it is not part of the general government sector and had not made its GBE Business Plan public at time of preparing this information either.

APPENDIX C:

Index of Annual Report Requirements (including Section 74 CEFC Act Annual Report Requirements)

As a Commonwealth authority, the CEFC has a range of annual reporting requirements. Table C.1 below outlines where each of these requirements can be found.

Table C.1. *Annual Report Compliance Index.*

Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
***Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)* (as amended) made under the *Commonwealth Authorities and Companies Act 1997*, section 48(1) & Schedule 1, clause 2 ('FMOs')**				
Finance Minister's Orders	Specifies requirements and format of preparation of financial statements for Commonwealth authorities like the CEFC	AASB standards	Yes	Section 4: Finance of this report (pages 91-133 inclusive)
***Commonwealth Authorities (Annual Reporting) Orders 2011* made under the *Commonwealth Authorities and Companies Act 1997*, section 48**				
Clause 6	Statement of approval of annual report of operations by directors	–	Yes	See letter of transmittal (page 7)
Clause 7	Details of any reporting exemptions applied for	–	Yes – please note there were no exemptions applied for in relation to this year's annual report	page 71

(Continued on page 143)

Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Clause 8	Parliamentary standards of presentation	*Department of Prime Minister and Cabinet Guidelines for the Presentation of Documents to the Parliament (Including Government Documents, Government Responses to Committee Reports, Ministerial Statements, Annual Reports and Other Instruments) December 2012*; Advice of the Joint Committee on Publications as published from time to time established by Standing Order of the Senate No.22 & Standing Order of the House of Representatives No.219.	Yes	Refers to all of this Annual Report
Clause 9	Use of Plain English and clear design	*Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)* (as amended) made under the *Commonwealth Authorities and Companies Act 1997*, section 48(1) & Schedule 1, clause 2	Yes	Refers to all of this Annual Report
Clause 10	Enabling Legislation	*Clean Energy Finance Corporation Act 2012*, section 8	Yes	page 68

(Continued on page 144)

Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Clause 11	Responsible Minister	*Clean Energy Finance Corporation Act 2012*, sections 4 & 76	Yes	page 69
Clause 12	Ministerial directions and other statutory requirements	*Clean Energy Finance Corporation Act 2012*, section 64 and the *Clean Energy Finance Corporation Investment Mandate Direction 2013*	Yes	page 70-1
Clause 10	Other Annual reporting requirements	Various	Yes	See 'Other Statutory Requirements Affecting the CEFC' at pages 70-1 and this Index
Clause 13	Information about directors	FMOs and *Clean Energy Finance Corporation Act 2012*, section 74(1)(f)	Yes	pages 75-81, 123
Clause 14	Outline of organisational structure	*Clean Energy Finance Corporation Act 2012*	Yes	pages 72-4
Clause 14	Statement on governance	*Clean Energy Finance Corporation Investment Mandate Direction 2013*	–	pages 66-89 and Appendix J
Clause 15	Related entity transactions	FMOs, CAC Act	–	pages 112, 123-4
Clause 16	Key activities and changes affecting the company	FMOs	Yes	pages 9-11, 13-16, 31-37, 39, 41, 45, 47, 49, 102, 112, 123-4

(Continued on page 145)

Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Clause 17	Judicial decisions and reviews by outside bodies	–	Yes	page 89
Clause 18	Obtaining information from subsidiaries	–	Yes – please note the CEFC has no subsidiaries	See 'CEFC Organisational Structure' at page 72
Clause 19	Indemnities and insurance premiums for officers	FMOs	Yes	page 87
Clause 20	Disclosure requirements for GBEs	Not Applicable – the CEFC is not A GBE	–	–
Clause 21	Index of annual report requirements	Index of annual report requirements	Yes	This table is the Index
***Clean Energy Finance Corporation Act 2012*, section 74 (Extra matters to be included in annual report)**				
Section 74(1)(a)	Total value of section 63 investments as at the end of the financial year, by reference to the class of clean energy technologies to which the investments relate	*Clean Energy Finance Corporation Act 2012*	Yes	Table 1.2. CEFC Performance against Appropriations KPIs, page 25.
Section 74(1)(b)	Details of the realisation of any section 63 investments in the financial year	*Clean Energy Finance Corporation Act 2012*	No – please note there were no section 63 investments realised in the 2012-13 financial year	Not reported

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Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Section 74(1)(c)	If, as at the end of the financial year, less than half of the funds invested for the purposes of the Corporation's investment function are invested in renewable energy technologies—an explanation of the reasons why	*Clean Energy Finance Corporation Act 2012*, section 58(3)	Yes – please note the more than half of the Corporation's funds are invested in renewable energy technologies, so this does not apply for 2012-13	See table 1.2. CEFC Performance against Appropriations KPIs, page 25
Section 74(1)(d)	Total value of concessions given by the Corporation in the financial year	*Clean Energy Finance Corporation Investment Mandate Direction 2013*	Yes	pages 30, 103
Section 74(1)(e)	A balance sheet setting out, as at the end of the financial year, the assets and liabilities of the Corporation and a statement of cash flows	FMOs	Yes	Appendix B and pages 96, 113
Section 74(1)(f)	Set out the remuneration and allowances of Board members and senior staff of the Corporation for the financial year	FMOs, *Remuneration Tribunal Act 1974*	Yes	See 'Director Remuneration' at pages 80, 123; 'Executive Remuneration' at pages 85, 125
Section 4: Finance at page 95 and Appendix J.				
Section 74(1)(g)	Set out the Corporation's operating costs and expenses for the financial year	FMOs	Yes	See Appendix B and pages 96, 113

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Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Section 74(1)(h)	Benchmark 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	–	Yes	Appendix B
Section 74(1)(i)	Set out details of any procurement contracts to which the Corporation is party that are in force at any time in the financial year and have a value of more than $80,000	Commonwealth Procurement Rules 2012 under Regulation 7 of the *Financial Management and Accountability Regulations 1997* (for definitional guidance only)	Yes	Appendix I
Section 74(1)(j)	Details of credits and debits to the Account in the financial year	*Clean Energy Finance Corporation Act 2012,* section 45	Yes – please note the Special Account was not credited or debited within the 2012-13 financial year	Appendix A
Section 74(2)	Section 74(1) reports for subsidiaries	*Clean Energy Finance Corporation Act 2012,* section 71; *Commonwealth Authorities and Companies Act 1997*	No – please note there are no CEFC subsidiaries	See 'CEFC Organi-sational Structure' at page 72

