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CEFC

ANNUAL REPORT 2015-16

ANNUAL REPORT
2015-16

TRANSFORMING AUSTRALIA'S CLEAN ENERGY INVESTMENT

CEFC
CLEAN ENERGY FINANCE CORP

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

CEFC
CLEAN ENERGY FINANCE CORP

ANNUAL REPORT
2015–16

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Australian Government | CEFC CLEAN ENERGY FINANCE CORP

The Hon Josh Frydenberg MP
Minister for the Environment and Energy

Senator the Hon Mathias Cormann
Minister for Finance

Parliament House
CANBERRA ACT 2600

22 October 2016

CLEAN ENERGY FINANCE CORPORATION ANNUAL REPORT 2015-2016

Dear Ministers,

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2015-2016*.

The Board members are responsible for the preparation and contents of this Annual Report. This Annual Report has been prepared for presentation to the Parliament and according to the requirements of the following Acts and their accompanying subordinate legislation:

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

This report is comprised of:

- A Report of Operations including the additional information required by section 74 of the *Clean Energy Finance Corporation Act 2012*
- The audited Financial Statements and Notes and the Auditor's Report
- Mandatory reports under:
  - Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*
  - Schedule 2, Part 4, section 4 of the *Work Health and Safety Act 2011*
  - Section 9 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1997*.

This Annual Report was approved by resolution at the 60th meeting of the Board of the CEFC on 22 September 2016.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely

Jillian Broadbent AO
Chair

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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**

CHAIR'S REPORT

JILLIAN BROADBENT AO

The CEFC ended the financial year as a relatively new but increasingly mature organisation after just three full years in operation.

We are now a central part of Australia's clean energy sector, reflected in the volume, diversity and scale of our investments, our reach across the Australian economy, and the important role we are playing in drawing in new capital to support the nation's efforts in emissions reduction.

We have made cumulative commitments of nearly $2.3 billion to projects valued at some $5.7 billion, while continuing to earn a return above the Government's cost of funds. For every dollar committed in 2015-16, the Corporation leveraged $1.95 in additional private sector capital.

The Corporation continues to meet our key objectives, catalysing and accelerating investment and growing the portfolio of clean energy investments across technologies and geographically.

These investments are contributing to Australia's abatement task through each of the CEFC's strategic priority areas – cleaner power solutions, a better built environment and driving new and innovative sources of finance for the clean energy sector.

Making the necessary shift to a lower carbon economy requires significant capital investment. With the private sector showing some hesitancy in recent years, we've arguably had a bigger role to play in catalysing the necessary finance.

The Government has endorsed our purpose and requested a greater focus towards emerging and innovative opportunities, as well as energy efficiency across the built environment.

Our experience suggests that the pathway towards decarbonisation of the Australian economy can be a catalyst for innovation and growth. The CEFC has been able to demonstrate how renewable energy and productivity-enhancing technologies can drive competitive advantage.

The year just passed saw a substantial increase in our investment activity as well as that of the broader market. We continue to see supportive co-investment from private financial institutions in the majority of our projects.

The market continues to be very receptive to the CEFC's role as a sector specialist. Private sector and foreign investors seek us out and welcome our involvement in projects alongside them.

We have matched debt and equity providers with investment opportunities, sometimes without CEFC investment.

Our focus now is to continue scaling up and contributing to the achievement of the Government's innovation agenda and Australia's emissions reduction target. Scale matters for the transformation of assets in the real economy and to underpin the Corporation's long-term sustainability so that we can continue contributing to Australia's clean energy transition.

The worldwide transition to the use of cleaner, smarter and more distributed energy technologies presents opportunities and challenges for the Australian economy in areas of our natural competitive advantage.

By catalysing investment at scale, working alongside private sector investors, we are helping deliver least-cost greenhouse gas abatement, as well as productivity gains and broader economic benefits.

Over the year, we continued to work constructively with the Australian Government in response to changes to our Investment Mandate. These changes directed the Corporation to focus on emerging and innovative clean energy technologies, energy efficiency, and the built environment. The Investment Mandate Direction 2016 directed us to work with the Australian Renewable Energy Agency (ARENA) on the creation of a new Clean Energy Innovation Fund. We look forward to investing in this important area and to supporting innovative technologies as they achieve commercial reach.

I would like to thank the Hon. Greg Hunt MP, for a constructive relationship in his role as Minister for the Environment and our responsible Minister for much of the 2015-16 year.

I would also like to welcome our new responsible Minister, the Hon. Josh Frydenberg MP, Minister for the Environment and Energy. The CEFC provides a platform for strong alignment between environment and energy policy. Having these two portfolios brought together at a Commonwealth level will further help facilitate Australia's transition to a cleaner energy outcome.

I would like to thank my fellow Board Members Paul Binsted, Ian Moore, Anna Skarbek, Andrew Stock and Martijn Wilder AM, for their tireless commitment to the Corporation over the year. In addition, I recognise the contribution of Michael Carapiet as a founding member of the Board through to his resignation in December 2015.

I congratulate our CEO, Oliver Yates, the CEFC Executive team and the entire staff for their efforts throughout the year. As we enter our fourth year, the CEFC is now an established financial corporation with a robust and scalable clean energy investment platform across origination, transactions and portfolio management.

I acknowledge the skills and passion of my colleagues in our achievements to date. The private sector skills of the CEFC's employees are working effectively in the market to support the public policy objective of reaching Australia's emission reduction commitment, progressing the innovation agenda and positioning Australia to be competitive in a carbon constrained world.

I look forward to our continued contribution as an effective policy tool to address Australia's energy and environment challenges.

Jillian Broadbent AO
Chair

CEO'S REPORT

OLIVER YATES

The CEFC committed a record $837 million in new investment in 2015-16, a 73 per cent increase on the previous year, supporting projects with a total value of $2.5 billion.

Through our 15 new investments, we mobilised an even greater amount of private sector capital into clean energy activities, working across a diverse range of technologies and geographies.

We were pleased to directly invest in major projects, as well as increase our work alongside co-financiers to contribute to the transformation of Australia's clean energy investment, catalysing new finance into this exciting area of the national economy.

At the same time we sharpened our strategic focus, to ensure CEFC finance is deployed to the greatest impact.

At the end of the 2015-16 year, we are pleased to report that the CEFC has made total cumulative investment commitments of almost $2.3 billion since we began investing in 2013, towards projects valued at $5.7 billion.

Commercial rigour

We continue to apply commercial rigour to our investment decisions, so that we deliver a positive return on investment for taxpayers across our portfolio. Every CEFC investment is expected to earn a positive return above the Government cost of borrowing.

During the year we saw a number of projects in our portfolio achieve important milestones, either commencing or completing construction, or securing offtake agreements for electricity and/or large-scale generation certificates (LGCs). Others achieved asset sales, repaid loans or deployed significant capital from facilities with the CEFC.

At the end of 2015-16, our portfolio of investment commitments stood at $1.7 billion, a 44 per cent increase on the previous year. More than $150 million in investments were repaid to the CEFC, a pleasing outcome ensuring this return of taxpayers' money is now available to fund more projects.

A diverse clean energy portfolio

Our activity in the clean energy sector continues to catalyse additional private sector investment and innovation.

We have a clear strategic focus on delivering cleaner power solutions, creating a better built environment and catalysing new sources of capital to support clean energy investment.

Following a sharpening of our organisational structure during the year, we have dedicated Origination and Transaction Team leaders for 12 targeted business platforms, increasing our focus, expertise and efficiency to areas of the economy with the strongest potential to deliver clean energy benefits.

We are fortunate to have increasingly strong relationships with a wide array of financial organisations, which ensures our finance has extended reach across the Australian economy. Our seven co-finance and aggregation programs have delivered more than $100 million in finance to more than 500 smaller projects and businesses across Australia. Today, in branches of major banks across Australia, relationship managers are encouraging their customers to make better and more clean energy focused decisions, with the benefit of a 0.7% interest rate discount on CEFC-powered energy efficient finance.

A scalable investment model

We've built a scalable investment model and our challenge, and indeed the challenge for the entire Australian economy, is to accelerate progress towards achievement of the Renewable Energy Target and reduced emissions.

We want to help accelerate progress towards low carbon and highly energy efficient commercial building refurbishment and construction.

We want to help build more energy efficient housing and accommodation, especially for occupants who can least afford high electricity bills that could be avoided through access to renewables or energy efficient design.

We want to help build greener infrastructure for cities, local government and universities.

We want to help accelerate the uptake of very low or zero emission vehicles.

We want to help grow the market for green and climate finance in Australia, supporting new debt and equity product structures to provide new sources of capital for clean energy assets across the country.

These goals continue to drive the CEFC's investment approach.

Clear pathway to net zero emissions

In Paris in December 2015, at the 21st Conference of the Parties, the global commitments to reducing emissions sent a clear signal – to stay well below two degrees Celsius and attempt to limit warming to 1.5 degrees Celsius above pre-industrial levels.

Investors need to make decisions about assets with a clear understanding that the global goal must be net zero emissions before 2050. This pathway to net zero emissions well before 2050 must be an overlay to all business and policy decisions if we want to ensure we are making the right investment decisions, and acting with sufficient speed.

For Australia, as an Annex I country under the United Nations Framework Convention on Climate Change, we are obligated to be a leader.

Appreciation

I'd like to recognise our Chair, Jillian Broadbent AO, and our Board, who continue to lead the CEFC with a clear vision and commitment to clean energy.

I also thank my fellow Executives and the entire CEFC team for what has been a very successful year. The organisations we work with are to be acknowledged for their leadership in investing in clean energy solutions. We look forward to continuing and extending these relationships, with tailored investment solutions that support and encourage accelerated investment in clean energy.

We are expecting an even bigger and more exciting year in 2016-17, driven by the purposeful, passionate and professional individuals I'm privileged to work with every day.

It is important that the urgent clean energy action we need to take in Australia is achieved as efficiently and effectively as possible. At the CEFC we have concluded another year demonstrating that we have a scalable platform to accelerate our investment activities and to continue to contribute to the transformation of clean energy investment in Australia.

Oliver Yates
CEO

1

PERFORMANCE

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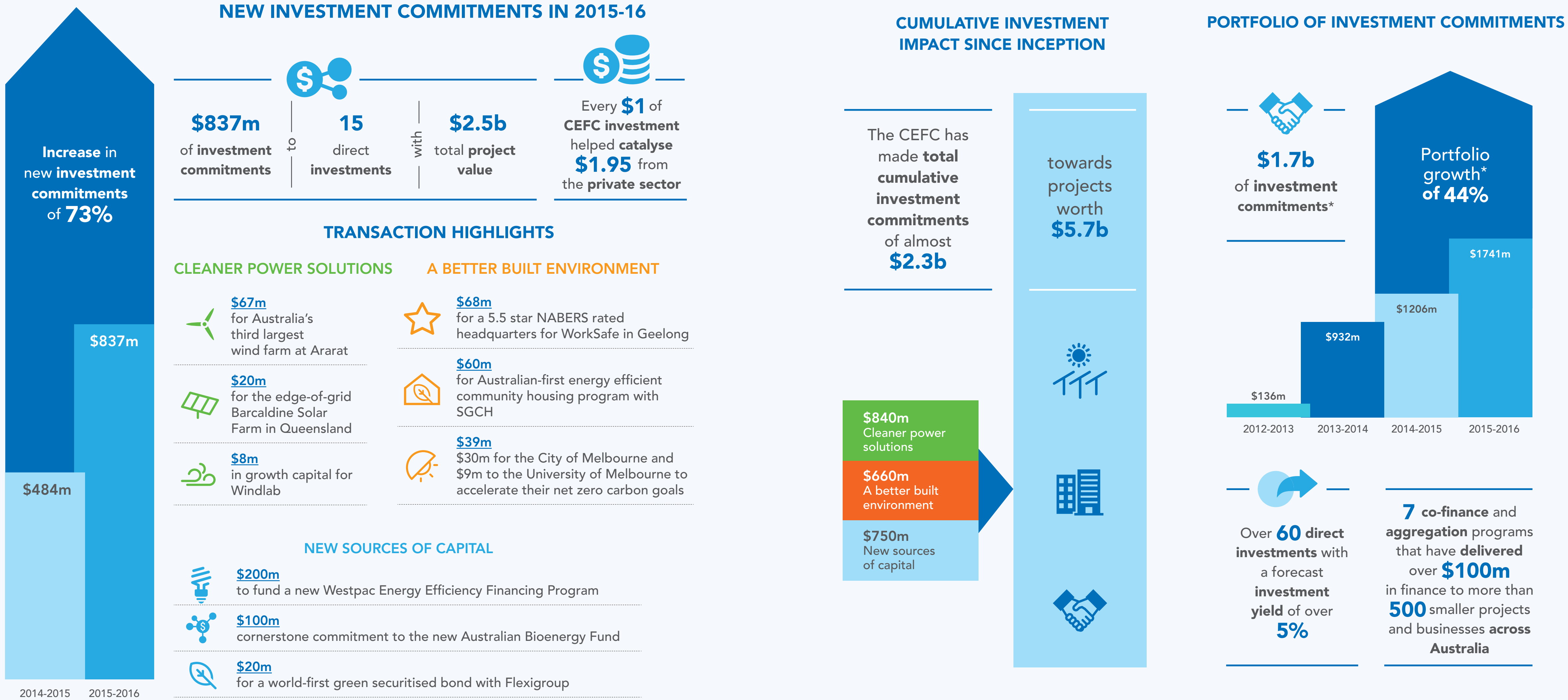
YEAR IN REVIEW

In 2015-16, we committed more funds, supported more projects and mobilised an even greater amount of private sector capital into clean energy projects. From the CEFC's inception in 2013 through to 30 June 2016, total investment commitments were almost $2.3 billion, contributing to projects with a total value of $5.7 billion. The CEFC continues to generate a profit and earn a positive return on its investments, as well as for each tonne of CO_2-equivalent emissions abated.

