CEFC Annual Report 2017–18

In this report

More than 5,500 projects for farmers, businesses and manufacturers.

Business

Future

Backing innovation and new technologies.

Follow us @CEFCAus

cefc.com.au

Our capital works across the economy, in a diverse range of projects.

Economy

Environment

Tackling some of Australia's toughest emissions challenges.

Clean Energy Finance Corporation
ABN: 43 669 904 352

For further information please visit

cefc.com.au

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PHONE 1300 00 2332

Follow us on Twitter **@CEFCAus**

Contact officer: Mr S G Every
Head of Corporate & Government Affairs
Clean Energy Finance Corporation

info@cefc.com.au

The Clean Energy Finance Corporation's Annual and EEO reports are available on our website.

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.

Our mission

CEFC is tackling some of Australia's toughest emissions challenges by supporting innovative projects, technologies and investment partnerships.

2017-18 year in review

39
TRANSACTIONS

$2.3B
NEW COMMITMENTS

$6.7B
TOTAL PROJECT VALUE

Every $1 of CEFC finance matched by an additional $1.80 from the private sector.

Our commitments

*since inception

CEFC
$6.6B

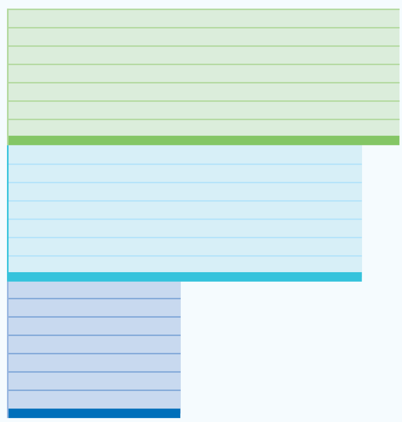
OTHER FINANCE
$12.3B

Transforming clean energy investment

2017-18
$2.3B

2016-17
$2.1B

2015-16
$837M



Special investment programs

*since inception

SUSTAINABLE CITIES

$1.8B

REEF FUNDING PROGRAM

$326M

CLEAN ENERGY INNOVATION FUND

$56.2M

PORTFOLIO LIFETIME ABATEMENT*

~190M tCO_2-e

*Once funds are deployed and projects are fully operational

Clean energy technologies: 2017-18

Renewables

CEFC FINANCE
$1.1B

TOTAL PROJECT VALUE
$3.1B

Energy efficiency

CEFC FINANCE
$944M

TOTAL PROJECT VALUE
$3.3B

Transport

CEFC FINANCE
$100M

TOTAL PROJECT VALUE
$100M

Waste-related

CEFC FINANCE
$127M

TOTAL PROJECT VALUE
$148M

CEFC
CLEAN ENERGY FINANCE CORP

26 September 2018

The Hon Angus Taylor MP
Minister for Energy

Senator the Hon Mathias Cormann
Minister for Finance and the Public Service

Parliament House
Canberra ACT 2600

Dear Ministers

CLEAN ENERGY FINANCE CORPORATION (CEFC) ANNUAL REPORT 2017-18

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2017-18*.

This Annual Report has been prepared for presentation to the Australian Parliament in accordance with the requirements of the following Acts and their accompanying subordinate legislation:

- *Clean Energy Finance Corporation Act 2012*
- *Public Governance, Performance and Accountability Act 2013.*

This Report is comprised of:

- a Report of Operations, including the additional information required by section 74 of the *Clean Energy Finance Corporation Act 2012*
- the audited Financial Statements and Notes and the Auditor's Report
- mandatory reports under:
    - section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*
    - Schedule 2, Part 4, section 4 of the *Work Health and Safety Act 2011*
    - section 9 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*.

This Report was approved by resolution at the 81st meeting of the Board of the CEFC held at the Adelaide Oval, War Memorial Drive, North Adelaide, via delegation of authority to the Chair.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely

Steven Skala AO
Chair

cc: The Hon Melissa Price MP
Minister for the Environment

Clean Energy Finance Corporation
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Sydney NSW 2000
ABN: 43 669 904 352
e info@cefc.com.au
t 1300 002 332

About us

The CEFC is responsible for investing $10 billion in clean energy projects on behalf of the Australian Government.

Our goal is to help lower Australia's carbon emissions by investing in renewable energy, energy efficiency and low emissions technologies.

We also support innovative start-up companies through the Clean Energy Innovation Fund. Across our portfolio, we invest to deliver a positive return for taxpayers.

Our purpose

CEFC investment decisions are influenced by the public policy benefits they bring to the Australian economy:

1. REDUCING EMISSIONS
2. REDUCING THE COST OF CLEAN ENERGY TECHNOLOGIES
3. BRINGING TECHNOLOGICAL DIVERSITY INTO THE ENERGY MIX
4. SUPPORTING PRODUCTIVITY GAINS THROUGH ENERGY EFFICIENCY
5. ENCOURAGING INNOVATION AND BUILDING INDUSTRY CAPABILITY
6. ENCOURAGING PRIVATE SECTOR FINANCE INTO THE CLEAN ENERGY SECTOR

The year has seen industry seize the challenges and opportunities offered by decarbonisation.

From our Chair

Steven Skala AO
Steven Skala AO
Chair

I am pleased to commend the 2017-18 Annual Report of the Clean Energy Finance Corporation.

This, our fifth full year of investing, has been amongst our most successful to date.

The CEFC has a clear charter to be a catalyst for investment in and financing of clean energy to achieve the long-term goal of decarbonising the Australian economy. We are a global leader amongst institutions of our type. Our methodology is to seek to crowd in private sector investment and engage capital markets to operate effectively in the private energy sector.

A record $2.3 billion in new investment commitments were made during the year. These investments include marquee projects and highlight that decarbonisation can be achieved profitably and effectively right across the clean energy sector – in renewable energy, energy efficiency, transport and waste-related projects. The types of underlying assets that attract CEFC investment commitments are broad and touch all aspects of our national economy.

This year has seen industry seizing the challenges and opportunities offered by decarbonisation, and accelerating its consideration of emerging duties associated with carbon disclosure. The financial markets have also moved in this regard. The question now is not one of direction, but of pace.

This means the CEFC will continue to have a significant number of opportunities available in its investment pipeline.

The CEFC will also continue to examine market gaps in clean energy investment. In all cases this will be done prudently, seeking to meet the challenging objectives of increasing the flow of finance into the clean energy sector, while achieving a reasonable rate of return on the CEFC's capital.

AN ENGAGED BOARD

During the reporting period, the then Responsible Ministers the Hon Josh Frydenberg MP, and Senator the Hon Mathias Cormann substantively refreshed the Board. Leeanne Bond, Philip Coffey, Laura Reed, Andrea Slattery, Samantha Tough and Nicola Wakefield Evans all joined the Board and I was appointed Chair. These Board changes were phased in over a period of six months between August 2017 and February 2018.

I thank and again acknowledge the service of both the current Board and former Board members Jillian Broadbent AO, Ian Moore, Anna Skarbek, Andrew Stock and Martijn Wilder AM. I note in particular Paul Binsted, who continued to serve after the expiry of his term as an adviser to the Board's Audit and Risk Committee and to the Australian Government in relation to the Statutory Review.

After the reporting period, changes to the Ministry meant that the Hon Josh Frydenberg ceased to be a Responsible Minister for the CEFC with the Hon Angus Taylor MP and the Hon Melissa Price assuming his portfolio responsibilities.

Minister Frydenberg proved a strong advocate for the work of the CEFC throughout his tenure and I thank him on behalf of the Corporation for his support, advice and interest in the CEFC and its operations.

I would also like to thank Minister Cormann for his continued support, and ongoing interest in the work of the CEFC; and warmly welcome Ministers Taylor and Price to the portfolio.

LOOKING TO THE FUTURE

The CEFC has now made cumulative investment commitments into the clean energy economy of more than $6.6 billion, to projects with a total value of $19 billion.

Importantly, these investments are made up of loans and equity – not grants – and seek to achieve the Australian Government's cost of funds plus a reasonable margin. Repaid investment principal and retained earnings are available to finance the next cycle of investments. Some $4.7 billion of the CEFC's original $10 billion in statutory appropriations remains to be invested.

Given the finite amount of the CEFC's capital ($10 billion plus retained earnings), the run rate at which the capital is being deployed and the timing when loans are due for repayment to the Corporation, the CEFC is reviewing carefully how it might seek to 'recycle' some of its assets to ensure there is no significant constraint on its investment capacity.

In doing so, we are examining how potential clean energy investors may gain exposure to some of our loan and equity assets, to step in to some of the CEFC's partially de-risked positions, and thereby free up capital to enable the CEFC to make new investments.

The scale of Australia's transition to a decarbonised economy means that the power of markets and private capital must be employed, and it is our role to catalyse that private sector investment.

I thank our staff, our clients and our stakeholders for their continued support, passion and commitment to our work. ■

We see a common thread in this activity: a focus on embracing technological innovation to cut energy costs, lower emissions and plan for the long term.

From our CEO

Ian Learmonth
Chief Executive Officer

Much has changed since the CEFC began investing in 2013. From our early days largely focusing on renewable energy opportunities, we now see our capital working right across the economy, in an increasingly diverse range of projects.

We see clean energy technologies embraced by home owners and small businesses; essential infrastructure projects and landmark property developments; innovative start-ups and institutional investors with an eye to a sustainable future.

In 2017-18, our most active year of investment, we see a common thread in this activity: a focus on embracing technological innovation to cut energy costs and lower emissions.

As an investor on behalf of Australian taxpayers, we are proud to be part of this exciting economic transition. CEFC capital has played a key role in a $19 billion uplift in clean energy investments in Australia in just five years, with every dollar of CEFC investment matched by $1.80 from other investors. This is made possible with the vital contribution of our co-investors, project developers and others as the CEFC works to deliver on our mission to catalyse additional finance into the clean energy sector.

IMPACT AND INNOVATION

Our strategy is focused around the key themes of impact, innovation and organisational effectiveness. In addressing financing gaps in the clean energy sector, we constantly adapt our offering to meet the needs of this dynamic market. Within a robust governance framework we invest across a wide range of clean energy subsectors and asset classes:

- 2017-18 was a record year for **renewable energy investment** in Australia as the cost of renewables continued to decline and proponents raced to build out the 2020 Renewable Energy Target. We financed 10 large-scale solar projects and four wind farms in 2017-18, including projects underpinned by power purchase agreements as large-scale energy consumers reduced their exposure to high power prices.
- Australia now has a **firmly established ecosystem** of local and international project developers, engineers, equipment suppliers, advisers, consultants and financial institutions, generating income and jobs for the Australian community.
- Integrating variable renewables requires significant investment in **balancing technologies** such as pumped hydro, storage, transmission and demand response. We have financed four large-scale renewables-plus-storage projects, as well as the world's first fully-integrated wind, solar and battery project.

- **Energy efficiency** performance is mixed across the economy: while office and commercial buildings increasingly target ambitious standards, residential energy efficiency is improving very slowly, and there is a long way to go in industrial energy use. We invest in market leading projects and investment funds to demonstrate how energy efficiency can reduce emissions and deliver high quality buildings, processes, infrastructure, products and services.
- **Electrifying transport** is an important way to tackle growing transport emissions and Australia is still to embrace the market in a meaningful manner. The CEFC particularly focuses on accelerating the uptake of electric vehicles and new charging infrastructure.
- **Agriculture** emissions are projected to grow as Australia's population grows and we export food and fibre to our region and beyond. We invest in energy efficient agriculture to cut methane emissions.
- The **waste** sector also presents an opportunity. By recovering energy from urban and industrial waste and cutting the amount of waste that goes into landfill, we can reduce emissions and provide firm generation capacity.
- Clean energy is an emerging focus for Australian innovators, and our **venture capital-focused Innovation Fund** is helping accelerate the commercialisation of exciting low carbon technologies.

A RECORD OF STRONG GOVERNANCE

None of the CEFC's achievements would be possible without our highly skilled and experienced team. We ask our people to bring their commercial expertise and market knowledge to the transformation of clean energy markets and I recognise their tremendous contributions. I also recognise the efforts of our departing Chief Governance and Strategy Officer Kevin Holmes and Chief Investment Risk Officer Stephen Panizza.

We bid farewell to our founding Board members and chair, Jillian Broadbent AO during 2017-18 and welcomed our new chair Steven Skala AO, and new Board members. The fresh perspectives of our Board continue the CEFC's record of strong governance.

We appreciate the effective working relationships with Minister for the Environment and Energy the Hon Josh Frydenberg MP and the Minister for Finance Senator the Hon Mathias Cormann. We thank Minister Frydenberg for his support and look forward to working with Energy Minister Angus Taylor and Environment Minister Melissa Price in their new roles.

We also appreciate the continued interest in our activities from many members of the Australian parliament, as well as state and territory parliaments and agencies.

On behalf of the CEFC, I acknowledge the exceptional leadership of Ivor Frischknecht, ARENA's founding chief executive, and welcome his successor Darren Miller. We are excited by the continued role of our two organisations at the heart of Australia's innovative clean energy ecosystem.

SHARPENED FOCUS ON EMISSIONS

In the year ahead, we will sharpen our focus on the emissions impact of our investments – from the direct carbon reductions of projects we finance, to the indirect demonstration benefits of the projects and companies we invest in, and our increasing focus on biocarbon.

While the pace of the clean energy transition varies from year to year, our investment pipeline is robust. We look forward to expanding our work alongside market leading businesses, entrepreneurs and developers for the benefit of the Australian community. ■

Investing across Australia

Lithium for clean energy supply chain

Solar and storage provides remote area energy solution

Smart farming technologies

A new wave of ocean technology

Sun-powered Alice Springs

Red centre grows as solar centre

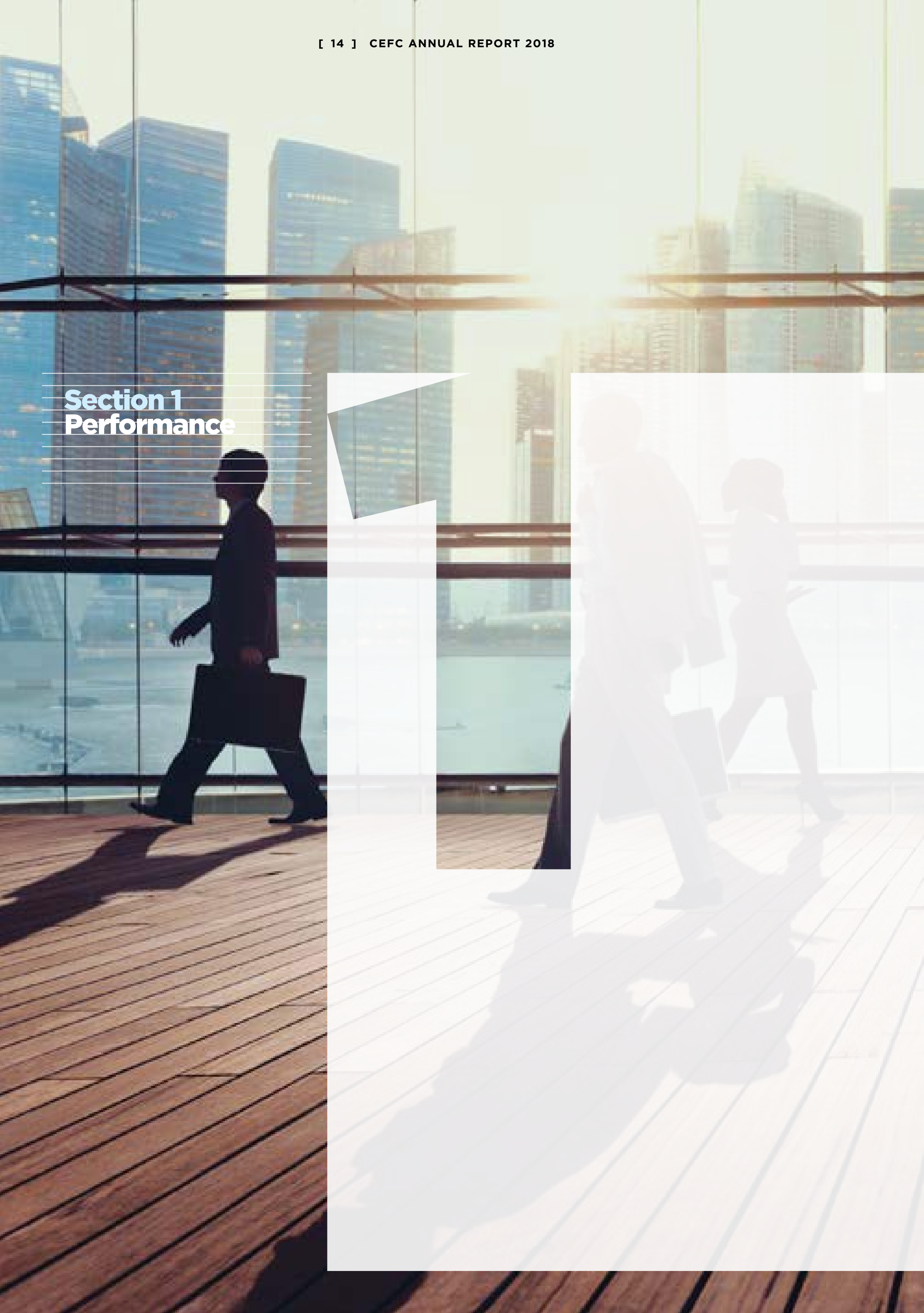
Grid-scale battery to boost grid reliability

Sustainability gets a good health report

Impact.

*This is a selection only

Section 1 Performance



Performance

CEFC FINANCE IN ACTION

Investing for impact and innovation.

The CEFC set new records in the number and value of investment commitments in 2017-18, delivering a heightened focus on some of the nation's toughest emissions challenges through our support for innovative projects, technologies and investment partnerships across Australia.

2017-18 CEFC COMMITMENTS $2.3B

In 2017-18, we maintained our role as a leading investor in Australia's renewable energy sector and further extended the impact of our investment in emissions reduction initiatives in infrastructure, agriculture, property, transport and waste. In addition, our venture capital finance for innovative clean energy companies saw continued growth.

In the 12 months to 30 June 2018, the CEFC directly committed to 39 transactions, up from 36 direct investments in 2016-17. Total new CEFC commitments in 2017-18 were $2.3 billion, up from $2.1 billion in the previous year.

Our commitments in 2017-18 included $1.1 billion in renewable energy, $944 million in energy efficiency, $100 million in transport and $127 million in waste-related projects, demonstrating the diversity of our approach to finance and investment.

At 30 June 2018, total CEFC investment commitments since inception exceeded $6.6 billion. After allowing for fully amortised, repaid or exited, and expired or cancelled undrawn commitments, the CEFC investment portfolio commitments stood at $5.3 billion, a 55 per cent increase on the $3.4 billion portfolio a year earlier.

In five years of investing, CEFC commitments have contributed to clean energy projects Australia-wide, with a total project value of around $19 billion. We have directly invested in more than 110 individual transactions and financed more than 5,500 smaller-scale clean energy projects through our partners.

Each dollar of CEFC investment commitments made in 2017-18 has been matched by more than $1.80 of private sector finance. Our portfolio of investment commitments made in 2017-18 is expected to deliver annual cuts to greenhouse gas emissions of more than 3 million tonnes of CO_2-e.

Taking into account our full portfolio of investment commitments since 2013, lifetime cuts to greenhouse gas emissions of more than 190 million tonnes of CO_2-e are forecast (once funds are deployed and projects are fully operational).

We do not claim that abatement associated with our investment commitments occurs independently of complementary government policies such as the Renewable Energy Target.

SINCE INCEPTION

Annual cuts to greenhouse gas emissions

~10.8M tCO_2-e

SINCE INCEPTION

Lifetime cuts to greenhouse gas emissions

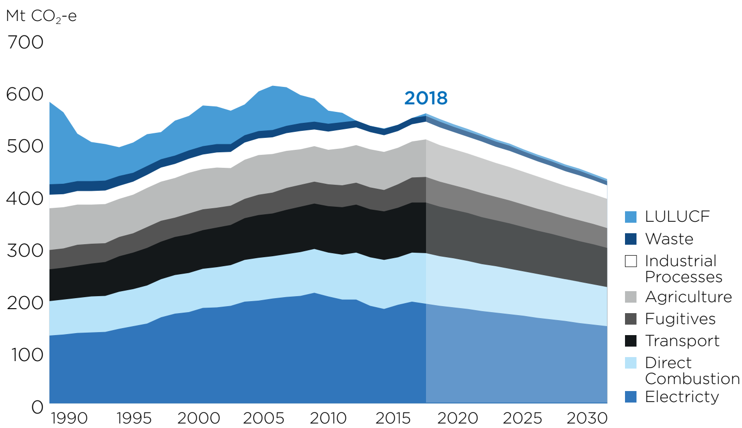
~190M tCO_2-e

Australia's emissions task

The Australian Government has committed to reduce Australia's emissions by 26 to 28 per cent below 2005 levels by 2030 under the Paris Agreement, as part of initial international efforts to cap any rise in global temperatures to well below 2°C above pre-industrial levels. In order to achieve this objective, all parties are aiming to pursue net zero global emissions in the second half of this century.

The most recent projections from the Department of the Environment and Energy show that the electricity sector currently accounts for 34 per cent of Australia's emissions, with direct combustion (18 per cent), transport (17 per cent) and agriculture (13 per cent) the other major emitting sectors.

Figure 1: Australia's historical emissions and illustrative trajectories to 2030 – by sector



Source: Australian Government, CEFC.

Note: From 2018–2030, illustrative emissions trajectories are in line with an emissions reduction of 28 per cent in each sector.

Clean energy trends.

Corporate PPA transactions reached

1,700 MW

RENEWABLE ENERGY OUTPUT

Electric vehicle sales

2,300

NEW VEHICLES

Australia will require declining emissions in every sector of economic activity in order to achieve its Paris commitments at least cost.

NEW INVESTMENT INTO LARGE-SCALE RENEWABLE WIND AND SOLAR ENERGY

$8.6B

The electricity system, which represents about a third of national greenhouse gas emissions, is undergoing a multi-decade transition – from one dominated by coal-fired generation to a portfolio of utility-scale renewable generation, energy storage, distributed energy resources and flexible thermal capacity linked by a strengthened transmission network.

The pace of this transition is accelerating. In 2017-18, Bloomberg New Energy Finance reported new investment into large-scale renewable wind and solar energy reached more than $8.6 billion, compared with $5.4 billion in the previous year.

New revenue models are also emerging. While many new renewable energy projects have offtake arrangements with electricity retailers, some new capacity is initially operating on a partial or fully merchant basis. Increasingly, projects are underpinned by corporate power purchase agreements (PPA), as large-scale energy users seek to lock in lower long-term electricity prices, and preference renewable energy. Energetics estimates that corporate PPA transactions reached as much as 1,700 MW of renewable energy output in 2017-18, up from 1,200 MW a year earlier, and less than 200 MW in 2016-17.

Small-scale renewables growth is at record levels, with capacity being added at an average rate of more than 100 MW each month over 2017-18. Small-scale batteries are allowing households and businesses to integrate on-site renewables and storage to manage their electricity consumption and reduce costs. Bloomberg New Energy Finance forecasts that by 2024, a majority of new residential solar systems will incorporate storage.

Mirvac Indigo Pavilions Sydney Olympic Park

Looking beyond the electricity sector, there is evidence of an accelerating clean energy transition in the property sector. The number of new projects certified under the Green Building Council of Australia's Green Star rating scheme, which assesses the sustainable design, construction and operation of buildings, fit-outs and communities, continues to grow. Alongside this growth, the Green Star certified rating of buildings continues to rise, from an average of 4.6 to 5.1 stars over the past decade.

However, energy efficiency in residential dwellings is showing only small signs of improvement. Residential final energy consumption per person has declined by an average annual rate of 0.8 per cent over the past decade, and by 1.1 per cent on a per-dwelling basis. With property representing a substantial part of Australia's emissions reduction challenge, this is an obvious area for further action.

As demand management and behind-the-meter technologies improve and become cheaper, we anticipate increased investment in such measures to improve household energy efficiency, both to reduce overall consumption and emissions, and better manage rising energy costs.

Along with decarbonising the electricity sector, electrifying Australia's light duty vehicle fleet will be central to the achievement of Australia's emissions reduction target. Electric vehicle sales grew strongly in 2017 from an exceptionally low base, with nearly 2,300 new vehicles sold. While this is a welcome trend, electrification of the vehicle fleet remains a very substantial challenge, given the extremely low penetration rates in Australia today.

An increase in global electric vehicle sales offers promising opportunities for Australia, which has strong potential to play an important role as a global supplier of materials for the clean energy transition such as lithium, cobalt, nickel and aluminium. Lithium production has increased dramatically in response to higher prices driven by global demand for vehicle batteries. In 2017 alone, the production of Western Australian spodumene (hard rock lithium concentrate) soared to almost 1,700 tonnes, up from 400 tonnes in 2016. This fourfold increase in tonnage represented more than $800 million in value according to the Western Australian Department of Mines, Industry Regulation and Safety.

CEFC Strategy

Since we began investing, the CEFC has financed a broad range of businesses and projects that will help reduce emissions across the Australian economy.

Our track record is sound, and we adopt a flexible approach to our activities to meet the evolving needs of clients and stakeholders. Our strategy is built around the key themes of impact, innovation and organisational effectiveness.

Impact

INCREASING THE IMPACT OF OUR INVESTMENT ACTIVITIES

We focus on increasing the impact of our investment activities, to accelerate the transition to lower emissions.

This includes catalysing additional private sector capital into clean energy solutions, supporting nationally-significant infrastructure projects that underpin our energy transition and using our experience and economic reach to deepen understanding of clean energy alternatives.

Innovation

DEVELOP INNOVATIVE INVESTMENT SOLUTIONS

We develop innovative investment solutions within our core portfolio to meet business and industry needs across diverse economic sectors and geographies.

We also support innovative clean energy businesses and venture capital markets through the Clean Energy Innovation Fund. We continue to develop our capacity to actively manage assets and recycle capital to ensure we are able to meet the needs of the market and facilitate continued investment in technologically and geographically-diverse projects and businesses.

Organisational effectiveness

ATTRACTING AND RETAINING THE RIGHT PEOPLE

Attracting and retaining the right people is essential to increasing the impact of our investment activities, as well as ensuring we have effective systems and an outstanding risk management framework.

In addition to investing in our people, we continue to invest in improved business systems and organisational processes to support our investment activities in an efficient and effective manner.

Our investment approach

As an experienced and specialist investor, the CEFC recognises that the transition to a low emissions economy will be achieved through a mix of technologies, alongside centralised and decentralised lower-carbon electricity generation.

We have a particular focus on low carbon electricity, with the CEFC Act requiring that at least half of the CEFC funds invested for the purposes of our investment function are invested in renewable energy technologies from 1 July 2018.

Our strategic investment approach focuses on addressing the main sources of carbon emissions in the Australian economy, across four 'decarbonisation pathways'*

1

LOW CARBON ELECTRICITY

Low carbon electricity: through the increased deployment of clean energy technologies, including storage

2

ENERGY EFFICIENCY

Energy efficiency: delivered across all economic sectors to substantially lower energy intensity

3

TRANSPORT

Transport: moving from fossil fuels to lower emissions fuel sources such as bio-fuels, particularly in the transport sector

4

BIO-SEQUESTRATION AND OTHER EMISSIONS REDUCTIONS ACTIVITIES

Bio-sequestration and other emissions reductions activities: including reducing waste to landfill and adopting lower emissions practices within the supply chain.

* As discussed in ClimateWorks Australia research

Eligible technologies.

TOTAL COMMITMENTS SINCE INCEPTION

$3.6B

RENEWABLE ENERGY

$3.0B

ENERGY EFFICIENCY AND LOW EMISSIONS TECHNOLOGIES

The CEFC Act requires the CEFC to invest in eligible clean energy technologies, including renewable energy, energy efficiency and low emissions technologies.

The CEFC Act also requires the CEFC to ensure that, at any time on or after 1 July 2018, at least half of the CEFC funds invested at that time for the purposes of its investment function are invested in renewable energy technologies. At 30 June 2018, 53 per cent of CEFC's funds invested were invested in renewable energy technologies.

Since inception to 30 June 2018, the CEFC had committed a total of $3.6 billion to renewable energy, and $3.0 billion to energy efficiency and low emissions technologies.

CEFC commitments in 2017-18 included $1.1 billion in renewable energy, $944 million in energy efficiency, $100 million in transport and $127 million in waste-related projects.

Renewable energy related investments during 2017-18 included 10 large-scale solar projects and four wind farms, to deliver an additional 1,100MW in clean energy capacity Australia-wide. Substantial commitments to energy efficiency featured projects in property, infrastructure and agriculture.

We also delivered an increased focus on non-energy related emissions, particularly those produced by waste and landfill.

National footprint.

The CEFC has a strong commitment to extend the geographic reach of our finance.

We have a national focus and seek to identify and respond to clean energy opportunities Australia-wide.

Since inception, the total value of CEFC commitments specific to each state and territory, reached $3.7 billion, excluding national-level investments.

For the same period, national commitments (where CEFC finance has potential to be deployed nation-wide) reached $2.9 billion, across more than 40 transactions. This brings together smaller-scale clean energy investments via our asset financing programs, as well as CEFC commitments in climate bonds and equity funds with a specialist clean energy focus.

The CEFC remains committed to extending the geographic reach of our finance. Our largest investment in Tasmania, $59 million for the Granville Harbour Wind Farm, reached financial close just after year end, and is therefore not fully reflected in 2017-18 figures. We are also considering a number of opportunities in Western Australia and South Australia, complementing the recent strong levels of renewable energy-related investments in Queensland and Victoria.

Total value of CEFC commitments since inception

$1.4B
NEW SOUTH WALES

$892M
VICTORIA

$775.2M
QUEENSLAND

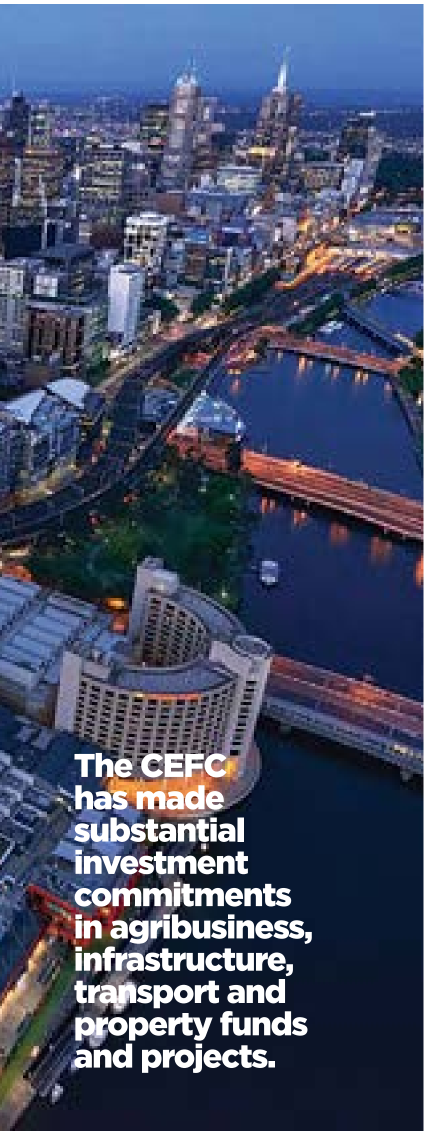
$412.6M
SOUTH AUSTRALIA

$153.5M
WESTERN AUSTRALIA

$53.9M
TASMANIA

$20M
NORTHERN TERRITORY

$10.3M
AUSTRALIAN CAPITAL TERRITORY



Deep economic impact

The CEFC has a broad role in catalysing additional private sector investment to reduce the carbon intensity of the economy.