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Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
The Corporate Governance Principles and Recommendations with 2010 Amendments				
The Corporate Governance Principles and Recommendations with 2010 Amendments is produced by the Australian Securities Exchange (ASX) Corporate Governance Council for exchange listed entities. While not directly applicable to the CEFC, the Principles and Recommendations are recognised as being a benchmark for ethical corporate reporting and the CEFC has voluntarily prepared a report against them in the interests of transparency. This is reported in this Index for convenience.			Yes, in so far as they are applicable	Appendix J
***Environment Protection and Biodiversity Conservation Act 1999*, section 516A(3)**				
Section 516A(6)(a)	Include a report on how the activities of, and the administration (if any) of legislation by, the reporter during the period accorded with the principles of ecologically sustainable development	Department of the Environment, Water, Heritage and the Arts (as it then was) *Guidelines for Section 516A reporting – Environment Protection and Biodiversity Conservation Act 1999*	Yes	Appendix F
Section 516A(6)(b)	Identify how the outcomes (if any) specified for the reporter in an Appropriations Act relating to the period contribute to ecologically sustainable development	–	Yes	Appendix F
Section 516A(6)(c)	Document the effect of the reporter's activities on the environment	–	Yes	Appendix F

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Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Section 516A(6)(d)	Identify any measures the reporter is taking to minimise the impact of activities by the reporter on the environment	–	Yes	Appendix F
Section 516A(6)(e)	Identify the mechanisms (if any) for reviewing and increasing the effectiveness of those measures	–	Yes	Appendix F
***Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, section 9**				
Section 9(2)	Annual Program Report	–	No – Please note the CEFC has not as yet reached the end of its first 12 month reporting period.	See Appendix E
Freedom of Information Act 1982				
While there is no formal requirement for a Commonwealth authority to report FOI Act statistics, this has been performed voluntarily and is reported in this Index for convenience.				Appendix G
***Work Health and Safety Act 2011*, Schedule 2, Part 4, section 4**				
Schedule 2, Part 4, Section 4(2)(a)	Initiatives taken during the year to ensure the health, safety and welfare of workers who carry out work for the entity	–	Yes	Appendix H

(Continued on page 150)

Primary Source of Obligation	Obligation	Other sources	Completed?	Refer
Schedule 2, Part 4, Section 4(2)(b)	Health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned under paragraph (a) or previous initiatives	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(c)	Statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(d)	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	–	Yes	Appendix H
Schedule 2, Part 4, Section 4(2)(e)	Other matters as are required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit	–	Yes	Appendix H

APPENDIX D:

CEFC Definitional Guidance

The CEFC Board has established the following definitional guidance for the purposes of assessing clean energy technology investments.

SOLELY OR MAINLY AUSTRALIAN BASED

The CEFC Board will consider an investment to be 'solely or mainly Australian based' if the Investment Recipient is:

1. an entity registered with the ATO with an Australian ABN, AND
2. the proposed investment relates to one of the matters in the table below.

Table D.1. *Subject of Investment.*

If the Clean Energy Finance Investment relates to…	…then satisfaction of the following conditions will make the Investment 'solely or mainly Australian based'…	…and the Corporation will use this metric as appropriate evidence of same:
1. Building, fixtures or specific projects (including construction and bridging finance)	The project is located: • in Australia, or • in Australian waters, or • in international waters but only where it is used solely or mainly for the economic benefit of Australia.	GPS coordinate of project site
2. Equipment / chattel (including ships and aircraft) or otherwise undefined activity (whether of a commercial, governmental or other nature)	a) the equipment is located and primarily used: • in Australia, or • in Australian waters, or • in international waters but only where it is used solely or mainly for the economic benefit of Australia. b) the activity is located: • in Australia, or • in Australian waters, or • in international waters but only where it is solely or mainly for the economic benefit of Australia.	Presence of conditions precedent and binding covenants in contracts prior to investment being made to same effect
3. Indirect finance of either or both of one of the above categories (e.g. Fund of Funds)	The activities being financed fit into one of the above categories.	Presence of conditions precedent and binding covenants in contracts/ mandates prior to investment being made to same effect.

For the purposes of this guideline a reference to 'Australia' and 'Australian' includes the external territories (CEFC Act, section 6). The external territories of Australia are at present:

- the Australian Antarctic Territory;
- the Coral Sea Islands Territory;
- the Territory of Ashmore and Cartier Islands;
- the Territory of Christmas Island;
- the Territory of Cocos (Keeling) Islands;
- the Territory of Heard Island and McDonald Islands; and
- The Territory of Norfolk Island.

For the purposes of this guideline a reference to 'Australian waters' includes:

- the 'exclusive economic zone' as defined in the *Seas and Submerged Lands Act 1973* including the external territories; and the waters above the 'continental shelf', that is, any part of the area in, on or over the 'continental shelf' as that term is defined in the *Seas and Submerged Lands Act 1973* including the external territories.

RENEWABLE ENERGY TECHNOLOGIES

The CEFC provides the following guidance on 'renewable energy technologies' including 'renewable energy' and 'technologies'. Under the CEFC Act, the definition of 'renewable energy technologies' includes:

- hybrid technologies that integrate renewable energy technologies; and
- technologies (including enabling technologies) that are related to renewable energy technologies.

'Renewable energy' is energy derived from resources that are naturally replenished. Renewable energies include but are not limited to electricity, thermal energy and fuel for transport generated or derived from:

- bioenergy
- geothermal energy
- hydro energy
- ocean (tidal and wave) energy
- solar energy; or
- wind energy.

'Technologies' has its ordinary meaning, namely the application of:

- scientific knowledge for practical purposes; or
- machinery and equipment developed from such scientific knowledge.

The CEFC defines a 'hybrid' as a combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system (i.e. a 'hybridised' generation system).

The Board has adopted the principle that to qualify for investment:

- hybrid technologies and/or systems should have a majority renewable energy technology component; and
- an eligible project involving hybrid technologies and/or systems would produce an outcome which results in energy production from the hybrid system having an emissions intensity of less than 50 per cent of the existing generation system as connected to the transmission network/grid or (where not connected to a grid), less than 50 per cent of the emissions intensity of the baseline activity.

The CEFC will also consider as eligible for investment enabling technologies associated with the storage, prediction of supply, or assistance in transmission of renewable energy or a hybrid technology.

Renewable energy technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act* 2007); and
- nuclear technology, or nuclear power.

ENERGY EFFICIENCY TECHNOLOGIES

The CEFC provides the following guidance for the term 'energy efficiency technologies' which includes 'energy efficiency', 'energy conservation' and 'demand management'. 'Energy efficiency' is an increased output per unit of energy input, where:

- output and energy input are measured in physical units; and
- this results in a decrease in CO2-e emissions intensity relative to the baseline activity.

'Energy conservation' is the reduction of energy consumption.