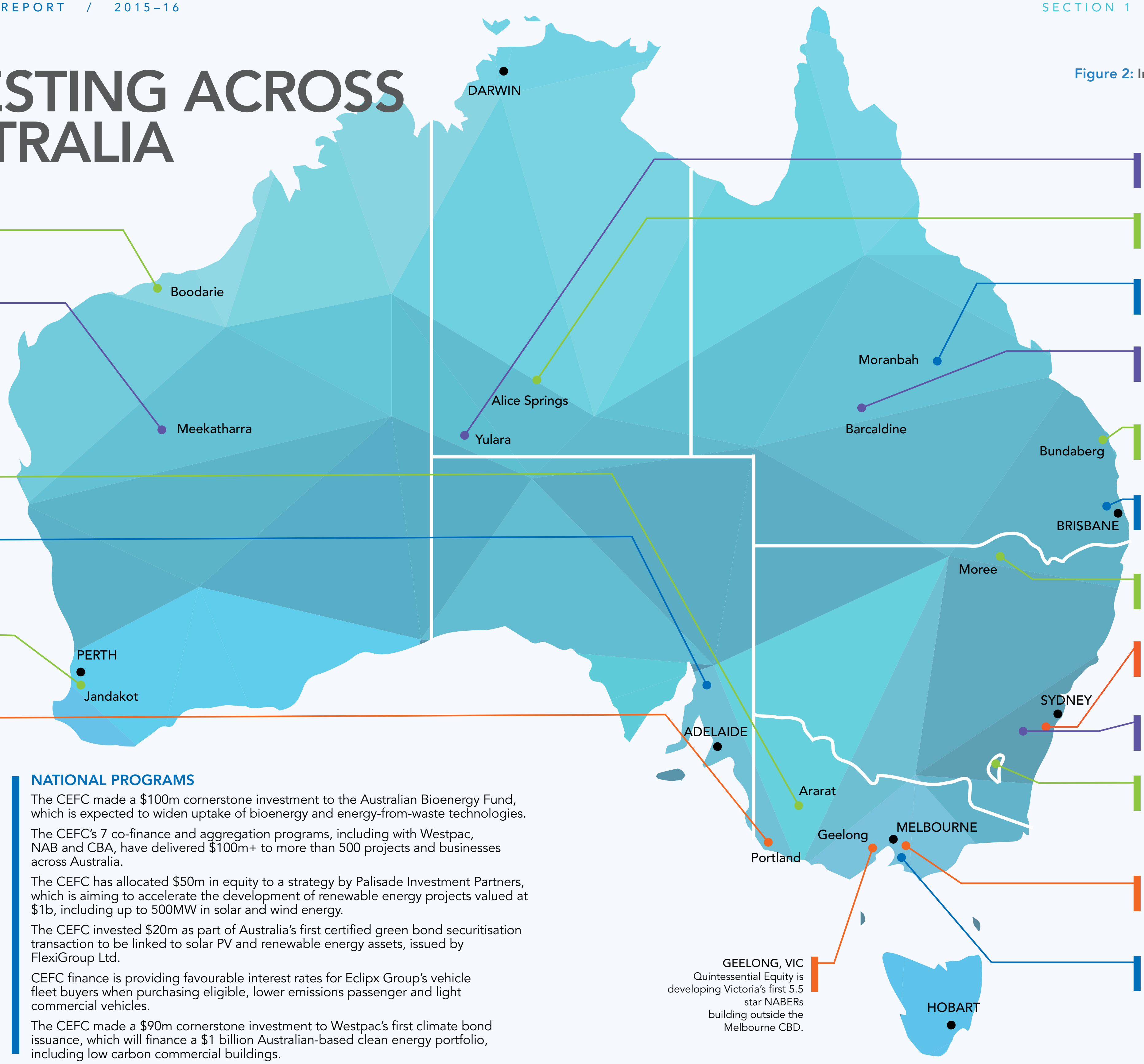
Figure 1: CEFC investment commitments to 30 June 2016



*After allowing for new investments in each year, minus loans fully amortised, repaid or exited, and expired or cancelled undrawn commitments.

INVESTING ACROSS AUSTRALIA

Figure 2: Investing across Australia



BOODARIE, WA
New Energy Corporation will generate electricity from recovered municipal, industrial and commercial waste.

DEGRUSSA COPPER MINE, WA
The Degrussa Solar Project combines solar generation and battery storage at this remote mine.

ARARAT, VIC
The 240MW Ararat Wind Farm is under construction.

LAURA, SA
Ice cream manufacturer Golden North upgraded its refrigeration in order to expand its business. Loan repaid June 2016.

JANDAKOT, WA
Garden products supplier Richgro is generating energy from organic waste with an anaerobic digestion plant. Loan repaid April 2016.

PORTLAND, VIC
The final stage of the Portland Wind Energy Project was completed in 2015. Loan repaid in January 2016.

YULARA, NT
Solar PV is reducing reliance on diesel fuel for the iconic Ayers Rock Resort.

ALICE SPRINGS, NT
Uterne Solar Farm was expanded to 4.1MW and is generating power using tracking technology.

MORANBAH, QLD
EDL is generating energy from waste coal mine and landfill gas. Loan repaid October 2015.

BARCALDINE, QLD
Barcaldine Solar Farm, under construction, is expected to generate enough power to satisfy the needs of 5,300 homes.

BUNDABERG, QLD
Landfill Gas Industries' first CEFC-financed facility was commissioned in February 2016.

DINMORE, QLD
Meat processor JBS Australia is capturing and using biogas to reduce energy bills. Loan repaid July 2015.

MOREE, NSW
Moree Solar Farm will generate enough solar energy to power 15,000 homes.

PEAKHURST, NSW
Community housing provider SGCH is building more than 200 new energy efficient homes in Sydney's south.

TARALGA, NSW
Construction of the Taralga Wind Farm was completed in October 2015.

CANBERRA, ACT
Windlab is expanding its business from project development to include project investment and asset management.

MELBOURNE, VIC
The City of Melbourne is undertaking clean energy initiatives as part of its goal to reach zero net emissions by 2020.

MELBOURNE, VIC
The University of Melbourne is expecting its clean energy initiatives to reduce its grid electricity consumption by about eight per cent.

GEELONG, VIC
Quintessential Equity is developing Victoria's first 5.5 star NABERS building outside the Melbourne CBD.

NATIONAL PROGRAMS

The CEFC made a $100m cornerstone investment to the Australian Bioenergy Fund, which is expected to widen uptake of bioenergy and energy-from-waste technologies.

The CEFC's 7 co-finance and aggregation programs, including with Westpac, NAB and CBA, have delivered $100m+ to more than 500 projects and businesses across Australia.

The CEFC has allocated $50m in equity to a strategy by Palisade Investment Partners, which is aiming to accelerate the development of renewable energy projects valued at $1b, including up to 500MW in solar and wind energy.

The CEFC invested $20m as part of Australia's first certified green bond securitisation transaction to be linked to solar PV and renewable energy assets, issued by FlexiGroup Ltd.

CEFC finance is providing favourable interest rates for Eclipx Group's vehicle fleet buyers when purchasing eligible, lower emissions passenger and light commercial vehicles.

The CEFC made a $90m cornerstone investment to Westpac's first climate bond issuance, which will finance a $1 billion Australian-based clean energy portfolio, including low carbon commercial buildings.

TRANSFORMING CLEAN ENERGY INVESTMENT

The CEFC committed a record $837 million to new investments in the Australian clean energy sector in 2015-16, contributing to projects with a total value of $2.5 billion.

We almost doubled the number of new investment commitments, from eight to 15, and achieved a 73 per cent increase in the value of new investments compared with the previous year.

At the same time, we mobilised an even greater amount of private sector capital into clean energy activities. Just as importantly, the CEFC continued to operate with commercial rigour, generating a positive return while delivering on our clean energy public policy purpose. All investments are expected to generate a return above the Australian Government's cost of funds, with the CEFC remaining profitable for the third consecutive year.

The CEFC's strong performance in 2015-16 reflects the CEFC's increasing maturity as a clean energy investor, our deepening experience in this market and our closer engagement with project proponents, investors and co-financiers.

The CEFC's total commitments since we began investing in 2013 now stand at almost $2.3 billion, contributing to a diverse range of projects with a total value of $5.7 billion.

INVESTMENT COMMITMENTS 2015-16

CEFC investment activities in 2015-16, viewed through the organisation's strategic priority areas, point to the CEFC's continued strong focus on supporting the development and delivery of clean energy solutions across the economy. As detailed in Figure 3, in 2015-16 the CEFC:

1. Maintained a strong focus on large-scale renewable energy projects to deliver **cleaner power solutions** for the national economy. The slight decline in total CEFC commitments to cleaner power solutions in 2015-16 reflects earlier hesitancy in this market segment, which we expect to improve on the back of enhanced investor confidence
2. Is working with an increasingly diverse range of organisations to support investments that deliver energy efficiency gains, lower emissions technologies and support the growth of small-scale solar PV, to create a **better built environment**
3. Achieved a substantial increase in the value of investment commitments designed to unlock **new sources of capital** for clean energy investment. This includes support for climate bonds, equity funds and co-financing arrangements, where the CEFC is gaining increasing traction in catalysing additional finance to clean energy investments.

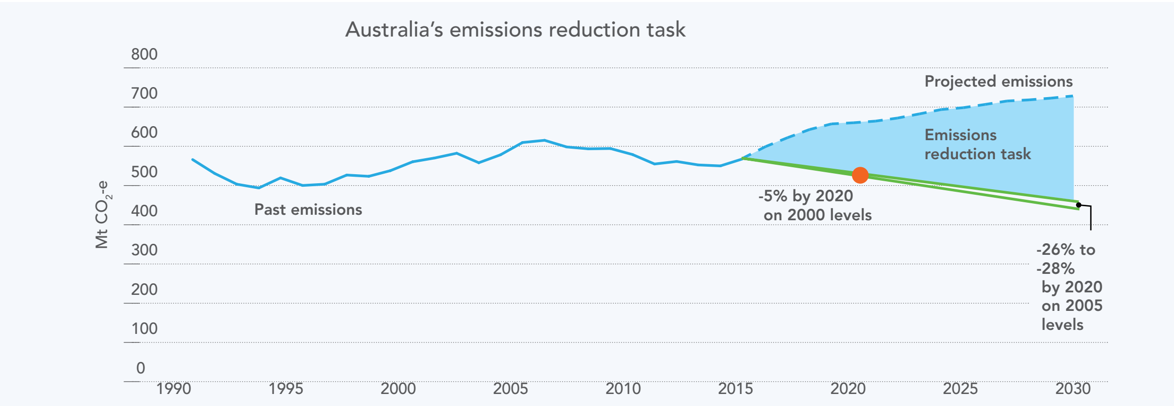
Figure 3: New investment commitments in 2015-16

Strategic priority areas	2015-16	2014-15
Cleaner power solutions, including large-scale and small-scale solar, wind and bioenergy	$110m	$115m
A better built environment, with investments to drive more energy efficient community housing, commercial buildings, local government operations and universities	$217m	$125m
New sources of capital, with investments in climate bonds, equity funds and with co-financiers to increase investment for small and large scale clean energy projects	$510m	$244m
Total	**$837m**	**$484m**

AUSTRALIA'S EMISSIONS CHALLENGE

Australia's emissions reduction target of 26-28 per cent by 2030 is a significant challenge:

Figure 4: **Australia's emissions reduction challenge**

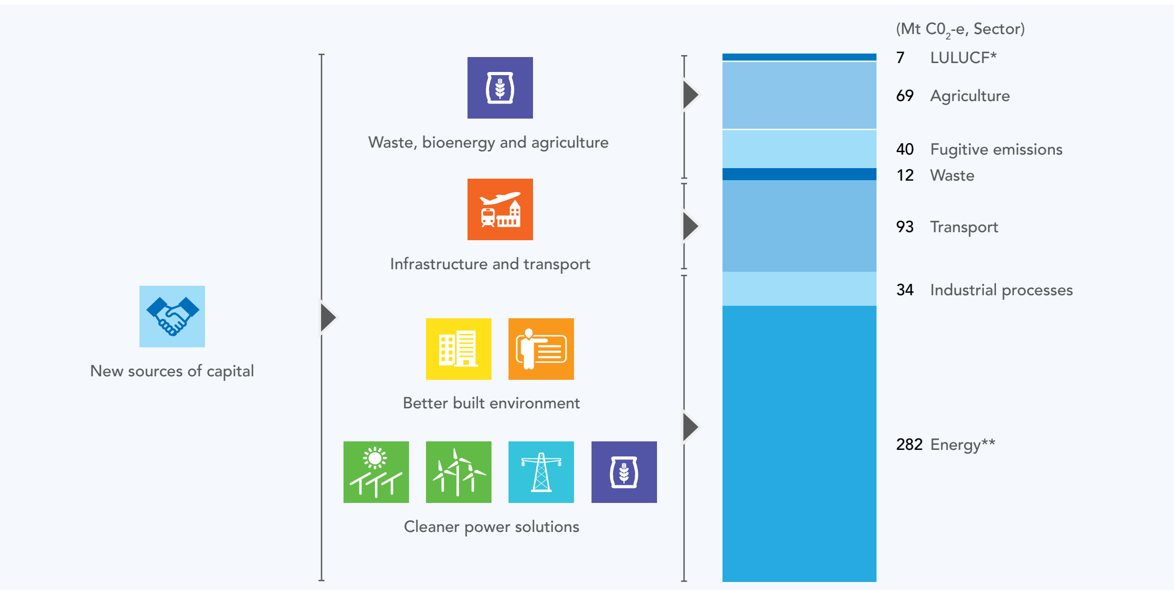


Source: Climate Change Authority

ALIGNMENT WITH EMISSIONS SOURCES

Energy, industrial processes and transport are among the most significant sources of emissions in the Australian economy. Accordingly, CEFC investment activities include a clear focus on delivering capital to these sectors, among others, with the aim of accelerating the delivery of projects that use renewable energy, energy efficient or low emissions technologies to reduce energy consumption and energy costs, while lowering emissions. See Figure 5.

Figure 5: **Alignment of CEFC strategic priority areas with emissions sources**



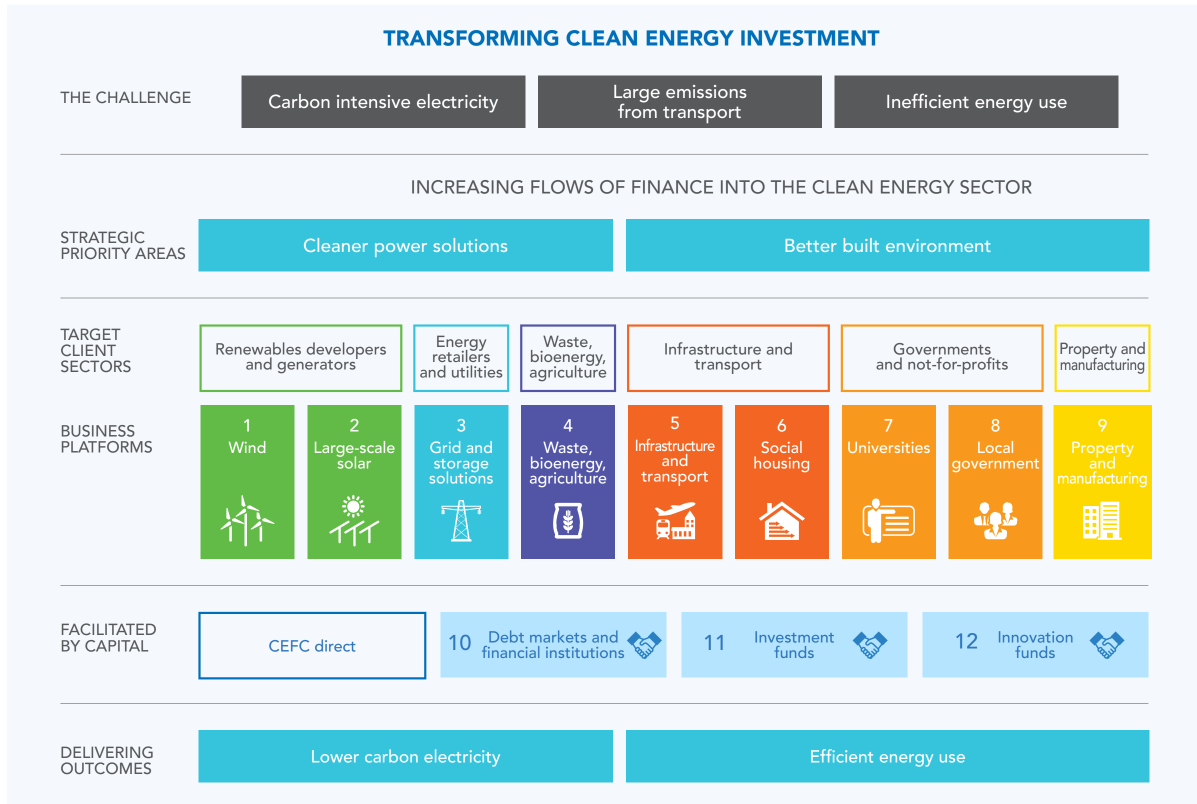
* Land use, land use change and forestry
** Includes the '*Electricity and stationary energy excluding electricity* sectors' as defined in Australia's *National Greenhouse Accounts*

CEFC STRATEGIC FRAMEWORK

During the year we consolidated our investment teams around 12 business platforms, aligned to the strategic priority areas, and targeting key areas of the economy where clean energy investment can most effectively reduce carbon emissions, improve energy efficiency and lower operating costs.