This can occur through changes in production processes within industries, using proven technologies to transition to lower emissions and renewable energy.

While it is not possible for the CEFC to directly influence the emissions and energy profile of every asset in the economy, in 2017-18 we stepped up our engagement with industry leaders, providing finance for market-leading exemplar projects which have the added benefit of providing practical insights for others to adopt.

The CEFC has made substantial investment commitments in agribusiness, infrastructure, transport and property funds including partnerships with leading sustainability-focused companies, including Dexus, IFM Australia, Lendlease, Macquarie Group and Mirvac.

These commitments are characterised by accelerated emissions reduction targets, higher technology and construction standards, and the creation of new mechanisms to share insights and performance with other asset owners and operators. Collectively, they seek to encourage best-in-class approaches to accelerating the achievement of lower emissions. These fund managers have a strong commitment to emissions reduction and, alongside the CEFC, are investing for the long term to embed clean energy technologies across large and complex portfolios.

This investment approach is an innovative way for the CEFC to maximise the impact of our capital. It is also an important way to support the development of new and innovative investment vehicles to meet the growing appetite for sustainable investment.

Investment pipeline.

The CEFC is active in the market, with our specialist Investment team working with a range of project proponents and potential investors to accelerate investment in clean energy projects.

An important part of this market engagement is to increase understanding about the technologies and solutions available to reduce emissions and lower energy consumption.

This has contributed to a robust pipeline of opportunities. At 30 June 2018, the CEFC was considering more than 120 potential investment opportunities. Together, these projects are seeking more than $8.5 billion in CEFC finance, representing total investment value in excess of $52 billion.

We recognise that not all these projects will ultimately be financed by the CEFC, either because they secure private sector finance, are deferred, or do not meet the investment requirements of the CEFC. Nevertheless, this pipeline is a strong signal of broad investor and business confidence in the positive potential of clean energy technologies and projects.

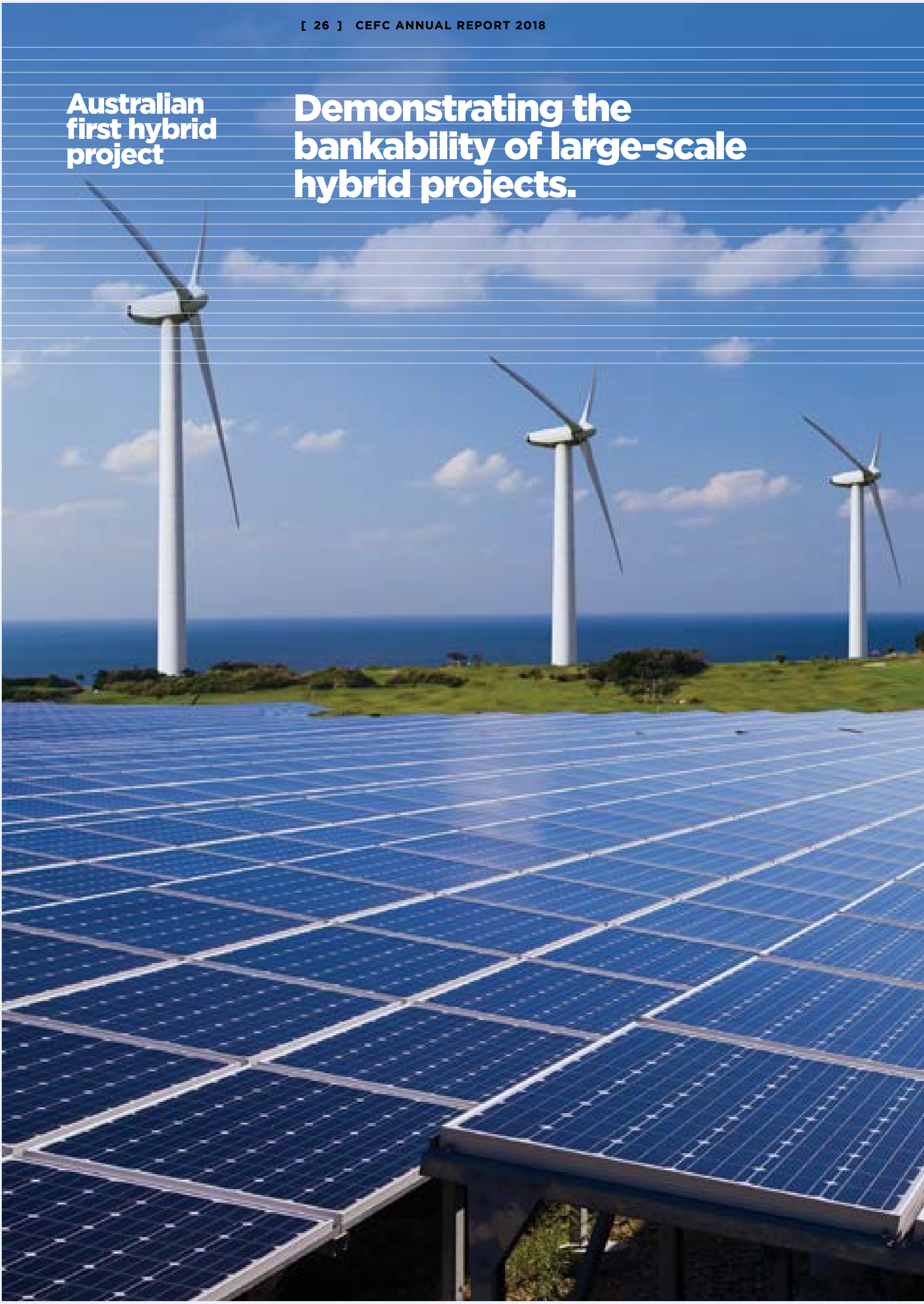
120
POTENTIAL INVESTMENT OPPORTUNITIES

$8.5B
POTENTIAL CEFC FINANCE COMMITMENT

$50B
POTENTIAL TOTAL INVESTMENT VALUE

Australian first hybrid project

Demonstrating the bankability of large-scale hybrid projects.



$94M

INVESTING IN AUSTRALIA'S FIRST FULLY-INTEGRATED WIND, SOLAR AND BATTERY PROJECT

The CEFC is investing $94 million in Australia's first fully integrated wind, solar and battery project, at the central north Queensland Kennedy Energy Park. The project is being developed by Windlab and Eurus Energy.

The 60MW hybrid renewable energy project will connect to the local grid, providing electricity to communities from Julia Creek to Charters Towers, more than 500 kilometres away.

The landmark project creates a new model for renewable energy that brings together the benefits of wind, solar and battery storage to overcome grid intermittency and improve reliability. Financing three separate technologies on one site was a complex undertaking that had not previously been achieved in Australia.

As the sole debt financier for the project, the CEFC goal was to demonstrate the bankability of large-scale, integrated hybrid renewable energy projects for the future. We expect such projects to become an increasingly important part of Australia's electricity system, with complementary battery storage addressing the intermittency of wind and solar generation in order to support grid stability.

Canberra-based Windlab is an innovative Australian company that uses world leading atmospheric modelling and wind energy assessment technology originally developed by the CSIRO. The CEFC had previously provided Windlab with a corporate facility of up to $8 million in corporate finance to assist the company with its continued expansion from a project developer to an integrated developer, owner and manager of renewable energy assets.

Australia's largest solar investor

Our finance continues to fill a private sector financing gap.

Since inception, CEFC finance has helped accelerate the delivery of more than 1GW in additional solar energy – equating to enough electricity to power about 375,000 average homes – with projects in Queensland, New South Wales, Victoria and the Northern Territory.

While total CEFC solar investments represent just one per cent of Australia's total electricity generation, they represent a substantial reduction in carbon emissions, of around 1.8 million tonnes annually, making an important contribution to Australia's overall emissions reduction goals.

Despite the welcome increase in private sector investment in large-scale solar projects, CEFC finance remains necessary to fill a gap in investor appetite for projects that are in the process of finalising power purchase agreements, or which have entered power purchase agreements with corporates or other offtakers outside the large investment grade energy companies.

Australia's large-scale solar market continues to mature, with growing interest from private sector financiers in refinancing projects once they are contracted and/or operational, because of the perceived lower investment risk.

For a project sponsor, refinancing may offer the opportunity to borrow at a reduced cost once the project has achieved commissioning and a contracted revenue stream. The CEFC's role as an 'interim' financier is helping to ultimately crowd in additional private sector investment to support the sector's continued development.

1GW

CEFC FINANCED SOLAR CUTTING 1.8M tCO_2-e EACH YEAR

SOLAR-POWERED TRAMS

CEFC COMMITMENT
$98M

Victoria's largest solar farm, the 88MW Bannerton Solar Park, is located in the state's Sunraysia district, on an almond orchard no longer suitable for planting. The development is drawing on $98 million in CEFC finance, with equity investment from the Foresight Solar Fund and Korean investors. A significant proportion of its projected output is already contracted to Alinta Energy, as well as the Victorian Government, which plans to use solar power for Melbourne's iconic tram network.

SOLAR SOLUTIONS FOR THE REEF

CEFC COMMITMENT
$90M

The 150MW Daydream and 50MW Hayman solar farms in Queensland reflect the CEFC's focus on delivering clean energy solutions in the Great Barrier Reef catchment area. The projects, located in a former coal mining hub, take advantage of the area's high insolation rates to accelerate the low emissions transformation of the electricity grid. The CEFC finance of $90 million is part of a syndicated debt facility, alongside the Commonwealth Bank and French investment bank Natixis. BlackRock Real Assets is an equity investor.

NSW SOLAR GENERATION BELT

CEFC COMMITMENT
$30M

The 150MW Coleambally Solar Farm is part of the emerging solar generation belt in regional NSW. While NSW has the largest electricity demand in Australia, it has a relatively low penetration of large-scale solar generation. The project is expected to abate about 300,000 tonnes of carbon emissions annually. Developer Neoen Australia secured $30 million in CEFC finance, and has contracted 70 per cent of the project output to EnergyAustralia.

Wind powers onto next generation

Our finance has delivered a substantial increase in new wind generating capacity.

CEFC has contributed to a substantial increase in new wind generating capacity in Australia since 2013, contributing to the establishment of a robust ecosystem of local and international project developers, engineers, contractors, advisors and financial institutions.

Three wind investments in 2017-18 took total CEFC finance for wind since 2013 to more than $700 million, catalysing an additional $3.1 billion in private sector capital investment, and accelerating the development of more than 1,650MW of additional renewable energy capacity. Just after year end, the CEFC committed a further $59 million to the 112MW Granville Harbour Wind Farm, to deliver a one third increase in Tasmania's wind capacity.

During the year, the levelised cost of wind generation continued to decrease, the result of lower up-front installation costs and longer turbine design lives. We also saw increased turbine size, reflecting advancements in rotor design, blade lengths and hub heights.

The CEFC continues to play an important counter-cyclical role in investment in the sector, helping maintain industry momentum and capacity through periods of weaker or changing market sentiment. While this peaked in 2014-15, with the CEFC delivering 90 per cent of new investment in wind generating assets, new investment in 2017-18 demonstrated the continuing need for CEFC finance for project delivery.

Despite the increasing maturity of the wind sector in Australia, the financing appetite for materially uncontracted projects remains a challenge, requiring a continuing role for the CEFC in contributing to developer and investor confidence in financing these projects to support continued investment.

CEFC finance is also supporting increasing interest in frequency control and battery storage technologies to improve grid stability.

$700M

CEFC
COMMITMENTS
IN WIND

BENEFITING LOCAL COMMUNITIES

CEFC COMMITMENT
$37M

The $250 million Crudine Ridge Wind Farm is being developed by CWP Renewables and Partners Group, with the CEFC participating in a $113 million senior debt facility. The central west New South Wales wind farm has a partial energy offtake agreement with Meridian Energy Australia, owner of retailer Powershop. The project will contribute more than $168,000 per year to Community Enhancement Funds. In addition, 19 host landowners will benefit from rental income throughout the life of the project, with neighbour agreements helping distribute funds to others in the local community.

WIND-POWERED BATTERY STORAGE

CEFC COMMITMENT
$150M

Stage One of the 212MW Lincoln Gap wind farm, in South Australia's Port Augusta region, includes a 10MW battery energy storage system, capable of producing up to 10MWh of fast response storage capacity. The project, being developed by Nexif Energy Australia, draws on $150 million in CEFC debt finance. It complements other large-scale battery projects in South Australia, including the Tesla/NEOEN 100MW battery and ElectraNet 30MW battery on the York Peninsula. The project has a long-term offtake agreement with Snowy Hydro. It is the first Australia project to have secured debt finance for a grid-connected large-scale battery component on a non-subsidised basis.

LARGEST TASMANIA INVESTMENT

CEFC COMMITMENT
$59M

The 112MW Granville Harbour Wind Farm, on Tasmania's west coast, will deliver a one third increase in Tasmania's wind generating capacity. The $280 million development has a long-term power purchase agreement with Hydro Tasmania, which is exploring opportunities to become a net exporter of clean energy to the Australian mainland through its 'battery of the nation' project. The CEFC investment commitment of $59 million was announced just after year end.

Innovative solutions for waste

We strongly endorse the waste hierarchy and the principle of avoiding and reducing waste at the source.

Australia generates around 64 million tonnes of waste a year, with as much as 40 per cent of this ending up as landfill where it produces methane emissions which have a global warming potential more than 25 times stronger than that of carbon dioxide.

Australia's waste sector is undergoing an important transition, requiring significant investment in infrastructure and equipment, including upgrades to existing assets, as well as the installation of new assets.

By focusing on clean energy technologies, these investments can reduce emissions by diverting waste from landfill, as well as help ensure that waste processing and resource recovery operations are as energy efficient as possible.

The CEFC strongly endorses the waste hierarchy and the principle of avoiding and reducing waste at the source. Our finance is about effectively managing the remaining waste and investing in proven technologies to repurpose it, including as compost and alternative fuels.

We also see a growing commercial opportunity for resource recovery, reinforced by tightening state government landfill regulations. With investment in proven technologies, companies can turn urban and industrial waste into new energy sources, creating an important revenue stream while also reducing landfill gas emissions.

In this way Australia can develop a circular economy, with strong domestic markets for recyclable materials, and products made from recycled material.

64M

TONNES OF WASTE GENERATED IN AUSTRALIA EACH YEAR

COMPOST FROM FOOD, GARDEN WASTE

CEFC COMMITMENT
$38M

The CEFC has committed up to $38 million to Melbourne's South Eastern Organics Processing Facility, to process household garden and food waste from kerbside green waste collections. Sacyr Group's state-of-the-art facility, which is under construction, will produce 50,000 tonnes of high grade compost each year. With an annual processing capacity of 120,000 tonnes of waste, it is expected to abate more than 65,000 tonnes of CO_2-e emissions a year – cutting 85 per cent of the emissions the waste would have generated in landfill.

FAST TRACKING LANDFILL SOLUTIONS

CEFC COMMITMENT
$90M

Leading Australian waste management company Cleanaway is accelerating its best practice sustainable waste management activities with an array of projects drawing on a $90 million corporate loan from the CEFC. Cleanaway operates a national network of waste collection, processing, treatment and landfill assets from more than 260 locations. The company is fast tracking a range of eligible projects, including facilities for organics processing and resource recovery, as well as landfill gas projects, to achieve better environmental, social and economic outcomes.

PROCESSED ENGINEERED FUEL

CEFC COMMITMENT
$30M

During the year we were pleased to see the opening of a new resource recovery facility in western Sydney, which is transforming commercial and industrial waste into an alternative renewable fuel source. The plant, co-owned by Cleanaway and ResourceCo, produces Processed Engineered Fuel (PEF), drawing on $30 million in CEFC finance. The plant is licensed to process 250,000 tonnes of waste a year. Over the lifetime of the equipment, the plant is expected to abate over 4 million tonnes of carbon emissions. The PEF is used by the Berrima Cement Works in NSW, with ResourceCo also targeting markets in Asia.

Farmers harvest clean energy benefits

We have a long track record of extending the benefits of clean energy to farmers and agribusinesses.

Agribusiness plays a critical role across the Australian economy, with a well-earned reputation for quality produce, innovative production methods and local employment opportunities – whether producing for the domestic market or extending into the highly competitive global market. This track record makes agribusinesses ideally-suited to capitalise on the growing wave of energy efficient and clean energy technology.

In 2017-18 the CEFC committed $100 million to an agricultural portfolio managed by Macquarie Infrastructure and Real Assets (MIRA) to contribute to on-farm energy efficiency and sustainability in large-scale row cropping assets, such as wheat and other grains, and permanent crops including avocados.

A key feature of the CEFC investment is the establishment of a specialist Energy, Emissions and Efficiency Advisory Committee, 3EAC to bring together the skills of the CSIRO, MIRA and the CEFC.

3EAC will support new on-farm standards in energy efficiency and emissions reduction. Central to this will be the development of a benchmarking tool to enable the establishment of emissions and energy baselines which will allow annual improvement targets to be established. It will also develop clean energy models targeted for broader use in the farming sector.

The CEFC investment will contribute to sustainable on-farm asset management practices, with MIRA investing in farms across multiple climatic zones, production regions and end markets.

The technology-driven whole-of-farm approach will incorporate the full range of precision agriculture and other sustainable farm management practices. The goal is to achieve reduced energy intensity on a per unit of production basis and to deliver improved financial and environmental efficiency.

MIRA has begun implementing energy efficiency measures across seven property aggregations, situated in New South Wales and Western Australia, including a 14,553 hectare row cropping property, The Grange.

+870

AGRICULTURE PROJECTS FINANCED AUSTRALIA-WIDE

CLEAN ENERGY SOLUTIONS IN AGRICULTURE

GPS GUIDED MACHINERY

GPS guided machinery: which results in fewer passes of a field to minimise inputs

ZERO TILLAGE AND STUBBLE RETENTION

Zero tillage and stubble retention: to maintain soil health, increase water retention

SWATH CONTROL

Swath control: featuring on board computing for improved overlapping fertilizer application and planting

CONTROLLED TRAFFIC

Controlled traffic: eg uniform machinery widths, to reduce crop, soil damage, fuel usage

VARIABLE RATE APPLICATION

Variable rate application: for precise seed, chemical and fertiliser use

REDUCED USE OF FERTILISERS

Reduced use of fertilisers: through land mapping and GPS-enabled machinery

LOWER ENERGY CONSUMPTION

Lower energy consumption: with more efficient processes for key inputs

IMPROVED ON-FARM PRACTICES

Improved on-farm practices: including reduced energy, water and diesel consumption

The CEFC has a long track record in extending the benefits of clean energy to individual farmers and agribusinesses through our co-financing programs. Since we began investing in 2013, $260 million in CEFC finance has supported investment in more than 870 agriculture projects to facilitate the uptake of solar PV, lower emissions farm equipment, energy efficient machinery upgrades and biomass energy-from-waste.

Transforming infrastructure Australia wide

We support best practice and market leading design, construction and operations.

The infrastructure sector accounts for almost half of Australia's total greenhouse gas emissions, driven largely by fossil fuel consumption in energy generation and passenger and freight transport. As institutional investors increasingly consider environmental, social and governance factors in their investment decisions, infrastructure owners face new challenges in the way they manage the energy profile of their assets.

As a specialist financier, we have committed $450 million to infrastructure projects to help drive investment decisions that lower emissions while meeting the evolving needs of investors.

We support best practice and market leading design, construction and operations, financing measures to enable an increased focus on renewable energy and energy efficiency technologies at the individual asset level. This includes the development of investment policies which support net zero emissions outcomes.

We also encourage increased transparency around emissions performance, via asset-level energy and emissions performance reporting and benchmarking against internationally-accepted Science Based Targets.

The CEFC invests in infrastructure projects as part of the Sustainable Cities Investment Program.

$450M

BETTER INFRASTRUCTURE FOR BETTER CITIES

ECONOMIC INFRASTRUCTURE

The IFM Australian Infrastructure Fund has Australia's largest portfolio of high-quality infrastructure assets including Ausgrid, Brisbane Airport, Melbourne Airport, Sydney's Port Botany and the Port of Brisbane. The fund is targeting comprehensive and sustained improvements to the carbon footprint of the assets, while enhancing benchmarks and transparency around infrastructure emissions to deliver a step change in the emissions profile of infrastructure.

CEFC COMMITMENT

$150M

SOCIAL AND ECONOMIC INFRASTRUCTURE

Leading alternative asset growth manager Morrison & Co launched a $1 billion infrastructure fund to spearhead clean energy standards across social and economic infrastructure assets. The fund will acquire and develop a diverse range of essential assets where there is potential for significant improvements in their energy efficiency profile. Assets may include hospitals, data centres, retirement and aged care accommodation, student housing and renewable energy.

CEFC COMMITMENT

$150M

Built-in clean energy

Our new commitments covered hospitals and healthcare, shopping centres, hotels, masterplanned residential communities, student accommodation and commercial-scale precincts.

There are compelling reasons to improve the energy profile of Australia's built environment. Energy efficient buildings using proven clean energy technologies reduce stress on the electricity network, lower electricity consumption, and support a least-cost pathway to net zero emissions, improving health and resilience outcomes for households and businesses.

With the property sector contributing nearly 25 per cent of greenhouse gas emissions in Australia, it is an important area of focus for the CEFC. Since we began investing we have committed more than $1 billion to property projects valued at $3.7 billion.

In 2017-18 our property-related investment commitments targeted 'demonstration' projects with the ability to deliver best-in-class performance around energy efficiency and the integration of renewable energy into new and existing buildings.

Our new commitments covered hospitals and healthcare, shopping centres, hotels, masterplanned residential communities and commercial-scale precincts. These subsectors all have significant potential to unlock emissions reductions and cost savings through an increased focus on sustainability.

During the year we were pleased to see progress on earlier commitments in the sector. In Geelong, Quintessential Equity completed the landmark 1 Malop Street development, which used CEFC finance to achieve a 5.5 NABERS energy rating (excluding green power). Community and affordable housing provider SGCH completed the construction of 80 energy efficient homes in Sydney, drawing on CEFC finance to deliver a range of benefits, including glazed windows, high performance insulation, ceiling fans to reduce the need for artificial cooling and heating.

The CEFC invests in property-related projects as part of the Sustainable Cities Investment Program.

$1B

CEFC COMMITMENTS TO PROPERTY

A CLEAN BILL OF HEALTH

CEFC COMMITMENT
$100M

The Healthcare Wholesale Property Fund will own Australia's first portfolio of hospital and healthcare assets to have environmentally sustainable development and operations. A focus on medical facilities in Adelaide and Sydney are among those to set new standards in energy efficiency. The fund is targeting emissions reductions of 45 per cent, drawing on $100 million in CEFC investment.

CLEAN TECH HOMES OF THE FUTURE

CEFC COMMITMENT
$90M

First and new home buyers in Sydney and Brisbane will have access to state-of-the-art clean energy homes of the future. Three Mirvac master-planned communities will have built-in solar PV plus battery storage, high-grade insulation, LED lighting and energy efficient appliances. CEFC finance of $90 million aims to deliver a lifetime of lower energy costs and carbon emissions for residents.

MELBOURNE QUARTER LEADS

CEFC COMMITMENT
$100M

Lendlease is targeting a new standard of sustainability in large-scale commercial precincts, aiming to deliver net zero emissions in a $4.5 billion commercial property portfolio as early as 2025. The portfolio includes commercial developments in the new Melbourne Quarter precinct, in the heart of the city's CBD, which will include best practice energy efficiency measures.

Asset finance for business, farmers

We continue to deliver the benefits of clean energy to energy users, whether on the farm, in households, on the road or in a factory.

Since we began investing, the CEFC has made more than $1 billion in finance available for smaller-scale projects.

5,500

SMALLER SCALE CLEAN ENERGY INVESTMENTS

The CEFC has a strong focus on extending the reach of our finance to support investment in smaller-scale clean energy projects. Through our asset co-finance programs with the major banks, specialised lenders and funds, we continue to deliver the benefits of clean energy to energy users, whether on the farm, in households, on the road or in a factory.

We are proud to have helped finance more than 5,500 individual projects, involving farmers, small businesses, manufacturers, building owners and community facilities. These investments are made via the wholesale debt facilities we provide to our co-financiers, who use that capital to provide low cost finance to borrowers investing in smaller-scale clean energy assets around the country.

Throughout 2017-18, we saw a substantial increase in the number of projects financed through these programs. Projects range from $10,000 to $5 million, with an average investment of $125,000.

Reflecting the significant challenge posed by transport-related emissions, these asset finance programs have helped to catalyse a marked increase in the transition to electric and hybrid passenger and light commercial vehicles, with more than 540 vehicles financed to date.

Eligible projects range from small-scale rooftop solar and battery storage, to energy efficient manufacturing and farm equipment, as well as improved building insulation, heating and cooling, demand management systems and low emissions or electric light vehicles.

The co-finance programs remain an efficient, effective and timely mechanism to enable a large number of Australian households and businesses to draw on CEFC finance.

At the same time, they encourage increased investment in clean energy technologies, by incentivising borrowers to preference best in class clean energy assets when considering new equipment purchases, property fit outs and vehicles.

Since we began investing, the CEFC has made more than $1 billion in finance available to smaller-scale projects through these asset finance programs. This approach to co-financing has proved very successful.

While we expect the finance for some programs to be fully deployed during 2018-19, others will continue. We see an important ongoing role for CEFC finance to support smaller-scale investments in clean energy assets and are exploring additional opportunities with co-financiers to establish the next iteration of these innovative partnerships.

Creating investor options with green bonds

We expect to see increasingly diverse “green” investment options.

As fund managers become more familiar with green bonds, we can expect to see increasingly diverse investment options.

11

GREEN BOND INVESTMENTS

The CEFC sees the green bond market as a central mechanism to capitalise on growing interest from superannuation funds and managers seeking to deepen their exposure to sustainable assets. We have been a material investor in the market since we began investing in 2013, having invested across a range of issuers in 11 transactions.

In 2017-18, we made a $25 million cornerstone investment in the first ever green tranche of an Australian residential mortgage backed bond. The NAB Class A1-G Notes were certified by the Climate Bonds Initiative (CBI) as meeting its Low Carbon Buildings criteria.

In a separate innovative financing offering, the CEFC made a $90 million cornerstone investment in the $200 million NAB Low Carbon Shared Portfolio, backed by senior loans to seven wind and large-scale solar assets.

The portfolio creates an opportunity for institutional investors to participate in the renewable energy sector even though they may not be able to enter into individual project financing transactions.

With international superannuation and pension funds recognising the long-term and consistent returns available from investing in large-scale renewable energy projects, this investment encourages a similar approach from Australian superannuation funds. Given their size, superannuation funds can help underpin future clean energy investment, as well as capture the value of Australia's growing renewable energy infrastructure to benefit their members.

The emergence of the securitisation of green consumer loans in Australia has resulted in increased availability of green consumer lending products. In the long run, we anticipate further innovation in consumer lending products that will drive better energy efficiency outcomes for Australian households.

As fund managers become more familiar with green bonds, we can expect to see increasingly diverse investment options, further broadening the investor appeal and catalysing additional finance into clean energy transaction.

Clean Energy Innovation Fund.

The CEFC is now well established as Australia's largest dedicated investor in clean energy innovation. Through the $200 million Innovation Fund, we support the growth of an exciting range of innovative clean energy technologies and businesses which are critical to Australia's clean energy transformation.

The Innovation Fund targets venture capital-like longer-term capital returns.

Having reviewed many hundreds of high quality clean energy innovation opportunities, we have committed venture capital of more than $56 million to nine companies in the 18 months since the Innovation Fund began investing. Together, these companies have raised more than $140 million of new capital for clean energy projects, a welcome injection of capital to this emerging sector.

The Innovation Fund targets technologies and businesses that have passed the research and development stage, and which can benefit from early stage or growth capital to help them progress their development.

We invest in companies with experienced and capable management teams, a competitive edge in technology and innovation and the potential for both domestic and global market application of their technologies. These companies illustrate the strength of Australian innovation in the clean energy space, and are pursuing diverse opportunities – including behind-the-meter and storage technologies, and low emissions transport solutions.

The Fund invests using CEFC capital and draws on the technical expertise of ARENA. We thank ARENA for its valuable contribution.

Figure 2: Clean Energy Innovation Fund commitments

	INNOVATION FUND (CUMULATIVE)	INNOVATION FUND 2017-18
Transactions financed	10	6
CEFC direct finance	$56.2m	$26.2m
Projects via channel partner	N/A	N/A
Investment via channel partner	N/A	N/A
Leverage*	$1.5	$0.9
Lifetime $MtCO_2$-e abatement estimated*	6.6	6.5

* re CEFC direct finance only

Early stage innovation

Through our cornerstone investment in the Australian-first Clean Energy Seed Fund managed by Artesian, the Innovation Fund is supporting very early stage innovators through business incubators such as EnergyLab, Australia's first dedicated clean energy accelerator program.

In 2017-18, EnergyLab tripled its intake of start-ups, including its first Brisbane base, offering office space, financial and mentoring support to start-up companies in the Brisbane area. The new EnergyLab Brisbane office is co-located with the CEFC, as part of our goal to accelerate investment in Australian clean energy innovators.

Start-ups joining EnergyLab's 2018 program include Sydney's PowerPal which is tapping into the Internet of Things using big data and artificial intelligence with the aim to build Australia's largest energy engagement platform. Its goal is to eliminate energy waste for all Australians, reducing grid demand by five per cent.

Ohm Power, based in Melbourne, has launched an online platform that helps homeowners find their best performing solar and/or battery storage system from a range of trusted Australian solar retailers.

Smarter approach to watts

Wattwatchers is expanding production of its real-time electricity monitoring and control devices to help consumers better manage their energy use and costs. The Wattwatchers devices and data streams, combined with software tools and analytics, allow rooftop solar generation, grid power and overall household and business consumption to be managed remotely through the cloud.

INNOVATION FUND COMMITMENT

$2M

Second life batteries

Electric vehicle battery packs that are no longer useful in vehicles can retain as much as 80 per cent of their capacity. Relectrify's ground-breaking technology gives used batteries a second life, optimising energy from stronger cells to unlock unused capacity. The recycled batteries can be used in the home as well as for utility-scale grid backup.

INNOVATION FUND COMMITMENT

$750K

Intelligent Zen tech

The Zen Ecosystems intelligent energy management solutions could save Australian businesses up to 25 per cent on their energy use. Zen's cloud-based Zen HQ and Zen Thermostat products allow smaller footprint operations – such as retailers, hotels and motels, schools, universities, car dealerships and fast food outlets – to manage energy-intensive assets across single and multiple locations.

INNOVATION FUND COMMITMENT

$5M

Sustainable Cities Investment Program.

Through the $1 billion Sustainable Cities Investment Program, the CEFC invests to accelerate the development and deployment of a broad range of clean energy projects in Australia's 50 largest cities, from Alice Springs with 25,000 people to Sydney, Australia's largest city, at some 5.1 million people.

SUSTAINABLE CITIES PROJECTS 3,300

$1.8B+

CEFC COMMITMENT

Reflecting the diverse and vibrant nature of our cities, finance can be used across the urban environment to deliver clean energy benefits to commercial, industrial and residential property; low emissions transport and energy efficient large-scale economic infrastructure; as well as educational and community assets.

Eligible projects range from precinct-scale renewable energy developments, to next-generation transport management systems, green buildings and energy efficient new and retrofitted affordable housing.

The investments are intended to drive new enterprise and economic growth, reduce greenhouse gas emissions and contribute to more resilient and livable cities, where the majority of Australians live.