'Demand management' includes demand response, demand side management, demand side response. A demand management technology might be considered eligible for CEFC investment where it can be clearly demonstrated that the technology results in a reduction in emissions intensity.

Energy efficiency technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act 2007*)
- nuclear technology; or
- nuclear power.

LOW EMISSIONS TECHNOLOGIES

The CEFC provides the following guideline for the term 'low emissions technologies'. Low emission technologies may be applied to a number of activities including but not limited to:

- energy production
- electricity generation including the use of non-renewable, fossil fuels
- fuels for and modes of transportation; and
- using, reducing, or eliminating existing fugitive greenhouse gas emissions.

In addition to meeting the above criteria, the Board requires that at the time of CEFC investment, the low emissions technology must result in emissions of CO2-e being substantially lower than the current average of the most relevant baseline for the activity being undertaken. To satisfy this test a proponent must demonstrate:

- that if the technology is solely for electricity generation, it achieves an emissions intensity of less than 50 per cent of the existing generation system as connected to the transmission network/grid, or where not connected to a grid, less than 50 per cent of the emissions intensity of the baseline activity; or
- that, if otherwise, the technology achieves useful-life emissions at 50 per cent less than the relevant current average baseline of the activity being undertaken.

The Board will consider on a case-by-case basis the level of reduced emissions in ranking low emissions technology investments against other investments the CEFC may make.

As a matter of investment policy, the CEFC will consider as eligible for investment, supply chains (manufacturing operations or service providers) that support the deployment or implementation of low emission technologies.

Low emission technologies exclude 'prohibited technology' as described in the CEFC Act, section 62, namely:

- a technology for carbon capture and storage (within the meaning of the *National Greenhouse and Energy Reporting Act 2007*); and
- nuclear technology, or nuclear power.

APPENDIX E:

Gender and Diversity at the CEFC

GENDER

As at the close of the reporting period the CEFC had a near equal number of male and female employees, however this headline statistic masks the fact that women are statistically overrepresented at lower levels of the organisation and underrepresented at senior levels.

Looking forward, the CEFC will be making a formal program report under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* to the Responsible Ministers prior to 17 July 2014. In the interim, and in accordance with its Investment Mandate direction to have regard to best practice corporate governance (such as the *ASX Corporate Governance Principles and Recommendations with 2010 Amendments*), the Corporation advises that during the reporting period it was in the process of developing a formal program under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, and reports the following data on proportion of women in the organisation (Table E.1 below).

Table E.1. *Participation of Women in the CEFC – 2012-13.*

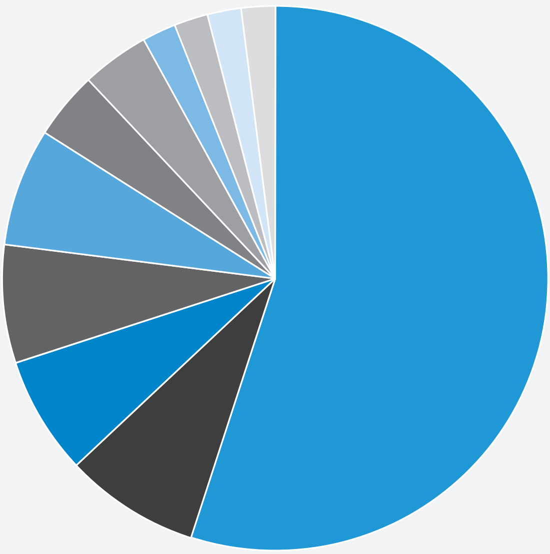
Office	Male		Female		Total
	No.	%	No.	%	No.
CEFC Board	5	71%	2	29%	7
CEFC Staff – CEO & Executive	4	80%	1	20%	5
CEFC Staff – Non-Executive	19	46%	21	54%	40
CEFC All Staff – Total	23	51%	22	49%	45

DIVERSITY

Employees are encouraged to self-identify for the purposes of maintaining data on diversity.

The CEFC has a diverse workforce, many of whom were born overseas or who hail from overseas born parents. At the present time there were no employees who self-identified as being of Aboriginal, Torres Strait Islander or Australian South Sea Islander descent. A summary of ethnic backgrounds of CEFC staff is provided at Figure E.2 below.

Fig E(a). *Summary of Ethnic Backgrounds of CEFC Employees.*



Australian	55%
British	8%
American	7%
Irish	7%
New Zealand	7%
Dutch	4%
Chinese	4%
Sri Lankan	2%
Filipino	2%
French	2%
Greek	2%

Sixty-five per cent of our staff are Australian citizens. Many of our staff have also spent part of their professional life overseas, and more than a quarter are dual nationals. The proportion of staff from a non-English speaking background is 2%; and the number of staff speaking a language other than English is as follows:

- 4% – French
- 2% – Tagalog
- 2% – Dutch
- 2% – Chinese
- 2% – Japanese; and
- 2% – Spanish.

At the present time there are no employees who have self-identified as being a person with disabilities.

A more comprehensive report will be provided in the 2013/2014 annual report.

APPENDIX F:

Environmental Performance and Ecologically Sustainable Development – a report under *Environment Protection and Biodiversity Conservation Act 1999*, section 516A(6)

Table F.1. *The Principles of Ecologically Sustainable Development.*

The ESD Principles

The following ESD principles are outlined in Section 3A of the EPBC Act:

a) Decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations (the 'integration principle').

b) If there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation (the 'precautionary principle').

c) The principle of inter-generational equity – that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations (the 'intergenerational principle').

d) The conservation of biological diversity and ecological integrity should be a fundamental consideration in decision-making (the 'biodiversity principle').

e) Improved valuation, pricing and incentive mechanisms should be promoted (the 'valuation principle').

The following table details the CEFC's Ecologically Sustainable Development (ESD) activities in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Table F.2. *Performance Against ESD Reporting Requirements.*

ESD reporting requirement	CEFC Response
How the CEFC's activities accorded with the principles of ESD	The CEFC's activities are strongly aligned to the principles of ESD (the principles are reproduced in Figure F.1 above). The CEFC exists to facilitate financial flows to the renewable and low carbon technologies sector, defined in the CEFC Act as 'renewable energy', 'energy efficiency' and 'low emissions' technologies. According to consensus in the Australian and international scientific community, the climate is changing and the increasing concentration of greenhouse gases (GHGs) in the atmosphere are the most likely cause of the recent observed global warming. The uptake of energy efficiency, low emissions technology and renewable energy can all assist in reducing the amount of GHGs released to the atmosphere via human activity.