This alignment of our business platforms under the strategic priority areas through the CEFC Strategic Framework reflects how our investment activities are focused on delivering on our mission and public policy purpose by supporting investment that contributes to the reduction in Australia's emissions.

Figure 6: **CEFC Strategic Framework**



A YEAR OF FIRSTS

The CEFC business has matured substantially, achieving a number of milestones in our third full year of operation. Our depth of experience across the clean energy sector, and closer engagement with project proponents and co-financiers, reflects this increased maturity. The 15 transactions that closed in 2015-16 represented several "firsts" for the CEFC (see Figure 7). These are aligned with our strategic priority areas and described in further detail in the individual case studies contained within this Annual Report.

PROJECT MILESTONES

In addition to new investment commitments in 2015-16, the CEFC is pleased to report the achievement of several significant project milestones during the year.

Figure 7: Project milestones 2015-16

CONSTRUCTION COMPLETED	CONSTRUCTION COMMENCED
10.6MW DeGrussa Solar Project with 6MW battery storage: construction completed June 2016	20MW Barcaldine Solar Farm
2MW Uterne II Solar Farm: construction completed November 2015	240MW Ararat Wind Farm
1.8MW Yulara solar installation: construction completed April 2016	SGCH construction of energy efficient community housing
56MW Moree Solar Farm: electricity exported to the grid from February 2016	
Landfill Gas Industries' energy-from-waste facilities: first CEFC financed facility commissioned in February 2016	

Figure 8: Investment commitments 2015-16

STRATEGIC PRIORITY AREA	CEFC ACHIEVEMENT	PROJECTS AND PROGRAMS	LOCATION	CEFC FINANCE
CLEANER POWER SOLUTIONS	First large-scale hybrid contracted and merchant wind farm	Ararat Wind Farm	Victoria	$67m
	First business expansion debt transaction	Windlab	ACT	$8m
	First fully merchant edge-of-grid solar farm	Barcaldine Solar Farm	Queensland	$20m
	First (and southern hemisphere's largest) solar+battery hybrid	DeGrussa Copper Mine	WA	$15m

STRATEGIC PRIORITY AREA	CEFC ACHIEVEMENT	PROJECTS AND PROGRAMS	LOCATION	CEFC FINANCE
BETTER BUILT ENVIRONMENT	First 7-star NatHERS community housing investment	St George Community Housing	NSW	$60m
	Finance for construction of Victoria's first 5.5-star NABERS building outside the Melbourne CBD	Quintessential Equity	Victoria	$68m
	Largest CEFC local government financing transaction	City of Melbourne	Victoria	$30m
	First CEFC university clean energy financing transaction	University of Melbourne	Victoria	$9.1m

STRATEGIC PRIORITY AREA	CEFC ACHIEVEMENT	PROJECTS AND PROGRAMS	LOCATION	CEFC FINANCE
NEW SOURCES OF CAPITAL	First Australian waste and bioenergy investment fund	Australian Bioenergy Fund	National	$100m
	Largest co-financing commitment	Westpac Energy Efficient Financing Program	National	$200m
	Equity commitment to renewable energy investment strategy	Palisade Investment Partners	National	$50m
	First green bond securitised to renewable energy assets	FlexiGroup	National	$20m
	First financing package targeting lower emissions vehicles for large fleet buyers	Eclipx Group	National	$50m
	Sustainability commitment from property equity fund	Transaction details to be disclosed when finalised	National	$50m
	Largest CEFC Climate Bond investment	Westpac	National	$90m

TARGETED INVESTMENT APPROACH

In 2015-16, the CEFC invested across targeted strategic priority areas where clean energy investment can improve energy efficiency, cut carbon emissions as well as lower operating costs.

Figure 9: Strategic priority areas

CLEANER POWER SOLUTIONS	More than half Australia's emissions come from energy and industrial processes. Reducing emissions from these sectors requires substantial investment in wind, large and small-scale solar, grid and storage solutions and waste and bioenergy, including agriculture. The CEFC is working with the private sector to assist in meeting the capital requirements to achieve this level of investment at the lowest possible cost, including using tailored loan structures that better meet the needs of investors and the particular asset classes involved. Investment in a diverse range of technologies is essential if Australia is to benefit from the lowest cost sources of clean energy in the future.
BETTER BUILT ENVIRONMENT	The CEFC focussed on providing the finance required to improve the liveability of cities and the built environment in a way that ultimately reduces emissions. This may include the installation of onsite renewable generation, battery storage and investment in improved energy efficiency initiatives, among others. Infrastructure and transport, property, manufacturing, local governments and not-for-profit organisations, including universities and social housing, all have scope for emissions reductions, with flow on benefits to the built environment.
NEW SOURCES OF CAPITAL	We continue to assist in the development of structured investments and new capital products, equity funds, climate bonds and securitisation vehicles, as well as co-financing arrangements with banks. The CEFC has developed strong relationships with most of the major commercial banks in Australia. These investment channels allow the CEFC to efficiently deploy capital to emissions reduction activities that we would otherwise be unable to reach, such as those involving small businesses, agriculture, and manufacturing. Through the new Clean Energy Innovation Fund, which became operational on 1 July 2016, the CEFC is seeking to create new sources of capital to support the expansion and deployment of innovative clean energy technologies and businesses.

The 2015-16 investment commitments in these strategic priority areas are explained further in the individual case studies within this Annual Report.

DRIVING MARKET CHANGE

Through our work across the economy, the CEFC continues to identify opportunities to build financing capability and capacity to deliver replicable and scalable financing solutions to accelerate investment in clean energy solutions. During 2015-16, we introduced three major origination programs to drive market change through consistency and scale in our investment activities. See Figure 10.

Figure 10: Origination programs 2015-16

PROGRAM	MARKET IMPACT	
LARGE-SCALE SOLAR	Achieving Australia's RET requires the construction of up to 6GW of large-scale renewable projects, with large-scale solar being an important part of the technology mix. The CEFC large-scale solar program provides project proponents with fixed-rate, long-dated senior debt, including projects which may receive ARENA grant funding. The CEFC is also working to catalyse other sources of finance to support potential large-scale developments, through co-investment in debt and equity, to encourage greater participation by banks and other institutions, as the sector develops a track record of credit and operational performance.	"Finance to accelerate our large-scale solar future"
COMMUNITY HOUSING	Australia has some 88,000 community housing dwellings, and the sector is expected to experience strong growth in the years ahead, to address long waiting lists from approved applicants. Community housing organisations have limited sources of revenue to fund new buildings and have generally faced challenges sourcing private finance. The CEFC program is targeting the construction of as many as 1,000 new energy efficient dwellings Australia-wide, via Australia's growing network of community housing providers.	"Targeting 1,000 new energy efficient dwellings Australia-wide"
LOCAL GOVERNMENT	Australia's 560 local councils spend more than $32 billion annually administering a vast network of street lights, community centres, libraries, sport and recreation facilities, and other public access buildings. Managing the associated energy use represents a significant economic and environmental benefit. Through the CEFC, Australian councils have access to flexible and competitive fixed-rate, long-dated finance, targeting major investment projects with the potential to make a significant difference to a council's energy consumption.	"Helping local communities benefit from clean energy"

OUR INVESTMENTS IN ACTION

CLEANER POWER SOLUTIONS

BARCALDINE SOLAR FARM	22
ARARAT WIND FARM	24
WINDLAB	26
DEGRUSSA SOLAR AND STORAGE	28

BARCALDINE SOLAR FARM

The Barcaldine Solar Farm in Central Queensland will provide a competitively-priced renewable energy alternative on the fringe of the National Energy Market grid, benefitting from up to $20 million in cornerstone debt finance from the CEFC.

PROJECT SCOPE

The large-scale solar farm at historic Barcaldine, more than 1,000 kilometres north-west of Brisbane, is expected to generate enough power to satisfy the needs of around 5,300 homes.

The Barcaldine Remote Community Solar Farm Pty Ltd, a company owned by Elecnor Australia Pty Ltd, is developing the project. The 20MW AC (25MW DC) solar farm consists of 79,000 solar modules across some 90 hectares. It is next to a transmission substation, enabling easy access to grid connection. It will use single-axis tracking technology to maximise the effectiveness of the photovoltaic panels as they follow the sun. The project has also secured $22.8 million in grant funding from ARENA.

PROGRESS REPORT

The CEFC's commitment of $20 million in debt finance was announced in December 2015. The project is targeting a 15-month construction program, providing up to 175 jobs at peak construction.

Construction of this solar farm in a fringe-of-grid location will provide useful learnings for other off-grid remote area solar PV projects. The project also demonstrates the potential for solar to increase the reliability and quality of power at fringe-of-grid locations.

"The support from the CEFC and ARENA has been essential for getting the project to this stage, to support the future energy supply of the Barcaldine, Blackall and Longreach communities."

Elecnor spokesman
Francisco Garcia Valverde

TRACKING
THE SUN
FOR
YEAR-ROUND
CLEAN
ENERGY

ARARAT WIND FARM

The CEFC commitment of $67 million to Ararat Wind Farm, being built at Ararat in Victoria, is part of a $200 million senior secured debt financing package for the $513 million project.

PROJECT SCOPE

The 240MW project is aiming to produce enough electricity to power around 120,000 homes – approximately six per cent of Victoria's households. The Ararat Wind Farm benefits from a Power Purchase Agreement (PPA) awarded by the ACT government under its February 2015 wind auction. This guarantees the purchase of about one third of the energy produced at the site.

The project was the first wind farm contract to be signed following agreement on the revised Renewable Energy Target in June 2015. Ararat Wind Farm involves equity investors and sponsors RES, GE, Partners Group and OPTrust. GE and Downer are jointly delivering the engineering procurement and construction management (EPC).

PROGRESS REPORT

The first turbine blades arrived onsite in June 2016 and the first power was generated in late August 2016, with five turbines producing about 23MWh of power each day. Windlab is performing asset management services following the commissioning of the first section of turbines during construction and will manage the wind farm when operational.

LOOKING TO THE FUTURE

Wind is a central component in the delivery of the RET. The CEFC's investment in wind projects encourages the participation of co-investors, creating additional market liquidity to lift overall investment in the sector. Financing certainty can reduce the cost of capital, which in turn contributes to efficient market pricing and has a positive impact on the final cost of energy.

"Debt support from the Export Development Canada and the Clean Energy Finance Corporation was an important part of the debt financing package. Agencies such as EDC and CEFC are playing a significant role in assisting the private sector invest in clean energy developments such as the Ararat Wind Farm."

GE Australia, New Zealand and PNG CEO
Geoff Culbert

WINDLAB

The CEFC is lending renewable energy developer Windlab Limited up to $8 million to support the continued growth of its business.

PROJECT SCOPE

An $8 million CEFC loan announced in April 2016 is providing Canberra-based wind energy development company Windlab with access to working capital as it seeks to expand its business from project development to include project investment and asset management. Established in 2003 as a spin-out from the CSIRO, Windlab is commercialising the CSIRO's world-leading atmospheric modelling and wind energy assessment technology.

Windlab owns and exclusively uses this suite of industry best practice wind energy prospecting and assessment tools to identify and efficiently develop high-quality wind farm sites in its chosen markets, with considerably greater certainty and less risk. The company is also involved in developing solar and wind hybrid projects using state-of-the-art utility-scale battery storage.

Windlab's Australian projects include the Collgar Wind Farm in WA, the Coonooer Bridge, Kiata and Oaklands Hill wind farms in Victoria, and the Kennedy Energy Park in Queensland.

LOOKING TO THE FUTURE

Windlab has a development portfolio of more than 50 projects totalling some 7,000MW of potential capacity. It operates in seven countries, including Australia, Canada, the United States and across Southern Africa.

Innovative companies often face financing hurdles as they seek to continue their growth after initial market success. The CEFC has been able to bring together a finance structure that is actively supporting Windlab in moving to the next phase of its business strategy.

"While market conditions over the past three years have been difficult, Windlab has continued to grow. The timing of this funding is ideal. We will be able to leverage the additional working capital to accelerate our growth to meet the increased demand generated by more favourable market conditions."

Windlab CEO
Roger Price

PROVIDING **GROWTH** CAPITAL FOR CSIRO **TECHNOLOGY**

DEGRUSSA SOLAR AND STORAGE

The CEFC has committed up to $15 million to a $40 million solar and battery storage project which demonstrates the potential for solar energy as an alternative to diesel in remote area mining.

PROJECT SCOPE

The 10.6MW solar plant with 6MW of battery storage is located at the Sandfire Resources' DeGrussa copper and gold mine in Western Australia. The plant, 900 kilometres north-east of Perth, became fully operational in June 2016. Some 34,080 solar PV panels have been installed on a 20-hectare site near the mine.

Solar is expected to provide approximately 40 per cent of the mine's daytime electricity requirements, offsetting about 5 million litres of expensive trucked-in diesel fuel per annum.

The DeGrussa Solar Power Project is owned by the leading French renewable energy firm Neoen, with juwi Renewable Energy responsible for the project development, engineering procurement and construction management (EPC) and operations and management (O&M).

The plant was constructed by national surveying and infrastructure construction company OTOC Australia and has received a recoupable grant of $20.9 million from ARENA.

PROGRESS REPORT

In August 2016, Neoen announced that it had secured a 5.5 year large-scale generation certificate (LGC) sale agreement with Origin for LGCs produced by the DeGrussa Solar Hybrid Power plant.

LOOKING TO THE FUTURE

Remote area mines have a significant and growing opportunity to create complementary power sources, drawing on solar power and battery storage and replacing diesel. This will become more attractive as improvements in battery technology contribute to lower costs.

"This project has already attracted a significant amount of interest from within the mining industry in Australia with Sandfire receiving inquiries from several of our peers interested in adopting this technology at their mine sites. I would not be surprised to see more facilities like this built over the next few years, as the benefits and potential of solar power become increasingly recognised across the resource sector."