The CEFC also works across Government to support the national Cities agenda, including through the City Deal areas of Townsville, Launceston, Western Sydney, Geelong, Hobart, Darwin and Perth.

To 30 June 2018, the CEFC had committed more than $1.8 billion to more than 3,300 Sustainable Cities projects, representing total investment of over $5.0 billion alongside the private sector. These projects include direct commitments to 33 larger-scale projects and $437 million to more than 3,250 smaller-scale asset finance projects, including small-scale renewables, energy efficiency equipment and electric and hybrid vehicles.

Projects financed through the Sustainable Cities Investment Program are targeting lifetime emissions of more than 26M tCO_2-e.

While the CEFC has exceeded the $1 billion investment target for the Sustainable Cities Investment Program, we continue to work with others to accelerate sustainable investment in a diverse range of projects in Australia's cities.

This has two benefits:

1. There are very substantial opportunities for Australia to reduce overall emissions by introducing more renewable energy, energy efficiency and low emissions technologies into the way we operate our cities.

2. These technologies can benefit industry, asset owners and residents, via enhanced productivity, lower energy consumption, enhanced living conditions and improved environmental outcomes.

Projects financed through the Sustainable Cities Investment Program are targeting lifetime emissions of more than

26M tCO_2-e

Figure 3: Sustainable Cities Investment Program commitments

	SUSTAINABLE CITIES (CUMULATIVE)	SUSTAINABLE CITIES 2017-18
Projects financed	36	11
CEFC direct finance	$1,456.4m	$382.5m
Projects via channel partner	3,292	2,360
Investment via channel partner	$436.9m	$354.0m
Leverage*	$2.2	$3.2
Lifetime $MtCO_2$-e abatement estimated*	26.4	6.4

* re CEFC direct finance only

Reef Funding Program.

The Reef Funding Program is a $1 billion investment program financing clean energy projects in the Great Barrier Reef Catchment Area, supporting delivery of the Reef 2050 plan and the long-term health of the Great Barrier Reef.

CEFC COMMITMENT

$350M+

346 projects

CEFC finance is directed to eligible projects in the Great Barrier Reef Catchment Area across renewable energy, energy efficiency and low emissions technologies.

CEFC finance through the Reef Funding Program focuses on five priority areas of economic activity: agribusiness, property, infrastructure, grid and storage solutions and bioproducts.

These priorities reflect broad and ongoing consultation with businesses, government agencies and financiers in the Reef Catchment Area. Within these sectors we particularly encourage projects with the potential to improve water quality outcomes, which have the greatest potential to directly impact Reef health.

Water quality impacts include clean energy projects that reduce the runoff of pollutants, fertiliser and sediment, such as the installation of more energy and water efficient irrigation systems, pesticide sprayers, fertiliser application systems and best practice wastewater management.

As the CEFC's primary role and statutory objective is to facilitate increased financial flows to the clean energy sector, CEFC investment within the Reef Catchment Area primarily delivers indirect benefit to the Reef in lowering emissions to address climate change, the single greatest threat to the Reef.

These also support the Reef 2050 plan objectives in contributing to local economic growth by providing a local source of clean renewable energy supply and efficient local use of energy, and in demonstrating the positive benefits of clean energy to Reef communities.

CEFC FINANCE THROUGH THE REEF FUNDING PROGRAM FOCUSES ON FIVE PRIORITY AREAS OF ECONOMIC ACTIVITY:

1. **AGRIBUSINESS**
2. **PROPERTY**
3. **INFRASTRUCTURE**
4. **GRID AND STORAGE SOLUTIONS**
5. **BIOPRODUCTS**

Figure 4: Reef Funding Program commitments

	REEF FUNDING PROGRAM (CUMULATIVE)	REEF FUNDING PROGRAM 2017-18
Projects financed	5	2
CEFC direct finance	$320.3m	$183.1m
Projects via channel partner	341	107
Investment via channel partner	$41.8m	$29.6m
Leverage*	$2.6	$2.1
Lifetime $MtCO_2$-e abatement estimated*	23.3	11.8

* re CEFC direct finance only

Our investments

To 30 June 2018, the CEFC had committed more than $350 million in finance to 346 individual projects through the Reef Funding Program, for new investments with a total project value exceeding $1.2 billion.

This has included more than $320 million to seven large-scale solar farm investments in the Reef Catchment Area, including Ross River, Whitsunday, Hamilton, Collinsville, Hayman, Daydream and Clermont. Together, these large-scale solar projects will deliver total investment of more than $1.1 billion in the Reef Catchment Area, with more than 550MW of renewable energy capacity available to local communities, addressing end-of-grid issues and signaling a rapid and substantial transition to lower-cost clean energy supply.

CEFC finance has also supported the delivery of almost 350 smaller-scale asset finance projects, including on-farm energy efficiency and irrigation equipment to improve water quality and reduce water consumption and run-off.

Industry consultation

Throughout 2017-18, we have continued to work directly with agribusinesses and farming bodies to help raise awareness about how producers can invest in clean energy technologies to improve Reef health. This includes working with farm agronomists in sugar cane, banana growing and cattle grazing to identify equipment that can improve water quality outcomes while meeting the CEFC's eligibility criteria.

This focus on water quality improvements has seen the CEFC finance 10 water quality projects to date, with a total value of more than $2 million. This on-farm irrigation equipment contributes towards the Reef 2050 plan by reducing water use, improving water infiltration and quality and reducing sediment run-off.

Accelerating the electric vehicle transition.

Electric vehicles could represent more than 90 per cent of all cars and light commercial vehicles on Australian roads by 2050, supported by $1.7 billion in investment in new charging infrastructure, according to modelling produced for the CEFC and ARENA.

$43M

FINANCE FOR CLEANER VEHICLES

The modelling forecasts a surge in electric vehicle (EV) sales from as early as 2021, based on a combination of incentives, models and infrastructure. It also finds that, on current trends, EVs could have the same driving range capabilities as diesel or petrol-fuelled cars by 2024, addressing one of the biggest consumer concerns about EVs.

Australians have traditionally been early adopters of new technology but are lagging when it comes to EVs. The research shows we can accelerate the uptake of EVs in a way that benefits drivers as well as the environment, by lowering prices, supporting more models and developing a charging network.

Vehicle makers are forecasting an end to the production of pure internal combustion engines over the coming years. At the same time, vehicle charging networks are expanding, creating the essential infrastructure to support electric vehicles.

Lowering transport-related emissions is critical to the broader decarbonisation of the Australian economy. Since inception, the CEFC has deployed almost $43 million to support the purchase of electric and plug-in hybrid electric vehicles, for individual, small business and fleet buyers. In addition, through the Clean Energy Innovation Fund, we are financing start-up companies targeting the EV market.

Energy relief for manufacturers.

Manufacturing is vital to the Australian economy, contributing around $100 billion (6.2 per cent) to Gross Domestic Product annually and supporting nearly 900,000 jobs, or around 7.4 per cent of total employment. Australian manufacturers are also the most energy intensive in the OECD, and account for around 40 per cent of Australia's total natural gas consumption.

IF THE INITIATIVES WERE IMPLEMENTED AT ONCE

REDUCTION OF GREENHOUSE GAS EMISSIONS PER YEAR

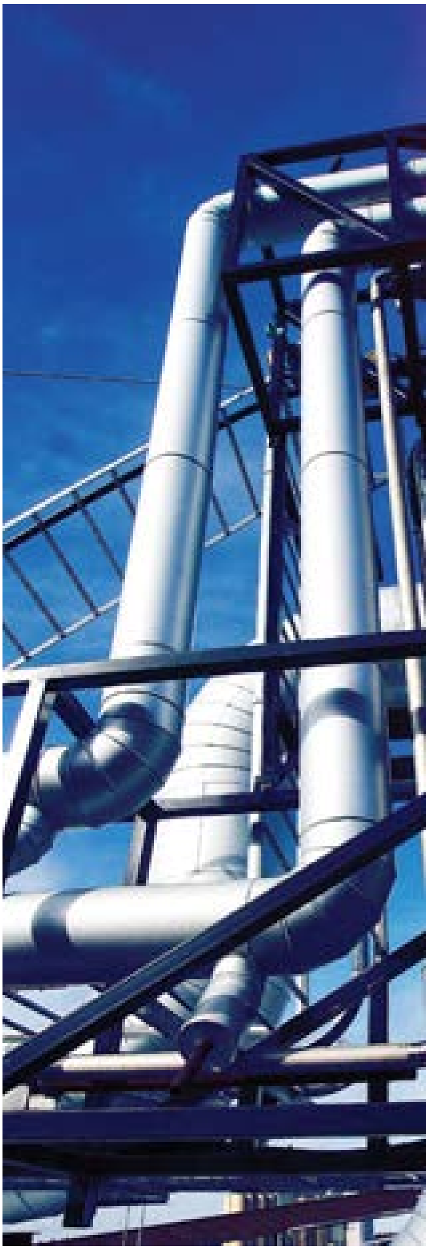
10Mt

In a joint initiative, the CEFC, the Energy Efficiency Council and the Australian Industry Group developed *Australian Manufacturing: Gas Efficiency Guide* – a comprehensive resource identifying practical and proven strategies to deliver energy and cost savings across manufacturing operations.

The guide examines the energy needs of a wide range of manufacturers, from food and beverage production to metals fabrication, printing and furniture manufacturing. It finds significant opportunities to cut energy use, such as a meat processing plant which saved $45,000 per month by cutting gas use by 21 per cent, after upgrades to its boiler and steam facilities. A building products manufacturer saved $42,000 per year by installing a new control system on its boiler.

The guide identifies a range of proven technologies with the potential to cut gas consumption by 25 per cent. In the majority of cases, up-front investment costs were $50,000 or less, with the costs recovered within just five years. If the initiatives were all implemented at once, they would reduce greenhouse gas emissions by as much as 10 million tonnes a year, equivalent to taking more than two million passenger vehicles off the road, or meeting the electricity needs of 1.5 million homes.

The CEFC finances clean energy equipment upgrades and renewable energy installations in the manufacturing sector through tailored asset finance programs.



CEFC commitments 2017-18.

39

INDIVIDUAL TRANSACTIONS COMPLETED IN 2017-18

Some transactions are allocated across multiple 'decarbonisation pathways' or categories, reflecting the deployment of CEFC finance across different industry sectors.

Figure 5: CEFC finance in action – Low carbon electricity

LOW CARBON ELECTRICITY 2017-18

Renewables generators, electricity retailers and network service providers	Commitment
Genex Power Kidston Solar Project	$4.1m
Wattwatchers Limited	$2.0m
Daydream and Hayman Solar Farms	$89.9m
Cleanaway Waste Management Limited	$8.1m
Ottoway Fabrication	$4.2m
Relectrify Pty Ltd	$0.8m
Bannerton Solar Farm	$97.8m
Redback Technologies Pty Ltd	$6.5m
Kennedy Energy Park	$93.6m
Lincoln Gap Wind Farm	$150.0m
Dubbo Solar Farm	$2.2m
ANZ Energy Efficient Asset Finance Program	$52.5m
CBA Energy Efficient Equipment Finance Program	$4.0m
Granville Harbour Wind Farm	$4.8m
Clermont Solar Farm and Wemen Solar Farm	$207.2m
Mirvac Group Finance Limited	$30.0m
Ross River Solar Farm	$3.8m
Coleambally Solar Farm	$29.6m
Oakey Solar Farm Stage 2	$54.3m
Newcastle City Council	$6.5m
Australian Prime Property Fund Commercial	$31.0m
Australian Hospitality Fund II	$4.3m
IFM Australian Infrastructure Fund	$31.5m
CBA Energy Efficient Equipment Finance Program	$15.0m
Crudine Ridge Wind Farm	$37.7m
Greensync Holdings Pty Ltd	$2.0m
NAB Low Carbon Shared Portfolio	$90.0m
Morrison Growth Infrastructure Fund	$45.0m
New Energy Solar Limited	$50.0m
Total	**$1,158.3m**

Figure 6: CEFC finance in action – Energy efficiency

ENERGY EFFICIENCY 2017-18

Property, infrastructure, manufacturing, agriculture, community housing and universities	Commitment
Thinxtra Pty Ltd	$10.0m
ANZ Energy Efficient Asset Finance Program	$97.5m
CBA Energy Efficient Equipment Finance Program	$96.0m
Fleet Partners/Eclipx – FP Turbo Trust 2017-1	$14.1m
Macquarie Agricultural Funds Management Limited	$100.0m
Healthcare Wholesale Property Fund	$100.0m
National RMBS 2018-1 – Green Tranche	$25.0m
Metro Finance Pty Ltd	$50.0m
Australian Prime Property Fund Commercial	$69.0m
Australian Hospitality Fund II	$34.7m
IFM Australian Infrastructure Fund	$118.5m
CBA Energy Efficient Equipment Finance Program	$85.0m
ZEN Ecosystems	$5.0m
Intellihub Operations Pty Limited	$35.0m
Morrison Growth Infrastructure Fund	$105.0m
Total	**$944.8m**

Figure 7: CEFC finance in action – Transport

TRANSPORT 2017-18

Vehicles	Commitment
Macquarie Leasing	$100.0m
Total	**$100.0m**

Figure 8: CEFC finance in action – Biosequestration and other emissions reduction

BIOSEQUESTRATION AND OTHER EMISSIONS REDUCTION 2017-18

Waste and bioenergy	Commitment
Sacyr Environment Australia Pty Ltd	$45.0m
Cleanaway Waste Management Limited	$81.9m
Total	**$126.9m**

Annual performance statement.

INTRODUCTORY STATEMENT

The CEFC Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2017-18 Annual Performance Statements, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

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

ENTITY PURPOSE

The CEFC was established by the *Clean Energy Finance Corporation Act 2012* (CEFC Act)

"... to facilitate increased flows of finance into Australia's clean energy sector".

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

RESULTS

The CEFC had a strong year in 2017-18. A summary of the CEFC's performance outcomes is included in Figure 9. Performance has been assessed against the performance criteria set out in the 2017-18 Corporate Plan, as well as the performance criteria set out in the 2017-18 Portfolio Budget Statements.

Figure 9: CEFC performance summary 2017-18

CEFC FINANCE IN ACTION – ENERGY EFFICIENCY 2017-18

	PERFORMANCE CRITERION	MEASURE	OUTCOME
1	Investment in renewable energy, low emissions and energy efficiency technology	Dollar value of new investment commitments	$2.3 billion against a target of between $900 million and $1.1 billion
2	Placement of funds into Australia's clean energy sector	Dollar value of capital deployed	More than $2 billion against a target of $650 million
		Expected carbon abatement from committed projects at negative cost (i.e. positive return)	A positive return to the CEFC for each tonne of CO_2-e emissions abatement
		Financial leverage in projects financed	Actual leverage was more than $1.80 for every $1.00 committed by the CEFC, which is above the target of $1.00 per $1.00 committed by the CEFC
3	Financial sustainability	Total own-sourced, excluding the unwinding of concessional interest rate discount	$126 million against a target of $81 million
		Operating profit margin[1]	63% against a target of 50 per cent
		Net profit margin[2]	56% against a target of 11%
		Performance against portfolio benchmark return set by the Government in the 2016 Investment Mandate No.2	Core Portfolio return of 4.44% against a benchmark of 5.51-6.51 %. Innovation Fund return of –14.71% against a benchmark of 3.21%.
4	Stakeholder engagement and industry leadership	Insights, relationships, impact and amplification	The CEFC fostered increased investment in the sector, sharing insights and working with industry, other public sector bodies/agencies and private sector financiers

1 Calculated as: (surplus from continuing operations, excluding concessional loan charges and unwind of concessional interest rate discount) divided by (total own-source revenue excluding the unwinding of concessional interest rate discount)

2 Calculated as: Surplus from continuing operations divided by total own-source revenue

Analysis of performance criteria

$2.3B

NEW INVESTMENT COMMITMENTS DURING 2017-18 WELL ABOVE OUR TARGET OF $900M

$2B+

TOTAL FUNDS DEPLOYED

INVESTMENT IN RENEWABLE ENERGY, LOW EMISSIONS AND ENERGY EFFICIENCY TECHNOLOGY

New investment commitments of $2.3 billion were made during 2017-18, marginally higher than the $2.1 billion committed in the previous year and well above our target of $900 million to $1.1 billion.

CEFC commitments were made across 39 transactions, reflecting another strong year of investment in renewable energy in the Australian market and the breadth of the CEFC's activities. The 39 new transactions included six under the Clean Energy Innovation Fund, accounting for $26 million of the total capital committed.

PLACEMENT OF FUNDS INTO AUSTRALIA'S CLEAN ENERGY SECTOR

Total funds deployed were more than $2 billion, a strong improvement on the prior year and above our target of $650 million for 2017-18. Increased deployment is correlated with the strong level of new investment commitments during this year and the prior year. Our investments in 2017-18 made a significant contribution in facilitating Australia's emissions reduction efforts, with the total CEFC investment portfolio of $6.6 billion (commitments since inception) expected to reduce emissions by more than 10 million tonnes per annum. As an investor, we achieved positive returns for each tonne of CO_2-e abated by investee projects and businesses.

In order to increase the flows of finance into the clean energy sector, it is important that others also invest in the sector, in line with the CEFC mission. At the transaction level, we measure this through financial leverage. Actual leverage in CEFC transactions in 2017-18 was $1.00:$1.80, above the target of $1.00:$1.00, representing more than $1.80 in private sector investment for every $1.00 of CEFC commitment.

FINANCIAL SUSTAINABILITY

Financial sustainability is important as we pursue our public policy purpose. Own source revenue was $133 million for 2017-18 against a budget of $85 million. We reported a net surplus of $74 million, against a budget of $9 million, driven by higher revenues and lower levels of concessional expense.

At 30 June 2018, the CEFC core portfolio return since inception was 4.44 per cent, against a Portfolio Benchmark Return (PBR) target of 5.51-6.51 per cent, over the medium to longer term. The net difference of 1.07 per cent against the bottom end of the target range is an improvement against the equivalent 1.24 per cent differential at 30 June 2017.

At 30 June 2018, the Clean Energy Innovation Fund return since inception was –14.71 per cent against a Portfolio Benchmark Return (PBR) target of 3.21 per cent. As an early stage, venture capital style investor, negative returns during early years of investment are expected, with returns anticipated to strengthen as investee companies grow.

STAKEHOLDER ENGAGEMENT AND INDUSTRY LEADERSHIP

The 2017-18 year again saw significant external debate about the future of Australia's energy sector and the potential role of clean energy solutions in the context of energy affordability, security and reliability, while also meeting Australia's Paris Commitments in emissions reduction. As an active investor seeking to catalyse additional finance into the clean energy sector, we retained a strong focus on sharing our experience and insights across the market.

We maintained a strong focus on and support for projects of national significance that have a long lead time, including the Tasmania-Victoria Second Interconnector (Battery of the Nation) project, and the proposed Snowy 2.0 expansion. We also contributed to considerations around the South Australian large-scale battery tender and the Whyalla Steelworks (Arrium) sale.

We continue to inform stakeholders about potential clean energy opportunities through the Reef Funding Program, including extensive consultation and briefings to relevant government agencies, with industry groups in the Reef Catchment Area and smaller-scale investors, including in agribusiness.

As a specialist investor, we seek to extend our reach across the economy through research, insights and information sharing. In 2017-18 we published a major market analysis on the potential electric vehicle market in Australia, with a view to lowering transport-related emissions. We were pleased to make a number of submissions to Government and/or parliamentary enquiries, including the AEMO Integrated System Plan Consultation project; the Energy Security Board draft design consultation paper into the National Energy Guarantee, and the RIT-T Application Guidelines review by the Australian Energy Regulator.

CEFC staff appeared before the House of Representatives Standing Committee on Environment and Energy in respect of the Future of the Grid inquiry, and the Senate Environment and Communications inquiry into the provisions of the *Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017*.

The CEFC works extensively with state, territory and local governments, both as a conduit to business and in their own capacity as service providers with a large carbon footprint. We provided Infrastructure Victoria with advice regarding automated and zero emissions vehicles. We also provide a weekly Markets Update to key stakeholders, including policy makers, investors and clients, with timely information about emerging developments in the clean energy sector.

50%

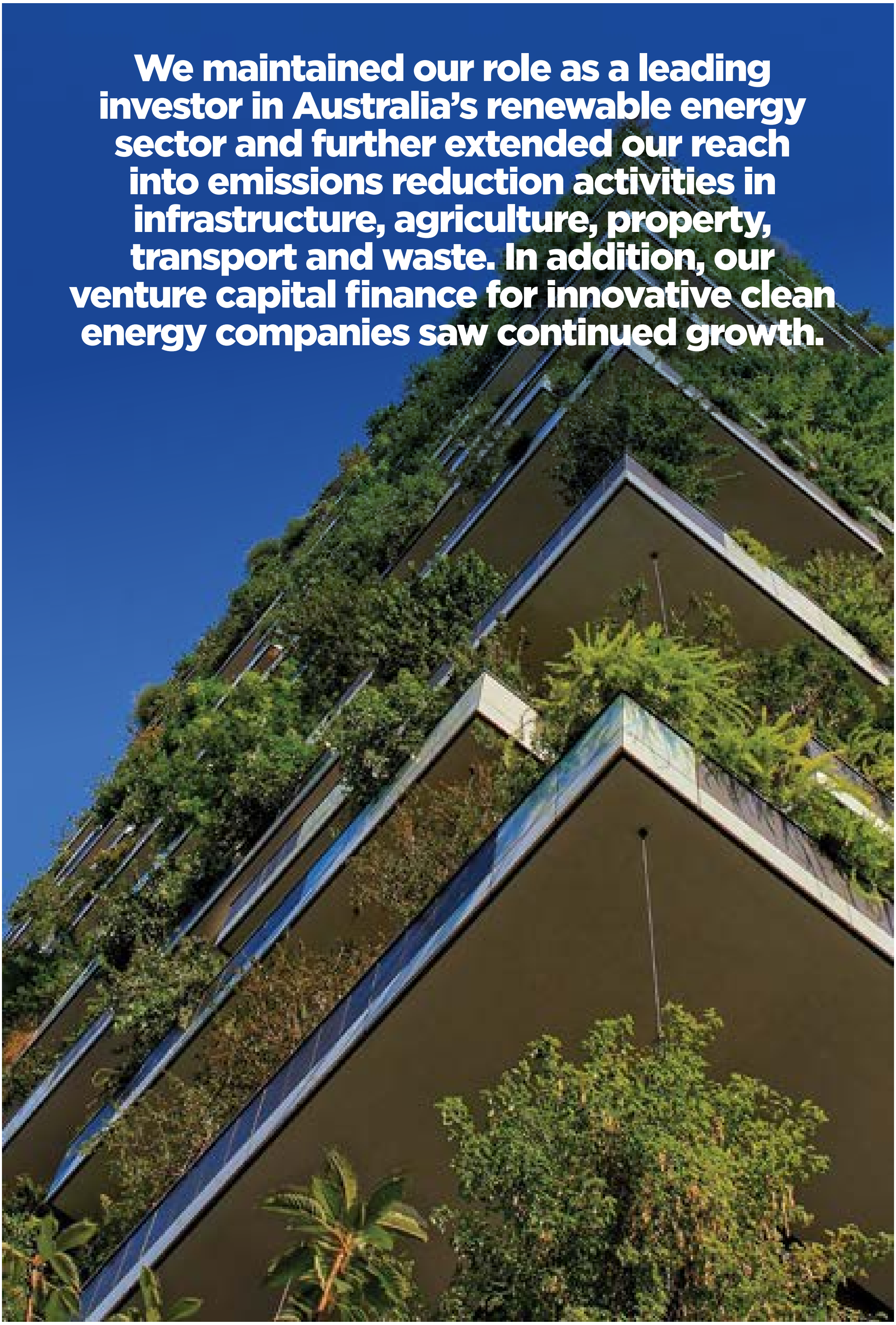
CEFC REPRESENTATION OF TOTAL INVESTMENT BY 'GREEN BANKS' AROUND THE WORLD

The CEFC remained a frequent contributor to targeted industry and sector-specific conferences and events. These provide an opportunity to lift understanding about clean energy finance and the role of clean energy technologies in decarbonising the Australian economy. The CEFC Chair, CEO, Executives and staff spoke at 107 conferences, across the breadth of our portfolio and in multiple locations, also reflecting our national focus. We also issued 44 media releases about CEFC transactions. We see this as an important additional means of delivering transparent information about our investments on behalf of taxpayers, and also to help inform and educate the market about the scale and diversity of clean energy investment opportunities.

The CEFC remains an active member of the Green Bank Network (GBN), an international membership organisation which fosters collaboration and knowledge sharing across 'green banks' in the US, UK, Malaysia and Japan. As noted by the International Energy Agency (IEA) in its 2018 Investment Outlook, the CEFC is a significant player in 'green bank' investment, representing 50 per cent of total investment by 'green banks' around the world to date. In addition, the IEA noted that the CEFC is responsible for almost all the investment by 'green banks' in low carbon transport, as well as the increased share of solar and energy efficiency investment since 2016.

In addition to our external engagement with mainstream media channels, we continue to grow our digital reach to provide increased and timely access to information about our activities, across the CEFC website, Twitter and LinkedIn. The CEFC website recorded 7.65 per cent growth in user numbers, with case studies about specific CEFC investments consistently attracting the highest level of engagement. We saw 25 per cent growth in our Twitter audience, to over 6,400 followers, with the CEFC's own tweets about our transactions being re-tweeted at an average rate of 2:1. The increase in LinkedIn audience numbers, up almost 70 per cent to more than 4,300, reflected a sustained push to leverage this channel to reach decision makers in the clean energy sector and broader economy. A series of video case studies about CEFC investments attracted strong attention via LinkedIn.

We maintained our role as a leading investor in Australia's renewable energy sector and further extended our reach into emissions reduction activities in infrastructure, agriculture, property, transport and waste. In addition, our venture capital finance for innovative clean energy companies saw continued growth.



Section 2
Governance

Governance

Our Purpose

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

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

The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector. Consistent with this statutory objective, the Board has established the CEFC mission:

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.

The CEFC's purpose and mission is achieved through:

- Investing in clean energy technologies, projects and businesses
- Leveraging CEFC investment to attract additional investment from the private sector
- Sharing experiences, insights and expertise with project sponsors, co-investors, public sector agencies, the energy sector and other industry bodies.

Investment Approach

Our investment approach has a clear focus on the areas of the economy where CEFC finance can have a high impact in accelerating emissions reduction to contribute to Australia's decarbonisation challenge.

We invest, directly or indirectly, in businesses and projects that are solely or mainly Australian-based and that develop, commercialise or are used in clean energy technologies, including the related supply of goods and services. Investments in renewable energy technologies are required to make up at least half of our investments from 1 July 2018. We invest responsibly and manage risk prudently, adopting a commercially rigorous approach to our investment activities.

Governance Approach

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

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

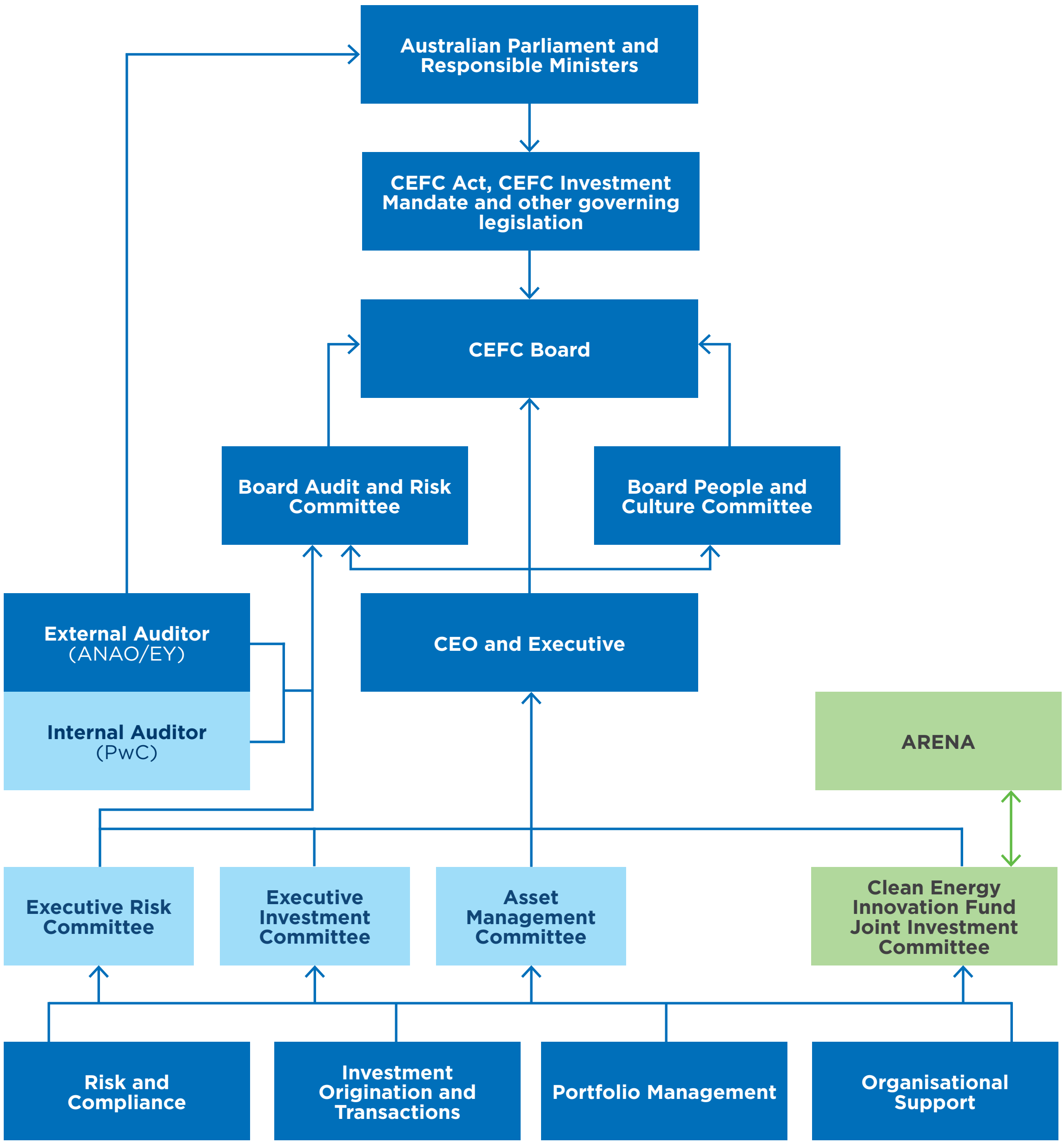
1. Audit and Risk Committee: advises and assists the Board in financial governance, financial performance, audit, annual reporting, compliance and all aspects of risk management
2. People and Culture Committee: advises and assists the Board in workforce planning, performance evaluation and monitoring,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

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

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

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

Figure 10: CEFC governance approach



Our Board

Steven Skala AO, Chair

Mr Skala has a distinguished career of service, including on the boards of public, private, not-for-profit and government organisations, and in working in the law, business and banking. He is the Vice Chairman, Australia of Deutsche Bank AG and Chairman of Blue Chilli Technology Pty Limited. A former Chairman of Film Australia Limited and Wilson Group Limited, he is also a former Director of the Australian Broadcasting Corporation, the Channel Ten Group of Companies and Max Capital Group Limited. Mr Skala was previously a senior Partner at Arnold Bloch Leibler. He is currently Chairman of the Heide Museum of Modern Art, Deputy Chairman of the General Sir John Monash Foundation, a Director of The Centre for Independent Studies, a Founding Panel Member of Adara Advisors Pty Ltd and a Member of the International Council of the Museum of Modern Art (MoMA) in New York. In 2010, Mr Skala was appointed an Officer of the Order of Australia for service to the arts, business and commerce, and to the community.