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ESD reporting requirement	CEFC Response
How the CEFC's activities accorded with the principles of ESD (cont.)	The CEFC is part of a range of measures announced by the Australian Government in 2011 to reduce Australia's GHG emissions. The impetus for the CEFC was announced through the Multi Party Climate Change Committee Agreement of 10 July 2011, which specified inclusion of a Clean Energy Finance Corporation as a complementary measure to the carbon price. By mobilising capital investment in renewable energy, low-emission technology and energy efficiency in Australia, the CEFC's activity results in an increased flow of funds for the commercialisation and deployment of such Australian-based technologies and thus prepares and positions the Australian economy and industry for a carbon constrained world.
Outcomes contributing to ESD	The CEFC has a single appropriations outcome – to: *Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders* This outcome contributes directly to the principles of Ecologically Sustainable Development.
Measures taken to minimise the effect of activities on the environment	The CEFC's current sustainability measures are intended to reduce the Corporation's environmental footprint. **Energy Consumption** The CEFC has two open plan offices, allowing easier control of air conditioning; employees are provided with a central printing facility allowing for fewer high capacity multi-function devices (which have energy saving modes when not in use); the CEFC provides energy efficient computer monitors and laptops to all employees, which they are encouraged to turn off each evening; the CEFC's occupied premises in both Brisbane and Sydney are fitted with sensor and LED lighting and purchase green power; both CEFC office buildings have been designed to achieve a 5.0-star NABERS Energy Rating; an energy use dashboard features in the Brisbane office reception area to indicate energy and water usage.

(Continued on page 158)

ESD reporting requirement	CEFC Response
Measures taken to minimise the effect of activities on the environment (cont.)	**Water Consumption** Water is recycled at both premises. A grey water system is in operation at the CEFC's Brisbane premises and a black water system is in operation at CEFC's Sydney premises. **Other Resource Consumption** CEFC office furniture has been selected for its high recycled/recyclable content; a follow-me printing system is installed to save paper (Brisbane only), with default printing set to double sided, black and white; 100% recycled printer paper is used. **Greenhouse Gas Emissions** The CEFC is committed to carbon offsetting all employee flights. There are no car parks associated with either the Brisbane or Sydney lease and employees are encouraged to walk, run or cycle to work and to utilise public transport. No corporate car parks or corporate vehicles are provided to employees. Video conferencing facilities are used in our Brisbane and Sydney offices to reduce inter-office flight requirements.
Mechanisms to review and increase the effectiveness of measures to minimise the environmental impact of activities	The CEFC stood up as a Corporation on 15 April 2013. In the coming year, the CEFC plans to identify a number of metrics for monitoring the CEFC's carbon footprint and environmental improvement in the workplace (such as electricity and paper usage, consumables and staff travel). The strategy will then be reviewed annually. The CEFC is committed to continual improvement in environmental performance management.
Activities that affect the environment	The CEFC portfolio as at 20 August 2013 (that is, including previous LCAL investments) is estimated to achieve 3.88m tCO_2-e emissions abatement annually, at a cost to the CEFC (inclusive of government borrowing costs) of negative $2.40 per tonne – i.e. the CEFC actually makes money for government while abating CO_2 emissions. More information on the CEFC's investments and their effects can be found at Section 1: Performance of this Annual Report.

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ESD reporting requirement	CEFC Response
Activities that affect the environment (cont.)	In order to perform its functions, the CEFC has 45 staff based in two locations (Sydney and Brisbane) which service Australia nationally. The nature of this operational activity does not have a large impact on the environment, but the CEFC aims to have as little impact on the environment as possible. The main impacts on the environment are: • Energy Consumption • Water Consumption • Other Resource Consumption; and • Greenhouse Gas Emissions.

APPENDIX G:

Freedom of Information Act 1982 summary

The following table summarises the year's Freedom of Information (FOI) requests and their outcomes as referenced on page 71.

Table G.1. *FOI Act Summary.*

Activity	Number
Requests	
On hand as at 1 July 2012	0
New requests received	1
Total requests completed as at 30 June 2013	1
Action on requests	
Access granted in full	0
Access granted in part	0
Access refused	0
Access refused due to a practical refusal reason existing (s24AB(2))	1
Access transferred in full	0
Request withdrawn	0
No records	0
Response times	
0–30 days	1
30–60 days	0
Internal review	
On hand as at 1 July 2012	0
Requests received	0
Decision affirmed	0
Decision amended	0
Request withdrawn	0
Review by Administrative Appeals Tribunal	
Applications received	0
Review by the Office of the Australian Information Commissioner	
Applications received	0

The CEFC is required to lodge both quarterly and annual statistical returns with the Information Commissioner on statistics relating to Freedom of Information applications received and processed under the *Freedom of Information Act 1982*. The data provided under both formats of these statistical returns is used to inform the Information Commissioner's Annual Report. As the Corporation did not stand up until 15 April 2013, the CEFC lodged its first quarterly report on 21 July 2013.

APPENDIX H:

Work, Health and Safety – a Report under *Work Health and Safety Act 2011*, Schedule 2, Part 4, Section 4

The CEFC takes workplace health and safety seriously as people are our most precious resource.

Under the *Work Health and Safety Act 2011* ('the WHS Act'), the Clean Energy Finance Corporation (CEFC) is a 'public authority' by the definition of that term at section 4, and its officers are 'officers' within the meaning of that term at sections 4 and 252.

The WHS Act applies to the CEFC as a 'public authority' and to its officers as 'officers' by way of section 12. The Corporation must report annually according to the particulars of Schedule 2 Part 4, section 4, and these are outlined in turn below (pinpoint references for the WHS legislation are given afterwards in square brackets).

Initiatives taken during the year to ensure the health, safety and welfare of workers who carry out work for the entity [Schedule 2, Part 4, Section 4(2)(a)]

The CEFC is a Commonwealth authority and is bound to comply with the National Employment Standards. These standards cover standard hours of work, reasonable additional hours, flexible working arrangements, provision of personal/carers leave and compassionate leave. The Standards underpin the CEFC's commitment to safe working hours and a holistic view of staff health and welfare.

The CEFC has an inclusive, healthy and professional workplace culture and does not tolerate the following behaviours in the workplace:

- physical and/or sexual harassment
- discrimination
- victimisation or bullying
- drunkenness; or
- unsafe work practices.

New employees are provided with a copy of the CEFC's *Corporate Policies and Procedures* manual, which documents the CEFC's stance on these issues as well as a WHS induction.

Contractors, consultants and project partners must comply with Fair Work Principles and ensure that their subcontractors are also in compliance. The CEFC's standard agreements with our contractor suppliers and our investment customers contain clauses insisting on compliance with the Fair Work Principles.

The Board has final responsibility for ensuring compliance with duties under statute and at law relating to WHS. The Board has delegated certain oversight related to risk management and compliance to its Audit & Risk Committee, and has delegated day-to-day management of WHS to the Chief Executive Officer, and through him, to management.