Sandfire Managing Director
Karl Simich

CLEAN ENERGY COMMITMENTS

INVESTMENT COMMITMENTS BY TECHNOLOGY

The CEFC Act requires the CEFC to invest in eligible clean energy technologies, including renewable energy, energy efficiency and low emissions technologies. These are defined in Figure 11:

Figure 11: Eligible clean energy technologies

RENEWABLE ENERGY TECHNOLOGIES	ENERGY EFFICIENCY TECHNOLOGIES	LOW EMISSIONS TECHNOLOGIES
Renewables, including bioenergy, geothermal, hydro, ocean, solar, waste-to-energy and wind. Hybrids of renewables with other technologies. Technologies, including enabling technologies, that are related to renewable energy, including supply of goods or services.	Energy efficiency, including energy conservation and demand management. Technologies, including enabling technologies, that are related to energy efficiency, including supply of goods or services.	Technologies that reduce emissions that are not renewables or energy efficiency, including supply of goods or services*.

* May involve a threshold emissions intensity test against baseline activity to determine eligibility.

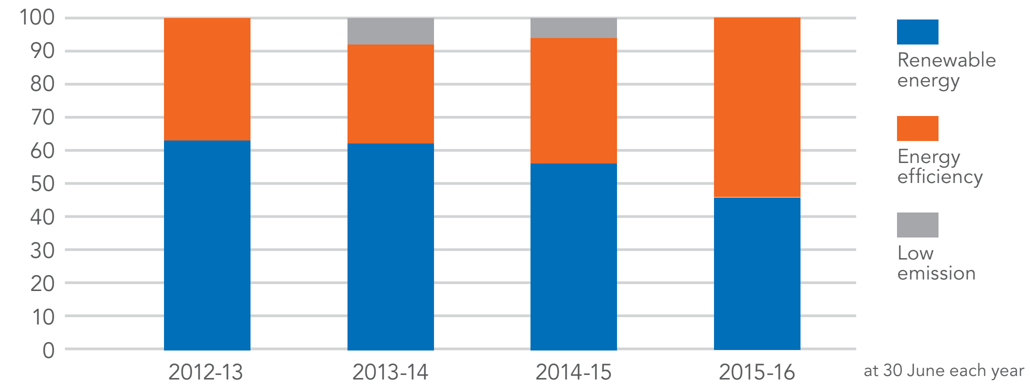
In 2015-16, there was increased diversity in CEFC investment commitments by technology compared with the previous year, including a very substantial increase in commitments to energy efficiency and continuing strength in renewables.

The CEFC's commitment to energy efficiency reflects our co-financing model, which provides investment channels that allow the CEFC to efficiently deploy capital to clean energy activities we would otherwise be unable to reach, such as those undertaken by small businesses, agriculture and manufacturing.

The CEFC Act requires half of CEFC funds to be invested in renewable energy technologies by 1 July 2018. Significant investment commitments in energy efficiency through the CEFC co-financing model in 2015-16, and slower than expected market activity in large-scale renewables, led to renewable energy making up slightly less than 50 per cent of CEFC investment commitments at June 30 2016.

The CEFC remains committed to supporting investments in eligible low emissions projects and we are continuing to engage with this technology sector, even though there were no new commitments to low emissions technologies in 2015-16. Our 2013 investment in Energy Developments Limited (EDL), for remote hybrid renewables projects and projects that generate energy from waste coal mine and landfill gas, remains our biggest investment in low emissions technology to date. The $75 million in finance was repaid in October 2015, when DUET Group successfully completed its acquisition of EDL.

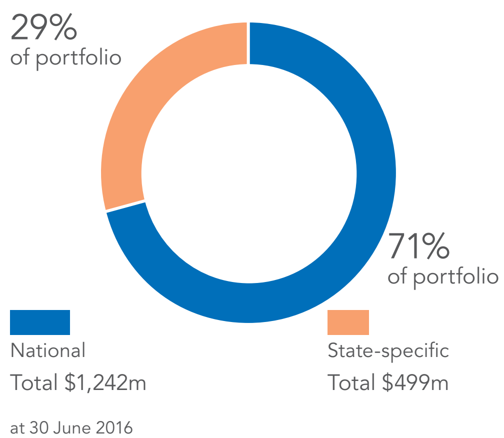
Figure 12: CEFC investment commitments by technology



INVESTMENT COMMITMENTS BY GEOGRAPHY

The CEFC has a national focus and works to deploy finance Australia-wide, subject to investment opportunities. During the 2015-16 year, we substantially increased the national reach of our projects through co-financing arrangements. The CEFC's state-based investments largely relate to the development and delivery of larger individual projects.

Figure 13: CEFC investment commitments portfolio Australia-wide



CEFC contributed to projects valued at $5.7 billion since 2013

Figure 14: CEFC investment commitments portfolio by state at 30 June 2016

** SA finance repaid in 2015-16*

INVESTMENT COMMITMENTS PORTFOLIO

Key movements in the CEFC investment commitments portfolio are detailed in Figure 15:

Figure 15: Movements in CEFC investment commitments portfolio 2015-16

	$m
CEFC INVESTMENT COMMITMENTS PORTFOLIO AT 30 JUNE 2015	**1,206**
Loans fully amortised, repaid or exited	-153
Expired undrawn commitments	-69
Cancelled undrawn commitments	-80
New investments contracted	837
CEFC INVESTMENT COMMITMENTS PORTFOLIO AT 30 JUNE 2016	**1,741**

INVESTMENT LEVERAGE

At the core of the CEFC's investment activities is a commitment to catalyse or "crowd in" additional private sector capital to support increased investment and transformation of the clean energy sector. The CEFC does not seek to be the sole or even the largest investor in clean energy projects. Rather, we seek to use our finance, expertise and market reach to help drive additional investor interest and commitment to clean energy opportunities.

We were therefore pleased to achieve an investment leverage of $1.95 on the $837 million in new commitments in 2015-16. In other words, every dollar of CEFC investment helped catalyse an additional $1.95 from the private sector. Cumulative leverage across the overall portfolio was $1.85 at 30 June 2016.

This leverage is an important indicator of the contribution of the CEFC in building financing capability and expanding the scale of clean energy investment in Australia. It also indicates the willingness of private sector investors to work alongside the CEFC to develop and deliver clean energy projects and programs.

INVESTMENT YIELD

As an investor, the CEFC considers a range of factors in monitoring portfolio performance.

Forecast lifetime investment yield is an indicator of the return on the CEFC's portfolio performance over time, once funds are fully deployed. At 30 June 2016, the $1.7 billion in portfolio investment commitments had a forecast lifetime investment yield of 5.2 per cent. This compares with the forecast lifetime investment yield of 6.1 per cent on the $1.2 billion in portfolio commitments at 30 June 2015. The reduced forecast lifetime investment yield is predominantly a reflection of the CEFC's increased investment in lower risk, lower yielding new capital sources, where our credit risk exposure is typically to large, established financiers, with low credit risk.

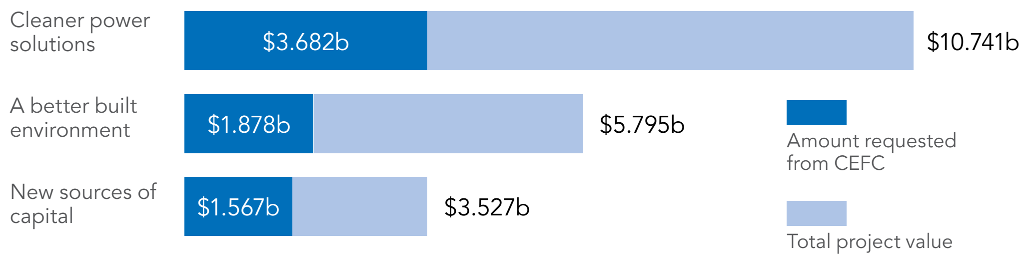
INVESTMENT OPPORTUNITY PIPELINE

The CEFC maintains a strong pipeline of investment opportunities. The pipeline reflects our engagement with target client sectors, our origination programs and our proactive identification of emerging projects. The CEFC encourages interested parties to approach the CEFC with investment proposals, with a view to accelerating delivery wherever possible.

During 2015-16 we were pleased to see a substantial increase in the pipeline of potential investments. We received proposals seeking more than $7 billion in CEFC investments in 116 projects across our strategic priority areas, for a combined project value of more than $20 billion. The CEFC has not yet assessed these projects as to eligibility or potential investment.

The strength of the CEFC's investment opportunity pipeline is an indicator of increased investor and developer confidence in the clean energy sector, and in the role of the CEFC in helping to provide the finance necessary to deliver on these opportunities.

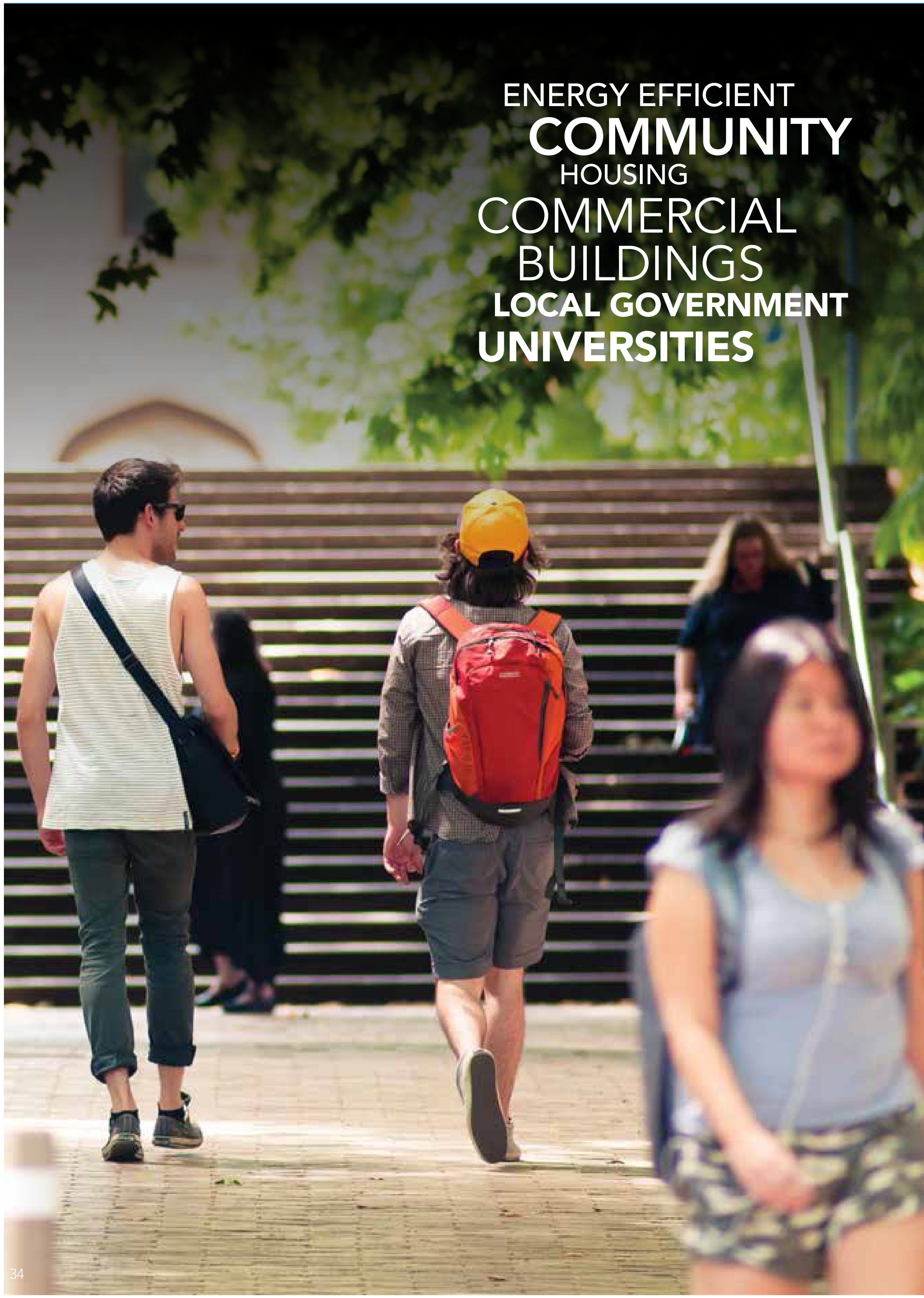
Figure 16: Investment pipeline



at 30 June 2016

INVESTMENT MANDATE

The CEFC's Investment Mandate was amended under the direction of the responsible Ministers twice during the financial year, including a direction to establish the Clean Energy Innovation Fund from 1 July 2016. These changes are discussed in more detail in the Governance section of this Annual Report.



OUR INVESTMENTS IN ACTION

A BETTER BUILT ENVIRONMENT

COMMUNITY HOUSING	36
QUINTESSENTIAL EQUITY	38
ECLIPX GROUP VEHICLES	40
CITY OF MELBOURNE	42
UNIVERSITY OF MELBOURNE	44

COMMUNITY HOUSING

The CEFC is lending up to $60 million to one of Australia's largest not-for-profit community housing providers, St George Community Housing (SGCH) to develop high performing energy efficient homes that directly benefit tenants through lower energy bills.

PROJECT SCOPE

SCGH is building more than 200 new energy efficient homes in Sydney's south. They will be industry best practice of an average seven star rating under the Nationwide House Energy Rating Scheme (NatHERS).

The first families are already living in new energy efficient homes, with SGCH completing seven townhouses and villas in 2015-16. Energy saving measures including rooftop solar, LED lighting, high performance ceiling and wall insulation, and energy efficient windows that block out heat and cold. The retrofit component of the program is on track to deliver energy efficiency measures to approximately 1,400 very low and low income households, with SGCH contracting social enterprise, Your Town, to install draught-proofing and LED lights.

PROGRESS REPORT

In July 2016, SGCH and the CEFC won the Best Partnership Award at the NSW Federation of Housing Associations Awards for Excellence in Community Housing. The judges described the SGCH partnership with the CEFC as "visionary, innovative, and nationally significant. It has strong outcomes for clients and the community, and will have a lasting impact across the broader sector".

LOOKING TO THE FUTURE

The CEFC is offering long-term finance to support other community housing providers finance new dwellings containing a range of energy efficiency measures and built to an average seven star rating under NatHERS. The CEFC is aiming to finance the construction of as many as 1,000 new energy efficient community housing dwellings Australia-wide.

"The partnership between SGCH and CEFC ensures that the new homes SGCH is building, and the retrofitted properties, are highly energy efficient. This will reduce the daily living expenses for tenants and the operational costs for the organisation. We can divert these savings to new and improved housing products and services. This means we can invest more in high quality, sustainable and affordable housing projects in Sydney."

SGCH Group CEO
Scott Langford

ENERGY EFFICIENT **HOMES** FOR LOW INCOME AUSTRALIAN **FAMILIES**

QUINTESSENTIAL EQUITY

The CEFC is lending unlisted property fund manager Quintessential Equity $68 million to "stretch" the building design of a $120 million 14-level commercial office tower in Geelong.

PROJECT SCOPE

The 1 Malop Street development merges Geelong's historic Dalgety & Co building into a landmark new property development. The project will create the first multi-storey commercial office building outside the Melbourne CBD to achieve a 5.5 star base building energy rating under the National Australian Built Environment Rating System (NABERS).