Mr Skala was appointed to the CEFC Board with effect from 7 August 2017 for five years.

Leeanne Bond

Ms Bond is one of Australia's leading engineers and has extensive experience in the water and energy sectors, particularly in Queensland and the Northern Territory. Chair of Synertec Corporation, she also serves on the boards of Snowy Hydro, Liquefied Natural Gas Limited, JKTech Pty Ltd, the Queensland Building and Construction Commission (QBCC) and Engineers Australia Ltd. Ms Bond has previously held board positions on a number of water and energy businesses, including Tarong Energy and the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water. Ms Bond was named Australian Professional Engineer of the Year in 2007.

Ms Bond was appointed to the CEFC Board with effect from 7 August 2017 for five years.

Philip Coffey

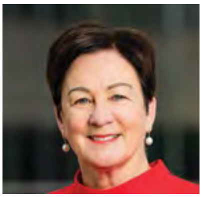
Mr Coffey is Chairman of the Westpac Bicentennial Foundation, a non-executive Director of Macquarie Group Limited and Macquarie Bank Limited, and a non-executive Director of Lendlease Corporation Limited. He previously held a number of senior positions at Westpac Banking Corporation, including Deputy Chief Executive Officer, Chief Financial Officer and Group Executive, Westpac Institutional Bank. Mr Coffey began his career at the Reserve Bank of Australia and has extensive experience in financial markets, funds management, balance sheet management and risk management.

Mr Coffey was appointed to the CEFC Board with effect from 1 February 2018 for five years.

Laura Reed

Ms Reed is Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which own the New South Wales government's 49 per cent stake in Ausgrid. In addition, Ms Reed is a Director and a member of the Remuneration and Nomination Committee and the Safety, Risk and Compliance Committee of Ausgrid. Ms Reed is also Chair of Epic Energy, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a director of Canadian Utilities, ATCO Australia Pty Ltd and ATCO Gas Australia GP Pty Ltd. Ms Reed has more than 20 years' experience in the energy infrastructure sector, including as Chief Executive Officer/Managing Director of Spark Infrastructure, and Chief Financial Officer of Envestra Limited.

Ms Reed was appointed to the CEFC Board with effect from 1 February 2018 for five years.



Andrea Slattery

Ms Slattery has been a Non-Executive Director for more than 25 years and currently serves on the boards of Argo Global Listed Infrastructure, the Adelaide Oval Stadium Management Authority (Alternate) and the South Australia Cricket Association. Ms Slattery was founder and Managing Director/CEO of the Self-Managed Super Fund (SMSF) Association. She has experience in the finance, infrastructure and innovation sectors, and has participated in a range of advisory committees to Government, Treasury and regulators. Ms Slattery was named Woman of the Year in the Australian Women in Financial Services Awards of 2014.

Ms Slattery was appointed to the CEFC Board with effect from 1 February 2018 for five years.

Samantha Tough

Ms Tough serves on the boards of Synergy and Saracen Mineral Holdings Limited and is deputy Chair of the WA Academy of Performing Arts. Previously she chaired the Retail Energy Market Company Ltd, Structerre Pty Ltd, Molopo Energy Ltd, Aerison Pty Ltd and Southern Cross Goldfields Ltd. Ms Touch is also a former director of Cape plc, Strike Resources Ltd and Murchison Metals Ltd. Ms Tough's executive roles include General Manager North West Shelf at Woodside Energy Ltd; Director, Strategy for Hardman Resources Ltd; Senior Vice President Natural Resources at the Commonwealth Bank and Project Director for the Pilbara Power Project.

Ms Tough was appointed to the CEFC Board with effect from 7 August 2017 for five years.

Nicola Wakefield Evans

Ms Wakefield Evans is a non-executive director of Macquarie Group Limited, Lendlease Corporation Limited, BUPA Australia and New Zealand and the national board of the Australian Institute of Company Directors. A member of the Takeovers Panel she is also a member of the boards of Asialink (University of Melbourne) and the University of New South Wales Foundation. Ms Wakefield Evans was previously a partner of King & Wood Mallesons, where she held a variety of senior positions. Her key areas of industry expertise include resources and energy, infrastructure, airports, financial services, technology and media and communication.

Ms Wakefield Evans was appointed to the CEFC Board with effect from 7 August 2017 for five years.

Farewell to Founding Board Members

During FY18, the CEFC farewelled founding chair Jillian Broadbent AO, and founding board members Paul Binsted, Ian Moore, Anna Skarbek, Andrew Stock and Martijn Wilder AM. We thank them for their enormous contribution in creating and leading the CEFC in our first five years.

Our Board

Board Committee Membership

Board members, with the exception of the current Board Chair, serve on one of the Board Committees, either as a Committee chair or member. Committee meetings are open to all Board members to attend, but only Committee members have voting rights.

Figure 11: Board committee memberships 2017-18

Board Members	People and Culture Committee	Audit and Risk Committee
Leeanne Bond	Member (appointed August 2017)	
Philip Coffey		Member (appointed February 2018)
Laura Reed		Member (February 2018 to May 2018) Chair (appointed May 2018)
Andrea Slattery	Member (appointed February 2018)	
Samantha Tough	Chair (appointed August 2017)	
Nicola Wakefield Evans		Member (appointed September 2017)
Jillian Broadbent AO	Member (until August 2017)	
Paul Binsted	Interim Chair (July to August 2017)	Chair (until May 2018)
Ian Moore		Member (until September 2017)
Anna Skarbek	Member (until August 2017)	
Andrew Stock	Chair (until August 2017)	
Martijn Wilder AM		Member (until February 2018)

Meeting Attendance by Board Members

In 2017-18 there were 11 Board meetings and a further nine Board Committee meetings. Board and Board Committee memberships changed throughout the year reflecting the expiration of previous Board terms and new appointees to the Board.

Figure 12: Board member meeting attendance 2017-18

BOARD MEMBERS	BOARD		PEOPLE AND CULTURE COMMITTEE		AUDIT AND RISK COMMITTEE	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Steven Skala AO	9	9	–	–	–	–
Leeanne Bond	9	9	3	3	–	–
Philip Coffey	4	4	–	–	2	2
Laura Reed	3	4	–	–	1	2
Andrea Slattery	4	4	2	2	–	–
Samantha Tough	9	9	3	3	–	–
Nicola Wakefield Evans	8	9	–	–	3	3
Jillian Broadbent AO	1	2	1	1	–	–
Paul Binsted	7	7	–	–	3	3
Ian Moore	2	2	–	–	2	2
Anna Skarbek	2	2	1	1	–	–
Andrew Stock	2	2	1	1	–	–
Martijn Wilder AM	7	7	–	–	2	3

Our Board

Board Member Remuneration and Allowances

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

Figure 13: Remuneration Tribunal Determinations 2017-18

Determinations: Remuneration and Allowances	Date of Effect
Remuneration Tribunal Determination 2017/10: Remuneration and Allowances for Holders of Part-Time Public Office	1 July 2017
Determinations: Official Travel by Office Holders	Date of Effect
Remuneration Tribunal Determination 2016/07: Official Travel by Office Holders (as amended)	28 August 2016
Remuneration Tribunal Determination 2017/15: Official Travel by Office Holders (as amended) (Compilation 1)	27 August 2017

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

Figure 14: Rates of Board member remuneration 2017-18

Office	Annual Remuneration
Chair	$106,540
Board member	$53,270

In addition, superannuation is payable on these amounts at the rate of 9.5 per cent in accordance with the *Superannuation Guarantee Charge Act 1992*. Actual amounts paid to Board members during the reporting period are disclosed in Note 5.3 in the Financial Statements.

Conflicts and Related Entity Transactions

The CEFC considers matters regarding potential conflicts and related entity transactions in accordance with the CEFC Act and the PGPA Act. The CEFC has policies and procedures in place to manage these matters. This includes the requirement that members of the Board, Executive and staff declare material personal interests that relate to the affairs of the CEFC. The Executive and staff must comply with a personal trading policy which prohibits trading in entities with which the CEFC may be doing business and/or hold non-public material price-sensitive information. Declarations of any new material personal interests are a standing agenda item at each Board and Investment Committee meeting.

The Audit and Risk Committee reviews all related entity transactions disclosed in accordance with the relevant accounting standards at Note 5.4 within the Financial Statements.

Indemnities and Insurance Premiums for Officers

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

Figure 15: Indemnities and insurance premiums for officers 2017-18

Indemnity/Insurance	Officers Included	Period of Coverage	Premium/ Fees Paid
Comcover indemnity for Directors and Officers	All Board members and Officers	1 July 2017 to 30 June 2018	$7,962
Deed of Access, Indemnity and Insurance	All Board members, the CEFC Executive and staff appointed by CEFC to an external directorship	Date of execution until seven years after ceasing to be either: – Director or Officer of the Corporation or – appointed by CEFC to an external directorship	Nil: indemnity only
Supplementary Directors' and Officers' non-indemnifiable loss insurance	All Board members and Officers	14 June 2013 to 14 June 2021	$590,665
Comcare Workers' Compensation Insurance	All Board members and Officers	1 July 2017 to 30 June 2018	$7,430
Indemnification for reasonable travel and expenses	All Directors, Officers and staff	Ongoing	Nil: indemnity only

Comcover and Comcare Insurance

Insurances provided by Comcover and Comcare have general application that includes Board members and CEFC staff as per the ordinary insurances required of Commonwealth entities.

Travel and Expense Reimbursement

Staff members, the Executive and the Board are indemnified and reimbursed for reasonable travel and work-related expenses incurred in the performance of their duties, based on verified claims and in accordance with relevant CEFC policies.

Our Executive

From L-R: Kevin Holmes, Rebecca Cottrell, Paul McCartney, Ian Learmonth, Andrew Powell, Leanne McDonald, Stephen Panizza, Ludovic Theau

Ian Learmonth, Chief Executive Officer

Ian has more than 20 years' experience as a financier and investor, working internationally across clean energy and major infrastructure projects, as well as social impact investments.

Rebecca Cottrell, General Counsel and Corporate Secretary

Rebecca is an experienced leader within the financial services industry and has provided legal advice on major capital raisings, mergers and acquisitions, takeovers, divestitures and structured finance.

Kevin Holmes, Chief Governance and Strategy Officer

Kevin has held senior roles and has deep experience across the energy sector in Australia and internationally, including energy retail and generation, renewable energy and petroleum.

Paul McCartney, Chief Investment Officer (Joint)

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

Leanne McDonald, Executive Director, People and Culture

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

Stephen Panizza, Chief Investment Risk Officer

Stephen is a finance specialist with experience developing an Asian debt capital market platform and serving in a board capacity on several operating subsidiaries within the Macquarie Group.

Andrew Powell, Chief Financial Officer

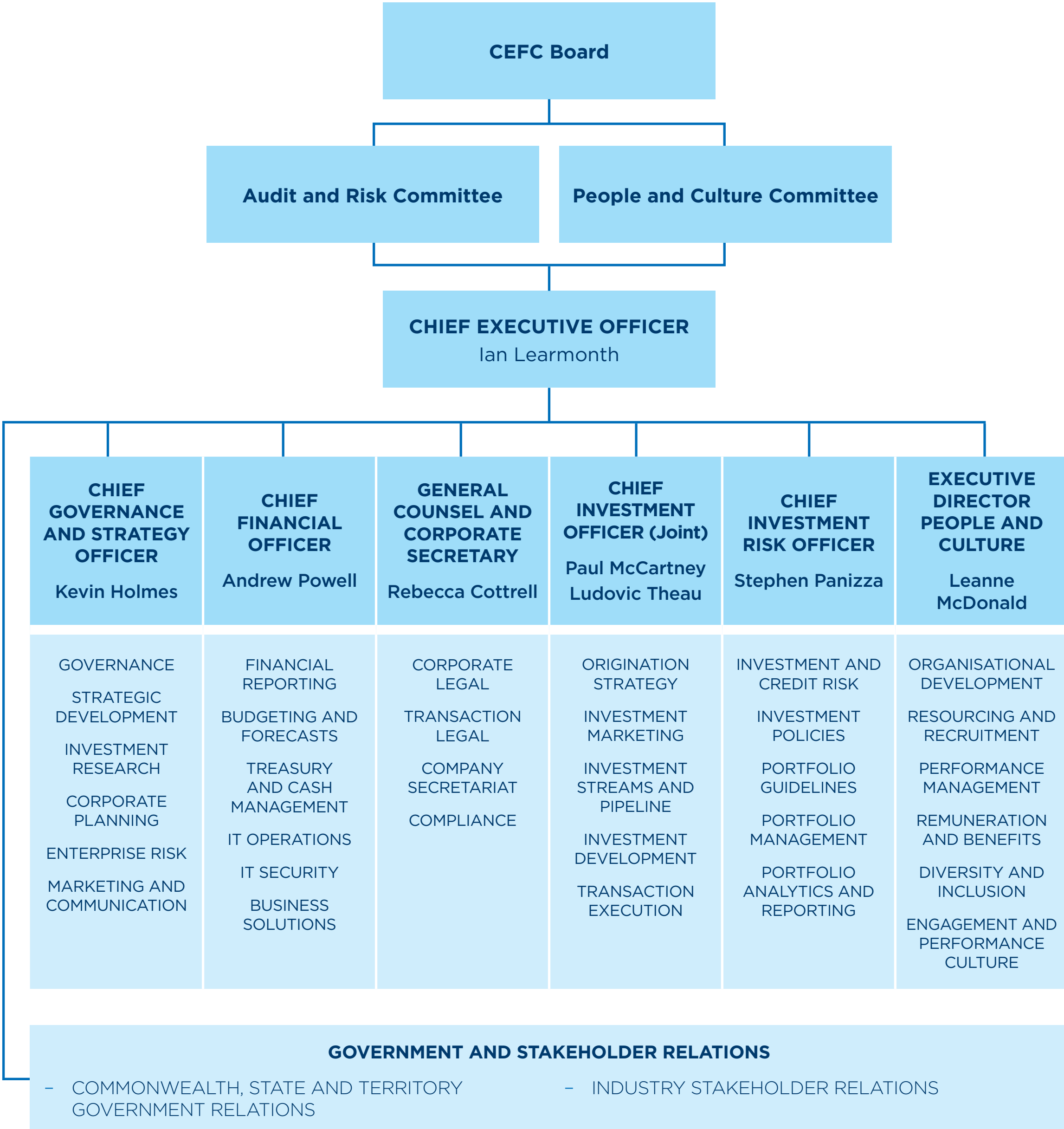
Andrew has worked within industry and private practice accounting in Australia and the United States, with experience in financial accounting, mergers and acquisitions, public listings and deal structuring.

Ludovic Theau, Chief Investment Officer (Joint)

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

Our Executive

Figure 16: CEFC organisation structure



Working with the CEFC

CEFC People

While the CEFC has considerable capital to invest, we remain a relatively small organisation in terms of the number of staff. Our staff are largely drawn from the finance and energy sectors, reflecting our specialist investment focus. We aim to recruit and retain people with a shared commitment to accelerating Australia's clean energy transition. In the market, our people seek to be known as:

- EXPERT: We have a breadth of expertise across our target sectors, working closely with project partners to deliver clean energy outcomes which make economic and commercial sense while lowering carbon emissions.
- COMMERCIAL: We take a commercial approach to our activities, delivering a positive financial return on our investments, while also delivering on our public policy purpose to increase available finance for Australia's clean energy transformation.
- TRANSFORMATIVE: We operate at the forefront of the finance and clean energy sectors, helping businesses meet sustainability and economic goals and benefit from rapid advances in clean energy technologies.
- INNOVATIVE: We provide tailored debt and equity finance to businesses and projects which develop and commercialise clean energy technologies at early and later stages of development.

At 30 June 2018, the CEFC had 93 employees, a slight increase on the prior year. As a specialised financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42 years.

Our gender diversity remained steady in 2017-18, at 57 per cent male and 43 per cent female. At the CEFC, women make up 35 per cent of all senior management positions, which represents an eight per cent improvement over the previous 12 months. This compares favourably to the broader financial services industry, where 33 per cent of senior manager positions are held by women. The proportion of employees born overseas has also remained steady at 40 per cent, including 37 employees from 16 countries, in addition to those born in Australia.

Key organisational tasks include investment origination, transaction execution, portfolio management, legal, finance, compliance and risk management, marketing and communications, investment research, stakeholder relations, human resources and administrative functions.

With the growth of the organisation and its investment portfolio, the CEFC continues to deepen its skills base, as well as prioritise cross-skilling to enhance career opportunities and minimise key person risk.

The CEFC offers flexible work arrangements to all employees, as well as paid parental leave.

Impacting Our Market

The CEFC has a unique role in the Australian economy, with numerous investments breaking new ground in introducing clean energy technologies to new sectors, businesses and projects. At the same time, CEFC staff are often invited to meet with private, government and international organisations to share our successes, experience and insights into this dynamic sector.

The CEFC actively promotes and encourages individual professional development as a core contributor to our market impact, as well as broadening and deepening the skills of our people:

- CEFC staff participate in site visits from time to time, to learn first-hand about the role of CEFC finance from investors and businesses adopting clean energy technologies.
- Frequent lunch and learn sessions on market developments and emerging technologies are well attended, with external speakers a regular feature. These sessions provide an important opportunity for CEFC staff to increase their understanding of relevant developments in the clean energy sector, as well as to share our own insights and knowledge with others.
- In addition, a self-service learning tool, iLearn, gives CEFC employees access to a wide range of online learning modules, with content ranging from induction and compliance to leadership, emotional intelligence, and environmental and sustainability awareness.

Working with the CEFC

Women in Sustainable Finance

The CEFC has maintained a leadership role in the successful development of the Women in Sustainable Finance (WISF) networking group. In 2017-18, some 580 people attended six WISF functions, reaching people in investment funds, banks and environment and sustainable development organisations, as well as corporates, energy and renewable energy companies.

Such events have featured women speakers and are increasingly attracting male attendees. Topics covered included sustainable transport, distributed energy trends, and start-ups in sustainability and bioenergy. Notable achievements included launching the WISF Melbourne and WISF Brisbane chapters and partnering with the Carbon Market Institute's Women in Climate for a panel discussion on improving diversity in the sustainable finance sector.

Contributing to our Communities

CEFC staff are active in their communities, including participating in sport, fitness, blood donation, fund raising and other events. As part of a staff planning day in Brisbane, CEFC colleagues were pleased to contribute to an initiative to purchase and assemble bicycles for children in need.

Terms of Employment

CEFC employees are employed on individual contracts, with terms and conditions based on the National Employment Standards in the *Fair Work Act 2009*. The Australian Government Industry Award 2016 covers non-Executive employees. The CEFC Board has approved additional employment benefits, including paid parental leave, purchased leave and study support.

Employee remuneration is determined with reference to market benchmarking data to support the recruitment and retention of employees with the requisite skills to manage the CEFC's diverse functional areas. Employee remuneration may include a variable compensation component.

Executive remuneration is overseen by the Board People and Culture Committee. Additional information on payments to employees is available in Note 5 in the Financial Statements.

Executive Remuneration and Allowances

The People and Culture Committee is responsible for structuring Executive remuneration, evaluating performance and approving variable compensation payments, which consider corporate and individual performance targets.

During 2017-18, Total Annual Remuneration Payments (TARPs) for the CEFC Executive members included base salary, superannuation and variable compensation. For additional information, refer to Note 2.1 and Note 5.2 in the Financial Statements.

Executive travel and expenses claims are usually dealt with on an indemnity and reimbursement basis. For additional information, refer to Indemnities and Insurance Premiums for Officials.

Risk Management

Approach to Risk

The CEFC Board is ultimately responsible for overall business performance, including oversight of risk management, assisted by the Board Audit and Risk Committee.

At the executive level, the CEO has established an Executive Risk Committee, Executive Investment Committee, Joint Investment Committee for the Clean Energy Innovation Fund (with ARENA) and an Asset Management Committee. Each contribute to effective risk management.

The CEFC has established an enterprise-wide Risk Management Framework to monitor and manage all material risks, including strategic, investment and financial risks, operational risks, and regulatory and compliance risks. Consistent with section 68(c) of the CEFC Act, the Risk Management Framework sets out the manner in which risk is managed for the CEFC's investments and for the CEFC itself.

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

Investment Risk

The CEFC's primary activity is its investment function, and therefore our central focus is on managing all types of investment risk and associated decision-making processes.

An investment strategy that is too risk-averse would prevent the CEFC from fulfilling its public policy purpose, while an approach that is too risk-tolerant could lead to excessive capital losses. Balancing risk return and public policy outcomes are factors that are considered as part of each investment decision and ongoing management of the portfolio.

The CEFC Investment Risk team reviews and assesses credit and other risks associated with each proposed investment, independent of the investment origination team. Post-investment, the Portfolio Management team manages and reviews the performance of investments, with prompt remedial action taken where necessary.

Analysing and Mitigating Investment Risk

The CEFC has established processes for screening, reviewing and approving investments to ensure that there are appropriate controls and 'checkpoints' for risk, before a given investment proposal is approved and documented. This is further underpinned by a thorough process of due diligence:

- Investment proposals must be commercially viable, with an acceptable risk/return profile.
- Standard techniques are employed in risk identification, analysis and mitigation, as part of any investment analysis.
- Where unfamiliar or unique risks are identified, the progression of the investment may be paused while additional due diligence or market-specific research is undertaken.
- The CEFC typically seeks the lowest possible risk position in the capital structure, particularly where the investment itself involves heightened levels of risk, as a protection of the CEFC investment against underperformance.
- If the CEFC lends to projects that sell power on an uncontracted or 'merchant' basis, the loans are sized and structured in a prudent manner. Overall merchant risk exposure is also capped at the portfolio level.
- The CEFC applies a range of conditions to an investment to mitigate an identified risk, including accelerated repayments of capital in certain events.
- The CEFC has a strong preference for investing alongside private sector capital providers, enabling investment risks to be shared.
- For debt investments, the CEFC typically holds first ranking security against the borrowing entity, the project, or the equipment finance.
- The CEFC spends considerable effort analysing the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and the CEFC's potential exposure in the event that an investment may not achieve expectations.
- The CEFC seeks portfolio diversification to avoid excessive exposure and concentration of risk, including: specific technologies; higher risk financing structures; single entities; merchant energy price risk; individual markets and geographical areas.
- The CEFC has a portfolio management function, with systems and process to ensure continuous monitoring of investments and early detection of underperformance and enable remedial action.
- Inevitably a proportion of investments will underperform and the CEFC will experience a loss. For example, in a debt default situation, the level of loss incurred by the CEFC will be determined by a number of factors, including the level of seniority that the CEFC holds in the capital structure and the value of the underlying security.

Legislative and Government Information

Clean Energy Finance Corporation Act, 2012

The CEFC Act establishes the Clean Energy Finance Corporation, sets out the organisation's purpose and functions and establishes arrangements for the Board, CEO and staff.

The objective of the CEFC under the CEFC Act is "to facilitate increased flows of finance into the clean energy sector". One of the functions of the CEFC is to invest, directly and indirectly, in clean energy technologies (the investment function). The CEFC Act also specifies a number of other functions, including:

- Liaising with relevant individuals, businesses, agencies and State and Territory governments to facilitate the CEFC investment function
- Performance of any other functions conferred by the CEFC Act or any other Commonwealth law
- Anything incidental or conducive to the performance of the investment function or the other functions.

Clean energy technologies are broadly defined in the CEFC Act to be energy efficiency, renewable energy and low emissions technologies. The Act expressly excludes CEFC investment in carbon capture and storage, nuclear technology and nuclear power.

During 2017-18 there were no substantial amendments to the CEFC's enabling legislation. However, prior to the reporting period (on 31 May 2017), the Australian Government introduced the Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017 into the Parliament to amend the CEFC Act to remove the prohibition on investing in carbon capture and storage. At the time of writing, the Bill was waiting to proceed through the House of Representatives and had not been introduced into the Senate.

Responsible Ministers

Under the CEFC Act, the CEFC has two responsible Ministers. At 30 June 2018, they were:

- The Hon Josh Frydenberg MP, Minister for the Environment and Energy; and
- Senator the Hon Mathias Cormann, Minister for Finance.

For the period 2017-18 the CEFC was located within the Environment and Energy portfolio.

Nominated Minister

The nominated Minister is one of the responsible Ministers and exercises additional powers and functions under the CEFC Act. The CEFC Act provides that the responsible Ministers must determine between them which is to be the nominated Minister. For the period 2017-18 the nominated Minister was The Hon Josh Frydenberg MP, Minister for the Environment and Energy.

Ministerial Powers of Direction

CEFC Act

The CEFC Act is structured in such a way as to maximise the CEFC's operational independence, particularly with respect to investment decision-making. Ministerial powers to direct under the CEFC Act are limited primarily to the Investment Mandate.

The CEFC can be directed by Ministers to pay surplus funds to the CEFC Special Account, since the CEFC was not conceived as having a large cash management function. Such a direction has been made in the past and was in effect throughout the reporting period.

Figure 17: Ministerial directions

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

Investment Mandate

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

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

Figure 18: Investment Mandates in effect 2017-18

Name	Date Issued	Date Registered	Date of Effect
Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2)*	13 December 2016	10 January 2017	11 January 2017

Government Policy Orders

The PGPA Act allows the Australian Government to issue directions to the CEFC by means of a Government Policy Order (GPO). No GPOs applied to the CEFC during 2017-18.

Statement of Compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2017-18 year.

*available at www.legislation.gov.au

Legislative and Government Information

Procurement

Commonwealth Procurement Rules are not applicable to the CEFC. Procurement occurs via the most efficient, effective, economical and ethical means possible, which can involve direct engagement of service providers based on quotes, select tenders, engagement of external advisors, and in some instances joining Australian Government procurement arrangements. Under section 74 of the CEFC Act, the CEFC must specify in the Annual Report the details for each procurement contract on foot within the financial year valued at above $80,000.

Figure 19: Procurement contracts 2017-18

Contract Date	Contract Value: $	FY18 Value Expensed: $	Contracting Party	Purpose
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
June 2015	555,591	213,983	Technology One Ltd	5-year License Fees, 3-year minimum maintenance and support, initial implementation costs and cloud service fee for TechnologyOne software
July 2015	723,377	(51,994)	The Uniting Church in Australia Property Trust (Q.)	Lease of premises at Level 8, 140 Ann Street, Brisbane from 15 July 2015 to 14 July 2018: surrendered in May 2018 resulting in a refund of two months' rental
March 2016	4,331,218	766,244	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
May 2017	102,534	85,209	Deloitte Touche Tohmatsu	Information security strategy, policies and awareness
May 2017	168,300	155,639	Price-waterhouse-Coopers	Internal Audit engagement for 1 July 2017 to 30 June 2018
May 2017	4,046,431	752,824	Riverside Development Pty Ltd	Lease of premises at Level 25, 71 Eagle Street, Brisbane for 18 May 2017 to 30 September 2022
July 2017	91,345	91,345	Australian Government Comcover	General, professional indemnity, D&O, property including business interruption and travel insurance for 1 July 2017 to 30 June 2018
July 2017	402,644	64,855	Axiom Workplaces Pty Ltd	Fit-out of premises at Level 13, 222 Exhibition Street, Melbourne
July 2017	194,585	194,585	Bloomberg Australia Pty Ltd	Bloomberg terminal and NEF All Insight Package Level III
July 2017	357,370	357,370	Datacom Systems Pty Ltd	IT support, applications and hardware for 1 July 2017 to 30 June 2018 along with an Enterprise Information Review Report and system health check
July 2017	596,011	596,011	Herbert Smith Freehills	Legal fees incurred for various investment projects for 1 July 2017 to 30 June 2018

Contract Date	Contract Value: $	FY18 Value Expensed: $	Contracting Party	Purpose
July 2017	113,978	113,978	King & Wood Mallesons	Legal fees incurred for various investment projects for 1 July 2017 to 30 June 2018
July 2017	568,836	89,044	Knight Frank Australia Pty Ltd	Lease of premises at Level 13, 222 Exhibition Street, Melbourne for 1 July 2017 to 30 June 2022
July 2017	135,112	135,112	Macquarie Telecom Pty Ltd	Provision of telecommunications, data and hosting for July 2017 to 30 June 2018
July 2017	274,310	274,310	National Australia Bank	Bond custody fees for 1 July 2017 to 30 June 2018
July 2017	632,104	632,104	QBT Pty Ltd	Work travel and incidental costs for 1 July 2017 to 30 June 2018 under the whole of government travel procurement program
July 2017	80,908	80,908	Screentide Pty Ltd	Video case studies providing insights into CEFC finance in action
August 2017	151,959	151,959	Johnson Advisory Pty Ltd	Recruitment services
October 2017	87,106	87,106	Noble Brands Worldwide	Annual Report design, production and printing, plus other smaller-scale design and print projects
November 2017	81,436	81,436	Gerard Daniels Australia Pty Ltd	Recruitment services
January 2018	180,735	90,368	Energeia Pty Ltd	Electric vehicle market study: 50 per cent of cost shared with ARENA
January 2018	218,763	76,232	Reval.com Inc	3-year License Fees renewal, maintenance and support for Loan Management System
January 2018	83,732	83,732	The Specialist Recruitment Group Pty Ltd – Taylor Root	Temporary staff and recruitment services
March 2018	84,700	42,350	GHD Pty Ltd	Biofuels research project: 50 per cent of cost shared with ARENA
March 2018	216,095	216,095	Glass and Co Pty Ltd	Enterprise Information Management project costs based on individual statements of work
March 2018	90,465	90,465	Price-waterhouse-Coopers	AASB 9 "financial instruments" diagnostic workshop, provision for impairment modelling and preparation of documentation to support CEFC adoption of AASB 9
June 2018	202,950	175,450	Australian National Audit Office	Audit of financial statements for year ended 30 June 2018
Total	**15,363,260**	**5,720,503**		

Other Legislation, Australian Government Policies and Key Governance Events

PGPA Act 2013 and Compliance with Finance Law

As a corporate Commonwealth entity, the CEFC's activities are governed by the PGPA Act and its subordinate instruments. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board (both as a collective and as individuals) and on CEFC's Executive and staff members.

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2017-18.

Note 1 to the Financial Statements contains more information about how the PGPA Act impacts the financial governance of the organisation and the preparation of the accounts.

Statutory Review

An independent statutory review of the CEFC commenced during the year. This review is a requirement of the CEFC Act. At the time of writing, we understood the review was nearing its conclusion.

Australian Government Energy and Environmental Policies

Broadly speaking, the intersection of energy and environment policy again took centre stage in national policy development and debate in 2017-18, reflecting Australia's commitments to the Paris Agreement, the impacts of rising gas and electricity prices, and the entry of new technologies.

Much of 2017-18 was spent by the Australian Government and Council of Australian Governments (COAG) considering policy solutions to the energy trilemma of affordability, reliability and decarbonisation. This was ongoing at the end of the reporting period.

Other Statutory Requirements Affecting the CEFC

As a corporate Commonwealth entity which participates actively and commercially in the finance sector, the CEFC complies with a range of other statutory reporting requirements. These are outlined below. An index to reporting requirements can be found in Appendix A.

Equal Employment Opportunity (Commonwealth Authorities) Act 1987

The CEFC is required to report annually under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*. A full report can be found in Appendix B.

Environment Protection and Biodiversity Conservation Act 1999

The CEFC is required to report annually under the *Environment Protection and Biodiversity Conservation Act 1999*. A full report can be found in Appendix C.