The Board has adopted the following framework for managing WHS compliance:

- Continuing to exercise a risk appetite and maintaining a risk management framework; and
- Maintaining the company's *Corporate Policies and Procedures.*

The CEFC has four fire wardens appointed across the organisation's two offices in Sydney and Brisbane. These fire wardens have conducted emergency evacuation training in accordance with requirements under NSW and Queensland law. The CEFC also has four certified First Aid Wardens appointed. In the event that a First Aid Warden is not available, a list of emergency first aid procedures and first aid equipment has been made available to all employees.

The CEFC encourages staff engagement in healthy exercise. The CEFC's occupied premises provide locker, shower and change facilities for employees wanting to exercise before or after work.

Both the Sydney and Brisbane premises also represent secure buildings with swipe pass access only to the office, and to the building generally, on nights and weekends. Workstation design and facilities are all new and as such, exhibit modern safety features (rounded corners, safety switch on boiling water tap and adjustable seats and monitor arms).

The CEFC has established a relationship with Drake WorkWise for the provision of an Employee Assistance Program (EAP) into the business. The Board, Executive and Staff are unified in their responsibility to provide a caring environment that reflects Corporation values, and the offering of a confidential EAP of this type helps us achieve this goal.

Health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned under paragraph (a) or previous initiatives [Schedule 2, Part 4, Section 4(2)(b)]

The CEFC has a zero rate of injuries for the reporting period:

Table H.1. *Rate of injuries of employees and contractors in the reporting period.*

Statistic	2012/13
Injury rates – Employees	0
Injury rates – Contractors	0

Statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity [Schedule 2, Part 4, Section 4(2)(c)]

The CEFC has a zero rate of deaths, serious injury or illness and dangerous incidents for the reporting period:

Table H.2. *Rate of deaths, serious injury or illness and dangerous incidents in the reporting period.*

Statistic	2012/13
Deaths	0
Serious personal injury	0
Injury resulting in incapacity for more than 30 days	0
Dangerous occurrences	0
Total	**0**

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 [Schedule 2, Part 4, Section 4(2)(d)]

The CEFC has not received any notices, conducted any investigations, nor been investigated under the relevant provisions over the financial year:

Table H.3. *Investigations and notices in the reporting period.*

Statistic	2012/13
Investigations by Health and Safety representatives under section 68(1)(c)	0
Investigations by inspectors under section 160(e)	0
Part 10 Improvement notices – sections 191 & 209	0
Part 10 Prohibition notices – sections 195 & 209	0
Part 10 Non-disturbance notice – sections 198 & 209	0
Total	**0**

Other matters as are required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit [Section 2, Part 4, Section 4(2)(e)]

At the time of writing the JCPAA had not as yet specified additional requirements for *Commonwealth Authorities and Companies Act 1997* authorities under this provision.

APPENDIX I:

Procurement by the CEFC – a Report under the *Clean Energy Finance Corporation Act 2012*, section 74(1)(i).

While the CEFC is not presently subject to Commonwealth Procurement Rules, under section 74(1)(i) the Corporation must set out in its annual report the details of any procurement contracts to which the Corporation is party that are in force at any time in the financial year and have a value of more than $80,000. The required particulars are set out in the table below.

Table I.1. *CEFC procurement contracts in the 2012-13 financial year (FY).*

Date entered into	Value of the Contract ($)	Value expended during the FY ($)	Contracting Party	Purpose
September 2012	602,475	602,475	Heidrick & Struggles Pty Ltd	Executive recruitment
January 2013	234,509	234,509	Ashurst Australia	Legal fees
February 2013	1,305,258	139,175	Dexus Property Group	Lease of premises at 1 Bligh Street, Sydney
April 2013	120,072	120,072	Henry Davis York	Legal fees
May 2013	99,550	99,550	Australian National Audit Office	Audit of financial statements for 30 June 2013
June 2013	590,665	590,665	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
All FY	2,952,529	1,786,446	Six procurement contracts over $80,000	

APPENDIX J:

Report under the ASX Corporate Governance Principles and Recommendations with 2010 Amendments

BEST PRACTICE REPORT ON CORPORATE GOVERNANCE

The CEFC is a statutory corporation formed by the *Clean Energy Finance Corporation Act 2012* ('the CEFC Act'), governed under the *Commonwealth Authorities and Companies Act 1997* rather than the *Corporations Act 2001*. The *Clean Energy Finance Corporation Investment Mandate Direction 2013* ('the Investment Mandate') under which the CEFC operates specifically states in part:

> '*in undertaking its investment function, the Corporation must act consistent with, and establish policies in relation to, Australian best practice corporate governance...*'

As part of the CEFC's commitment to best practice corporate governance this Appendix outlines the CEFC's performance against the eight principles outlined by the Australian Securities Exchange (ASX) Corporate Governance Council (in so far as they are relevant to the Corporation's particular legislation); notwithstanding the CEFC is not a listed entity.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Under the *Clean Energy Finance Corporation Act 2012*, the Corporation is governed by a Board appointed by the Responsible Ministers to act on a part-time basis. The Board has adopted a charter which sets out its functions, rules and responsibilities. Further, the Board has established two separately chartered Committees. More information on the Board and its Committees can be found in *Section 3: Corporate Governance and Public Accountability*.

The CEFC Act itself reserves certain functions for the Board. Decisions on Investments are reserved to the Board. More information about the Corporation's investment process and oversight is contained in *Section 2: Investments*.

The Chief Executive Officer of the Corporation is a statutory officer responsible for the day-to-day administration of the CEFC, and performs this role according to the policies established by the Board. The CEO is appointed by the Board after consultation with the Responsible Ministers. More information on the responsibilities of the CEO can be found at *Section 3: Corporate Governance and Public Accountability*.

The CEFC Executive assist the CEO in the day to day administration of the Corporation, are appointed by the Board, and are remunerated according to Board established terms and conditions in accordance with the CEFC Act and the Corporation's policies. For more information on the CEFC Executive see pages 83-5 of this annual report in *Section 3: Corporate Governance and Public Accountability*.

1.2 Companies should disclose the process for evaluating the performance of senior executives

During the reporting period that this annual report refers, the primary concern for the Board has been in establishing the Corporation as an operational business, including its policies, systems and procedures.

The Board Remuneration & Human Resources Committee is chartered with responsibility for the structuring of

Executive remuneration and evaluation of performance of executives. There were no formal performance evaluations made within the reporting period as the CEO was only appointed in 2012 and the remaining senior executives in April 2013. See page 83 of this annual report for more information on this measure.