The CEFC's finance will ensure the building is designed and constructed to a higher environmental standard than otherwise planned. The building will incorporate a number of key energy efficiency initiatives including:

- Improved heating and air-conditioning system
- Advanced building management systems
- Improved façade design, including higher performance glazing
- Rooftop solar PV.

LOOKING TO THE FUTURE

Investing in construction to the highest standard makes good longer-term economic sense, with commercial buildings often having lifespans of 40 years or more. The CEFC's investment is contributing to the development of industry skills and capacity to support further construction to higher NABERS standards for other properties. It is also enabling the Quintessential development to showcase the attractions of low emissions, employee-friendly office spaces.

A NEW GOLD
STANDARD
ENERGY
EFFICIENT
COMMERCIAL PROPERTY

"We are excited our new home will become a case study for those striving to develop and provide 21st century commercial office buildings specifically tailored to modern workforces and working practices."

WorkSafe Victoria Chief Executive
Claire Amies

ECLIPX GROUP VEHICLES

A $50 million CEFC-financed package is providing the Eclipx Group's corporate, government and not-for-profit vehicle fleet buyers with access to favourable loan interest rates when choosing eligible, lower emissions passenger and light commercial vehicles.

PROJECT SCOPE

Australian fleet buyers and lessees can play a key role in increasing the number of lower emissions vehicles on our roads, as well as supporting new solutions such as electric, hybrid and fuel cell vehicles.

Eclipx has more than $1.7 billion of fleet assets under management or financed across Australia and New Zealand. This represents more than 10 per cent of the Australian-funded commercial vehicle leasing market. Eclipx Group brands include FleetPartners, FleetPlus, FleetChoice, AutoSelect, CarLoans.com.au and Eclipx Commercial.

LOOKING TO THE FUTURE

With light vehicles alone accounting for an estimated 10 per cent of Australia's total greenhouse gas emissions, there is a significant potential for environmental gains as well as improved productivity and reduced operating costs by cutting light vehicle emissions. Focusing on fleet buyers is an important mechanism for encouraging an accelerated uptake of lower emissions vehicles, with this CEFC finance demonstrating how alternative funding structures can finance lower emissions technologies.

"Eclipx is committed to supporting the reduction of carbon emissions through the increased use of energy efficient vehicles. Many of our customers, including publicly-listed companies, government and not-for-profit entities, are acutely aware and concerned about reducing their carbon footprint."

Eclipx CEO
Doc Klotz

IMPROVING FUEL EFFICIENCY, **LOWERING EMISSIONS,** CUTTING COSTS FOR AUSTRALIA'S FLEET BUYERS

CITY OF MELBOURNE

The City of Melbourne is undertaking a CEFC-financed $30 million program of clean energy initiatives to help it reach its target to become a carbon neutral city by 2020.

PROJECT SCOPE

The CEFC's finance includes:

- $14.8 million to replace public lighting with more than 16,000 energy efficient LEDs to save about $1 million annually on electricity bills
- $10 million for the Sustainable Melbourne Fund to finance Environmental Upgrade Agreements, including retrofits to commercial property
- Other sustainability initiatives based on the outcomes of a five-year Council emissions reduction plan.

PROGRESS REPORT

A solar works program involving 314kW of installed capacity has already delivered:

- 200kW at the North Melbourne Football Club (Kangaroos), North Melbourne Recreation Centre and Fencing Victoria
- 35kW at the Community Hub at The Dock
- 79kW at the Fitzroy Gardens Depot and Information centre.

LOOKING TO THE FUTURE

Longer-term, flexible debt terms allow councils to spread capital costs over a longer period to better match the asset life of the investment. The CEFC's tailored 10-year loans can exceed the typical payback period of a project, allowing councils to align the debt servicing with the project returns.

"The City of Melbourne takes its leadership role in the area of sustainability seriously. You don't get to be the most liveable city in the world without a strong focus on sustainability and prosperity."

City of Melbourne Lord Mayor
Robert Doyle

LOWER **OPERATING** COSTS, REDUCED CARBON **FOOTPRINTS** BETTER BUILT **ASSETS**

UNIVERSITY OF MELBOURNE

The University of Melbourne is using $9.1 million in CEFC finance for emissions reduction and cost-saving initiatives to reduce energy bills and increase productivity and sustainability.

PROJECT SCOPE

The University of Melbourne is accelerating its application of innovative energy efficient and renewable energy technologies, including voltage optimisation, freezer upgrades, solar photovoltaics, solar thermal and micro-turbines. The University expects these initiatives to reduce its grid electricity consumption by about eight per cent.

PROGRESS REPORT

The CEFC-financed program is being carried out in stages. Part of the program's first stage is the installation of voltage optimisation equipment which is expected to produce the greatest energy savings, reducing consumption by more than four gigawatt hours (GWh) per annum, through initiatives such as the controlled reduction of incoming power voltage to increase building energy efficiency.

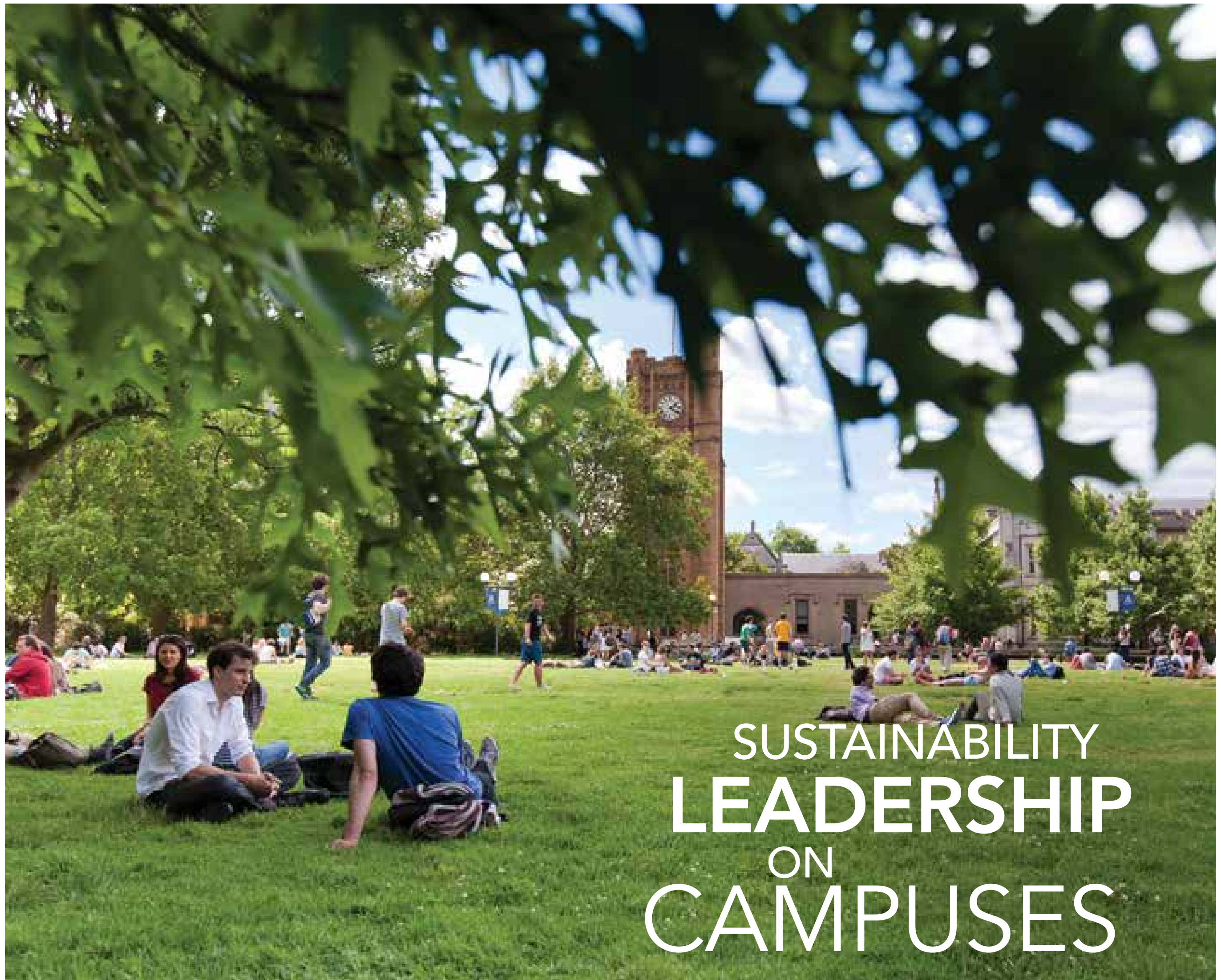
LOOKING TO THE FUTURE

Energy efficiency and renewable energy technologies offer university campuses a way to demonstrate their commitment to sustainability leadership while reducing energy costs and increasing productivity.

Around half of the energy consumption on a typical university campus is directly related to heating, ventilation and air conditioning requirements, with about one third relating to equipment and almost 20 per cent relating to lighting.

The CEFC is looking to work with other Australian universities to help them also achieve increased sustainability through energy efficiency and renewable technologies that reduce energy consumption and costs.

CEFC finance can be structured over a longer term and is tailored to match the cost savings delivered through the reduction in grid energy usage.



"As a public-spirited university, Melbourne is committed to promoting sustainability through our operations, as well as in our research and education programs. We are taking significant steps to reduce our environmental impact with the aim to move to zero emissions electricity and ultimately achieve carbon neutrality by 2030."

University Vice-Principal, Administration and Finance, and Chief Financial Officer
Allan Tait

ANNUAL PERFORMANCE STATEMENT

INTRODUCTORY STATEMENT

The Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2015-16 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

In 2015-16, we committed more funds, supported more projects and mobilised an even greater amount of private sector capital into clean energy projects. From the CEFC's inception in 2013 through to 30 June 2016, total investment commitments were almost $2.3 billion, contributing to projects with a total value of $5.7 billion. A summary of the CEFC's performance outcomes is included in Figure 17. Performance has been assessed against the performance criteria set out in the 2015-16 CEFC Corporate Plan, as well as the key performance indicators (KPIs) set out in the 2015-16 Portfolio Budget Statements.

Figure 17: CEFC performance summary 2015-16

	PERFORMANCE CRITERION	CRITERION SOURCE	OUTCOME
1	Performance against Portfolio Benchmark Return (PBR) target	2015-16 Portfolio Budget Statements 2015-16 Corporate Plan	4.65% versus a PBR target of 5.95% to 6.95%
2	Operating expenditure (total expenses less concessional and loan and impairment charges)	2015-16 Corporate Plan	Operating expenditure of $23m compares favourably to the KPI target of $26m
3	Average full time equivalent (FTE) staff	2015-16 Corporate Plan	Average of 61 FTEs was in line with resourcing plans and expenditure budget
4	Placement of funds into Australia's clean energy sector ($ deployed)	2015-16 Portfolio Budget Statements 2015-16 Corporate Plan	$416m of deployed funds compares favourably to a target of $400m
5	Expected carbon abatement from projects committed to	2015-16 Corporate Plan	Total projected lifetime carbon abatement of current portfolio is 38.5 million tonnes of CO_2 equivalent emissions. Note the CEFC does not claim that this abatement occurs independently of complementary policy, such as the RET.
6	Financial leverage in projects committed to	2015-16 Corporate Plan	Every $1 of CEFC investment was matched by $1.95 of private sector investment, which compares favourably to a KPI target of $1:$1
7	Investment in renewable energy, energy efficiency and low emissions technologies ($ committed)	2015-16 Portfolio Budget Statements 2015-16 Corporate Plan	Investment commitments of $837m compared favourably with a KPI target of $800m
8	Building industry capacity Value and diversity of tangible pipeline of opportunities	2015-16 Portfolio Budget Statements 2015-16 Corporate Plan	Pipeline of investment opportunities increased from around $3.6b to more than $7b at 30 June 2016
9	Continue to develop the organisation with highly skilled people, efficient systems and processes for scalability as an institution	2015-16 Corporate Plan	The organisation has maintained and added, as appropriate, highly-skilled people. An organisation restructure during the year has better aligned the investment and operating structure with the needs of the growing business
10	High level of employee engagement and effective team behaviours	2015-16 Corporate Plan	Unplanned employee turnover reduced from 24% in the prior year to 8% during 2015-16

Continues over page

	PERFORMANCE CRITERION	CRITERION SOURCE	OUTCOME
11	Effective risk management framework	2015-16 Corporate Plan	There is a strong focus on risk management throughout the CEFC. Our risk management practices were assessed as "advanced" in the Comcover Risk Management Survey 2016
12	Key business systems installed and implemented	2015-16 Corporate Plan	New finance, customer relationship management and employee learning systems were implemented during the year, along with enhancements to the contract management system
13	Dissemination of information to industry stakeholders	2015-16 Portfolio Budget Statements 2015-16 Corporate Plan	Information effectively disseminated through our website, conferences, industry presentations, media, market reports and stakeholder communications.

DETAILED ANALYSIS OF 2015-16 PERFORMANCE

1. Portfolio Benchmark Return target

The Portfolio Benchmark Return target (PBR target), and the methodology for calculation of both the target and performance against the target, are set by the Australian Government in the CEFC Investment Mandate. During the 2015-16 financial year, there were two PBR targets in effect:

1. For the period from the commencement of the financial year through 9 May 2016, the PBR target was the five-year Australian Government bond rate plus four to five per cent per annum, with performance measured before operating costs. From 10 May 2016 the PBR target was set as the five-year Australian Government bond rate plus three to four per cent per annum, again measured before operating costs.
2. From 10 May 2016, the relevant Investment Mandate specifies a separate PBR target for the new Clean Energy Innovation Fund. This target is the five-year Australian Government bond rate plus one per cent per annum. The Clean Energy Innovation Fund became operational on 1 July 2016.

From inception through 30 June 2016, the PBR was 4.65% versus a PBR target of 5.95% to 6.95% (calculated in accordance with the May 2016 Investment Mandate).

The Board has expressed the view that, while the one per cent reduction in the PBR target from 16 May 2016 was a welcome change, it remains an unrealistically high return target. The Board's view remains that targeting such a high rate of return requires the CEFC to seek out-of-market returns, which will be difficult to achieve.

The Corporation has continued to employ a strong preference for senior debt investments as this enables us to pursue our public policy objective while participating in the lowest risk part of the capital structure. We note that other institutions with large senior debt portfolios, such as Australia's big four banks, reported falling net interest margins during the year. The CEFC's return experience is in line with this.

CEFC Staff

2. Operating expenditure

The CEFC adopts a commercial approach to investing in the clean energy sector. Our objective is to increase the flows of finance into the clean energy sector while generating a positive return for the Australian Government. The CEFC generates a profit, although it is classified as a not-for-profit entity for accounting purposes.

In generating a positive return, the CEFC provides investment support to the clean energy sector with no negative impact on the Government's underlying fiscal balance. The level of operating expenses incurred (i.e. total expenses less concessional and loan impairment charges) impacts the level of surplus the CEFC can generate. During the reporting period, the CEFC delivered increased investment commitments of $837 million while operating expenditure was $23 million, which compares favourably with the target of not more than $26 million.