Work Health and Safety Act 2011

The CEFC is required to report annually under the *Work Health and Safety Act 2011*. A full report can be found in Appendix D.

Judicial Decisions and Parliamentary Committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2017-18 that have had, or may have, a significant effect on the operations of the CEFC. There were also no particular reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner.

There were no reports about the CEFC from the Auditor-General other than the 2017-18 annual audit report accompanying the financial statements (as reproduced in the CEFC 2016-17 Annual Report).

As far as the CEFC is aware, the only Parliamentary Committee reports which substantially involved the CEFC during 2016-17 were as follows:

- Senate Environment and Communications Legislation Committee Reports on Additional estimates 2017-18 (May 2018) and on Budget estimates 2018-19 (June 2018)
- The Senate Environment and Communications Legislation Committee Report into Provisions of the Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017 (8 May 2018)
- Senate Environment and Communications References Committee reports on Never waste a crisis: the waste and recycling industry in Australia (26 June 2018), and Current and future impacts of climate change on housing, buildings and infrastructure (13 August 2018)
- House of Representatives Standing Committee on Environment and Energy report Powering our future (December 2017).

Section 3
Financial Statements

Financial Statements

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Minister for the Environment and Energy

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation and its subsidiary (together the consolidated entity) for the year ended 30 June 2018:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the consolidated entity as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the consolidated entity, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive and Chief Financial Officers;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement; and
- Notes to the consolidated financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the consolidated entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Clean Energy Finance Corporation, the Members of the Board of the Corporation ("Board") are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the consolidated entity audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

23 August 2018

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

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* ('PGPA Act'), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Clean Energy Finance Corporation will be able to pay its debts as and when they fall due.

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

Steven Skala AO
Chair of the Board

23 August 2018

Laura Reed
Board member

23 August 2018

Ian Learmonth
Chief Executive Officer

23 August 2018

Andrew Powell
Chief Financial Officer

23 August 2018

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	24,854	21,058
Suppliers	2.1B	8,431	6,544
Depreciation and amortisation	3.2A	892	745
Concessional loan charges	2.1C	11,972	11,433
Write-down and impairment of assets	2.1D	7,683	2,129
Provision for irrevocable loan commitments	2.1E	2,625	292
Total expenses		**56,457**	**42,201**
Own-source income			
Own-source revenue			
Interest and loan fee revenue	2.2A	122,269	59,275
Distributions from trusts and equity investments	2.2B	10,090	5,328
Total own-source revenue		**132,359**	**64,603**
Gains and losses			
Other gains/(losses)		(12)	(92)
Total gains/(losses)		**(12)**	**(92)**
Total own-source income		**132,347**	**64,511**
Net contribution by services		**75,890**	**22,310**
Share of associates and joint ventures	3.1G	(2,235)	(639)
Surplus from continuing operations		**73,655**	**21,671**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains on available-for-sale financial assets	2.3A	27,854	7,674
Net fair value gain/(loss) taken to equity on cash flow hedge		282	(42)
Total other comprehensive income		**28,136**	**7,632**
Total comprehensive income		**101,791**	**29,303**

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

Consolidated Statement of Financial Position

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	487,754	401,974
Trade and other receivables	3.1B	12,463	8,227
Loans and advances	3.1C	1,936,704	771,202
Available-for-sale financial assets	3.1D	1,396,569	802,945
Other financial assets	3.1E	163,507	278,380
Derivative financial assets	3.1F	–	225
Equity accounted investments	3.1G	87,495	8,401
Total financial assets		**4,084,492**	**2,271,354**
Non-financial assets			
Property, plant and equipment	3.2A	1,392	944
Computer software	3.2A	418	484
Prepayments		500	504
Total non-financial assets		**2,310**	**1,932**
Total assets		**4,086,802**	**2,273,286**
LIABILITIES			
Payables and unearned income			
Suppliers	3.3A	2,974	2,162
Unearned income	3.3B	32,202	15,678
Other payables	3.3C	6,792	5,106
Derivative financial liabilities	3.1F	241	–
Total payables and unearned income		**42,209**	**22,946**
Provisions			
Employee provisions	5.1	2,172	1,660
Other provisions	3.4	12,196	20,246
Total provisions		**14,368**	**21,906**
Total liabilities		**56,577**	**44,852**
Net assets		**4,030,225**	**2,228,434**
EQUITY			
Contributed equity	4.1	3,808,363	2,108,363
Reserves	2.3B	42,791	14,655
Retained surplus		179,071	105,416
Total equity		**4,030,225**	**2,228,434**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	RETAINED SURPLUS		RESERVES		CONTRIBUTED EQUITY		TOTAL EQUITY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Opening balance								
Balance carried forward from previous year	105,416	83,745	14,655	7,023	2,108,363	1,108,363	2,228,434	1,199,131
Comprehensive income								
Surplus for the year	73,655	21,671	–	–	–	–	73,655	21,671
Other comprehensive income	–	–	28,136	7,632	–	–	28,136	7,632
Total comprehensive income	**73,655**	**21,671**	**28,136**	**7,632**	**-**	**-**	**101,791**	**29,303**
Transactions with owners								
Contributions by owners								
Equity injection from CEFC Special Account	–	–	–	–	1,700,000	1,000,000	1,700,000	1,000,000
Total transactions with owners	**-**	**-**	**-**	**-**	**1,700,000**	**1,000,000**	**1,700,000**	**1,000,000**
Closing balance as at 30 June	**179,071**	**105,416**	**42,791**	**14,655**	**3,808,363**	**2,108,363**	**4,030,225**	**2,228,434**

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

Consolidated Cash Flow Statement

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees		113,691	62,744
Distributions from trusts and equity investments		10,144	3,437
Total cash received		**123,835**	**66,181**
Cash used			
Employees		22,896	20,186
Suppliers		7,102	5,668
Total cash used		**29,998**	**25,854**
Net cash from operating activities		**93,837**	**40,327**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		184,084	21,858
Redemption of AFS financial assets		20,247	12,366
Redemption of short-term investments		–	90,000
Redemption of other financial assets		266,308	249,427
Distributions from associates and joint ventures		506	–
Total cash received		**471,145**	**373,651**
Cash used			
Loans made to other parties		1,340,992	391,150
Purchase of AFS financial assets		600,538	532,910
Purchase of short-term investments		–	90,000
Acquisition of other financial assets		154,550	221,212
Investment in associates and joint ventures		81,835	8,867
Purchase of property, plant and equipment		959	283
Purchase of computer software		328	360
Total cash used		**2,179,202**	**1,244,782**
Net cash (used by)/from investing activities		**(1,708,057)**	**(871,131)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		1,700,000	1,000,000
Total cash received		**1,700,000**	**1,000,000**
Net cash from financing activities		**1,700,000**	**1,000,000**
Net increase in cash held		**85,780**	**169,196**
Cash and cash equivalents at the beginning of the reporting period		401,974	232,778
Cash and cash equivalents at the end of the reporting period	**3.1A**	**487,754**	**401,974**

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

Table of Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1: Overview

1.1 Objectives of the Corporation

The Clean Energy Finance Corporation ('CEFC' or 'the Corporation') was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* (Cth) ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit entity with medium to long-term portfolio benchmark return targets (before operating expenses) and, working with co-financiers, its object is to facilitate increased flows of finance into the clean energy sector. The Corporation's functions are to:

1. Invest, directly and indirectly, in solely or mainly Australian-based clean energy technologies and projects, which can be any one or more of the following:
   - Renewable energy technologies and projects, which include hybrid technologies that integrate renewable energy technologies and technologies (including enabling technologies) that are related to renewable energy technologies;
   - Energy efficiency technologies and projects, including technologies that are related to energy conservation technologies or demand management technologies (including enabling technologies); and
   - Low emissions technologies and projects.
2. 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.

   Effective 10 January 2017, the Corporation was issued with the Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2) ('Investment Mandate 2016 (No.2)') which among other things, required the Corporation to make available up to:
   - $1 billion of investment finance over 10 years for a Reef Funding Program
   - $1 billion of investment finance over 10 years for a Sustainable Cities Investment Program
   - $200 million for debt and equity investment through the Clean Energy Innovation Fund.

1.2 Basis of Preparation of the Financial Statements

The consolidated financial statements of the Clean Energy Finance Corporation (the parent) and its subsidiary (collectively, the Group) are general purpose financial statements and are required by:

a) section 42 of the PGPA Act; and
b) section 74 of the CEFC Act.

The consolidated financial statements have been prepared in accordance with:

a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* ('FRR'); and
b) Australian Accounting Standards ('AAS') and Interpretations – Reduced Disclosure Requirements ('RDR') issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period, with more extensive disclosures for Financial Instruments.

The consolidated financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain financial assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The consolidated financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Further disclosures about the parent company and its subsidiary can be found at Note 7.

1.3 Events after the Reporting Period

There have been no significant events subsequent to balance date.

1.4 Taxation

The Corporation is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Corporation's wholly owned subsidiary, CEFC Investments Pty Limited, is not exempt from income tax; however, it has accumulated income tax losses at 30 June 2018, and no certainty as to whether any benefit from those losses would ever be realised as it has incurred losses for the year ended 30 June 2018.

Revenues, expenses and assets are recognised net of GST except:

a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
b) for receivables and payables.

The net amount of GST payable to the Australian Taxation Office is included as part of the payables or commitments.

The financial statements have been prepared on the basis that the Corporation is generally not entitled to input tax credits for GST included in the price of goods and services acquired because financial supplies, such as loans, are input taxed.

1.5 New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The new/revised/amending standards and/or interpretations applicable to the current reporting period did not have a material effect on the Group's financial statements.

Future Australian Accounting Standard Requirements

The following new standards that may have a material effect on the Group's future financial statements were issued by the AASB prior to the signing of the statement by the Accountable Authority, Chief Executive and Chief Financial Officers:

Standard/Interpretation	Application date for the Group
AASB 9 *Financial Instruments*	1 July 2018
AASB 16 *Leases*	1 July 2019

All other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods (including AASB 15 *Revenue from Contracts with Customers*) are not expected to have a future material impact on the Group's financial statements.

AASB 9 ***Financial Instruments***

AASB 9, effective for annual periods beginning on or after 1 January 2018, replaces AASB 139 and includes a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

a) Classification and Measurement

AASB 9 classifies financial assets into one of three categories, namely:

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The two principal tests applied in determining which category a loan falls into are:

- The Business Model test
- The Cash Flows test

The Business Model test considers whether or not an asset is held in a business model where the objective is to hold financial assets in order to collect contractual cash flows.

Notes to Consolidated Financial Statements

Note 1: Overview continued

The Cash Flows test considers whether or not the future cash flows from an asset are solely payments of principal and interest on the principal amount outstanding.

These tests have been applied for each financial asset in the Group's portfolio and the following table provides an overview of how assets currently classified as Loans and advances or as Available-for-sale financial assets at 30 June 2018 under AASB 139 would be classified in future under AASB 9.

Classification	Notes	AASB 139 $'000	Remeasurement $'000	Reclassification $'000	AASB 9 $'000
Loans and advances	3.1C	1,943,740	2,106	(1,945,846)	
Available-for-sale financial assets					
– Debt securities	3.1D	1,042,797	(4,561)	(1,038,236)	
– Equities and units in trusts	3.1D	353,772		(353,772)	
Amortised Cost					
– Loans and advances				1,857,558	1,857,558
– Debt securities				337,534	337,534
Fair Value through Profit and Loss					
– Loans and advances				88,288	88,288
– Debt securities				700,702	700,702
– Equities and units in trusts				353,772	353,772
		3,340,309	(2,455)	–	3,337,854

Consolidated Retained Earnings are expected to increase by $40.1 million and Reserves to decrease by $42.6 million upon adoption of AASB 9 as the Unrealised Gain on prior revaluations of Available-for-sale financial assets is reversed, for assets that will be classified at Amortised Cost under AASB 9, or transferred to Retained Earnings, for assets that will be classified at FVTPL.

The ongoing revaluation of assets which will be classified as FVTPL is also expected to increase earnings volatility following the adoption of AASB 9.

b) Provision for Impairment

AASB 9 replaces the 'incurred loss' model of AASB 139 with an 'expected loss' model and its impairment provision requirements apply to financial assets measured at Amortised Cost and to loans measured at FVOCI.

AASB 9 introduces a three-stage approach to impairment provisioning as follows:

- Stage 1 – the recognition of 12-month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

The expected credit loss must also consider forward-looking information to recognise impairment allowances earlier in the lifecycle of an investment and, based on simulations applying the AASB 9 methodology to the Group's portfolio during the latter part of the financial year, is likely to increase the volatility of impairment provisions; although cash flows and cash losses would remain unchanged.

At Stage 1, ECL is measured as the product of the 12-month Probability of Default (PD), the Loss Given Default (LGD) and Exposure at Default (EAD), adjusted for forward-looking information. At Stage 2, ECL is measured as the product of lifetime PD, LGD and EAD, adjusted for forward-looking information. At Stage 3, ECL is measured as the difference between the contractual and expected future cash flows from the individual exposure, discounted using the effective interest rate for that exposure.

The AASB 9 impairment provision is based on the weighted average of the calculated provision under a range of scenarios, whereas the AASB 139 impairment provision was calculated with reference to a single scenario.

The development of forward looking scenarios requires that:

- Risks to the portfolio are understood and can be measured
- The portfolio is segmented appropriately to enable specific forward settings to be applied
- Development of multiple scenarios that are probability weighted
- The use of quantitative and qualitative approaches, including expert judgement.

The Group has identified the following as forward-looking macro-economic risk indicators for different segments within our Amortised Cost loan portfolio:

- Electricity prices
- Interest rates
- GDP growth rate
- Property prices

For AASB 9 impairment provisioning purposes, the Group's Amortised Cost portfolio has been stratified into eight segments and the impairment provisioning model uses four scenarios in calculating the impairment provision, namely: Base Case, Upside Scenario, Downside Scenario and an Electricity price collapse scenario.

The Group's Amortised Cost loan portfolio is highly concentrated, particularly in the energy sector (consistent with its mandate) and therefore is likely to be most sensitive to decreases in electricity prices, particularly due to merchant exposure under certain project finance loans. The Group has calculated the ECL under the multiple scenarios mentioned above and these range between approximately $14 million and $50 million depending on the forward-looking macro-economic assumptions adopted and up to $100 million in an extreme electricity price collapse scenario.

CEFC's impairment provision under AASB 9 has been calculated on a weighted average probability basis from the above scenarios to be $28.8 million as at 30 June 2018 compared to the AASB 139 impairment provisions against loans of $7.0 million (Note 3.1C) and irrevocable commitments of $3.2 million (Note 3.4). Based on these numbers, Opening Retained Earnings at 1 July 2018 will decrease by $18.5 million upon adoption of AASB 9. This increase in impairment provision is the result of the application of a probability weighted outcome based on multiple scenarios incorporating alternative forward-looking macro-economic indicators together with the lifetime ECL impact for assets in Stage 2, both of which were requirements introduced by AASB 9.

c) Hedge accounting

The AASB 9 hedge accounting provisions are currently not expected to have a material impact on the Group's financial statements.

d) Prior period comparatives

The Group will not be restating comparatives upon adoption of AASB 9.

AASB 16 *Leases*

AASB 16 effectively does away with the distinction between an operating lease and a finance lease as lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group operates from leased premises and the application of AASB 16 will increase Fixed Assets and create a new Liability, on the Statement of Financial Position, and reduce Operating Expenses and increase Finance Charges on the Statement of Comprehensive Income.

Based on the operating leases that the Group has entered into as of the date of this report, when AASB 16 comes into effect on 1 July 2019, we expect to disclose both a right-to-use asset and a lease liability of approximately $4.2 million each. The maximum net impact to the income statement in a given year is expected to be approximately $0.25 million based on current interest rates.

Notes to Consolidated Financial Statements

Note 2: Financial Performance

This section analyses the financial performance of the Group for the year ended 30 June 2018.

2.1: Expenses

	2018 $'000	2017 $'000
2.1A: Employee Benefits		
Wages and salaries	22,929	19,353
Superannuation		
Defined contribution plans	1,413	1,209
Leave and other entitlements	512	462
Separations and redundancies	–	34
Total employee benefits	**24,854**	**21,058**

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Group is estimated to be less than the annual entitlement for sick leave.

When an employee has rendered service to the Group during the period, the Group recognises the undiscounted amount of short-term benefits expected to be paid in exchange for that service as a liability, calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Group's employer superannuation contribution rates.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Group recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The Group's staff are members of various defined contribution plans to which the Group must contribute in accordance with the *Superannuation Guarantee (Administration) Act 1992* (Cth). The liability for superannuation recognised as at 30 June represents outstanding contributions for the final payroll periods of the year.

	2018 $'000	2017 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	117	117
Consultants	1,142	412
Contractors	419	148
Custody and facility fees	396	139
Data feeds and other subscriptions	419	385
Facility services and outgoings	261	236
Financial statement audit services	175	171
Information technology services	355	275
Insurance	165	144
Internal audit services	168	131
Legal fees	749	700
Marketing and communications	331	237
Recruitment services	478	768
Staff training and development	192	127
Telecommunications	118	116
Travel and incidentals	924	745
Other	414	223
Total goods and services supplied or rendered	**6,823**	**5,074**
Goods supplied	228	174
Services rendered	6,595	4,900
Total goods and services supplied or rendered	**6,823**	**5,074**
Other suppliers		
Operating lease rentals in connection with:		
Minimum lease payments for office premises – external parties	1,577	1,407
Workers compensation expenses	31	63
Total other suppliers	**1,608**	**1,470**
Total suppliers	**8,431**	**6,544**

Leasing commitments

The Group has entered into operating leases for office premises which expire between 28 February 2021 and 30 September 2022.

Notes to Consolidated Financial Statements

Note 2: Financial Performance continued

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 $'000	2017 $'000
Within 1 year	1,746	1,646
Between 1 to 5 years	4,657	5,716
After 5 years	–	223
Total operating lease commitments	**6,403**	**7,585**

Accounting Policy

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

	2018 $'000	2017 $'000
2.1C: Concessional Loan Charges		
Concessional loan charges	11,972	11,433
Total concessional loan charges	**11,972**	**11,433**

Accounting Policy

The Group is required to record a non-cash concessional loan charge when it makes a loan at a discount to the prevailing market equivalent rates or terms. This non-cash charge is recorded as a liability at loan origination and offset to loans and advances when the loan is drawn down. The charge will unwind over the term of the underlying loan and be shown as concessional loan income. Over the full life of the loan, the impact on the reported profit or loss of the Group from the charge and income will net to $Nil.

Accounting Judgements and Estimates

For each investment, the Group will attempt to maximise its return and provide only the level of discount from market rates/terms that is required to ensure the project proceeds; however, this may involve the Group taking a position that is not generally offered by other market participants (e.g. longer-term fixed-rate debt, subordinated debt, unsecured or mezzanine debt, lending to thinly capitalised entities or companies with less strong credit ratings, etc) and at rates that are below those that an equivalent market participant would demand if it were to participate in this market. The Group is required to record a concessional loan discount in relation to such loans and this requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan. This involves benchmarking to market rates for similar facilities and adjusting for specific differences in tenor, creditworthiness, security, etc. Further judgement is also required to be exercised in relation to the anticipated pattern under which loans will be drawn down, as well as the rate at which they are expected to amortise, so the extent of concessionality being offered in the transactions can be estimated.

	2018 $'000	2017 $'000
2.1D: Write-Down and Impairment of Assets		
Loan impairment charge	2,683	2,129
Impairment of unlisted equity investments	5,000	–
Total write-down and impairment of assets	**7,683**	**2,129**

Accounting Judgements and Estimates

Impairment of loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc), and judgements on the effect of concentrations of risks and economic data (asset type, industry, geographical location).

Impairment of available-for-sale ('AFS') financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as loans and advances.

	2018 $'000	2017 $'000
2.1E: Provision for Irrevocable Loan Commitments		
Provision for irrevocable loan commitments	2,625	292
Total provision for irrevocable loan commitments	**2,625**	**292**

Accounting Judgements and Estimates

Provision for irrevocable loan commitments

The Group calculates a loss loan provision for the undrawn component of loans that are not yet fully drawn and where future drawdowns are unconditional.

Notes to Consolidated Financial Statements

Note 2: Financial Performance continued

2.2: Own-Source Revenue and Gains

	2018 $'000	2017 $'000
2.2A: Interest and Loan Fee Revenue		
Interest and fees from loans and advances	75,223	30,045
Interest from available-for-sale financial assets	25,498	12,118
Interest from cash and short-term investments	10,440	7,199
Interest from other financial assets	4,994	7,488
Unwind of concessional interest rate discount	6,114	2,425
Total interest and loan fee revenue	**122,269**	**59,275**

Accounting Policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest Revenue

Interest revenue is recognised as interest accrues using the effective interest method as set out in AASB 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.

Establishment Fees

Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

Commitment Fees

Commitment fees are recognised on an accrual basis over the period during which the credit is made available to the customer but is not drawn down.

	2018 $'000	2017 $'000
2.2B: Distributions from Trusts and Equity Investments		
Distributions from trusts and equity instruments	10,090	5,328
Total distributions from trusts and equity investments	**10,090**	**5,328**

Accounting Policy

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

2.3: Gains/(Losses) Included in Other Comprehensive Income and Reserves

	2018 $'000	2017 $'000
2.3A: Gains on Available-For-Sale Financial Assets		
Unrealised gains on investments in trusts and equity instruments	23,542	15,145
Unrealised gains/(losses) on investments in debt securities	4,312	(7,471)
Total gains on available-for-sale financial assets, net	**27,854**	**7,674**

Accounting Policy

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other gains in the statement of comprehensive income, or the investment is determined to be impaired when the cumulative loss is reclassified from the reserves to the statement of comprehensive income as a write-down and impairment of assets.

2.3B: Reconciliation of Unrealised Gains/(Losses) in Reserves at 30 June 2018	Debt Securities $'000	Trust and Equity Instruments $'000	Cash Flow Hedge $'000	Total $'000
Unrealised gains/(losses) included in reserves, 1 July 2017	(64)	14,761	(42)	14,655
Unrealised gains/(losses) recorded in other comprehensive income during 2018	4,312	23,542	282	28,136
Unrealised gains/(losses) on AFS securities included in reserves, 30 June 2018	**4,248**	**38,303**	**240**	**42,791**

Note 3: Financial Position

This section analyses the Group's assets used to conduct its operations and the operating liabilities incurred as a result. Employee-related information is disclosed in the People and Relationships section.

3.1: Financial Assets

	2018 $'000	2017 $'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	487,754	401,974
Total cash and cash equivalents	**487,754**	**401,974**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Accounting Policy

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes:

a) cash on hand; and

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

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, and demand deposits in bank accounts with an original maturity of three months or less, to maintain liquidity.

	2018 $'000	2017 $'000
3.1B: Trade and Other Receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	–	250
Total goods and services receivables	**-**	**250**
Other receivables		
Unbilled receivables	199	365
Interest	9,781	5,415
Dividends and distributions	1,803	1,873
Other	680	324
Total other receivables	**12,463**	**7,977**
Total trade and other receivables (gross)	**12,463**	**8,227**
Less: Impairment allowance	**-**	**-**
Total trade and other receivables (net)	**12,463**	**8,227**

Credit terms for goods and services were within 30 days (2017: 30 days).

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

Accounting Policy for Financial Assets

Initial Recognition and Measurement

The Group classifies its financial assets, at initial recognition, in the following categories:

a) financial assets at fair value through profit or loss ('FVPL');

b) held-to-maturity ('HTM') investments;

c) AFS 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.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as financial assets at FVPL 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 Group manages together and has a recent actual pattern of short-term profit-taking.

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

AFS Financial Assets

AFS financial assets include units in trusts, equity investments and debt securities. Units and equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other gains in the statement of comprehensive income, or the investment is determined to be impaired when the cumulative loss is reclassified from the reserves to the statement of comprehensive income as a write-down and impairment of assets. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method in the statement of comprehensive income.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if Management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified as a write-down and impairment of assets in the statement of comprehensive income.

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

HTM 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 HTM investments. HTM investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The Group had no HTM investments during the financial years ended 30 June 2018 and 2017.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

This category generally applies to short-term investments, loans and advances and other financial assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Derivative financial instruments

The Group may use derivative financial instruments to manage exposures to interest rate and foreign exchange risk. These include foreign exchange contracts, interest rate and cross-currency swaps, futures contracts and forward rate agreements. Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive (in the money) and as liabilities when their fair value is negative (out of the money). Any gains and losses arising from changes in the fair value of derivatives, except those that qualify for hedge accounting, are taken through profit or loss.

Impairment of Financial Assets

Financial assets held at amortised cost

The Group 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 Group in its various loans (e.g. senior debt, unsecured debt, subordinated or mezzanine debt, longer terms, policy risk in relation to the Renewable Energy Target, electricity price volatility, etc) it is considered possible that the Group will not fully recover 100% of the principal relating to all the loans it makes, although the Group has not identified any individual loans that are not expected to be recoverable at the reporting date.

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired (and impairment charges are recognised) if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    i) adverse changes in the payment status of borrowers in the group; or
    ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment is, or continues to be, recognised are not included in a collective assessment of impairment.

The Group's loans are early in their life (of what can be 10+-year fixed terms) and the Group does not have a history from which to ascertain the likely extent of ultimate defaults and consequential losses. Therefore, in accordance with Australian banking industry practice, the Group applies the following loan loss provisioning methodology to ascertain the extent to which its loans are likely to be impaired.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Estimates of changes in future cash flows for groups of assets reflect, and are directionally consistent with, changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The Group has adopted a loan impairment provisioning methodology in order to ascertain the extent to which its loans are likely to be impaired but not reported. In accordance with Australian banking industry practice this incorporates internal credit risk indicators of a Shadow Credit Rating (SCR) mapped to probability of default rates and Loss Given Default (LGD). The methodology is maintained throughout the life of each loan, is adjusted for amortisation, is based on 'through the cycle' LGDs and utilises a duration of the loss emergence period of 12-18 months.

In addition to the statistically modelled output, a Management adjustment overlay is applied. The purpose of this overlay is to compensate for the unique risks of the Group's portfolio as well as specific model and data limitations. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of comprehensive income.

	2018 $'000	2017 $'000
3.1C: Loans and Advances		
Gross funded loans	1,958,750	783,318
Concessional loan discount on drawn loans	(15,010)	(7,068)
Funded loans, net of concessionality discount	**1,943,740**	**776,250**
Less impairment allowance	**(7,036)**	**(5,048)**
Net loans and advances	**1,936,704**	**771,202**
Maturity analysis loans and advances, net of concessionality:		
Overdue or impaired	–	3,201
Due in 1 year	65,396	99,964
Due in 1 year to 5 years	848,367	446,349
Due after 5 years	1,029,977	226,736
Funded loans, net of concessionality discount	**1,943,740**	**776,250**
Less impairment allowance	**(7,036)**	**(5,048)**
Net loans and advances	**1,936,704**	**771,202**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Concentration of Risk

The largest single exposure in the loan portfolio at 30 June 2018 was for an amount of $196.3 million (2017: $149.5 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2018			2017		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
< $10 million	53	75,130	4%	70	84,949	11%
$10-$50 million	24	562,744	29%	15	420,966	54%
$50-$100 million	12	840,653	43%	2	120,792	16%
> $100 million	3	465,213	24%	1	149,543	19%
Total loans and advances, net of concessionality discount	**92**	**1,943,740**	**100%**	**88**	**776,250**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June by credit quality. Since the loans made by the Group are (in the main) to entities that will not have a formal credit rating, the Corporation has developed a Shadow Credit Ratings ('SCR') system. These are internal risk indicators used by the Group to assess the default risks of its debt instruments. The SCR assesses the probability of seeing the counterparty default under its obligations. The SCR is determined by a risk matrix based on internal risk assessments of the counterparty involved, the business risk it faces and the financial risk it has as a result of the debt it carries (including all new debt proposed in the investment opportunity).

	2018		2017	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AAA	13,770	1%	–	–
AA+ to AA–	145,359	7%	133,570	17%
A+ to A–	197,098	10%	1,389	0%
BBB+ to BBB–	652,710	34%	414,179	54%
BB+ to BB–	872,060	45%	187,038	24%
B+ to B–	62,743	3%	39,277	5%
CCC	–	–	797	0%
Total loans and advances, net of concessionality discount	**1,943,740**	**100%**	**776,250**	**100%**

Impairment allowance

	2018 $'000	2017 $'000
Reconciliation of the Impairment Allowance:		
Movements in relation to loans and receivables		
As at 1 July	5,048	2,919
Increase recognised in write-down and impairment of assets	2,683	2,129
Utilised for loan written off	(695)	–
Closing balance at 30 June	**7,036**	**5,048**

	2018 $'000	2017 $'000
3.1D: Available-For-Sale Financial Assets		
Quoted:		
Debt securities	1,042,797	563,870
	1,042,797	**563,870**
Unquoted:		
Equities and units in trusts	353,772	239,075
	353,772	**239,075**
Total AFS financial assets	**1,396,569**	**802,945**

Concentration of risk and impairment – AFS financial assets

Equity investments are amounts held by way of shares in publicly-listed entities, units in unincorporated unit trust structures or direct holdings in unlisted companies where the Group is not deemed to have significant influence. During the 2018 financial year, the Group recorded an impairment charge of $5 million (2017: $Nil) in respect of its holding in an unlisted company invested in under the Innovation Fund mandate.

The largest single exposure in the AFS portfolio at 30 June 2018 was for an amount of $133.8 million (2017: $120.1 million).

The following table shows the diversification of investments in the available-for-sale portfolio at 30 June:

	2018			2017		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
< $10 million	9	27,792	2%	4	14,290	2%
$10–$50 million	15	491,216	35%	7	198,869	25%
$50–$100 million	6	430,350	31%	3	265,443	33%
> $100 million	4	447,211	32%	3	324,343	40%
Total AFS financial assets	**34**	**1,396,569**	**100%**	**17**	**802,945**	**100%**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

The following table shows the diversification of the AFS financial assets at 30 June 2018 by SCR:

	2018		2017	
	Value $'000	%	Value $'000	%
Corporation's Shadow Credit Rating				
AAA	33,994	3%	29,236	4%
AA+ to AA–	920,313	66%	495,864	62%
A+ to A–	68,413	5%	18,770	2%
BBB+ to BBB–	20,077	1%	20,000	2%
Unrated – equities and units in trusts	353,772	25%	239,075	30%
Total AFS financial assets	**1,396,569**	**100%**	**802,945**	**100%**

	2018 $'000	2017 $'000
3.1E: Other Financial Assets		
Restricted deposit accounts with financial institutions	163,507	278,380
Total other financial assets	**163,507**	**278,380**

Maturity analysis of other financial assets

Restricted deposit accounts with financial institutions are expected to mature within 12 months; however, the funds are not expected to be returned to the Group as they are contractually restricted to funding committed credit facilities and committed investments. Accordingly, the maturity analysis shown below is the anticipated maturity date at which the funds are expected to be repaid to the Group.

	2018 $'000	2017 $'000
Maturity analysis for other financial assets (gross)		
Due in 1 year	–	87
Due in 1 year to 5 years	–	92,595
Due after 5 years	163,507	185,698
Total other financial assets	**163,507**	**278,380**

Concentration of risk – other financial assets

Restricted deposit accounts with financial institutions are amounts that have been funded into accounts held with financial institutions where they are contractually limited to being applied against specific loans and receivables or investments that the Group has entered into. The funds are held until such time as they are either drawn down by the counterparty or the availability period expires under the facilities. The amounts are held with Australian banks, each of which have a credit rating of no less than AA–. No single bank holds more than 50% of the total.