1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

The information is reported in points 1.1-1.2 inclusive above and in the relevant sections of this annual report as referred to in 1.1-1.2.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 A majority of the Board should be independent directors

Under the CEFC Act, all Board members are independent non-executive directors. This principle is set in law by the CEFC Act. See *Section 3: Corporate Governance and Public Accountability* for more information on the Board – in particular information on the skills, experience and expertise relevant to each director and their relevant tenure.

It is important to note that the CEFC is a statutory corporation has no shares and no director has equity holdings (all equity is held by the Australian Government).

2.2 The Chair should be an independent director

The Chair is an independent director.

2.3 The roles of Chair and CEO should not be exercised by the same individual

Different individuals exercise the roles of Chair and CEO. This principle is set in law by the CEFC Act.

2.4 The Board should establish a nomination committee

Under the CEFC Act, the Australian Government (through the Responsible Ministers and Cabinet process) appoints Board Members and there is no nominations process allotted to the Board under the CEFC Act. As such, a nomination committee is not required.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

During the reporting period covered by this Annual Report the primary concern for the Board has been in establishing the Corporation as an operational business, including its policies, systems and procedures.

In the 2013-14 financial year, the Board expects to undertake a self-assessment process in relation to director performance and education.

2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2

The information is reported in points 2.1-2.5 inclusive above and in the relevant sections of this Annual Report as referred to in 2.1-2.5.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The CEFC has a code of conduct and ethics, and the CEFC's corporate policies and procedures establish both the expectations of the Corporation with respect to the standards of behaviour and the procedures and systems for detecting and reporting breaches. The Corporation also has a whistle-blower policy to encourage and protect employees who disclose unethical and unlawful behaviour.

Depending on the nature and extent of the unethical behaviour, an individual found to be acting unethically can face a number of sanctions up to and including:

- termination
- civil recovery action by the Corporation; and
- referral to law enforcement or regulatory authorities for further civil or criminal prosecution.

More information about the Corporation's oversight mechanisms is available in *Section 3: Corporate Governance and Public Accountability*.

The CEFC does business with a large number of public and private companies in Australia. To ensure ethical investing and decision making at the Board level, the Board has determined the following thresholds as providing prima facie evidence of materiality for director interests:

- A Director holds 10% or more of the equity in a particular entity; or
- A particular investment constitutes greater than 5% of a Director's personal net worth.

In addition, the CEFC maintains:

- a stringent regime of declarations of material interests, and declarations of conflicts of interest;
- procedures for dealing ethically with related party interests; and
- an embargo system for trade in the securities of listed entities with which the Corporation may be engaged.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

The CEFC's corporate policies and procedures detail the Corporation's commitment to diversity and a workplace free of unlawful discrimination, bullying and harassment. More information about diversity in the CEFC is available at Appendix E of this annual report.

3.3 Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The CEFC is subject to the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, and under this legislation, must develop a program for equal employment opportunity. The Corporation's first program report will fall due on 17 July 2014 (that is, one year and three months after the anniversary of which the Corporation first had 40 employees). More information is available at Appendix E of this annual report.

3.4 Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

This information is available at Appendix E of this annual report.

3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3

The information is reported in points 3.1-3.4 inclusive above and in the relevant sections of this annual report as referred to in 3.1-3.4.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The board should establish an Audit Committee

An audit committee is a requirement under the CAC Act, and the CEFC has established and chartered an Audit & Risk Committee. See pages 75-9 of this annual report in *Section 3: Corporate Governance and Public Accountability* for further information on the Audit & Risk Committee including the names and qualifications of those appointed to the committee, as well as the number of meetings held and attended by the members.

4.2 The Audit Committee should be structured so that it consists of only non-executive directors; a majority of independent directors; is chaired by an Independent Chair, who is not Chair of the Board; has at least three members.

The CEFC Audit & Risk Committee is comprised of three independent directors and the chair of the Committee is not the Chair of the Board. See pages 75-9 of this annual report in *Section 3: Corporate Governance and Public Accountability* for more information on the composition of the Audit & Risk Committee.

4.3 The Audit Committee should have a formal charter

The CEFC Audit & Risk Committee has a formal charter that was approved by the Board on 1 March 2013 and is subject to an annual review process.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4

The information is reported in points 4.1-4.3 inclusive above and in the relevant sections of this annual report as referred to in 4.1-4.3. Please also note in respect to the requirement contained in the Guide to reporting on Principle 4 that requests the company publish information on the procedure for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners; it is a requirement of the CAC Act that the CEFC use the ANAO.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level

for that compliance and disclose those policies or a summary of those policies

As the CEFC is not a listed company, Principle 5 does not directly relate to the Corporation. However, under its enabling legislation, the CEFC is required to report quarterly on all investments made in the previous financial quarter. This is published on the CEFC website. In addition, the CEFC places media releases and its annual report (incorporating the financial statements) on its website. Further, the Corporation is subject to the *Freedom of Information Act 1982* including the proactive Information Publication Scheme.

The CEFC keeps its Responsible Ministers informed of operations, in accordance with its obligations under the CAC Act.

5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5

This is not applicable as the obligations under 5.2 are not applicable to the CEFC given the Corporation is not a listed company.

PRINCIPLE 6: RESPECT THE RIGHTS OF THE SHAREHOLDER

6.1 Companies should design a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The CEFC enjoys a close working relationship with its sole owner, the Australian Government at a range of levels. While there is no AGM style requirement under the CEFC Act, Responsible Ministers are regularly briefed and required to be kept informed by the CEFC under the CAC Act.

The CEFC is also subject to Senate Estimates and extensive public reporting requirements. Through Ministers and the Parliament, the CEFC's ultimate owners – the Australian public – are kept informed. In addition, the CEFC adopts a proactive practice of disclosure and formal reports and many of the Corporation's key documents are available on the CEFC's website at:
www.cleanenergyfinancecorp.com.au

6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6

Whilst the CEFC is a Government Corporation and not an ASX listed corporation, it nonetheless reports on all investments made in a Quarterly Investment Report; issues media releases on any new investments, any major news affecting the CEFC, and a range of associated information that may be relevant to the market; and publishes its financial data in the annual report. All such material is available on the CEFC website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The CEFC operates under a sound risk management framework designed to identify and effectively manage key risks. More information on risk management can be found at *Section 2: Investments* (pages 57-8, 63) in *Section 3: Corporate Governance and Public Accountability* (pages 73, 88) and in Section 4 (pages 103-4, 130-2). It should also be noted that the CEFC publishes a summary of the Corporation's policies on risk oversight and management of material business risks as part of the *CEFC Investment Policies* on its website at: http://www.cleanenergyfinancecorp.com.au/what-we-do/investment-policies/risk-management.aspx.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The CEFC recognises that risk identification and management is an important aspect of governance. The CEFC identifies, prioritises and documents all significant risks. Material risks are reported to the Board through the Audit & Risk Committee. The CEFC's Risk Management Framework is described in more detail on page 88 of this annual report in *Section 3: Corporate Governance and Public Accountability*. Further depth is provided online in the CEFC Investment Policies on its website at: http://www.cleanenergyfinancecorp.com.au/what-we-do/investment-policies/risk-management.aspx.