3. Average full-time equivalent staff

The CEFC is effectively a financial services business, with staff costs representing a relatively high percentage of total expenditure.

In the reporting period, staff related costs accounted for approximately 60 per cent of total expenses. Maintaining appropriate staffing levels is critically important to enabling the CEFC to deliver on its objective. Understaffing may adversely impact the level of finance the CEFC can deliver to the clean energy sector, while overstaffing would adversely impact our ability to generate a positive return to Government.

During the reporting period, the average full time equivalent staff (FTE) number was 61. This was in line with the resourcing plan for the reporting period. Importantly, we achieved a 73 per cent increase in the level of investment commitments while FTE numbers increased only 18 per cent, from 57 at the start of the reporting period to 67 (including the CEO but excluding the Board) as at the end of the reporting period.

4. Placement of funds into Australia's clean energy sector ($ deployed)

At 30 June 2016, the CEFC had a portfolio of investment commitments of $1.7 billion. During the reporting period $416 million of capital was deployed into the clean energy sector, which compares favourably with the targeted $400 million.

CEFC staff visit the SGCH project

5. Expected carbon abatement from projects committed to

Total projected lifetime carbon abatement from the CEFC's committed investment portfolio of $1.7 billion at 30 June 2016 is 38.5 million tonnes of CO_2-equivalent emissions. Note the CEFC does not claim that this abatement occurs independently of complementary policy, such as the RET.

6. Financial leverage in projects committed to

The CEFC's objective is to increase the flows of finance into the clean energy sector. This is best achieved through combining our finance with finance from the private sector in order to "leverage up" the amount of overall investment in the sector.

During the reporting period, for every $1 invested by the CEFC, the private sector invested $1.95. This compares favorably with a target of $1:$1. A major contributor to this higher than planned level of leverage was the increase in new large-scale renewable energy projects, after very low levels of sector activity in the previous year.

7. Investment in renewable energy, low emissions and energy efficiency technologies ($ committed)

The level of investment commitments is directly correlated with the objective of the CEFC, to increase the flows of finance into the clean energy sector. During 2015-16, investment commitments totalled $837 million, comparing favourably with a target of $800 million for the reporting period. This was a 73 per cent increase on the previous year's investment commitments. At 30 June 2016, the portfolio of investment commitments exceeded $1.7 billion, including $827 million in renewables and $915 million in energy efficiency. We are on track to meet the requirement that at least half of the investment portfolio is invested in renewable energy technologies by 1 July 2018, in accordance with section 58(3) of the CEFC Act. This performance information is also provided in accordance with section 74(1)(a) of the CEFC Act.

Every $1
of CEFC investment
helped catalyse
$1.95 by the
private sector

CEFC staff visit the Ararat wind farm

8. Building industry capacity

Industry capacity building and skills development involves a process of knowledge sharing, learning through doing and providing experiential opportunities. This capacity building is illustrated in the following ways:

- Cost reductions and productivity gains resulting from CEFC-financed projects enable funds to be deployed to more productive alternative purposes.
- By increasing the critical mass and scale of the clean technology industry through greater investment and an increased number and size of projects, the CEFC assists the renewables and energy efficiency sectors to achieve economies of scale and drive down deployment costs and investment risk.
- CEFC activities assist project proponents by helping them to develop the business case, and introduce the proponents to other financiers, who may subsequently, or concurrently, provide finance.
- The CEFC contributes to increasing capacity within the private finance sector, familiarising co-financing institutions with the attributes and benefits of investments in new asset types, financial structures or investment products.
- By establishing arrangements with co-finance partners, the CEFC accesses the established distribution channels of our co-finance partners to reach small and mid-sized businesses and extend the availability of capacity-building finance.
- The CEFC identifies and facilitates new sources of finance for the Australian clean energy sector, with CEFC participation helping to improve the flow and diversification of funds into the sector.

Meeting with stakeholders

CEFC engagement in the project development market has also assisted in:

- bringing new commercial banks and international sponsors to Australia
- developing new transactions which more closely match the term of the financing to the life of the assets
- establishing new investment vehicles to draw finance providers, institutional investors and superannuation and other funds into investment in clean energy.

CEFC staff

Ludovic Theau in South Australia

- The CEFC works with industry bodies to build knowledge and promote opportunities in reducing energy costs.
- Large-scale projects are required to develop Australian Industry Participation Plans (AIPPs), which help to open proponent purchasing programs to Australian suppliers of goods and services.
- The CEFC's investments are distributed broadly across Australia, including rural, regional and remote areas, as this is where most of the best renewables resources are located.
- The size of the investment pipeline is an important indicator of the potential breadth and reach of the CEFC. At 30 June 2016, the CEFC reported a $7 billion pipeline of investment opportunities, at various stages of development.

Paul McCartney, in Queensland

Meeting with stakeholders

Meeting with stakeholders

9. Continue to develop the organisation with highly-skilled people, efficient systems and processes for scalability as an institution

The organisation has maintained and added, as appropriate, skilled people. An organisational restructure during the reporting period better aligned the operating and investment structure with the needs of the growing business. As a relatively young organisation, we continue to implement improvements in our systems and process with a view to ensuring the business has adequate infrastructure to support a growing business. Specific technology systems improvements are discussed further under key business systems.

CEFC staff planning day

10. High level of employee engagement and effective team behaviours

As a financial services organisation, the quality and integrity of our people is critical to the successful delivery of our objectives. To this end, the business has operated in an increasingly integrated manner, with cross functional working groups, collaboration and information sharing. Morale is high and the organisation has embraced a new motto: *Purposeful Passionate Professional*: See Figure 18. During the reporting period, unplanned staff turnover was eight per cent.

CEFC staff planning day

Figure 18: CEFC motto and values

Purposeful	Our organisation is founded upon a **sense of purpose**. We're about drawing in finance to the clean energy sector, making the seemingly unfinanceable financeable and enabling projects to be built. We provide a clear sight and pathway to the most efficient ways to reduce emissions across the economy. These are the **Values** you can expect from CEFC staff when you work with us:				
	Intent	Understanding the challenge	Outcome oriented	Leading by example	Influencing
	Driving force for 'doing good'	Changing the status quo	Challenging	Stretching boundaries	Effective
Passionate	We are **passionate about what we do** and why we do it. We care about the environment and we care about good financial management. We are caring capitalists. We have been given an important opportunity to help fellow Australians and the environment make this clean energy transformation efficiently and effectively. These are the **Values** you can expect from CEFC staff when you work with us:				
	Inspiring	Motivational	Supportive	Enabling	Courageous
	Insightful	Liberating	Aspirational	Sharing knowledge	Inquisitive
Professional	We want to be **held in the highest professional regard** by those we work with. We operate and earn that respect each day and with every deal we make. We are solutions oriented, courageous and innovative, taking calculated risk-aware positions. Our actions, risks and rewards are balanced and measured. We are commercial, accountable and transparent with the use of taxpayers' money. To be most effective, we collaborate with other financial institutions and investors to amplify our effect. These are the **Values** you can expect from CEFC staff when you work with us:				
	Solutions oriented	Respectful	Excellence	Leading	Innovative
	Accountable	Transparent	Collaborative	Respected and trustworthy	Risk aware

11. Effective Risk Management Framework

As a financial institution, the CEFC is in the business of assessing, managing and pricing risk in relation to the CEFC's investments and the operation of the Corporation itself. Effective risk management is therefore a core capability at all levels of the organisation. The CEFC maintained a rating of "advanced" in the Comcover Risk Management Benchmarking Survey 2016 and recorded improvements on the results from the 2015 survey.

12. Key business systems installed and implemented

The business made significant progress with a number of new and improved systems implementations during the reporting period. Most notably the organisation completed the implementation of:

- a new finance and payroll system
- a customer relationship management (CRM) system
- an employee learning and training management system.

Improvements and enhancements were also made to our Contract Management System (CMS), alongside additional enhancements to the CEFC external website.

13. Dissemination of information to industry stakeholders

The CEFC occupies a unique place in the Australian clean energy economy, creating an important opportunity to share insights and knowledge about trends and developments in the clean energy sector. Our purpose in these activities is threefold:

1. To aid the deployment of CEFC finances through deeper connections with project proponents and co-financiers
2. To support increased understanding about the economic benefits of clean energy
3. To provide timely and transparent information about our investment activities.

During the year we delivered a coordinated external engagement program, centred around thought leadership, external speaking opportunities, conference participation and media and social media outreach.

We conducted two Board-hosted functions to provide interested parties with an opportunity to discuss clean energy developments with the Board and members of the Executive.

We also made greater use of technology to provide investors and other stakeholders with timely information about new investments and key developments. This included participation in a webinar to connect with Australian universities regarding CEFC finance for eligible clean energy opportunities to reduce emissions and help better manage university energy costs.

Oliver Yates discusses clean energy in Queensland

Market reports

CEFC Market Reports

A key area of activity during 2015-16 was the introduction of CEFC-authored Market Reports providing timely research, market intelligence and insights into investment opportunities in the clean energy sector, while also highlighting the CEFC's capacity to effect transformation in clean energy investment in the Australian economy.

Market Reports help us understand industry dynamics and identify investment opportunities in the sectors we cover. By publishing our market reports, we share our knowledge with stakeholders, and we signal to the market our investment focus areas, helping to bring forward transaction opportunities.

The three Market Reports developed and delivered in 2015-16 brought together new data and insights into areas where the CEFC has identified strong investor potential, namely: Bioenergy, Community Housing and Local Government. Further reports will be delivered in 2016-17 following positive market interest in the initial reports.

ARA Awards

External engagement

The CEFC actively engages with the news media to share information about our investments. We also continue to explore and develop complementary channels to help us ensure we effectively engage with stakeholders and the broader community. This has included:

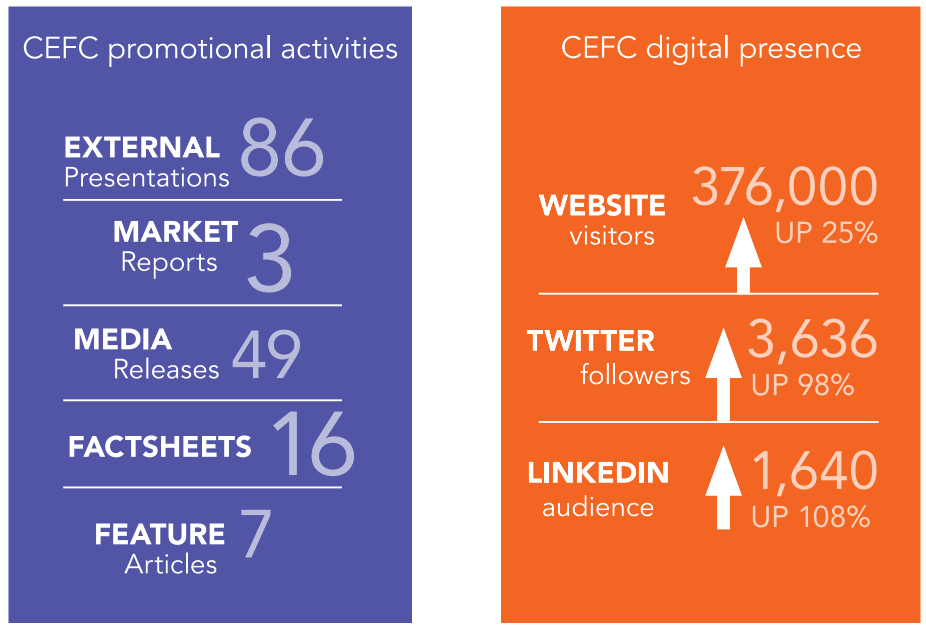
- Active engagement with key organisations active across the clean energy sector including, among others, the Clean Energy Council, Bioenergy Australia, the Australian Local Government Association, the Investor Group on Climate Change, the Green Building Council of Australia and the National Farmers' Federation. This engagement helps strengthen our external relationships, build organisational goodwill and enhance our ability to reach broader audiences.
- In December 2015 the CEFC became a founding partner of the Green Bank Network, which also includes the UK Green Investment Bank, the Connecticut Green Bank, the New York Green Bank, the Green Fund of Japan and the Malaysian Green Technology Corporation. The network links institutions that will benefit from each other's experience in catalysing private sector capital in clean energy markets. It also has the potential to drive the faster rollout of successful business models and clean technologies globally.
- A continued strong focus on conferences and seminars relevant to the CEFC's strategic priority areas of investment, including CEFC-hosted initiatives as well as webinars and industry stakeholder events. The CEFC participated in 56 external conferences and seminars in 2015-16, with CEFC executives delivering 86 presentations across a range of subjects in support of our investment priorities.
- The development of a forward program of marketing and communication activities to support CEFC investment priorities, including developing collateral and other promotional materials, enhancing our web presence and delivering a targeted approach to project and transaction announcements.

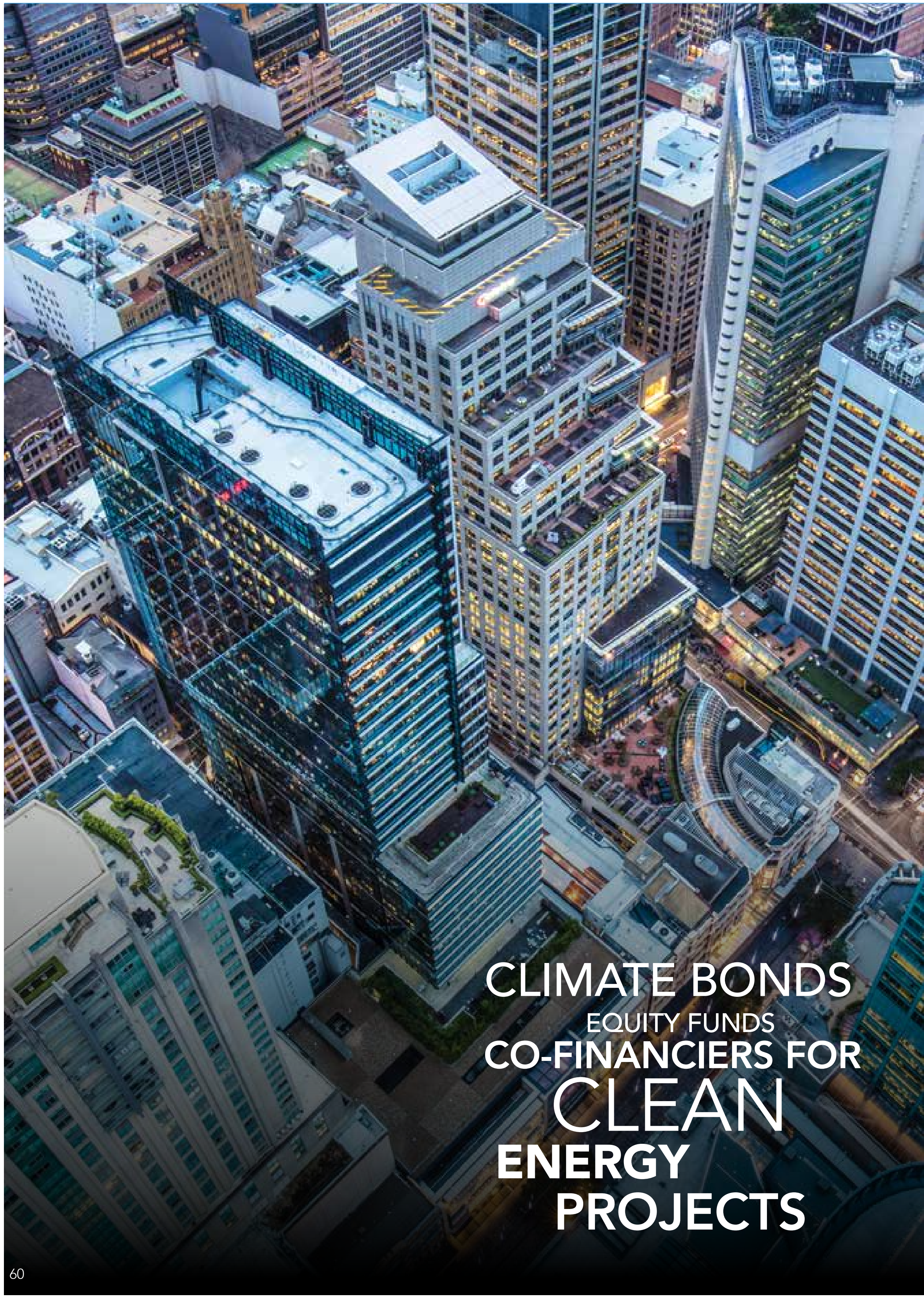
IPAA Awards

During the year we were pleased to receive external recognition for our 2014-15 Annual Report, including:

- The Gold Award from the Institute of Public Administration of Australia in our category as a small PGPA entity. The assessment was based on the online version of our printed document.
- The Silver award from the Australasian Reporting Awards, which benchmarked the CEFC against listed companies and other private and public sector organisations.