The following table shows the diversification of anticipated projects/loans that the investments are expected to be applied against at 30 June by credit quality using the Corporation's SCR methodology:

	2018		2017	
	$'000	%	$'000	%
Corporation's Shadow Credit Rating				
BBB+ to BBB-	10,173	6%	63,834	23%
BB+ to BB-	120,459	74%	169,546	61%
Unrated - equities and units in trusts	32,875	20%	45,000	16%
Total restricted deposit accounts	**163,507**	**100%**	**278,380**	**100%**

Provision for impairment - Other financial assets

An impairment will be recognised if it is likely that other financial assets will not be recovered in full. In this instance a specific provision will be created for impairment. There was no impairment in 2018 (2017: $Nil).

	2018 $'000	2017 $'000
3.1F: Derivative Financial (Liabilities)/Assets		
Cross Currency swaps	(241)	225
Total derivative financial (liabilities)/assets	**(241)**	**225**
Maturity analysis of derivative financial (liabilities)/assets:		
Due in 1 year to 5 years	(241)	225
Total derivative financial (liabilities)/assets	**(241)**	**225**

Accounting Policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

	2018 $'000	2017 $'000
3.1G: Equity Accounted Investments		
Balance at 1 July	8,401	-
Investments made during the year	81,835	9,040
Distributions received during the year	(506)	-
Share of income/(loss) of Associates and Joint Ventures	(2,235)	(639)
Balance at 30 June	**87,495**	**8,401**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

	2018		2017	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity Accounted Investments				
Artesian Clean Energy Seed Fund	2,420	38.1%	2,500	38.1%
Granville Harbour Wind Farm	4,127	25.0%	–	–
High Income Sustainable Office Trust	10,774	48.8%	–	48.8%
Macquarie Agriculture Fund	59,178	34.4%	–	–
Ross River Solar Farm	10,996	25.0%	5,901	25.0%
Stony Gap Wind Farm	–	15.4%	–	15.4%
Total investments accounted for using the equity method	**87,495**		**8,401**	

The Group has not made any loans to Associates and Joint Ventures at 30 June 2018 (2017: $Nil). The Group has procured a bank guarantee on behalf of Ross River Solar Farm the balance of which was $12.5 million at 30 June 2018 (2017: $13.7 million) The Group has no other contingent liabilities in relation to investments in Associates and Joint Ventures at 30 June 2018 (2017: $Nil).

At 30 June 2018 the Group had committed to invest up to a further $282 million (2017 $148 million) in the above equity accounted investments.

Accounting Policy

Investments in Associates

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, investments in the associates are carried in the Group's statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates.

Jointly Controlled Entities

Interests in jointly controlled entities in which the entity is a venturer (and so has joint control) are accounted for using the equity method.

3.2: Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Computer Software

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2018:

	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2017			
Gross book value	1,650	951	2,601
Accumulated depreciation and amortisation	(706)	(467)	(1,173)
Total as at 1 July 2017	**944**	**484**	**1,428**
Additions:			
By purchase or internally developed	959	328	1,287
Depreciation and amortisation expense	(498)	(394)	(892)
Disposals:			
Gross book value	(105)	(224)	(329)
Accumulated depreciation and amortisation	92	224	316
Total as at 30 June 2018	**1,392**	**418**	**1,810**
Total as at 30 June 2018 represented by:			
Gross book value	2,504	1,055	3,559
Accumulated depreciation and amortisation	(1,112)	(637)	(1,749)
Total as at 30 June 2018	**1,392**	**418**	**1,810**

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

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

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Group where an obligation exists to restore premises to original condition. These costs are included in the value of the Group's leasehold improvements with a corresponding provision for the 'make good' recognised.

The Group's computer software comprises purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. The valuation is based on internal assessment by Management to ensure that the carrying amounts of the assets do not differ materially from their fair values. As at 30 June 2018, the carrying amounts of property, plant and equipment approximate their fair value.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of 'asset revaluation reserve' except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

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

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

Property, plant and equipment

Office equipment	3 to 5 years
Leasehold improvements	5 years (or the remaining lease period if shorter)
Furniture and fittings	5 years (or the remaining lease period if shorter)
Computer equipment	2 to 3 years
Computer software	straight-line basis over anticipated useful lives (typically 2 to 3 years)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

An item of software is derecognised when the licence expires or when no further future economic benefits are expected from its use or disposal.

3.3: Payables and Unearned Income

3.3A: Suppliers	2018 $'000	2017 $'000
Trade creditors and accruals	2,974	2,162
Total suppliers	**2,974**	**2,162**

Settlement of supplier balances was usually made within 30 days.

3.3B: Unearned Income	2018 $'000	2017 $'000
Unearned establishment and commitment fees income	32,202	15,678
Unearned income expected to be recognised:		
No more than 12 months	4,392	2,377
More than 12 months	27,810	13,301
Total unearned income	**32,202**	**15,678**

3.3C: Other Payables	2018 $'000	2017 $'000
Wages and salaries	5,843	4,396
Superannuation	126	141
FBT liability	7	7
Lease liability	804	560
Other	12	2
Total other payables	**6,792**	**5,106**

Accounting Policy

Initial Recognition and Measurement

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

Financial Liabilities at FVPL

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

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Other Financial Liabilities

Other financial liabilities, including borrowings and trade creditors/accruals, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Trade creditors and accruals and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.4: Other Provisions

	Provision for concessional investments $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
As at 1 July 2017	**19,505**	**129**	**612**	**20,246**
Additional provisions made	12,173	221	2,625	15,019
Amount reversed upon cancellation of an existing loan facility	(201)	–	–	(201)
Offset to loans and advances	(22,868)	–	–	(22,868)
Total at 30 June 2018	**8,609**	**350**	**3,237**	**12,196**

Provision for concessional investments relates to the cumulative concessional loan charge, discussed in Note 2.1C, that has been recognised for commitments that have not yet been funded. The provision is offset against loans and advances as they are funded.

Note 4: Funding

This section identifies the Group's funding structure.

4.1: Contributed Equity

Equity from CEFC Special Account

The Department of the Environment and Energy maintains the CEFC Special Account established in accordance with section 45 of the CEFC Act.

	2018 $'000	2017 $'000
Appropriations credited during the year to the CEFC Special Account maintained by the Department of the Environment and Energy	2,000,000	2,000,000
Funds drawn during the year as an equity contribution from the CEFC Special Account maintained by the Department of the Environment and Energy	1,700,000	1,000,000

Accounting Policy

The Corporation's investment funds are provided for by a special appropriation under section 46 of the CEFC Act. Funds credited to the CEFC Special Account are held by the Department of the Environment and Energy and are released to the Corporation in accordance with the CEFC Act when the CEFC identifies investments that it intends to make. Surplus funds are returned to the CEFC Special Account held by the Department of the Environment and Energy for reinvestment by the CEFC or payment of a dividend to ARENA in accordance with the CEFC Act.

Equity Injections

Amounts received from the Australian Government as drawings out of the CEFC Special Account held by the Department of the Environment and Energy are designated as 'equity injections' and recognised directly in contributed equity in that year.

Other Distributions to Owners

The CEFC Act provides that any amounts returned to the Commonwealth must be retained in the CEFC Special Account held by the Department of the Environment and Energy and may only be used to make payments to the Corporation, or to make payments to ARENA from retained earnings of the Corporation if requested by the Corporation and authorised by the nominated Minister. Amounts returned to the CEFC Special Account will be designated as either a return of equity in the case of capital being returned or a distribution of profits in the case of accumulated profits being transferred to the CEFC Special Account.

Restructuring of Administrative Arrangements

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

	2018 $'000	2017 $'000
Summary of Contributed Equity		
Opening balance – 1 July	2,108,363	1,108,363
Return of equity to CEFC Special Account	–	–
Equity injection from Special Account	1,700,000	1,000,000
Closing contributed equity balance – 30 June	**3,808,363**	**2,108,363**

Notes to Consolidated Financial Statements

Note 5: People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

5.1: Employee Provisions

	2018 $'000	2017 $'000
Annual and long service leave	2,172	1,660
Total employee provisions	**2,172**	**1,660**

5.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group has determined the key management personnel to be the Chief Executive Officer, Chief Financial Officer, Chief Governance and Strategy Officer, General Counsel, Chief Origination and Transaction Officers, the Chief Investment Risk Officer and the Executive Director People and Culture. While the Chair of the Board and other Board members have authority and responsibility for planning, directing and controlling the activities of the Group, they are not considered "management" and have been excluded from the table of key management personnel remuneration below. Remuneration of Board members is disclosed separately in Note 5.3.

	2018 $	2017 $
Short-term employee benefits		
Salary	3,038,488	2,731,623
Performance bonuses	1,300,000	1,026,105
Retention bonuses	–	68,295
Travel allowances	–	16,800
Annual leave (paid)/accrued	77,264	(51,396)
Total short-term employee benefits	**4,415,752**	**3,791,427**
Post-employment benefits		
Superannuation	148,753	143,129
Total post-employment benefits	**148,753**	**143,129**
Other long-term employee benefits		
Long service leave (paid)/accrued	46,303	(8,126)
Total other long-term employee benefits	**46,303**	**(8,126)**
Total key management personnel remuneration expenses	**4,610,808**	**3,926,430**

The total number of senior management personnel that are included in the above table is 8 (2017: 9).

5.3: Directors' Remuneration

	2018 No.	2017 No.
The numbers of Non-Executive Directors of the Corporation included in these figures are shown below in the relevant remuneration bands:		
$ 0 to $29,999	7	-
$30,000 to $59,999	5	5
$90,000 to $119,999	1	1
Total	**13**	**6**
Total remuneration received or due and receivable by Non-Executive Directors of the Corporation	**433,488**	**401,871**

The Corporation has no Executive Directors.

5.4: Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing its financial statements. The Group has determined its related parties include:

- **The Responsible Ministers**
  The Hon Josh Frydenberg MP
  Senator the Hon Mathias Cormann
- **Board Members**
  Mr Steven Skala AO (appointed 7/8/2017)
  Ms Leeanne Bond (appointed 7/8/2017)
  Mr Philip Coffey (appointed 1/2/2018)
  Ms Laura Reed (appointed 1/2/2018)
  Ms Andrea Slattery (appointed 1/2/2018)
  Ms Samantha Tough (appointed 7/8/2017)
  Ms Nicola Wakefield Evans (appointed 7/8/2017)
  Ms Jillian Broadbent AO (term expired 7/8/2017)
  Mr Paul Binsted (term expired 1/2/2018)
  Mr Ian Moore (term expired 7/8/2017)
  Ms Anna Skarbek (term expired 7/8/2017)
  Mr Andrew Stock (term expired 7/8/2017)
  Mr Martijn Wilder AM (term expired 1/2/2018)
- **Key management personnel**
  Mr Ian Learmonth, CEO
  Ms Rebecca Cottrell
  Mr Kevin Holmes
  Mr Paul McCartney
  Ms Leanne McDonald (commenced 26/2/2018)
  Mr Stephen Panizza
  Mr Andrew Powell
  Mr Ludovic Theau
- **Other Federal Government agencies**
- **Investments that are classified as Associates and Joint Ventures as disclosed in Note 3.1G: Equity Accounted Investments**

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group has not entered into any direct transactions with key management personnel other than in relation to remuneration for services provided, as disclosed in Notes 5.2 and 5.3.

Notes to Consolidated Financial Statements

Note 5: People and Relationships continued

Transactions with Director-Related Entities

After Mr Ian Moore's Board term ended on 7 August 2017 and Mr Paul Binsted's Board term ended on 1 February 2018, the CEFC employed each of them for a limited period as part-time consultants to ensure an orderly transition of responsibilities. For their consultancy services, Mr Ian Moore received $6,955 (2017: $Nil) including employer superannuation and Mr Paul Binsted received $11,218 (2017: $Nil) including employer superannuation during the year ended 30 June 2018.

Mr Philip Coffey and Ms Nicola Wakefield Evans are independent non-executive directors of Lendlease Corporation Limited, where the CEFC has a $50 million equity investment as at 30 June 2018 (2017: $Nil) in Lendlease Real Estate Investments Limited managed Australian Prime Property Fund Commercial.

Ms Nicola Wakefield Evans is also an independent voting director of Macquarie Group Limited. The CEFC has $50 million invested in fixed rate bonds with Macquarie Bank Limited as at 30 June 2018 (2017: $Nil), and through its wholly owned subsidiary, CEFC Investments Pty Ltd, has invested $60.0 million at 30 June 2018 (2017: $Nil) in Macquarie Agricultural Fund – Crop Australia managed by Macquarie Agricultural Funds Management Limited.

Mr Paul Binsted, whose Board term ended on 1 February 2018, is a non-executive director of Moorebank Intermodal Company which is participating in the development of the Moorebank Intermodal Terminal with Qube Holdings Limited, a company that received a $150 million loan from the CEFC during the year ended 30 June 2017.

The Directors named above took no part in the relevant decisions of the Board in regards to these related party transactions.

The CEFC is not aware of any trading transactions entered into with Director-related parties during the financial year ended 30 June 2018. Transactions with Director-related parties during the year ended 30 June 2017 are set out in the table below.

Director	Related Party	Transaction	Year	Purchase from Related Party $'000	Receipt from Related Party $'000
Anna Skarbek	ClimateWorks Australia	Technical advice	2017	4	–
Martijn Wilder AM	Baker and McKenzie	Legal advice	2017	32	–

There were no balances outstanding at 30 June 2018 (2017: $Nil) in relation to these transactions.

Ms Anna Skarbek, whose Board term ended on 7 August 2017, is the Chief Executive Officer of ClimateWorks Australia.

Mr Martijn Wilder AM, whose Board term ended on 31 January 2018, is a partner at Baker & McKenzie and is also the chairman of the Australian Renewable Energy Agency ('ARENA').

Transactions with Other Related Entities

During the year the Corporation has loaned funds to a subsidiary, CEFC Investments Pty Ltd, on commercial terms. Balances arising from these transactions are disclosed in the Corporation's stand-alone financial statements in Note 7 and have been eliminated in these Consolidated Financial Statements.

Under the CEFC Act, the Corporation has a number of transactions with the Commonwealth. The principal transactions are those related to the amounts drawn from or repaid into the CEFC Special Account that is administered by the Department for the Environment and Energy.

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2018:

Related party	Purpose	2018 $	2017 $
Comcover	General insurance premiums	91,345	70,045
Comcare	Workers compensation insurance premiums	34,992	63,562
Department of Defence	Vetting of Executives	869	1,936
Department of the Environment and Energy	Executive search for new Board members	–	25,000

During the financial year ended 30 June 2018 a review of the operation of the CEFC Act under Section 81 was commissioned by the Department of the Environment and Energy. The CEFC agreed to reimburse the Department the first $100,000 towards the cost of the review, with amounts above $100,000 to be shared 50:50 between the CEFC and the Department. The total cost of the review is expected to be $250,000, with the CEFC contributing $175,000 of this cost. At 30 June 2018 this $175,000 (2017: $Nil) was owing to the Department of the Environment and Energy.

During the financial year ended 30 June 2018 the CEFC incurred costs for several market research studies and subscriptions that were entered into jointly with the Australian Renewable Energy Agency ('ARENA'). The CEFC incurred the full cost relating to these purchases from the suppliers and recovered the appropriate share of these costs directly from ARENA.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties

This section analyses how the Group manages financial risks within its operating environment.

6.1: Contingent Assets and Liabilities

Quantifiable Contingencies
The Group had no significant quantifiable contingencies as at 30 June 2018 or 2017 that are not disclosed elsewhere in these accounts.

Unquantifiable Contingencies
At 30 June 2018 and 2017 the Group had no significant unquantifiable contingencies.

Accounting Policy
Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not more than likely and contingent liabilities are disclosed when settlement is greater than remote.

Concessionality that may arise in relation to contingent credit facilities, in the situation where the Group has retained discretion as to whether it will fund these future commitments (i.e. they are subject to the occurrence of future uncertain events), is not recorded until such time as the loan commitments become non-contingent.

Financial guarantee contracts are accounted for in accordance with AASB 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*.

6.2: Financial Instruments

	2018 $'000	2017 $'000
6.2A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	487,754	401,974
Total cash and cash equivalents	**487,754**	**401,974**
Loans and receivables		
Trade and other receivables	12,463	8,227
Loans and advances	1,936,704	771,202
Other financial assets	163,507	278,380
Total loans and receivables	**2,112,674**	**1,057,809**
AFS financial assets		
Debt	1,042,797	563,870
Equities and units in trusts	353,772	239,075
Total AFS financial assets	1,396,569	802,945
Derivative financial instruments		
Cash flow hedge on foreign exchange	–	225
Total derivative financial instruments	**–**	**225**
Carrying amount of financial assets	**3,996,997**	**2,262,953**

	2018 $'000	2017 $'000
6.2A: Categories of Financial Instruments (continued)		
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	2,974	2,162
Other	–	2
Total at amortised cost	**2,974**	**2,164**
At fair value		
Provision for concessional investments	8,609	19,505
Total at fair value	**8,609**	**19,505**
Derivative financial instruments		
Cash flow hedge on foreign exchange	241	–
Total derivative financial instruments	**241**	**-**
Total financial liabilities	**11,824**	**21,669**
Carrying amount of financial liabilities	**11,824**	**21,669**

There were no reclassifications of financial instruments during the year.

	2018 $'000	2017 $'000
6.2B: Net Gains on Financial Assets		
Cash and cash equivalents		
Interest from cash and short-term investments	10,440	7,199
Interest from other financial assets	4,994	7,488
Net gains on cash and cash equivalents	**15,434**	**14,687**
Loans and receivables		
Interest income and fees	75,223	30,045
Unwind of concessional interest rate discount	4,111	2,007
Net gains on loans and receivables	**79,334**	**32,052**
AFS financial assets		
Interest income from debt securities	25,498	12,118
Distributions from trusts and equity investments	10,090	5,328
Unwind of concessional interest rate discount on debt securities	2,003	418
Net gains on AFS financial assets	**37,591**	**17,864**
Net gains on financial assets	**132,359**	**64,603**

The total income from financial assets not at fair value through profit or loss was $132,359,000 (2017: $64,603,000).

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2C: Credit Risk

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

The Group manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Group has policies and procedures that guide employees' debt recovery techniques.

The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or interlocking guarantees;
- specific charges over defined assets of the counterparty; and
- loan agreements which include affirmative and negative covenants and in some instances, guarantees of counterparty obligations.

The Group seeks to have a diversified portfolio, monitors exposures to counterparties and has set exposure limits for each counterparty.

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

	Note	**Not past due nor impaired 2018 $'000**	Not past due nor impaired 2017 $'000	**Past due or impaired 2018 $'000**	Past due or impaired 2017 $'000	**Total 2018 $'000**	Total 2017 $'000
Cash and cash equivalents	3.1A	487,754	401,974	–	–	487,754	401,974
Trade and other receivables	3.1B	12,463	8,227	–	–	12,463	8,227
Loans and advances	3.1C	1,943,740	773,049	–	3,201	1,943,740	776,250
AFS financial assets	3.1D	1,396,569	802,945	–	–	1,396,569	802,945
Other financial assets	3.1E	163,507	278,380	–	–	163,507	278,380
Derivative financial assets	3.1F	–	225	–	–	–	225
Total financial assets		**4,004,033**	**2,264,800**	**-**	**3,201**	**4,004,033**	**2, 268,001**
Committed credit facilities	6.5	796,791	949,608	–	–	796,791	949,608
Committed trust and equity investments	6.6	354,912	307,492	–	–	354,912	307,492
Total Commitments		**1,151,703**	**1,257,100**	**-**	**-**	**1,151,703**	**1,257,100**
Total credit risk exposure		**5,155,736**	**3,521,900**	**-**	**3,201**	**5,155,736**	**3,525,101**

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia in accordance with the prudential controls set by the PGPA Act.

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

The derivative financial asset has been entered into with a major Australian bank, which has a credit rating of AA–.

Ageing of financial assets that were past due but not impaired for 2018

The Group had no amounts past due but not impaired at 30 June 2018 (2017: $Nil).

6.2D: Liquidity Risk

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

Maturities for non-derivative financial liabilities 2018

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	–	2,974	–	–	–	2,974
Provision for concessional loans	–	2,315	2,106	4,188	–	8,609
Total	**-**	**5,289**	**2,106**	**4,188**	**-**	**11,583**

Maturities for non-derivative financial liabilities 2017

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	–	2,162	–	–	–	2,162
Provision for concessional loans	–	12,340	1,347	5,818	–	19,505
Other	–	2	–	–	–	2
Total	**-**	**14,504**	**1,347**	**5,818**	**-**	**21,669**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC Special Account that was funded in an amount of $2 billion per annum for each of the five years from 1 July 2013 to 1 July 2018. The Corporation has drawn amounts totalling $4,162.8 million (2017: $2,462.8 million) from this Special Account to fund its investments and has returned amounts totalling $441.8 million (2017: $441.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $3,721 million at 30 June 2018 (2017: $2,021 million).

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2E: Market Risk

As part of its normal operations, the Group may enter into a variety of transactions including loans, guarantees, bonds and equity and trust investments, which may have exposure to market risk. Investment carrying values and revenue earned may be impacted as a result of changes in interest rates, electricity prices, property values and foreign exchange rates.

The Group may enter into financial derivative transactions to protect against foreign exchange risks associated with its investment function. The Group does not enter into derivative instruments for speculative or trading purposes.

Derivative transactions may include:

- interest rate swaps, forward rate agreements and futures contracts which protect against interest rate movements where the interest rate basis of the borrowing is different from that of the required liability to fund assets. These contracts are used primarily to convert between fixed rate and floating rate exposures
- cross-currency swaps which protect the Group against interest rate and foreign exchange movements where the currency of the asset and interest receipts are not Australian dollars and
- forward foreign exchange contracts which are used to protect against foreign exchange movements in investments, loans and borrowings. The Group also conducts stress testing, including examining the impact on the credit portfolio of adverse movements in foreign exchange rates and interest rates.

a) Interest rate risk

The Group is involved in lending and therefore its revenues and the carrying value of its AFS investments may be exposed to changes in interest rates.

The impact of a change in interest rates on the Group's interest income is not expected to be material as the majority of the Group's loans and advances are at fixed rates; however, interest receivable from cash and other financial assets will be impacted prospectively from a change in interest rates. The Group's primary exposure to interest rate risks of interest bearing financial assets and financial liabilities is set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

	2018 $'000	2017 $'000
Interest Bearing Financial Assets		
Classified as floating rate		
Cash and cash equivalents	487,754	401,974
Other financial assets	163,507	278,380
Loans and advances	141,413	26,978
AFS Debt	33,993	29,236
Total classified as floating rate	**826,667**	**736,568**
Classified as fixed rate		
Loans and advances	1,802,328	744,224
AFS Debt	1,008,803	534,634
Derivative financial assets	–	225
Total classified as fixed rate	**2,811,131**	**1,279,083**
Interest Bearing Financial Liabilities		
Classified as floating rate		
Provision for concessional loans	1,088	918
Total classified as floating rate	**1,088**	**918**
Classified as fixed rate		
Provision for concessional loans	7,521	18,587
Total classified as fixed rate	**7,521**	**18,587**

The cash and cash equivalents and other financial assets are expected to be invested in loans and advances and available-for-sale securities in the short term, and the majority of these financial assets are expected to be classified as fixed rate. A +/–50bp change in the interest rate on floating rate financial assets would have approximately a $3.9 million (2017: $2.4 million) impact on the reported revenue and surplus.

The Group accounts for loans and advances 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.

In certain circumstances cash flow hedges may be entered into to hedge the exposure to variability in interest rate movements that are attributable to future interest cash flows. The Group has not currently entered into any interest rate hedges.

The Group accounts for AFS debt securities at fair market value. A +/–10bp change in the yield of the debt securities would have approximately a $5.9 million (2017: $3.1 million) impact on the fair value at which the instruments are recorded in the statement of financial position. As the coupon on the bonds is fixed, a change in prevailing interest rates would have no impact on the reported revenue.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

b) Electricity Prices

A significant portion of the Group's loans and advances are to borrowers in the renewable energy industry, whose revenues are dependent on the electricity price. A significant change in the electricity price could have an impact on the borrowers' ability to service their debts to CEFC and also the value of the underlying security.

The Group manages this risk by establishing limits in relation to merchant energy price exposure, including gearing and break-even covenants within contractual arrangements on projects, monitoring the creditworthiness of the equity counterparties, and monitoring the exposure to individual electricity retailers and other parties who are providing power purchase off-take agreements for the renewable projects.

c) Property Values

A portion of the Group's AFS investments are in commercial property funds where the return and unit value are directly related to property values. The Group has also made loans and advances to borrowers in the property sector. A significant change in property values would impact on the carrying value and distributions from the AFS investments and could have an impact on the carrying value of loans and advances arising from the borrowers' ability to service their debts to CEFC and the value of the underlying security.

The Group manages this risk by establishing limits in relation to its exposure to the various property sectors, including gearing and debt service covenants within contractual arrangements as well as monitoring the creditworthiness of the counterparties.

d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of foreign denominated assets and future cash flows may fluctuate because of changes in foreign exchange rates or the credit quality of the swap counterparty bank.

At year end, the Group had one US dollar denominated receivable and has entered into a single cash flow hedge relationship in relation to that loan. Movements in the foreign currency exchange rates are expected to have no impact on the reported profit or loss unless the investment is redeemed or the hedge is broken prior to anticipated maturity and crystallises a previously unrealised gain or loss. The underlying hedged item is a loan classified as loans and receivables at amortised cost.

Movement in the cash flow hedge reserve is as follows:

	2018 $'000	2017 $'000
Cash flow hedge reserve		
Opening balance cash flow hedge reserve	(42)	–
(Decrease)/Increase in value of derivative financial asset	(466)	225
Recycling of spot risk to match hedged item	748	(267)
Closing balance cash flow hedge reserve	**240**	**(42)**

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

The table below summarises, in Australian dollar equivalents, the Group's exposures to currencies other than the Australian dollar.

	FOREIGN CURRENCY FAIR VALUE EXPOSURES	
	2018 USD A$'000	2017 USD A$'000
Financial assets exposures in foreign currencies at 30 June		
Loans and advances	23,833	25,218
Derivative financial asset	–	225
Total financial assets exposures in foreign currencies	**23,833**	**25,443**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	23,592	25,443
Derivative financial liability	241	–
Total financial liabilities exposures in foreign currencies	**23,833**	**25,443**
Net foreign exchange exposures in foreign currencies	**–**	**–**

As shown by the above table, the net foreign exchange exposure as at 30 June 2018 is minimal. Any imbalance in this currency will arise largely due to movements in credit risk.

The exposure to foreign exchange rate movement is kept to a minimum as significant foreign currency denominated loans and advances are converted via cross currency swaps into Australian dollars. The three main components that are exposed to foreign exchange movements relate to:

(i) future fixed interest profit that has been taken to income in foreign currency;

(ii) future risk premiums and other residual components taken to income in foreign currency; and

(iii) the allowance for credit risk which is held in Australian dollars against loans predominantly in foreign currency.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2F: Concentration of Exposure

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Group has a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same). The CEFC Act requires the CEFC to ensure that, at any time on or after 1 July 2018, at least half of the CEFC funds invested at that time for the purposes of its investment function are invested in renewable energy technologies.

The Group 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.

6.3: Fair Value of Financial Instruments

The following table provides an analysis of financial instruments that are measured at fair value, or for which fair value is disclosed, by valuation method.

The different levels are defined below:

Level 1: Fair value obtained from unadjusted quoted prices in active markets for identical instruments.

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.

Level 3: Fair value derived from inputs that are not based on observable market data.

Fair value hierarchy for financial instruments:

	FAIR VALUE AT 30 JUNE 2018				2018 CARRYING VALUE
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	1,008,803	351,555	36,211	1,396,569	1,396,569
Other financial assets	163,507	–	–	163,507	163,507
Financial assets for which fair value is disclosed					
Loans and advances	–	1,057,429	974,245	2,031,674	1,936,704
Total for financial assets	**1,172,310**	**1,408,984**	**1,010,456**	**3,591,750**	**3,496,780**
Financial liabilities at fair value					
Derivative financial liabilities	–	241	–	241	241
Provision for concessional investments	–	–	8,609	8,609	8,609
Total for financial liabilities	**-**	**241**	**8,609**	**8,850**	**8,850**

There were no transfers between levels.

	FAIR VALUE AT 30 JUNE 2017				2017 CARRYING VALUE
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	534,634	253,256	15,055	802,945	802,945
Derivative financial assets	–	225	–	225	225
Other financial assets	278,380	–	–	278,380	278,380
Financial assets for which fair value is disclosed					
Loans and advances	–	637,285	186,636	823,921	771,202
Total for financial assets	**813,014**	**890,766**	**201,691**	**1,905,471**	**1,852,752**
Financial liabilities at fair value					
Provision for concessional investments	–	–	19,505	19,505	19,505
Total for financial liabilities	**-**	**-**	**19,505**	**19,505**	**19,505**

There were no transfers between levels.

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management assessed that cash, cash equivalents, short-term investments, trade and other receivables, other financial assets, supplier payables and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following is a description of the determination of fair value for financial instruments using valuation techniques:

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

AFS financial assets

- Fair value of quoted debt securities is derived from quoted market prices in active markets;
- Fair value of quoted equities is derived from quoted market prices in active markets; and
- Fair value of the unquoted equities has been estimated using a Discounted Cash Flow ('DCF') model. The valuation requires Management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these unquoted investments.

Loans and advances

- The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using the valuation technique of discounted cash flows through an external valuation system.
- Non-concessional loans are classified as Level 2 and the long-term fixed-rate and variable-rate receivables are valued by the Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1C: Loans and Advances. These SCRs are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board.
- Concessional loans together with any loans that are identified as requiring a specific impairment allowance are classified as Level 3 as the impact on the estimated fair value of the loan arising from the concessionality or a forecast shortfall in cash flows in the case of an impaired loan have to be derived from inputs that are not necessarily based on observable market data. Concessional loans include inputs such as the likely rate of deployment of capital by co-financiers and impaired loans will include inputs such as the likely recovery amount and date of realisation in respect of any security held. Concessional long-term fixed-rate and variable-rate receivables are also valued by the Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1C: Loans and Advances and these SCRs are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board. The impact of concessionality as well as recoverable amounts related to security on impaired assets are factored into the forecasts of future cash flows for each of the transactions.
- When it is likely that a loan or debt will not be recovered in full, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Accounting Judgements and Estimates

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible; but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions.

6.4: Concessional Loans

	2018 $'000	2017 $'000
Loan Portfolio		
Nominal value	991,897	403,916
Less principal repayment	(39,010)	(20,242)
Less unexpired discount	(15,010)	(7,068)
Less impairment allowance	(29)	(1,509)
Carrying value of concessional loans	**937,848**	**375,097**

6.5: Committed Credit Facilities

Commitments represent funds committed by the Group to third parties where the funds remain available but undrawn at year end. Commitments to provide credit may convert to loans and other assets in the ordinary course of business. As these commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	2018 $'000	2017 $'000
Committed credit facilities	927,423	1,159,893
Committed investments at call	(130,632)	(210,285)
Total committed credit facilities as per commitments note	**796,791**	**949,608**

At 30 June 2018 the Group had also entered into agreements to provide loan advances totalling $Nil (2017: $26 million) and purchase corporate bonds totalling $250 million (2017: $230 million) subject to the occurrence of future uncertain events. Due to the uncertainty around the occurrence of the future events, these amounts have been excluded from Committed Credit Facilities.