Most important for an operation like the CEFC is mitigation and management of the risks associated with investment. For more information on how the CEFC manages risk, see *Section 2: Investments*.

7.3 The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

While the Corporations Act is not applicable to the CEFC, the CEFC has adopted a similar system of declaration as a matter of sound corporate practice. The Management representation letter from the CEO and CFO is reviewed by the Audit & Risk Committee and the Board prior to approving the financial statements and notes which form part of the Corporation's annual report. This year the letters of representation were tabled and executed on 20 August 2013.

7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7

The information is reported in points 7.1-7.3 inclusive above and in the relevant sections of this annual report as referred to in 7.1-7.3.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 The board should establish a remuneration committee

Information on the CEFC Remuneration & Human Resources Committee is available on pages 72-9 of this annual report in *Section 3: Corporate Governance and Public Accountability*.

8.2 The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by

an independent chair, and has at least three members.

The CEFC Remuneration & Human Resources Committee is comprised of three independent directors and the Chair of the Committee is not the Chair of the Board. Further information on the CEFC Remuneration & Human Resources Committee is available on pages 72-9 of this annual report in *Section 3: Corporate Governance and Public Accountability*. This includes information on the names of members of the committee and their attendance at meetings.

8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

Please note the Board cannot establish its own remuneration as this is performed by the Remuneration Tribunal acting under the *Remuneration Tribunal Act 1973*. Under the CEFC Act, the Board determines the terms and conditions of employment of CEFC employees, including senior executives. Further information on remuneration of CEFC employees is available on page 85 of this annual report in *Section 3: Corporate Governance and Public Accountability,* and at Section 4 (page 125).

The CEFC is a statutory corporation and all equity is owned by the Australian Government. It is not possible to remunerate executives with equity.

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8

The information is reported in points 8.1-8.3 inclusive above and in relevant sections of the annual report as referred to in 8.1-8.3.

Glossary

AASB	**A**ustralian **A**ccounting **S**tandards **B**oard
Abatement	Refers to reductions in CO2-e emissions
'the Act'	See 'CEFC Act' below.
Aggregation finance	The means of using a co-finance partner as an intermediary to aggregate customer demand that would otherwise be too expensive or dispersed to be serviced directly by the CEFC
AIPP	**A**ustralian **I**ndustry **P**articipation **P**lans – under the CEFC Investment Mandate, these are plans required of certain finance recipients that enable Australian and New Zealand industry to be informed of procurement plans. Ausindustry is the administrator of this Australian Government program.
ANAO	**A**ustralian **N**ational **A**udit **O**ffice – the CEFC's auditors. Also known as the 'Auditor-General'.
ABN	**A**ustralian **B**usiness **N**umber, a unique number issued by the Australian Business Register
AGM	**A**nnual **G**eneral **M**eeting. Note the CEFC is not required to have an AGM under the Act.
Appropriations	Put simply, the means by which money from the Treasury is made available to the Australian Government by the Parliament.
ARENA	**A**ustralian **R**enewable **En**ergy **A**gency – an Australian Government statutory authority which supports investment in renewable energy. The CEFC shares information and works with ARENA to advance projects in the renewable energy sector.
ASX	**A**ustralian **S**ecurities **E**xchange
ATO	**A**ustralian **T**ax **O**ffice
Benchmark return	See 'Portfolio benchmark return' below.
Black price	The price of black coal-generated electricity
CAC Act	***C**ommonwealth **A**uthorities and **C**ompanies Act 1997* – the legislation that governs Australian Government statutory authorities like the CEFC.
CEFC Act	***C**lean **E**nergy **F**inance **C**orporation Act 2012* – the enabling legislation that creates and empowers the CEFC.

Clean Energy Technology	The types of technology the CEFC is allowed to invest in which include: • 'renewable energy technologies' (RET) • 'energy efficiency technologies' (EET) • 'low emissions technologies' (LET) Further definitions of these terms are available at **Appendix D**.
CO2-e	Carbon dioxide-equivalent – A standard measure that takes account of the different global warming potentials of greenhouse gases and expresses the cumulative effect in a common unit (definition from the National Carbon Offset Standard).
Co-finance partner/ Co-financed products	Investment in clean energy technology projects indirectly via a financial product that is co-financed with a third party (such as a bank, utility company or other financier). The CEFC develops these products with co-financiers to leverage their capital and existing sales networks. These products can be distinguished from a direct loan.
Cogeneration	The generation of power and useful heat.
Commercial filter	The idea that the CEFC ought to apply commercial principles to the assessment of a given investment opportunity – in other words, that an investment must have commercial rigour before the CEFC will invest.
Commonwealth Special Account	A type of Australian Government account in which funds are held to the credit of the CEFC. See **Appendix A** for more information.
Concession / Concessionality	Concessionality is defined by the Investment Mandate and reflects the mark to market valuation of loans made that financial year and should be measured as the difference between the present value of each loan at market rates and the present value of each loan at the given concessional rate.
CSP	**C**oncentrated **S**olar **P**ower – a type of solar power generation used to generate heat or electricity, or both.
Demand Aggregators	See 'Aggregation finance' above.
Distributed generation	Distributed generation is essentially generation that occurs away from large power stations, and closer to where the power is used, typically on the lower voltage distribution network (that is, generation that is 'distributed' throughout the network rather than centralised at a power station). Examples are on site co-generation or solar panels on a roof). It can include (for example) co-generation within a building or factory (embedded generation), or even a network of connected buildings (precinct generation).
EAP	**E**mployee **A**ssistance **P**rogram
EFIC	**E**xport **F**inance and **I**nsurance **C**orporation – an Australian Government authority that provides finance and support to exporters.