Figure 19: **CEFC external engagement**





OUR INVESTMENTS IN ACTION

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AUSTRALIAN BIOENERGY FUND

The Australian Bioenergy Fund is a new equity fund for bioenergy and energy-from-waste, targeting local government, mining, forestry and agriculture.

PROJECT SCOPE

The CEFC is providing a cornerstone commitment of $100 million to the Australian Bioenergy Fund, which is also targeting additional private sector equity investment. The fund is managed by Foresight Group,a leading infrastructure and private equity investment manager.

Much of the opportunity in the sector consists of small-scale operations that have found it difficult to attract institutional investors. The fund is targeting investments in projects from $2 million to $100 million, ranging from small-scale anaerobic digestion to mid-scale energy-from-waste developments.

PROGRESS REPORT

The Australian Bioenergy Fund is expected to play an important role in accelerating and widening market uptake of bioenergy and energy-from-waste technologies that have a proven track record overseas. These technologies are not yet widely deployed in Australia. Foresight has built a strong project pipeline and is in the process of raising the matching equity for these projects.

LOOKING TO THE FUTURE

The CEFC Market Report: *The Australian bioenergy and energy from waste market* identified some 800MW of potential new generation capacity in bioenergy in the next five years, requiring as much as $5 billion in new investment.

Lower waste and energy costs, energy security in remote areas and reducing dependence on natural gas and diesel are some of the potential benefits for Australian businesses when they embrace bioenergy.

Australia has some 114 bioenergy and waste from energy plants in operation, with a total of 812 MW of installed capacity. However while OECD countries source 2.4 per cent of their electricity output from bioenergy, this is just 0.9 per cent for Australia.

"For Foresight, the Australia Bioenergy Fund presents the perfect opportunity to develop a presence in the Australian market. We very much look forward to working in partnership with CEFC to develop these projects over the coming years and to unlocking the potential of renewable energy in the Australian landscape."

Foresight Group Partner
Nigel Aitchison

CLOSING **AUSTRALIA'S** BIOENERGY GAP WITH **FIRST EQUITY FUND**

WESTPAC CLIMATE BOND

The CEFC made its largest commitment to a climate bond to date, committing $90 million as a cornerstone investor in Westpac's first climate bond, a $500 million offering certified by the Climate Bonds Initiative.

PROJECT SCOPE

The bond, issued in May 2016, will finance a $1 billion Australian-based clean energy portfolio, including low carbon commercial buildings and renewable energy generation projects. The commercial properties are rated five stars or higher under NABERS and the renewable energy projects have a total capacity of some 2,800GWh per annum.

PROGRESS REPORT

The Westpac bond commitment builds on the CEFC's continuing investment in climate bonds, as an important source of new capital for clean energy investments. The CEFC was also a cornerstone investor in National Australia Bank's inaugural certified climate bond in 2014 and also invested in FlexiGroup's certified green securitisation bond issued in April 2016.

LOOKING TO THE FUTURE

The growing domestic climate bond market is attracting private sector finance to unlock new investment in the clean energy sector. The CEFC's collaboration with co-financiers and project proponents is aimed at creating continued momentum in the development of a green investment class in the Australian capital markets to support the investment levels required to meet the RET.

"The strong response to the Westpac Climate Bond reflects the continuing growth we're seeing in investors' and customers' appetite for products that have a positive impact on the economy and the environment."

Westpac Group Head of Sustainability
Siobhan Toohill

DEVELOPING A GREEN INVESTMENT CLASS TO ACCELERATE CLEAN ENERGY

FLEXIGROUP GREEN BOND

The CEFC invested $20 million in a new securitisation sponsored by FlexiGroup Ltd. This is Australia's first certified green bond securitisation transaction to be linked to solar PV and renewable energy assets.

PROJECT SCOPE

FlexiGroup has financed about 17,800 consumer solar installations through its wholly-owned subsidiary Certegy. It linked these assets to a $50 million "green" tranche of securities certified by the Climate Bonds Initiative, providing investors with a clear demonstration of the credit performance of the underlying assets.

The FlexiGroup green tranche achieved a relatively better price than the comparable uncertified tranche, which the CEFC hopes will encourage other issuers to include similar tranches in their securitisations in the future.

LOOKING TO THE FUTURE

The CEFC has identified climate bonds as an important source of investment growth for Australia's clean energy sector as it expands to meet the requirements of the RET. Additional finance is also needed to capitalise on growing investment opportunities supporting energy efficiency and lower emissions technologies, including in Australia's built environment.

The FlexiGroup bond represents a significant innovation in the engagement of the capital markets with the renewables sector and demonstrates increased capacity for financial markets to support the further origination of small-scale renewable assets such as solar and battery storage.

Institutional investors who have reduced their exposure to the fossil fuel sector are looking for new investment opportunities linked to clean energy, such as climate bonds.

"Australia already has one of the highest rates of rooftop solar density and a diverse asset backed securitisation (ABS) market. There is enormous potential for this green ABS to be the first of many. By gaining Climate Bonds Certification, FlexiGroup has assured investors of the green credentials of this bond and set a best practice example for future domestic issuers."

Climate Bonds Initiative CEO
Sean Kidney

PALISADE RENEWABLES

The CEFC and specialist infrastructure manager Palisade Investment Partners (Palisade) launched a new strategy to accelerate the development of Australian renewable energy projects valued at $1 billion.

PROJECT SCOPE

The CEFC is initially allocating up to $50 million of equity to the initial $1 billion investment strategy. Palisade is committing up to $400 million of additional equity through a combination of managed funds and its Direct Investment Mandate clients, which include VicSuper, LGIAsuper and Qantas Super. NAB and Commonwealth Bank will work with the CEFC and Palisade to provide debt financing for these renewable energy projects.

The strategy is capable of initially developing up to 500MW in solar and wind energy generation projects throughout Australia, while delivering the robust and sustainable cash flows that are important to investors.

LOOKING TO THE FUTURE

Through this strategy, the CEFC is looking to attract investors at an earlier stage of project development, so it can more effectively accelerate the construction of commercially viable projects. This means injecting equity into projects at the time they need it most, so they can begin generating energy as soon as possible.

"Considerable time has been invested in identifying projects to which to apply this funding. We see renewable energy investments fulfilling our investment criteria and delivering robust and sustainable cash flows, which are important to our investors."

Palisade Investment Partners
CEO
Roger Lloyd

CLEAN ENERGY FINANCE FOR BUSINESS

The CEFC has developed tailored financing programs with Westpac, NAB and Commonwealth Bank to help small and large businesses from around Australia – including agriculture – to unlock the benefits of clean energy.

PROJECT SCOPE

The CEFC recognises the important role business can play in helping Australia reduce its emissions through investing in technologies that reduce emissions and also cut business energy costs.

By working with co-financiers, the CEFC is able to rapidly deploy finance to a large and diverse range of eligible projects, supporting large and small businesses from retail to agribusiness, health, aged care, education and state and local government organisations right across Australia.

PROGRESS REPORT

- The Westpac Energy Efficient Financing Program is a $200 million finance commitment from CEFC announced in May 2016
- The $120 million Energy Efficient Bonus Program with National Australia Bank (NAB) was announced in June 2015
- Since launching in 2013, the CEFC/ Commonwealth Bank Energy Efficient Loans program has provided finance to businesses around Australia, supporting a diverse range of clean energy projects with total capital requirements of more than $20 million.

"These programs are a unique way to tap into the extensive networks and market reach of our co-finance partners to rapidly provide tailored finance solutions for smaller-scale projects. These projects can have a major positive impact on local businesses and rural and regional economies."

CEFC CEO
Oliver Yates

WORKING WITH MAJOR **BANKS** TO EXPAND CLEAN **ENERGY** FINANCE FOR **AUSTRALIAN** BUSINESS

WORKING WITH WESTPAC

The Westpac Energy Efficient Financing Program will finance solar PV, irrigation, energy efficient refrigeration upgrades, LED lighting retrofits and bundled building projects. The finance can be applied across manufacturing, industry, commercial property, hospitality and agriculture.

This is the CEFC's largest co-financing commitment to date. The finance through Westpac is available for up to 100 per cent of the project cost and is available for terms of up to 10 years for individual projects, starting at $15,000. Transactions will be reported in more detail as the program develops.

WORKING WITH NAB

In the year to June 2016, the NAB Energy Efficient Bonus Program provided more than $70 million in clean energy finance to 439 NAB customers, including:

- An advanced irrigation system for a South Australian potato grower, cutting energy, water and fertiliser consumption
- An energy efficient machine for a NSW steel manufacturer, using substantially less energy
- Rooftop solar PV to generate about 38 per cent of the daily power needs of a vegetable producer at Stanthorpe in Queensland.

WORKING WITH COMMONWEALTH BANK

The Commonwealth Bank's Energy Efficient Loan unlocked opportunities for a further seven projects in 2015-16, with a combined value of $3 million. New projects included:

- A 100kW solar PV system to reduce the energy use for a company that grows, packs and exports citrus fruit, mangoes and wine
- Installation of a new energy efficient cool room for an organic vegetable producer
- Energy efficient lighting and a 100 kW solar PV system for a major not-for-profit organisation.

CLEAN ENERGY INNOVATION FUND

The Clean Energy Innovation Fund is a unique program supporting the growth of innovative clean energy technologies and businesses, which are critical to Australia's clean energy transformation.

PROJECT SCOPE

The Clean Energy Innovation Fund is targeting a diversified portfolio of Australian-based clean energy investments with a long term commercial outlook. This includes technologies and businesses that have passed beyond the research and development stage, but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector capital.

These activities can benefit from growth or early stage capital to help them get to the next stage of their development. Eligible investments span renewable energy, energy efficiency and low emissions technologies.

PROGRESS REPORT

The Clean Energy Innovation Fund became operational on 1 July 2016, following changes to the CEFC Investment Mandate announced in 2015-16.

The CEFC will make finance available for Innovation Fund-related investments, drawing from the CEFC's $10 billion funding pool. The Innovation Fund is operated in consultation with ARENA, drawing on the complementary experience and expertise of the two organisations.

The Innovation Fund will provide debt and/ or equity finance for innovative clean energy projects which support renewables, energy efficiency and low emissions technologies.

As part of its activities, the Innovation Fund also provides opportunities for private and institutional financiers to support innovative clean energy investments through co-investment opportunities. The Innovation Fund does not make grants.

LOOKING TO THE FUTURE

The Innovation Fund has drawn strong investor interest and the CEFC is committed to working quickly to accelerate investment into eligible projects. Investments will be reported in a timely manner as they are finalised.

Investment proposals are jointly assessed by the CEFC and ARENA, with ARENA providing expert technical review. Final approval is provided by the CEFC Board, which is responsible for all investment commitments made under the CEFC Act.

FINANCING
INNOVATIVE
CLEAN
ENERGY
BUSINESSES

2

GOVERNANCE

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GOVERNANCE, STRUCTURE AND PEOPLE

The CEFC operates under the *Clean Energy Finance Corporation Act 2012* (CEFC Act). Its objective is "…to facilitate increased flows of finance into the clean energy sector".

This is achieved through direct and indirect investment in renewable energy, energy efficiency and low emissions technologies and projects and by encouraging and facilitating private sector investment in these projects.

The CEFC Board has established a mission for the organisation: "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 is an investment institution with a legislated investment function that is governed by the CEFC Act, as well as an Investment Mandate from responsible Ministers that, among other things, sets out the direction to be taken by the CEFC in relation to risk and return. The CEFC also operates within Board-approved investment policies.

The CEFC seeks not to displace private sector banks, nor disrupt areas where the financial markets are functioning well. The CEFC also differs from private sector financial institutions in that it has a public policy purpose, requiring the CEFC to consider external benefits associated with its financing activities. These external benefits include emissions reductions, helping to move technologies down the cost curve, achieving productivity gains through energy efficiency, technological diversity in the energy mix, encouraging innovation, building industry capability and leveraging private sector funds into the sector.

In certain circumstances, the CEFC can provide concessional finance where the Board considers that public policy benefits are promoted through the concessionality being provided. The CEFC has developed specialist financing capabilities in the clean energy and energy productivity sectors. It shares knowledge and expertise with project sponsors, lenders and the broader industry, helping build capacity within the private sector and developing financing structures to encourage further private sector investment in emissions reduction.

In pursuing its objective, the CEFC Act requires the CEFC to ensure that, at any time on or after 1 July 2018, at least half the funds invested for the purposes of its investment function are invested in renewable energy technologies.

GOVERNANCE

The CEFC is an Australian Government entity and reports to the Australian Parliament through its responsible Ministers. The CEFC is constituted as a Commonwealth statutory authority by the CEFC Act.

The governance structure of the CEFC is determined by:

- The CEFC Act
- The *Public Governance, Performance and Accountability Act 2013* (PGPA Act)
- The policies, procedures and systems established by the CEFC Board and the CEFC Executive.

The CEFC Act provides for a governing Board made up of Australian Government appointees. These in turn appoint the Chief Executive Officer (a statutory officer) and Executive staff, who are employed under such terms and conditions as the Board sees fit.