At 30 June 2018 there was approximately $7.4 million (2017: $5.6 million) of possible future concessional interest rate charges to be recorded in relation to the above contingent credit facilities. The actual amount of concessionality cannot be determined until such time as the loan commitments become non-contingent.

6.6: Committed Equity Investments

At 30 June 2018 the Group had entered into agreements to make future equity investments, not already backed by secured funding accounts, totalling $355 million (2017: $307 million) including amounts disclosed in Note 3.1G.

Notes to Consolidated Financial Statements

Note 7: Parent Entity Information

The parent entity of the consolidated Group is the Clean Energy Finance Corporation.

7.1 Parent Entity Accounting Policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below.

Investments in subsidiaries are accounted for at cost. Dividends received from subsidiaries are recognised in profit or loss when a right to receive the dividend is established, provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably.

7.2 Parent Entity Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits		24,854	21,058
Suppliers		8,084	6,544
Depreciation and amortisation		892	745
Concessional loan charges		11,972	11,433
Write-down and impairment of assets		7,683	2,129
Provision for irrevocable loan commitments		2,625	292
Total expenses		**56,110**	**42,201**
Own-source income			
Own-source revenue			
Interest and loan fee revenue		122,267	59,274
Interest on loan to subsidiary	7.4B	2,350	99
Distributions from equity investments		10,090	5,328
Total own-source revenue		**134,707**	**64,701**
Gains and losses			
Other (losses)/gains		(12)	(92)
Total (losses)/gains		**(12)**	**(92)**
Total own-source income		**134,695**	**64,609**
Net contribution by services		**78,585**	**22,408**
Share of associates and joint ventures		(1,257)	(549)
Surplus from continuing operations		**77,328**	**21,859**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets		27,854	7,674
Net fair value loss taken to equity on cash flow hedge		282	(42)
Total other comprehensive income		**28,136**	**7,632**
Total comprehensive income		**105,464**	**29,491**

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

7.3 Parent Entity Statement of Financial Position
as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		487,273	401,814
Trade and other receivables		12,463	8,320
Loans and advances		1,936,704	771,202
Loan to subsidiary	7.4B	78,258	5,906
Available-for-sale financial assets		1,396,569	802,945
Other financial assets		163,507	278,380
Equity accounted investments		13,194	2,500
Investment in subsidiary	7.4A	250	250
Derivative financial assets		–	225
Total financial assets		**4,088,218**	**2,271,542**
Non-financial assets			
Property, plant and equipment		1,392	944
Computer software		418	484
Prepayments		500	504
Total non-financial assets		**2,310**	**1,932**
Total assets		**4,090,528**	**2,273,474**
LIABILITIES			
Payables and unearned income			
Suppliers		2,839	2,280
Unearned income		32,202	15,678
Derivative financial liability		241	–
Other payables		6,792	4,988
Total payables and unearned income		**42,074**	**22,946**
Provisions			
Employee provisions		2,172	1,660
Other provisions		12,196	20,246
Total provisions		**14,368**	**21,906**
Total liabilities		**56,442**	**44,852**
Net assets		**4,034,086**	**2,228,622**
EQUITY			
Contributed equity		3,808,363	2,108,363
Reserves		42,791	14,655
Retained surplus		182,932	105,604
Total equity		**4,034,086**	**2,228,622**

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

Notes to Consolidated Financial Statements

Note 7: Parent Entity Information continued

7.4: Notes to Parent Entity Financial Statements

7.4A: Investment in Subsidiary

On 6 December 2016 the Corporation incorporated a new subsidiary, CEFC Investments Pty Ltd, and subscribed for 250,000 shares of $1 each, being 100% of the issued share capital.

7.4B: Loan to Subsidiary

The Corporation has provided unsecured loan facilities to its subsidiary CEFC Investments Pty Ltd on the following terms:

- Weighted average interest rate at 30 June 2018: 6.16% (2017: 7.50%)
- Interest payment dates: 15 January and 15 July each year
- Maturity dates: ranging from 15 June 2026 to 22 June 2027

The balance outstanding at 30 June 2018 was $78.3 million (2017: $5.9 million) and interest receivable for the year amounted to $2.4 million (2017: $0.1 million).

Note 8: Other Information

8.1: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original Budget, as presented in the 2017-18 Portfolio Budget Statements (PBS) for the Environment Portfolio, to the Actual 2017-18 outcome as presented in accordance with AAS for the Group. The Budget is not audited.

8.1A: Budgetary Reports

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	24,854	29,321	(4,467)
Suppliers	8,431	9,866	(1,435)
Depreciation and amortisation	892	776	116
Concessional loan charges	11,972	27,800	(15,828)
Write-down and impairment of assets and provision for irrevocable loan commitments	10,308	7,896	2,412
Total expenses	**56,457**	**75,659**	**(19,202)**
Own-source income			
Own-source revenue			
Interest and loan fee revenue	122,269	75,960	46,309
Distributions from trusts and equity investments	10,090	9,003	1,087
Total own-source revenue	**132,359**	**84,963**	**47,396**
Gains and losses			
Other (losses)/gains	(12)	-	(12)
Total (losses)/gains	**(12)**	**-**	**(12)**
Total own-source income	**132,347**	**84,963**	**47,384**
Net contribution by/(cost of) services	**75,890**	**9,304**	**66,586**
Share of associates and joint ventures	(2,235)	-	(2,235)
Surplus/(deficit) from continuing operations	**73,655**	**9,304**	**64,351**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains on available-for-sale financial assets	27,854	(626)	28,480
Net fair value gain taken to equity on cash flow hedge	282	-	282
Total other comprehensive income	**28,136**	**(626)**	**28,762**
Total comprehensive income/(loss)	**101,791**	**8,678**	**93,113**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2017-18 PBS for the Environment and Energy Portfolio).
2. Difference between the actual and original budgeted amounts for 2017-18. Explanations of major variances are provided in Note 8.1B.

Notes to Consolidated Financial Statements

Note 8: Other Information continued

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Financial Position

as at 30 June 2018

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	487,754	300,128	187,626
Trade and other receivables	12,463	2,331	10,132
Loans and advances	1,936,704	1,374,565	562,139
Available-for-sale financial assets	1,396,569	912,833	483,736
Other financial assets	163,507	190,132	(26,625)
Equity accounted investments	87,495	–	87,495
Total financial assets	**4,084,492**	**2,779,989**	**1,304,503**
Non-financial assets			
Property, plant and equipment	1,392	1,083	309
Computer software	418	424	(6)
Prepayments	500	562	(62)
Total non-financial assets	**2,310**	**2,069**	**241**
Total assets	**4,086,802**	**2,782,058**	**1,304,744**
LIABILITIES			
Payables and unearned income			
Suppliers	2,974	1,534	1,440
Unearned income	32,202	14,421	17,781
Other payables	6,792	497	6,295
Derivative financial liabilities	241	–	241
Total payables and unearned income	**42,209**	**16,452**	**25,757**
Provisions			
Employee provisions	2,172	6,317	(4,145)
Other provisions	12,196	657	11,539
Total provisions	**14,368**	**6,974**	**7,394**
Total liabilities	**56,577**	**23,426**	**33,151**
Net assets	**4,030,225**	**2,758,632**	**1,271,593**
EQUITY			
Contributed equity	3,808,363	2,658,363	1,150,000
Reserves	42,791	2,505	40,286
Retained surplus	179,071	97,764	81,307
Total equity	**4,030,225**	**2,758,632**	**1,271,593**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2017-18 PBS for the Environment and Energy Portfolio).
2. Difference between the actual and original budgeted amounts for 2017-18. Explanations of major variances are provided in Note 8.1B.

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	RETAINED SURPLUS			RESERVES			CONTRIBUTED EQUITY			TOTAL EQUITY		
	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000
Opening balance												
Balance carried forward from previous year	105,416	88,460	16,956	14,655	3,131	11,524	2,108,363	2,108,363	-	2,228,434	2,199,954	28,480
Comprehensive income												
Surplus/(deficit) for the year	73,655	9,304	64,351	-	-	-	-	-	-	73,655	9,304	64,351
Other comprehensive income	-	-	-	28,136	(626)	28,762	-	-	-	28,136	(626)	28,762
Total comprehensive income	**73,655**	**9,304**	**64,351**	**28,136**	**(626)**	**28,762**	**-**	**-**	**-**	**101,791**	**8,678**	**93,113**
Transactions with owners												
Contributions by owners												
Equity injection from Special Account	-	-	-	-	-	-	1,700,000	550,000	1,150,000	1,700,000	550,000	1,150,000
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**1,700,000**	**550,000**	**1,150,000**	**1,700,000**	**550,000**	**1,150,000**
Closing balance as at 30 June	**179,071**	**97,764**	**81,307**	**42,791**	**2,505**	**40,286**	**3,808,363**	**2,658,363**	**1,150,000**	**4,030,225**	**2,758,632**	**1,271,593**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2017-18 PBS for the Environment and Energy Portfolio).
2. Difference between the actual and original budgeted amounts for 2017-18. Explanations of major variances are provided in Note 8.1B.

Notes to Consolidated Financial Statements

Note 8: Other Information continued

CLEAN ENERGY FINANCE CORPORATION

Consolidated Cash Flow Statement

for the year ended 30 June 2018

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	113,691	75,296	38,395
Distributions from trusts and equity investments	10,144	9,003	1,141
Total cash received	**123,835**	**84,299**	**39,536**
Cash used			
Employees	22,896	28,406	(5,510)
Suppliers	7,102	9,866	(2,764)
Total cash used	**29,998**	**38,272**	**(8,274)**
Net cash from operating activities	**93,837**	**46,027**	**47,810**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	184,084	179,612	4,472
Redemption of other financial assets	266,308	295,098	(28,790)
Redemption of AFS financial assets	20,247	12,622	7,625
Distributions from associates and joint ventures	506	–	506
Total cash received	**471,145**	**487,332**	**(16,187)**
Cash used			
Purchase of property, plant and equipment and computer software	1,287	1,005	282
Loans made to other parties	1,340,992	643,122	697,870
Purchase of AFS financial assets	600,538	289,837	310,701
Acquisition of other financial assets	154,550	150,000	4,550
Investment in associates and joint ventures	81,835	–	81,835
Total cash used	**2,179,202**	**1,083,964**	**1,095,238**
Net cash from/(used by) investing activities	**(1,708,057)**	**(596,632)**	**(1,111,425)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity	1,700,000	550,000	1,150,000
Total cash received	**1,700,000**	**550,000**	**1,150,000**
Net cash from financing activities	**1,700,000**	**550,000**	**1,150,000**
Net increase/(decrease) in cash held	**85,780**	**(605)**	**86,385**
Cash and cash equivalents at the beginning of the reporting period	401,974	300,733	101,241
Cash and cash equivalents at the end of the reporting period	**487,754**	**300,128**	**187,626**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2017-18 PBS for the Environment and Energy Portfolio).
2. Difference between the actual and original budgeted amounts for 2017-18. Explanations of major variances are provided in Note 8.1B.

8.1B: Major Budget Variance for 2017-18

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Comprehensive Income:	
Employee benefits	The Group has spent $4.5 million less than Budget on employee benefits. This is largely a result of hiring fewer new staff than budgeted as well as new hires being made and targeted salary increases being awarded later in the year than budgeted.
Concessional loan charges	Concessional loan charges are significantly lower than budget notwithstanding the actual investments made during the year are higher than budgeted. The mix of transactions undertaken this year, the compression in margins and lower overall rate environment generally have reduced the need for the CEFC to provide as much concessionality as anticipated in many instances, as we have been able to be appropriately compensated for the longer tenor or fixed rate aspects of the loans written without jeopardising the project economics of the transactions.
Interest and loan fee revenue	Interest and loan fee revenue has a large favourable variance to Budget principally as a result of above-budget volume of investments made in the year and resultant increased value of interest-bearing investments. Partially offsetting this was the fact that a number of the solar farm transactions in particular were delayed in construction and drew down more slowly than anticipated, thus generating higher commitment fees but lower interest revenue for a period.
Share of associates and joint ventures	This represents the Group's equity-accounted share of the result of investments that are classified as Associates and Joint Ventures under Australian Accounting Standards. The Group did not forecast significant investments being classified as such when preparing the 2017-18 Budget. The CEFC has been required to take (at least initially) a larger equity share than was forecast in order to ensure certain transactions proceeded in an appropriate time frame.
Other Comprehensive Income	The gain on available-for-sale financial assets is the result of increases in the market value of these assets. This is typically the result of a change in the market interest rates on bonds (given CEFC is a fixed rate lender) or a change in the market value of underlying assets of a trust in which CEFC holds an investment. It is not possible to accurately forecast the change in the fair value of AFS investments that may arise from a change in market conditions.

Notes to Consolidated Financial Statements

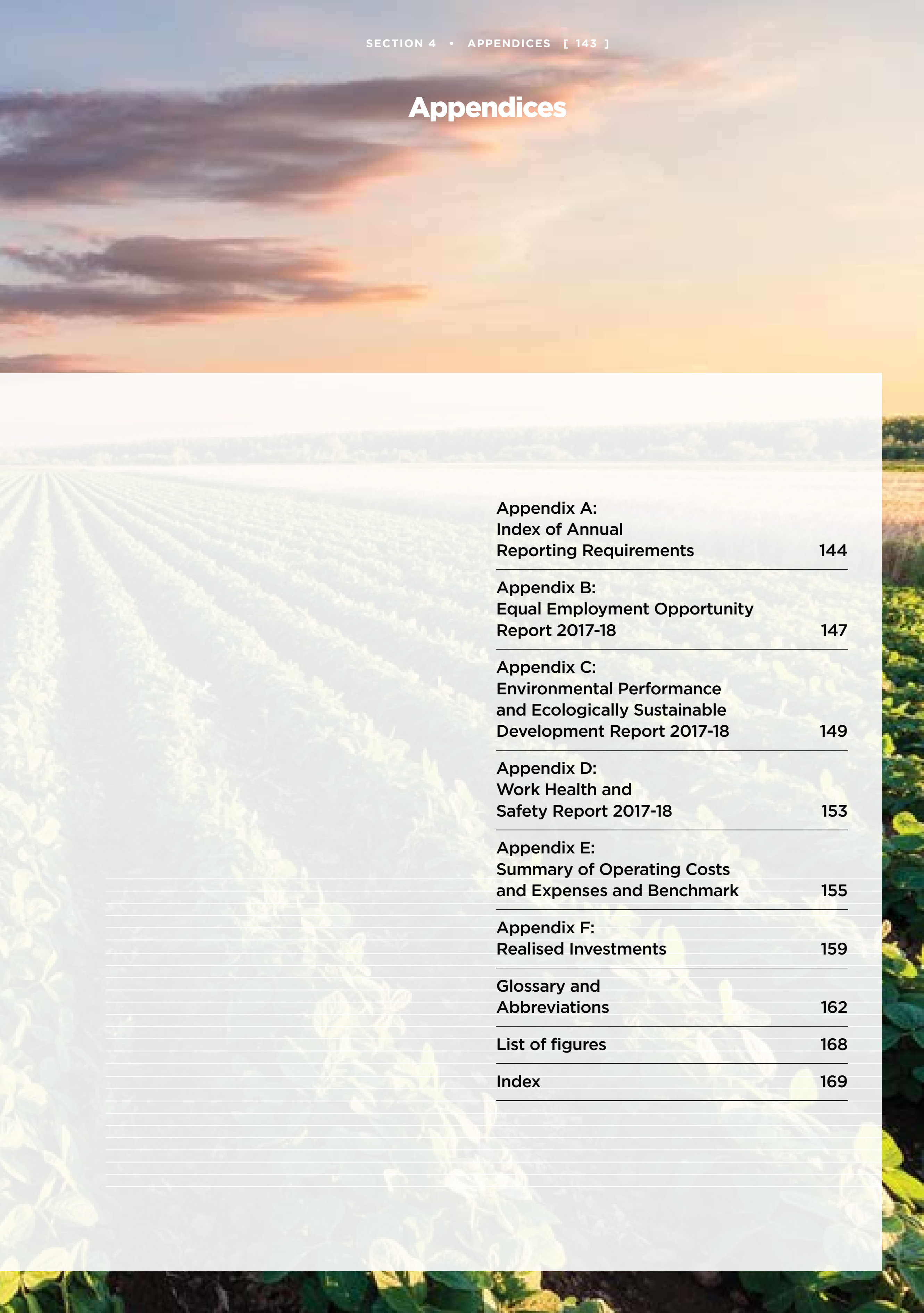
Note 8: Other Information continued

CLEAN ENERGY FINANCE CORPORATION

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Financial Position:	
Cash and cash equivalents	Cash and cash equivalents are $188 million higher than Budget as two investments that were expected to reach financial close and draw down in June 2018 have experienced minor delays and are now expecting to reach financial close and draw down within 60-90 days of their original forecast dates.
Trade and other receivables	Trade and other receivables are higher than Budget due to timing differences between when interest and dividends were forecast to be collected and when they were actually received as cash.
Loans and advances	The Group has been successful in concluding a greater number of transactions than in prior years and envisaged in the Budget. The average loan size has also increased.
Available for sale financial assets	Available-for-sale financial assets include quoted debt securities, such as climate bonds and longer tenor bank bond arrangements as part of the aggregation facilities, unquoted units in trusts as well as unquoted equity investments made by the Clean Energy Innovation Fund. The amount invested during the year exceeds Budget largely as a result of a bank aggregation partner successfully originating green loans to SME borrowers faster than originally anticipated.
Other financial assets	Other financial assets comprise secured funding accounts and the variance to Budget arises as a result of a lower-than-budgeted opening balance for this account carried forward from the prior financial year.
Equity accounted investments	This represents the Group's equity-accounted share of the net assets of investments that are classified as Associates and Joint Ventures under Australian Accounting Standards. The Group did not forecast significant investments being classified as such when preparing the 2017-18 Budget.
Unearned income	Unearned income is significantly higher than Budget as a greater number of new loans than was forecast reached financial close in the financial year which triggered the payment of establishment fees to the CEFC by the borrowers. Since the establishment fees are deferred and recognised using the effective interest rate method over the loan tenor which spans a number of years, the majority of the fees received remain in unearned income at 30 June 2018.
Other payables and Employee provisions	Other payables are significantly above Budget and Employee provisions are significantly lower than Budget due to certain amounts being budgeted as Employee provisions but actually being classified as Other payables in the actual results.
Other provisions	The provision for concessional loans was significantly lower than Budget at 30 June 2018 as the CEFC had not provided the extent of concessionality during 2017-18 that it budgeted to provide. Refer to the explanation of lower concessional loan charges under the Statement of Comprehensive Income explanations above for further details.
Contributed equity	The Corporation drew $1,150 million more than was budgeted from the CEFC Special Account as a result of the very large number of transactions contracted during the 2017-18 financial year (as described in the comments above).
Retained Surplus	The retained surplus at 30 June 2018 is $81 million higher than Budget with $64 million due to the higher-than-budgeted surplus generated in the year, discussed under Consolidated Statement of Financial Income above, and $17 million due to the higher-than-budgeted opening balance.

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Changes in Equity:	
Total equity	Total Equity at 30 June 2018 is $1,271 million higher than Budget primarily due to the contributed equity exceeding Budget by $1,150 million and the retained surplus at 30 June 2018 exceeding budget by $81 million.
Consolidated Cash Flow Statement:	
Net cash from operating activities	The positive variance to Budget is a direct reflection of the higher-than-budgeted earnings in the financial year.
Redemption of other financial assets	This relates to the withdrawal from secured funding accounts to fund loan drawdowns or capital calls by the investments to which they relate. The variance to budget can be attributed to slower than forecast draws against the secured funding accounts due primarily to delays in construction of the underlying projects.
Loans made to other parties	Cash used to fund Loans made to other parties is significantly ahead of Budget due to a combination of the increased number of loans contracted during the year and a greater than Budget proportion of corporate loans, where borrowers draw the entire commitment upon financial close as opposed to project finance loans which draw progressively over the construction period.
Purchase of AFS financial assets	The amount invested in Available-for-Sale Financial Assets during the year exceeds Budget largely as a result of a bank aggregation partner successfully originating green loans to SME borrowers faster than originally anticipated.
Contributed equity	As stated above, the Corporation drew an additional $1,150 million from the CEFC Special Account as a result of the very large number of transactions contracted during the 2017-18 financial year.
Cash and cash equivalents at the beginning of the reporting period	Cash and cash equivalents at 1 July 2017 were $101 million higher than Budget due to investments that had been expected to fund in the 2017 financial year not being funded until the current financial year.
Cash and cash equivalents at the end of the reporting period	Cash and cash equivalents at 30 June 2018 are $188 million higher than Budget as two investments that were expected to reach financial close and draw down in June 2018 have experienced minor delays and are now expected to reach financial close and draw down within 60-90 days of their original forecast dates.

Section 4
Appendices



Appendices

Appendix A: Index of Annual Reporting Requirements

As a corporate Commonwealth entity, the CEFC has a range of Annual Reporting requirements set by legislation, subordinate legislation and reporting guidelines.

Figure 20: Index of CEFC Annual Reporting Requirements

Statutory Requirement	Legislation Reference	Section	Page
Index of Public Governance, Performance and Accountability Act 2013 (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Annual Reporting Requirements			
Provision of Annual Report (including financial statements and performance report) to responsible Minister by 15 October each year	PGPA Act, section 46	Letter of Transmittal	iii
Board statement of approval of Annual Report with section 46 of the PGPA Act	PGPA Act, section 46 PGPA Rule, section 17BB	Letter of Transmittal	iii
Annual performance statements	PGPA Act, section 39 PGPA Rule, section 16F and 17BE(g)	1	
Board statement of compliance of performance report with section 39 of the PGPA Act	PGPA Act, section 39 PGPA Rule, section 16F	1	
Annual financial statements for Commonwealth entities	PGPA Act, sections 42 and 43(4) PGPA (Financial Reporting) Rule 2015, Australian Accounting Standards	3	
Board statement of compliance of the financial statements with section 42(2) of the PGPA Act	PGPA Act, section 42, PGPA (Financial Reporting) Rule 2015	3	
Parliamentary standards of presentation	PGPA Rule, section 17BC	Full report	All
Plain English and clear design, including glossary	PGPA Rule, section 17BD	Full report	All
Details of the legislation establishing the body	PGPA Rule, section 17BE(a)	2	
Summary of the objects and functions of the entity as set out in the legislation	PGPA Rule, section 17BE(b)(i)	2	
Summary of the purposes of the entity as included in the entity's corporate plan for the period	PGPA Rule, section 17BE(b)(ii)	2	
Names and titles of responsible Ministers	PGPA Rule, section 17BE(c)	2	
Directions given to the entity by a Minister under an Act or instrument	PGPA Rule, section 17BE(d)	2	
Government Policy Orders that applied in relation to the entity during the period under section 22 of the PGPA Act	PGPA Rule, section 17BE(e)	2	

Statutory Requirement	Legislation Reference	Section	Page
Particulars of non-compliance with a Ministerial direction or a Government Policy Order	PGPA Rule, section 17BE(f)	2	
Statement of any significant issue reported to the responsible Minister under section 19(1)(e) of the PGPA Act that relates to non-compliance with the finance law and an outline of the action that has been taken to remedy the non-compliance	PGPA Rule, sections 17BE(h) and (i)	Not applicable: no incidents reported	N/A
Information on the Board and Board members	PGPA Rule, section 17BE(j)	2, 3	
Outline of the organisational structure	PGPA Rule, section 17BE(k)	2	
Outline of the location of major activities or facilities	PGPA Rule, section 17BE(l)	Inside front cover	Inside front cover
Main corporate governance practices used	PGPA Rule, section 17BE(m)	2	
Related entities, transactions and decision-making process	PGPA Rule, sections 17BE(n) and (o)	2, 3	
Any significant activities and changes that affected the operations or structure	PGPA Rule, section 17BE(p)	2	
Particulars of judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the operations	PGPA Rule, section 17BE(q)	2	
Particulars of any report on the entity given during the period by: – the Auditor General, other than a report under section 43 of the PGPA Act; or – a Committee of either House, or of both Houses, of the Parliament; or – the Commonwealth Ombudsman; or – the Office of the Australian Information Commissioner	PGPA Rule, section 17BE(r)	2	
Explanation where required information is unable to be obtained from subsidiaries	PGPA Rule, section 17BE(s)	Not applicable	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Rule, section 17BE(t)	2	
Index identifying where the requirements of section 17BE of the PGPA Rule are found	PGPA Rule, section 17BE(u)	Appendix A	

Appendix A: Index of Annual Reporting Requirements

Statutory Requirement	Legislation Reference	Section	Page
Index of Clean Energy Finance Corporation Act 2012 (CEFC Act) Requirements			
Total value of section 63 investments, by reference to the class of clean energy technologies	CEFC Act, section 74(1)(a)	1	
Realisation of any section 63 investments	CEFC Act, section 74(1)(b)	Appendix F	
Explanation of why less than half of the funds are invested in renewable energy technologies	CEFC Act, section 74(1)(c)	1	
Concessions given by the Corporation	CEFC Act, section 74(1)(d)	3	
Balance sheet setting out, as at the end of the financial year, the assets and liabilities and a statement of cash flows	CEFC Act, section 74(1)(e)	3	
Remuneration and allowances of Board members and senior staff	CEFC Act, section 74(1)(f)	2, 3	
Operating costs and expenses	CEFC Act, section 74(1)(g)	3, Appendix E	
Benchmark report of operating costs and expenses of other comparable entities	CEFC Act, section 74(1)(h)	Appendix E	
Procurement contracts of more than $80,000	CEFC Act, section 74(1)(i)	2	
Credits and debits to the CEFC Special Account	CEFC Act, section 74(1)(j)	2, 3	
Reporting on each of the things referred to in sections 74(1)(d) to (i) of the CEFC Act for subsidiaries	CEFC Act, section 74(2)	2, 3	
Index of Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2) requirements			
Reporting on non-financial investment outcomes, Clean Energy Innovation Fund, Sustainable Cities Investment Program and Reef Funding Program	Investment Mandate, section 15	1	
Other statutory Annual Reporting requirements			
Equal Employment Opportunity Report	Equal Employment Opportunity (Commonwealth Authorities) Act 1987, section 9	Appendix B	
Work Health and Safety Report	Work Health and Safety Act 2011, Schedule 2, Part 4, section 4	Appendix D	
Environmental Performance and Ecologically Sustainable Development Report	Environment Protection and Biodiversity Conservation Act 1999, section 516A	Appendix C	

Appendix B: Equal Employment Opportunity Report 2017-18

Reporting Period

The CEFC reports its obligations under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act) annually. This EEO report covers the period 1 July 2017 to 30 June 2018 inclusive.

EEO Policy and Program

The CEFC is committed to developing and supporting positive working relationships and a healthy and safe workplace.

The CEFC Equal Employment Opportunity Policy and Program (EEO Program) continues to ensure individuals are employed, trained and promoted fairly, on merit, without discrimination and harassment. The EEO Program addresses potential workplace disadvantages that may relate to age, gender, race, religion, sexual orientation, disability, pregnancy and/or marital status. The CEFC also seeks to reflect the diverse nature of the Australian community.

EEO Implementation

CEFC policies and procedures are underpinned by EEO principles and embedded into operational practices. These policies, procedures and practices are communicated to existing and new employees and are accessible at all times via the employee intranet. Coverage of these matters includes:

- Internal corporate policies and procedures, including EEO principles, anti-discrimination and workplace bullying and harassment
- A CEFC Code of Conduct and Ethics
- The *Public Interest Disclosure Act 2013*
- Induction training for all new employees and annual refresher training for all employees
- The CEFC paid parental leave scheme, which provides a more generous parental leave payment than the legislated scheme.

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

EEO Monitoring and Evaluation

The effectiveness of the EEO Program is reviewed on a regular basis, and employee feedback is sought in relation to ongoing improvements.

Paid Parental Leave

The paid parental leave scheme includes enhanced payments to employees taking parental leave. During the reporting period, three employees used the CEFC's paid parental leave scheme and two employees used the CEFC's paid 'dad and partner' leave scheme. At 30 June 2018, zero employees had applied for either future paid parental leave or future paid 'dad and partner' leave.

Flexible Work Arrangements

Reflecting the flexible work arrangements (FWAs) within the National Employment Standards for employees with caring commitments, the CEFC's emphasis has been to ensure its work practices and resources actively support flexibility for all employees, including flexible work hours, working from home, or working from any of the CEFC's offices.

Of the CEFC's 93 employees, 23 (25 per cent) use approved FWAs, including part-time hours, flexible work hours, compressed working week and/or working from home. This is an increase from 17 employees using approved FWAs in the previous reporting period.

FWAs are increasingly being used by male employees and by senior employees. Of the employees with approved FWAs, five (28 per cent) are male.

In addition to formally-approved FWAs, employees are encouraged to use FWAs on an ad-hoc basis to help them more effectively balance personal and work commitments. The CEFC's information and communications technology system supports enhanced flexibility for employees.

Employee Engagement Survey

Employee feedback in relation to the CEFC's culture and practices was sought via the CEFC's second engagement survey, held in April 2018. The engagement survey recorded an overall organisational engagement score of 73 out of 100.

Employee Promotions

During the reporting period, the CEFC promoted 15 employees, which included seven male and eight female employees.

Employee Training and Policies

New employees to the CEFC complete mandatory induction training. All employees complete annual training including EEO, workplace bullying, harassment and discrimination, the CEFC Code of Conduct and Ethics, the *Public Interest Disclosure Act 2013*, and workplace health and safety. This training is refreshed regularly to ensure it reflects current legislation.

Appendix B: Equal Employment Opportunity Report 2017-18

Particulars of Directions by the Responsible Ministers Under Section 12

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

Diversity Profile: CEFC Employee Statistics

At 30 June 2018, the CEFC had 93 employees, including 91.5 full-time equivalents (all statistics shown are headcount). This includes the CEO, who is a full-time statutory officer and is therefore not 'staff' under the CEFC Act.

The CEFC has 43 per cent female employees and 57 per cent male employees. This is the same representation from the previous reporting period.

Females continue to be under-represented at higher levels in the CEFC and disproportionately represented at lower levels. The Executive team includes two females (representing 25 per cent of the Executive team). This is a higher headcount and percentage to the previous reporting period.

The proportion of females at the levels of Executive Director, Director and Associate Director levels remains at 36 per cent, while the proportion of females at the Associate and Manager levels remains at 59 per cent.

Of the 18 new hires since the previous reporting period, 12 are female and six are male.

The proportion of employees born overseas has remained stable at 40 per cent since the previous reporting period. The CEFC's workforce is ethnically diverse, with 37 employees from 16 countries, in addition to those born in Australia.

During the reporting period, the average age of the workforce remained stable at 42.

No employees identified as being Indigenous or having a disability, which is unchanged since the previous reporting period.