Embedded generation	Generation of energy on site (for example, solar panels on a roof or a gas fired generator), as opposed to buying energy generated from afar and transmitted to the site (for example, electricity from a utility transmitted through the electricity network).
Energy Efficiency Technologies (EET)	'energy efficiency technologies' which includes 'energy efficiency', 'energy conservation' and 'demand management'. The CEFC Board has provided further definition on what constitutes 'energy efficiency technologies' for its purposes at **Appendix C.**
Environmental Upgrade Agreement	A type of finance created by statute, presently available in local government jurisdictions of City of Melbourne (Victoria) and across New South Wales including the City of Sydney, North Sydney, Parramatta, Lake Macquarie and Newcastle local government areas. Funding from a financier is repaid as a council rate and charge, increasing the security of the finance.
EPBC Act	***E**nvironment **P**rotection and **B**iodiversity **C**onservation **A**ct 1999.*
Equity	In finance terms, owned capital (such as shares) in a business or enterprise.
ESD	**e**cologically **s**ustainable **d**evelopment – a set of principles that corporations and government entities must report against under the EPBC Act.
ESG	**E**nvironmental **s**ocial and **g**overnance
EUA	See 'Environmental Upgrade Agreement' above.
FOI Act	***F**reedom **o**f **I**nformation Act 1982.*
General Policy Order	**G**eneral **P**olicy **O**rder – an instrument to direct government entities made under the CAC Act.
GHGs	**G**reen**h**ouse **g**ases – the atmospheric gases responsible for causing global warming and climate change. The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydro-fluorocarbons (HFCs), per-fluorocarbons (PFCs) and sulphur hexafluoride (SF6).
GIB	**G**reen **I**nvestment **B**ank – a public company owned by the UK Government with a similar mission to the CEFC.
Green price	The price of renewables-generated electricity
Hybrid technology	As defined by the CEFC Board, a combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system. See 'Renewable Energy Technologies' below.

Investment Mandate	Formally, the *Clean Energy Finance Corporation Investment Mandate Direction 2013* – a ministerial direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function. More commonly, the 'investment mandate' refers to the particular spectrum of opportunities that any given entity is allowed to invest in (i.e. the 'investment universe'). In this report we use capitalisation to distinguish between the two.
Investment pipeline	The forward view of future CEFC investment opportunities.
IPO	**I**nitial **P**ublic **O**ffer – the sale of stock by a private company to the general public
JCPAA	**J**oint **C**ommittee of **P**ublic **A**ccounts and **A**udit
KPI	**K**ey **P**erformance **I**ndicators – these are established in the annual Portfolio Budget Statement.
Large Scale Generation certificates (LGCs)	Tradable certificates created under Section 17 of the *Renewable Energy (Electricity) Act 2000*. One LGC is equivalent to 1 MWh (megawatt hour) of eligible renewable electricity generated above the power station's baseline.
Low Carbon Australia (LCAL)	**L**ow **C**arbon **A**ustralia **L**imited – an Australian Government company that served as a small-scale pilot for the CEFC's work. The Australian Government has determined that LCAL will be integrated into the CEFC, and this process is almost complete.
LNG	**l**iquefied **n**atural **g**as
Low Emissions Technology (LET)	Low Emission Technologies may be applied to a number of activities including but not limited to: • energy production • electricity generation including the use of non-renewable, fossil fuels • fuels for and modes of transportation; and • using, reducing, or eliminating existing fugitive greenhouse gas emissions. In addition to meeting the above criteria, the Board requires that at the time of CEFC investment, the low emissions technology must result in emissions of CO2-e being substantially lower than the current average of the most relevant baseline for the activity being undertaken. The CEFC Board has provided further definition on what constitutes 'Low emission technologies' for its purposes on the CEFC website at **Appendix C**.
Mezzanine debt	A specific type of non-guaranteed debt that stands between equity and senior debt and subordinate to the senior debt. May or may not be convertible to equity.

NABERS	**N**ational **A**ustralian **B**uilt **E**nvironment **R**ating **S**ystem – a national ratings system that measures energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment.
Offtake agreement	An offtake agreement is an agreement between any producer (for example of energy or of crops) and a purchaser where the agreement is for future production.
'Pari passu' debt	A Latin term used in the legal and finance industry term that means 'on an equal footing' or 'on an equal basis' – for example, a loan in which two lenders agree to share any losses that arise on an equal basis. As opposed to 'subordinated debt'.
PBO	**P**arliamentary **B**udget **O**ffice
PGPA	***P**ublic **G**overnance, **P**erformance and **A**ccountability Act 2013*
Portfolio Benchmark Return rate (PBR)	A long-term target rate of return established by the Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured.
Portfolio Budget Statement (PBS)	Refers to the CEFC entries in The Treasury Portfolio Budget Statement.
Portfolio Investment Return	Actual return made by the CEFC, as opposed to the Portfolio Benchmark Return.
Positive externalities	Benefits which are not exclusive to parties to a contract (such as an investment contract) – for example – reduced carbon emissions which benefits society as a whole. It is a requirement of the Investment Mandate that positive externalities be considered when the CEFC makes investment choices.
Power Purchase Agreement (PPA)	A Power Purchase Agreement is a type of offtake agreement where the contract is to purchase future generated electricity.
Project proponents	The 'proposers' or owners of a given project, as opposed to the project financiers.
PV	PV is short for 'photovoltaic' and refers to a type of solar cell generation, as in 'solar PV'.
Refinancing	Refers to the stage of project development on or prior to the tenor of the original financing falling due, at which a new financing arrangement is sought to continue to support a development with debt finance.

Renewable Energy Target (RET)	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*.
Renewable Energy Technologies (RET)	Under the CEFC Act, the definition of 'renewable energy technologies' includes: • hybrid technologies that integrate renewable energy technologies; and • technologies (including enabling technologies) that are related to renewable energy technologies. The CEFC Board has provided further definition on what constitutes 'renewable energy technologies' for its purposes on the CEFC website at **Appendix C.**
Requirements for annual reports	Short for the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies, approved by the Joint Committee of Public Accounts and Audit, July 2012*
Small-scale Technology Certificates (STCs)	Tradeable certificates under the Small-scale Renewable Energy Scheme (SRES) – itself implemented through the *Renewable Energy (Electricity) Act 2000* and the accompanying *Renewable Energy (Electricity) Regulations 2001*. One STC is equivalent to 1MWh (megawatt hour) of: • renewable electricity generated by the solar panel, small-scale wind or hydro system (unless the Solar Credits multiplier applies); or • electricity displaced by the installation of a solar water heater or heat pump.
Strategic Alliance Partner	An engineering firm, product vendor, or environmental services company that the CEFC partners with to identify, channel and further develop project opportunities.
Subordinated debt	Where two 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 (e.g. one financier may take a 'first loss' or higher risk position in the event the finance recipient becomes insolvent and cannot repay the loan). As opposed to 'pari-passu debt'.
TARPs	**T**otal **A**nnual **R**emuneration **P**ackage**s** – the means of calculating total remunerative benefits for CEFC staff.
tCO2-e	Stands for **t**onnes of **c**arbon **dioxide** **e**quivalent greenhouse gas.
Tenor	Length or term of the loan.
Trigeneration	A system of generating power, heating and cooling. A trigeneration system is identical to a cogeneration system with the addition of the cooling element.
WHS Act	***W**ork **H**ealth **S**afety Act 2011*

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