Figure 21: CEFC employee diversity profile 30 June 2018

	Level	Male	Female	Born overseas	English 2nd language	Indigenous	Disability
Executive*	8	6	2	2	1	–	–
Executive Director/ Head of Function	10	9	1	4	–	–	–
Director	19	13	6	6	2	–	–
Associate Director	23	11	12	11	1	–	–
Senior Associate	8	5	3	3	1	–	–
Associate	6	5	1	5	2	–	–
Manager	6	2	4	2	2	–	–
Administration	13	2	11	5	2	–	–
TOTAL	93	53	40	38	11	–	–

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

Figure 22: CEFC EEO reporting comparison

	30 JUNE 2017		30 JUNE 2018	
EEO Designated Group	Staff	Per Cent	Staff	Per Cent
Female	37	43	40	43
Born overseas	35	40	38	41
English as a second language	11	13	11	12
Indigenous	–	–	–	–
Disability	–	–	–	–

Appendix C: Environmental Performance and Ecologically Sustainable Development Report 2017-18

In 2017-18, the CEFC committed a record $2.3 billion to new investments in the Australian clean energy sector. These commitments enable the CEFC to directly apply the principles of Ecologically Sustainable Development (ESD), in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Figure 23: ESD activities 2017-18

ESD Reporting Requirements	CEFC Response
How have the CEFC's activities accorded with the principles of ESD?	By mobilising investment into renewable energy, energy efficiency and low emissions technologies, the CEFC's activities result in increased flows of funds for the commercialisation and deployment of such technologies, preparing and positioning the Australian economy and industry for a carbon constrained world.
Outcomes contributing to ESD	The CEFC furthers and advances the principles of ESD through: – The 'integration principle': The CEFC demonstrates how financial return can be achieved by investing for environmental and sustainable outcomes. By encouraging the private sector to invest alongside it, the CEFC demonstrates how to integrate economic, environmental, social and equitable considerations into investment decision-making. – The 'valuation principle': The CEFC's investment experience can be used to establish a credit history for new technologies or investment classes in Australia. Establishment of a credit history can lead to better valuation and pricing of finance and improved risk evaluation in the clean energy sector. – The 'dissemination principle': The CEFC gathers evidence based on our project experience and openly shares this with peak bodies, industry, governments and the broader market to demonstrate how those initiatives make good business sense and to encourage the uptake of clean energy technologies.

Appendix C: Environmental Performance and Ecologically Sustainable Development Report 2017-18

Figure 24: Environmental performance reporting

Theme	Steps Taken to Improve Performance	Further Measures to Improve Outcomes
Energy efficiency and emissions reduction	The CEFC has a range of measures in place to increase energy efficiency and emissions reduction, including: – open plan offices, allowing for increased occupant density and enhanced control of air conditioning systems – energy efficient laptops and monitors, which employees are encouraged to turn off each evening – efficiency lighting and controls in our Sydney, Melbourne and Brisbane offices – centralised printing facilities, allowing for fewer high capacity multi-function devices (which have energy saving modes when not in use) – reduction in inter-office business travel through each office having sophisticated video conferencing facilities – electricity consumption and flight use communicated to staff on a quarterly basis to encourage behavioural change – Sydney and Brisbane office leases each have a 5 Star NABERS Energy Rating – Melbourne office lease is targeting 5 Star NABERS Energy Rating post refurbishment – end of trip facilities are provided in Brisbane, Melbourne and Sydney and employees are encouraged to walk, run or cycle to work, or to use public transport – no corporate car parking spaces or corporate vehicles provided to employees.	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. Opportunities to improve energy efficiency are taken where available. Reflecting this commitment, the CEFC is pursuing carbon neutrality across our organisational footprint, through the National Carbon Offset Standard for Organisations. The CEFC's organisational carbon footprint was independently assessed and audited at 1,105 tCO_2-e for our baseline year 2016-17. These emissions have been offset via accredited carbon offset units, with the CEFC seeking to obtain Australian Government National Carbon Offset Standard certification. The CEFC will undertake annual assessments of its organisational footprint in accordance with the National Carbon Offset Standard and we will offset our carbon emissions with an accredited scheme.

Theme	Steps Taken to Improve Performance	Further Measures to Improve Outcomes
Waste	The CEFC has a range of measures in place to reduce waste, including: – CEFC office furniture has been selected for its high recycled/ recyclable content – As part of the relocation of the Brisbane office, furniture from the previous tenant was reused – All offices have waste recycling schemes and staff are encouraged to use the appropriate waste stream to reduce landfill waste – In Sydney, organic waste is put into a specific waste stream provided by the building manager – 100% recycled printer paper is used – Staff are given the opportunity to dispose of e-waste through specialised collection systems offered from time to time.	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. The CEFC strongly supports the internationally recognised waste hierarchy and actively promotes this with clients, co-investors and staff. Opportunities to improve waste outcomes are taken where available.
Water	The Sydney office has a black water system in operation.	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. Opportunities to improve water outcomes are taken where available.

Environmental Performance

The CEFC is an organisation dedicated to facilitating Australia's transition to a clean energy economy. The CEFC's investments are directed towards emissions reduction and the promotion of renewable energy, energy efficiency and low emissions technologies, and therefore have a positive environmental impact.

Since its inception in 2013, the CEFC has operated with a commitment to minimise its impacts on the environment.

The CEFC has embedded sustainability as part of its decision making regarding operations and procurement. Reflecting our unique role in the market, the CEFC also works to raise awareness about sustainable business practices in its external engagement activities.

Appendix C: Environmental Performance and Ecologically Sustainable Development Report 2017-18

Environmental Performance Indicators

The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. The organisation had 93 employees at 30 June 2018. As far as possible, the CEFC works to reduce the environmental impact per employee.

Figure 25: Environmental performance indicators

Theme	Indicators	Performance: 2017-18
Energy efficiency	Total consumption of energy: includes energy consumed in CEFC office tenancies in the performance of CEFC operations.	Electricity consumed/purchased for CEFC operations: – 145,277kWh/pa *Excludes travel in electric vehicles and trains and electricity consumed by staff working offsite.* Gas purchased/consumed ($/MJ): NIL. *Excludes gas-powered travel and gas consumed by staff working offsite.* Total energy consumed/purchased per employee/pa: – 5,876MJ – $419.34
	Total consumption of green energy: includes the purchase of energy from sustainable sources.	Green Power consumed/purchased ($/kWh) during the reporting period from 14 July 2017 to 13 July 2018: – 54,093kWh/pa *The balance of emissions produced by electricity to be offset via carbon offsets.*
	Total consumption of energy: includes transportation cost and distance travelled for vehicle and air transport respectively for the function of the agency to perform its duty.	Vehicle expenditure for the period: – $163,128 *Includes taxis, car rentals and train fares for staff when working offsite. The CEFC does not provide corporate vehicles.* Distance travelled by air for CEFC work-related purposes: – 1,802,211km
Water	Total consumption of water: includes all water consumed when undertaking the functions of the agency	Water purchased/consumed ($/litre): – Unknown*
Waste	Total waste production: includes all waste (i.e. unwanted by-products) produced when undertaking the functions of the agency	Waste produced (tonnes): – Unknown*
Greenhouse gas emissions	Total carbon emissions of agency under operational control and quantity offset	Greenhouse gases produced (tonnes): – NIL *All emissions produced by the CEFC are to be offset via carbon offsets.*

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

Appendix D: Work Health and Safety Report 2017-18

Reporting Period

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

Health, Safety and Welfare Initiatives

The CEFC is committed to the safety and health of its staff and acknowledges its responsibilities under the WHS Act and the National Employment Standards. These standards cover standard hours of work, reasonable additional hours, flexible working arrangements, the provision of personal/carers' leave and compassionate leave. The standards underpin the CEFC's commitment to providing safe working hours and adopting a holistic view of staff health and welfare.

A Respectful Workplace

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

Employee Training

New employees are provided with the CEFC Employee Handbook, which includes links to all CEFC policies, including the CEFC Code of Conduct and Ethics, the Workplace Bullying, Discrimination and Harassment Policy, the Equal Employment Opportunity Policy and Workplace Health and Safety Policy.

Employees are required to acknowledge their understanding of and confirm they will behave in accordance with these fundamental policies.

All new employees also complete induction training in workplace behaviour, including the CEFC Code of Conduct and Ethics, equal employment opportunity and discrimination, bullying and workplace violence and WHS.

All CEFC employees undertake mandatory annual refresher training covering CEFC Code of Conduct and Ethics, discrimination and equal employment opportunity, bullying and workplace violence, and WHS. Contractors and consultants must comply with all workplace laws and ensure that their subcontractors are also in compliance. The CEFC's standard agreements with our contractor suppliers contain clauses requiring compliance with workplace laws.

Public Interest Disclosure

The CEFC operates under the public interest disclosure scheme established by the *Public Interest Disclosure Act 2013* (PID Act). This establishes a whistleblower protection scheme for Commonwealth Government employees, contractors and the employees of contractors who report wrongdoing within the Commonwealth public sector and Commonwealth entities.

Where the nature of a disclosure, or potential disclosure, suggests that an individual grievance or workplace conflict could be reasonably construed as a matter more broadly representative of a larger or systemic issue (e.g. bullying or harassment matters that may be representative of a culture of bullying or harassment), further investigation under the PID Act may be appropriate.

Workplace Safety

The CEFC Board is responsible for CEFC compliance with duties under statute and at law relating to WHS. The Board framework for managing WHS compliance includes:

- Continuing to exercise a risk appetite and maintaining a Risk Management Framework
- Maintaining Corporate Policies and Procedures.

During 2017-18, the CEFC had up to eight emergency wardens in the Sydney, Brisbane and Melbourne offices. These emergency wardens have conducted emergency response and evacuation training in accordance with requirements under New South Wales, Queensland and Victorian law.

The CEFC also has seven certified First Aid Officers, who complete annual certification in accordance with best practice. Details of emergency evacuation procedures, emergency wardens and first aid officers are provided to all CEFC employees, and are displayed in all meeting rooms, kitchen/lunch areas and adjacent to exit doors. In addition, first aid procedures and first aid equipment are available to all employees.

Appendix D: Work Health and Safety Report 2017-18

Wellbeing in the Workplace

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

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

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

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

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

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

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

Health and Safety Outcomes

The CEFC is required to report on health and safety outcomes (including the impact of injury rates of workers) achieved as a result of staff initiatives. During the reporting period, the CEFC had two workplace injuries, including one burn injury to an employee's hand plus a separate hand injury. One employee also submitted an incident report for a fall sustained on a footpath outside work premises.

Notifiable Incidents

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

Investigations

The CEFC must report any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the WHS Act.

The CEFC has not received any notices, conducted any investigations, nor been investigated under the relevant provisions over the financial year and is a Nil report for all particulars.

Other Matters Under JCPAA Guidelines

Under the WHS Act, the CEFC is required to report on other matters as required by guidelines approved on behalf of the Australian Parliament by the Joint Committee of Public Accounts and Audit (JCPAA). At the end of the reporting period, the JCPAA had not specified additional requirements for the CEFC under this provision.

Appendix E: Summary of Operating Costs and Expenses and Benchmark

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

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

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

About the CEFC Structure

The CEFC is a corporate Commonwealth entity with an independent Board that makes investment decisions to invest in renewable and low carbon technologies according to Ministerial directions supplied by an Investment Mandate. The CEFC's investment focus is on debt and equity that is solely or mainly Australian-based. The CEFC cannot invest directly in non-financial assets and does not have a large cash investment function. At 30 June 2018, the CEFC had 93 employees (including 91.5 full-time equivalent) based in Sydney (headquarters), Brisbane and Melbourne. The CEFC has drawing rights against the Clean Energy Finance Corporation Special Account maintained by the Department of the Environment and Energy.

Note on Comparisons

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

a. There are very few Government-owned public purpose entities that perform the type of function the CEFC does at a similar scale
b. Current financial year data on other entities is not necessarily readily available.

Data is not always reported using the same expense categories across different entities.

Entities for Comparison

In order to provide some meaningful comparison as required under Section 74 of the CEFC Act, the Corporation has compared its 2017-18 operating costs and expenses against the latest publicly-available information for the Future Fund Board of Guardians as supported by the Future Fund Management Agency (Future Fund), the Export Finance and Insurance Corporation (Efic) and the Northern Australia Infrastructure Fund (NAIF) (all Government-owned entities formed for public purpose with a commercial mode of operation). More information about these entities is provided below.

Appendix E: Summary of Operating Costs and Expenses and Benchmark

Future Fund Management Agency (Future Fund) – Structure

The Future Fund was established under Division 2 of Part 5 of the *Future Fund Act 2006* and is governed by an independent Board, which makes investment decisions according to ministerial directions supplied by an Investment Mandate. It is not geographically nor sector-limited to renewable and low carbon technology in the same way as the CEFC. The Future Fund pursues a broad sectoral spread in a range of investments: Australian equities (6.3 per cent), global equities (27 per cent), private equity (12.8 per cent), property (5.8 per cent), infrastructure and timberland (7.8 per cent), alternative assets (15.5 per cent), debt securities (10 per cent) and cash (14.8 per cent) at 31 March 2018. It had circa AUD$141 billion funds under management invested in Australia and overseas at 31 March 2018. For more information visit www.futurefund.gov.au

Export Finance and Insurance Corporation (Efic) – Structure

Like the CEFC, Efic is a corporate Commonwealth entity governed by an independent Board. Efic operates on a commercial basis and partners but does not compete with banks. Efic has four key functions under its 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)
- To provide information and advice regarding insurance and financial arrangements to support Australian exports.

Efic's investment function is primarily related to the issuing of insurance and security guarantees, working capital guarantees and longer-term finance guarantees within these functions. Efic is headquartered in Sydney. It provided facilities of $396 million during 2016-17 and had exposures of some $2.6 billion at 30 June 2017 (made up of circa $1.9 billion on the Commercial Account and $0.7 billion on the National Interest Account). For more information visit www.efic.gov.au

The Northern Australia Infrastructure Facility (NAIF) – Structure

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

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

Figure 26: CEFC operating costs and expenses benchmark – Comparison with Annual Reports [(a)]

	CEFC 2017-18		FUTURE FUND 2016-17 [(c)]		EFIC 2016-17 [(c), (d)]		NAIF 2016-17 [(c)]	
	$'000	%	$'000	%	$'000	%	$'000	%
Employee benefit expenses								
Wages and salaries	22,535		39,834		18,300		1,278	
Superannuation	1,374		2,414		1,800		117	
Leave and other entitlements	512		1,104		500			
Other expenses	–		–		1,000		335	
Total Employee Benefit Expenses	**24,421**	**43**	**43,352**	**14**	**21,600**	**12**	**1,730**	**30**
Board remuneration								
Wages and salaries	394		785					
Superannuation	39		81					
Total Board Remuneration	**433**	**1**	**866**	**0**	**-**	**0**	**-**	**0**
Total Employee and Board Remuneration and Benefits	**24,854**	**44**	**44,218**	**14**	**21,600**	**12**	**1,730**	**30**
Other costs								
Interest expense	–	0			134,100	76		
Provision for impairment and irrevocable loan commitments	10,308	18			7,500	4		
Concessional loan discount [(b)]	11,972	21						
Professional fees and expenses	2,059	4	226,044	72	1,400	1	1,010	18
Other investment portfolio expenses	815	1	18,414	6	200	0	430	8
Travel and incidentals	924	2			900	1	347	6
Office facility costs	1,956	4			1,180	1	153	3
Insurance	196	0					103	2
Marketing and Communication	448	1			2,200	1	200	4
Depreciation and amortisation	892	2	2,341	1	5,100	2		
Auditors' remuneration	175	0	217	0	220	0		
Administrative, IT and other expenses	1,858	3	22,443	7	2,300	1	1,740	30
Total Expenses	**56,457**	**100**	**313,677**	**100**	**176,700**	**100**	**5,713**	**100**

Appendix E: Summary of Operating Costs and Expenses and Benchmark

Figure 27: Operating costs and expenses benchmark – Comparison with Portfolio Budget Statements

	CEFC 2017-18 (ACTUAL)		FUTURE FUND 2017-18 (ESTIMATE) (e)		NAIF 2017-18 (ESTIMATE) (f)	
	$'000	%	$'000	%	$'000	%
Employee benefits	24,854	44	43,985	8	4,720	43
Supplier costs	8,431	15	477,349	91	6,219	57
Depreciation and amortisation	892	2	2,898	1		
Concessional loan discount (b)	11,972	21				
Allowance for impairment of assets and irrevocable loan commitments	10,308	18				
Total Expenses	**56,457**	**100**	**524,232**	**100**	**6,111**	**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 2016-17 Annual Report since 2017-18 Information is not available at the time of preparing this report

(d) Costs are shown gross before National Interest Account allocation

(e) From Portfolio Budget Statements 2018-19 for the Finance Portfolio

(f) From Portfolio Budget Statements 2018-19 for the Industry, Innovation and Science Portfolio

(g) Efic does not appear separately in the 2018-19 Portfolio Budget Statements and its 2017-18 Corporate Plan does not provide this level of detail.

Appendix F: Realised Investments

The CEFC reports on its investment commitments each quarter and actively manages its investment portfolio. Changes in circumstances can often affect the final investment outcome. For example:

1. Most investments are repaid or realised in the ordinary course of events, but some of these are repaid or sold earlier than expected
2. Some investment commitments are never drawn, for example because the borrower fails to meet conditions precedent. They are reported here for the sake of completeness.

Figure 28 shows all CEFC investments that, for various reasons, were concluded during the year, including 'realised' investments. Investments which are only partially repaid or partially disposed of are not reported here as 'realised' investments at this time.

Figure 28: Investments realised through repayment in 2017-18

Borrower/Project	Investment Description	Year of Commitment	CEFC Commitment Repaid	Investment Outcome
Wagga Wagga City Council	Local government civic centre, civic theatre and airport upgrade of lighting, lighting controls and voltage reduction units	2012-13	$209,725	Loan repaid in the ordinary course of business. Underlying project fully implemented.
NovaPower Pty Ltd	Installation of gas fired electricity generators in places of constrained distribution network capability at Traralgon, Victoria	2012-13	$5,720,000	Loan repaid due to the acquisition of NovaPower Pty Ltd by a third party that chose to fully repay CEFC finance. Underlying project fully implemented.
Moree Solar Farm	Senior debt finance for the development and construction of a 67MWdc (56MWac) solar photovoltaic power plant in Moree, New South Wales	2013-14	$46,076,130	Loan repaid due to the refinance of the syndicated debt facility. Underlying project fully implemented.
The Australian Environmental Upgrade Fund 2	A trigeneration plant to produce low carbon thermal energy to provide heating and cooling for 3,000 residences and 65,000sqm of retail and commercial space in 14 buildings	2012-13	$9,841,662	Loan repaid in the ordinary course of business. Underlying project fully implemented.
International Parking Group	Lighting upgrade for two car parks at the St George Hospital in Sydney and a car park at the Sydney Eye Hospital	2012-13	$260,765	Loan repaid upon maturity. Underlying project fully implemented.
Woodlawn Wind Farm	Refinance of existing 48.3MW Woodlawn Wind Farm at Tarago, NSW	2013-14	$25,854,658	Loan repaid due to refinance of corporate facility. Underlying project fully implemented.
Genex Power Pty Ltd	Corporate facility for equity contingency for the Genex 50MW large-scale solar project at Kidston in north Queensland	2017-18	$4,100,000	Loan repaid in the ordinary course of business. Underlying project in construction.

Appendix F: Realised Investments

Borrower/Project	Investment Description	Year of Commitment	CEFC Commitment Repaid	Investment Outcome
Macarthur Wind Farm	Refinancing of a 50 per cent participating interest in a 420MW wind farm in Victoria	2012-13	$50,000,000	Loan repaid upon maturity. Underlying project fully implemented.
Landfill Gas Industries Pty Ltd	Corporate loan for installation of gas generators at existing landfill sites with long-term gas contracts	2014-15	$8,154,173	Loan repaid in the ordinary course of business. Underlying project fully implemented.
Origin Energy Solar as a Service	Origin Energy behind the meter solar financing program	2014-15	$60,000,000	Reduced commitment agreed between CEFC and Origin Energy Ltd. Outstanding amount fully repaid.
Origin Energy Ltd	Provision to extend original on-bill financing offer	2013-14	$864,537	Reduced commitment agreed with Origin Energy Ltd. Outstanding amount fully repaid.
Origin Energy Limited	Facility to enable on-bill financing of upgrades to energy efficiency equipment, with repayments via utility bills	2012-13	$1,543,369	Reduced commitment agreed with Origin Energy Ltd. Outstanding amount fully repaid.
Darling Downs Fresh Eggs	Co-financing of a waste-to-energy project using an anaerobic digester and generators to provide power and heat from chicken manure and other organic waste	2013-14	$953,785	Loan settled, with partial loss, after borrower entered administration and was sold to a competitor. Underlying project fully implemented.

Figure 29: Investments either partially or fully realised, contractually cancelled, allowed to expire or reduced in 2017-18

Borrower/Project	Investment Description	Year of Commitment	Change in CEFC Commitment $'000	Investment Outcome
Fleet Partners/ Eclipx FP Turbo Trust 2007-1	Facility to fund the operating and novated leases of 'green' fleet vehicles by Fleet Partners	2015-16	$17,200,000	Reduced commitment (due to refinance) agreed with Fleet Partners/Eclipx
EG Funds Management	Equity fund to acquire commercial properties and undertake building upgrades to lift NABERS ratings to no less than 4 Stars	2014-15	$50,000,000	Reduced commitment agreed with EG Funds Management.
Coleambally Solar Farm	Development of a large-scale solar farm near Griffith in New South Wales	2017-18	$256,298	Reduced commitment based on debt sizing criteria at financial close.
Impact Investment Group Solar Income Fund	Debt funding for the development of solar projects	2016-17	$26,203,000	Reduced commitment agreed with Impact Investment Group.
Ottoway Fabrication	Funding for a wind tower manufacturer, based in Whyalla, South Australia	2017-18	$39,756	Reduced commitment at expiration of availability period.
Bannerton Solar Farm	Finance for 110.2MWdc (88MWac) large-scale solar farm in north-west Victoria	2017-18	$809,398	Reduced commitment based on debt sizing criteria at financial close.
SEA Automotives Pty Ltd	Working capital financing structure for a range of electric trucks	2016-17	$3,768,524	Reduced commitment at expiration of availability period.
University of Melbourne	Solar and energy efficiency works on campus at Parkville in Victoria	2015–16	$223,325	Reduced commitment agreed with University of Melbourne.
Sacyr Environment Australia Pty Ltd	Organics processing facility to convert municipal waste to compost for a group of Melbourne Councils	2017-18	$7,025,224	Reduced commitment based on debt sizing criteria at financial close.
Australian Bioenergy Fund	Bioenergy Equity fund managed by Foresight Funds Management	2015-16	$100,000,000	Fully cancelled commitment at expiration of availability period, with alternate finance structure under development.

Glossary and Abbreviations

Glossary

Term	Description
Abatement	Refers to reductions in CO_2-e emissions.
Aggregation finance	The provision of CEFC finance via co-finance intermediary partners, to aggregate customer demand that would otherwise be too expensive to be serviced directly by the CEFC.
Appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation which creates and empowers the CEFC.
Clean Energy Innovation Fund	The Clean Energy Innovation Fund uses CEFC finance to invest in innovative clean energy companies and projects. It is operated in consultation with ARENA, drawing on the complementary experience and expertise of the two organisations. Final investment approval is provided by the CEFC Board, which is responsible for all CEFC investment commitments made under the CEFC Act.
Clean energy and clean energy technology	The types of technology the CEFC is permitted to invest in, which includes 'renewable energy technologies', 'energy efficiency technologies' and 'low emissions technologies' as defined in the CEFC Act.
Climate (or green) bonds	A specific type of green bond issued by the Climate Bond Standards and Certification initiative.
CO_2-e	Carbon dioxide equivalent is a standard measure that takes account of the different global warming potential of greenhouse gases and expresses the cumulative effect in a common unit (definition from the National Carbon Offset Standard).
Co-finance partner, co-financed products	CEFC finance is indirectly provided to end users via a third party, such as a bank or financial institution. The CEFC develops products with co-financiers to leverage their capital and customer networks. These products can be distinguished from a direct CEFC loan where the finance moves directly from the CEFC to the project owner.
Committed investment	Where the CEFC has made a commitment to invest funds if all necessary pre-conditions are fulfilled by the counterparties.
Concessionality	Concessionality is defined by the Investment Mandate and reflects the mark-to-market valuation of loans committed that financial year. It is measured as the difference between the net present value of each loan's future cash flows, discounted at market rates, and the net present value of each loan's future cash flows, discounted at the given concessional rate.
Cornerstone investor	Cornerstone investors are usually large institutional investors, or reputable individuals of substance, whose early stage involvement in an investment signals to the market that an opportunity may be worthwhile for other investors to also consider.
Corporate facility or corporate loan	Typically, a loan to a company (rather than a specific project) for smaller-scale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity.
Dollars ($)	All references to dollars are Australian dollars unless otherwise specified.

Term	Description
Ecologically Sustainable Development (ESD)	A set of principles that corporations and government entities must report against under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).
Energy efficiency technologies	Energy efficiency technologies, as defined in the CEFC Act, include technologies (including enabling technologies) that are related to energy conservation and demand management technologies.
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	The Australian Government's central piece of environmental legislation, which provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.
External benefits	Benefits that are enjoyed by parties outside a transaction e.g. emissions reduction that benefits the environment.
Forecast lifetime yield	The annualised weighted average of forecast income on outstanding principal balance over the life of the investment.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Green price	The price for renewable energy certificates (RECs) that are created and sold by electricity generation facilities registered as accredited renewable energy facilities under the *Renewable Energy (Electricity) Act 2000*. Renewable energy facilities typically benefit from both the 'black price' and the 'green price' for each megawatt hour of electricity generated.
Greenhouse gases	The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2-e), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Hybrid technology	A combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system.
Investment Mandate	A formal Ministerial Direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function.
Large-scale	In reference to renewables, a power station large enough to earn certificates under the LRET (i.e. above 100kW for solar PV).
Large-scale generation certificates	Tradeable certificates created under Section 17 of the *Renewable Energy (Electricity) Act 2000*. One LGC is equivalent to 1MWh (megawatt hour) of eligible renewable electricity produced by an accredited renewable power station above its baseline.
Large-scale Renewable Energy Target	The LRET creates a financial incentive for the establishment or expansion of renewable energy power stations, such as wind, solar farms and hydro-electric power stations. It does this by legislating demand for Large-scale Generation Certificates (LGCs). One LGC can be created for each megawatt hour of eligible renewable electricity produced by an accredited renewable power station.
Lifetime abatement	The estimated amount of abated emissions over a project's useful life.
Low emissions technology	The CEFC Board considers low emissions technologies on a case-by-case basis. See the Investment Guidelines on the CEFC website: www.cefc.com.au
Merchant basis	In respect of renewable energy generation, energy sold onto the spot market without the benefit of a fixed price power purchase agreement where the price received is the prevailing market price at the time of sale.

Glossary and Abbreviations

Term	Description
National Australian Built Environment Rating System: NABERS	A national ratings system that measures the environmental performance of a building or tenancy including energy efficiency, water usage, waste management and indoor environment quality.
Nationwide House Energy Rating Scheme: NatHERS	A national star rating system (out of 10) that rates the energy efficiency of a home, based on its design.
National Electricity Market	A regulated electricity trading market that interconnects the electricity grids of the states and territories of New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT.
Off-grid	Not connected to the electricity grid, such as in remote areas.
Offtake agreement	An agreement between a producer (of energy or crops) and a purchaser to purchase production output for a defined period at a defined price.
Photovoltaic	A type of technology that converts energy from the sun into electricity, as in solar PV.
Portfolio Benchmark Return	A long-term target rate of return established by the CEFC Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured.
Positive externalities	Benefits which are not exclusive to parties to a contract, such as an investment contract. May include reduced carbon emissions which benefit society as a whole. It is a requirement of the CEFC Investment Mandate that positive externalities be considered when the CEFC makes investment decisions.
Power Purchase Agreement	A type of offtake agreement where a purchaser agrees to purchase and a supplier agrees to supply future generated electricity, usually at a specified price for a defined period.
Project finance	Long-term financing of infrastructure and industrial projects (such as a utility-scale generator or an onsite generation facility) which will be repaid from the projected cash flows of the project without recourse to the balance sheets of the sponsors.
Project proponents	The 'proposers' or owners of a given project, as distinct from the project financiers.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.
Reef Funding Program	The Reef Funding Program is a $1 billion investment program targeting clean energy projects in the Reef catchment area. The program makes CEFC finance available for clean energy businesses and projects which support the delivery of the Government's Reef 2050 plan, aiming to bring the benefits of clean energy to support the long-term health of the Great Barrier Reef.
Refinancing	Repayment of an existing loan with a new loan.
Renewable Energy Certificates	A generic term for tradeable certificates under the *Renewable Energy (Electricity) Act 2000*.
Renewable Energy Target	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*. Made up of the small-scale renewables scheme (SRES) and the large-scale target (LRET).

Term	Description
Renewable energy technologies	Clean energy technologies that are defined as 'renewable energy technologies' under the CEFC Act, and include hybrids that integrate renewable energy technologies, and technologies that are related to renewable technologies, including enabling technologies.
Roll-off	Investment amounts that exit the portfolio (e.g. by sale, repayment, cancellation of all or part of the facility, reduction in quantum borrowed etc).
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt.
Special Account	A type of Australian Government account in which funds are held for a specified purpose. The CEFC Act creates a Special Account in order to fund the CEFC.
Subordinated debt	Where two or more financiers are involved in offering finance, one may take a 'subordinated' or 'junior debt' position relevant to the other ('senior debt') in the event of a loss (i.e. one financier may rank after the other financier in priority for recovery in the event the finance recipient becomes insolvent and cannot repay the loan).
Sustainable Cities Investment Program	The Sustainable Cities Investment Program aims to invest $1 billion in CEFC finance over 10 years in clean energy and energy efficient technology solutions in cities and the built environment.
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of a loan.
Total Annual Remuneration Package	Total remunerative benefits for staff including salary, superannuation and any other benefits.

Glossary and Abbreviations

Abbreviations

Abbreviation	Full Name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AEMO	Australian Energy Market Operator
AMEC	Australian Energy Market Commission
AIPP	Australian Industry Participation Plans
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
ANAO	Australian National Audit Office
ARENA	Australian Renewable Energy Agency
ASX	Australian Securities Exchange
BNEF	Bloomberg New Energy Finance
CCS	Carbon capture and storage
CEFC	Clean Energy Finance Corporation
CEFC Act	*Clean Energy Finance Corporation Act 2012*
CO_2	Carbon dioxide
CSP	Concentrated solar power
EAP	Employee Assistance Program
EEO Act	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
Efic	Export Finance and Insurance Corporation
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ERF	Emissions Reduction Fund
ESB	Energy Security Board
ESD	Ecologically sustainable development
ESG	Environmental, social and governance
FBT	Fringe benefits tax
FOI Act	*Freedom of Information Act 1982*
FRR	*Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
FTE	Full-time equivalent
FVPL	Financial assets at fair value through profit and loss
GGS	General government sector
GHG	Greenhouse gases
GIB	Green Investment Bank
GIG	Green Investment Group
GPO	Government Policy Order
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HTM	Held to maturity
IPS	Information Publication Scheme

Abbreviation	Full Name
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key performance indicators
kW	Kilowatt
kWh	Kilowatt hour
LED	Light emitting diode
LGC	Large-scale generation certificate
LRET	Large-scale Renewable Energy Target
MP	Member of Parliament
MW	Megawatt
MWh	Megawatt hour
NABERS	National Australian Built Environment Rating System
NatHERS	Nationwide House Energy Rating Scheme
NEG	National Energy Guarantee
NEM	National Electricity Market
NGO	Non-Governmental Organisation
PBO	Parliamentary Budget Office
PBR	Portfolio Benchmark Return
PBS	Portfolio Budget Statement
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PID Act	*Public Interest Disclosure Act 2013*
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PV	Photovoltaic
RECs	Renewable Energy Certificates
RET	Renewable Energy Target
TARP	Total Annual Remuneration Package
WHS Act	*Work, Health and Safety Act 2011*

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