Ultimate authority resides with the Board, unless delegated to the CEO or, in turn, delegated from the CEO to the CEFC's Executive and staff. The Board has established two committees to assist it in governance of the CEFC:

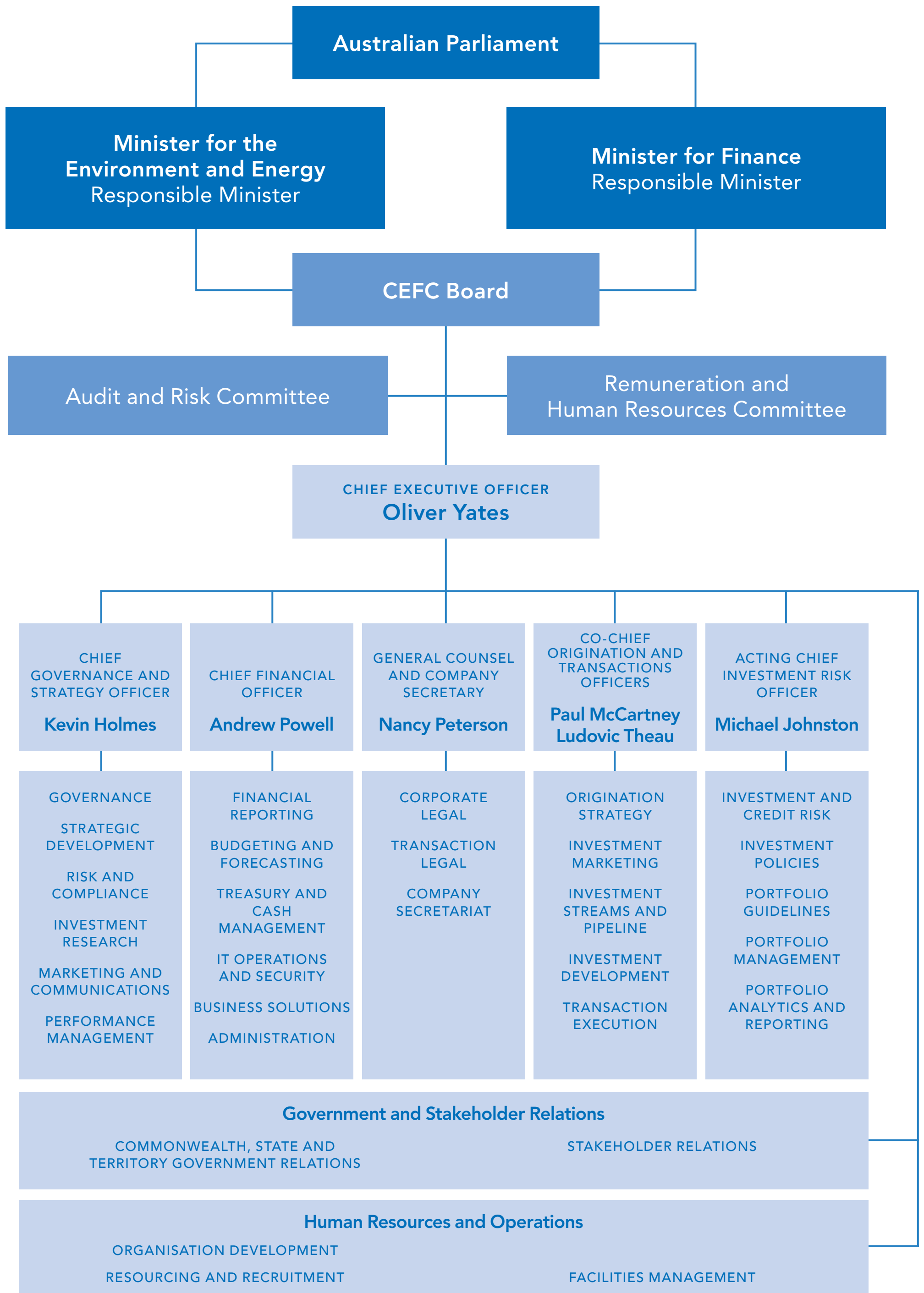
1. Audit and Risk Committee
2. Remuneration and Human Resources Committee.

The CEO has responsibility for the day-to-day management of the CEFC, along with a six-member Executive, operating with the support of three key executive committees:

1. Executive Investment Committee
2. Asset Management Committee
3. Executive Risk Committee.

During the reporting period, the CEFC had no subsidiaries. The CEFC undertook an organisational restructure in 2015-16. This has further strengthened the organisation's operational effectiveness in managing its investment commitments and the deployment of CEFC funds. The revised structure is described in Figure 20.

Figure 20: CEFC organisational structure as at 30 June 2016



Reflecting organisational changes completed in 2015-16.

RESPONSIBLE MINISTERS

Under the CEFC Act, the CEFC has two responsible Ministers (see Figure 21). At the beginning of 2015-16 the CEFC was within the Treasury portfolio. On 21 September 2015, amendments were made to the Administrative Arrangements Order to transfer administration of the CEFC Act from the Treasury portfolio to the Environment portfolio. These changes were affirmed by the *Acts Interpretation (Substituted References – Section 19BA) Amendment Order 2015 (No.1)* of 26 November 2015.

Please also note that after the reporting period, and following the 2016 federal election, further ministerial changes occurred, which are also documented in the table below.

Figure 21: CEFC Responsible Ministers

Operative dates	Responsible Ministers
1 July 2015 to 21 September 2015	The Hon. Joe Hockey MP, Treasurer Senator the Hon. Mathias Cormann, Minister for Finance
21 September 2015 to 19 July 2016	The Hon. Greg Hunt MP, Minister for the Environment Senator the Hon. Mathias Cormann, Minister for Finance
From 19 July 2016	The Hon. Josh Frydenberg MP, Minister for the Environment and Energy* Senator the Hon. Mathias Cormann, Minister for Finance

*Following Ministerial changes after the 2016 election

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.

Figure 22: CEFC Nominated Ministers

Operative dates	Nominated Ministers
1 July 2015 to 21 September 2015	The Hon. Joe Hockey MP, Treasurer
26 November 2015 to 30 June 2016	The Hon. Greg Hunt MP, Minister for the Environment
From 19 July 2016	The Hon. Josh Frydenberg MP, Minister for the Environment and Energy*

*Following Ministerial changes after the 2016 election

MINISTERIAL POWERS OF DIRECTION

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 (see further information on page 103).

Under the CEFC Act, 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. The CEFC had two Ministerial

Directions in effect during 2015-16, in addition to the Investment Mandate.

Figure 23: Ministerial Directions

Operative dates	Responsible Ministers
1 July 2015 to 5 May 2016	Ministerial Direction to repay surplus monies to the CEFC Special Account, signed 18 February 2015 by the Hon. Joe Hockey MP, Treasurer, and Senator the Hon. Mathias Cormann, Minister for Finance.
5 May 2016 to 30 June 2016	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.

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 2015-16. The CEFC has received notice of the intended future application of the Australian Government Protective Security Policy Framework to the CEFC by means of a GPO.

Statement of Compliance with Ministerial Directions and Government Policy Orders

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2015-16 year.

CEFC PEOPLE

While the CEFC has a large amount of capital available to invest, the CEFC is a small organisation in terms of people numbers.

The CEFC has eight statutory officers, including a Board of between five and seven members, consisting of one part-time Chair and six part-time Board members, together with a full-time Chief Executive Officer.

At 30 June 2016, there were 69 employees filling 66 full-time equivalent (FTE) positions. These figures include the CEO but not the Chair or Board members, although all of these are technically statutory officers.

The CEO was supported by an Executive leadership group of six FTEs and staff of 59 FTEs. The CEFC does not use Australian Public Service classifications and has instead adopted the structure outlined in Figure 24.

Figure 24: CEFC human resourcing structure at 30 June 2016

Category	Level	Number
Statutory Officers	Chair	1 (part-time)
	Board members	6 (part-time)
	Chief Executive Officer	1 (FTE)
Staff	Executive level	6 (FTE)
	Executive Director/Head of Function	6 (FTE)
	Director	12.7 (FTE)
	Associate Director	15 (FTE)
	Senior Analyst	3 (FTE)
	Analyst	7.7 (FTE)
	Manager	7.8 (FTE)
	Administration	6.3 (FTE)
TOTAL		**66 FTE, excluding Chair and Board members**

ABOUT THE BOARD

The CEFC is governed by a Board consisting of a Chair and between four and six Board members, each appointed by the responsible Ministers to act on a part time basis.

The Board has adopted a charter which sets out its roles and responsibilities. In addition, the Board had two separately chartered committees during the financial year:

1. Audit and Risk Committee – which advises and assists the Board in relation to financial governance, financial performance, audit, annual reporting, compliance and risk management.
2. Remuneration and Human Resources Committee – which advises and assists the Board in relation to workforce planning, performance evaluation and monitoring, as well as remuneration and succession planning for the CEFC Executive.

BOARD MEMBERS

All Board members serve in a part-time, independent and non-executive capacity.

Ms Jillian Broadbent AO
Chair

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

Ms Broadbent also serves on the board of Woolworths Limited, is chair of the board of Swiss Re Life and Health Australia Limited and chancellor of the University of Wollongong. She has been a director on the boards of ASX Limited (2010-2012), Special Broadcasting Corporation (SBS), Qantas Airways Limited, Westfield Property Trusts, Woodside Petroleum Limited (1998-2008) and Coca-Cola Amatil Limited (1999-2010).

Ms Broadbent was appointed to the CEFC Board with effect from 7 August 2012 for five years.

Mr Paul Binsted
Member

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

Mr Binsted was a member of the Australian Financial Forum (Johnson Report) Panel of Experts into growing the Australian Financial Services Industry. He is also a former chairman of both the State Rail Authority of NSW and the Sydney Ports Corporation.

Mr Binsted was appointed to the CEFC Board with effect from 1 February 2013 for five years.

Mr Moore was a member of the CEFC Expert Review Panel in 2011 and 2012. He has 22 years of banking and finance experience, predominantly at Bankers Trust. He was the head of the Bankers Trust corporate finance business and a member of the bank's Credit Committee.

Mr Moore was previously a board member and on the audit committee of the responsible entity for four listed and one unlisted Challenger Infrastructure and Property Funds. He was also previously on the advisory committee for the Challenger Emerging Markets Global Infrastructure Fund and was a board member and chair of the risk committee of hedge fund Artesian Capital Management.

Mr Moore was appointed to the CEFC Board with effect from 7 August 2012 for five years.

Mr Ian Moore
Member

Ms Anna Skarbek
Member

Ms Skarbek is CEO of ClimateWorks Australia. She has previously worked in investment banking in London, at Climate Change Capital, and in Melbourne at Macquarie Bank, and as senior policy adviser to the Victorian Deputy Premier.

Ms Skarbek is also a trustee of the Sustainable Melbourne Fund, and a director of the Green Building Council of Australia. She is a member of the Grattan Institute's Energy Program Reference Panel, the Wentworth Group of Concerned Scientists and the Vivid Economics Advisory Group. Ms Skarbek is also a former director of the Carbon Market Institute, Linking Melbourne Authority, Amnesty International Australia and The Big Issue Australia.

Ms Skarbek was a member of the Australian Government's Energy White Paper Reference Panel, Land Sector Carbon and Biodiversity Board and NGO Roundtable on Climate Change.

Ms Skarbek holds First Class Honours Degrees in Commerce and Law from Monash University and is a Graduate Member of the Australian Institute of Company Directors.

Ms Skarbek was appointed to the CEFC Board with effect from 7 August 2012 for five years.

Mr Stock is an experienced professional, having spent more than 40 years in the energy sector, including in senior management roles in electricity and gas, petroleum and petrochemical businesses in Australia and overseas. Mr Stock is also a director of Horizon Oil Limited, and chair of the Energy Advisory Boards at Adelaide and Melbourne Universities.

Mr Stock is a past director of Alinta Holdings, Geodynamics Limited and Silex Systems Limited. In his previous long career at Origin Energy, Mr Stock was responsible for Origin's major capital developments in upstream petroleum, power generation and low emissions technology businesses.

Mr Stock was appointed to the CEFC Board with effect from 7 August 2012 for five years.

Mr Andrew Stock
Member

Mr Martijn Wilder AM
Member

Mr Wilder is head of Baker & McKenzie's Global Environmental Markets, Clean Energy and Climate Change practice. He is chair of the Baker & McKenzie Law for Development Initiative and a Professor of Climate Change Law at the Australian National University. In addition, Mr Wilder chairs the Australian Renewable Energy Agency (ARENA) and is a director of the World Wildlife Fund (Australia) and the Climate Council. He holds advisory roles as chair of the NSW Climate Change Council, as a governing board member of the Renewable Energy and Energy Efficiency Partnership (REEEP) and as a member of the Wentworth Group of Concerned Scientists. He is also deputy chair of the Private Sector Roundtable of the Asia Pacific Rainforest Recovery Plan. Mr Wilder chaired the 2015 Independent Review Committee of the Victorian Climate Change Act, and was formerly chair of both Low Carbon Australia and TRAFFIC (Oceania).

In 2012 he was awarded a Member of the Order of Australia in recognition for "service to environmental law, particularly in the area of climate change through contributions to the development of law, global regulation, public policy and the promotion of public debate, and to the community".

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

Mr Wilder was appointed to the CEFC Board with effect from 1 February 2013 for five years.

Mr Michael Carapiet
Member to 18 December 2015

Mr Carapiet is chair of Link Group Limited, an ASX-listed company that provides global technology-enabled administration solutions for some of Australia's largest superannuation funds and the world's largest corporations.

He is chair of Insurance & Care NSW (icare) which delivers insurance and care services to people with injuries under the NSW Workers Compensation Scheme, the Lifetime Care and Support Authority, the Dust Diseases Authority, the NSW Self Insurance Corporation (SICorp) and NSW Sporting Injuries Compensation Authority. With $30 billion in assets and $26 billion in liabilities, icare is the largest general insurance service provider in Australia.

Mr Carapiet is chair of Smartgroup Corporation Limited, one of Australia's leading salary packaging and novated leasing providers. He is also a board member of Infrastructure Australia. Mr Carapiet holds a Masters of Business Administration from Macquarie University.

Mr Carapiet was appointed with effect from 7 August 2012 for five years and resigned with effect 18 December 2015.

BOARD COMMITTEE MEMBERSHIP

Each of the Board members serves 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.

Meeting attendance by Board members

In 2015-16 there were 11 Board meetings and a further 11 Board Committee meetings. Attendance is detailed in Figure 26. Only attendance of the actual members of each Committee is recorded in this table, although all Board members are entitled to attend any meeting of a Committee.

Figure 25: Board committee memberships 2015-16

Board member	Remuneration and Human Resources Committee	Audit and Risk Committee
Jillian Broadbent AO	Committee Member From 24 September 2015	
Paul Binsted		Committee Chair
Michael Carapiet*	Committee Chair To 21 August 2015 Committee Member From 21 August 2015 to 18 December 2015	
Ian Moore		Committee Member
Anna Skarbek	Committee Member	
Andrew Stock	Committee Member To 21 August 2015 Committee Chair From 21 August 2015	
Martijn Wilder AM		Committee Member

*Leave of absence 21/09/2015 – 18/12/2015; Resigned 18/12/2015

Figure 26: Board member meeting attendance 2015-16

	Board Meetings		Remuneration and Human Resources Committee		Audit and Risk Committee	
Board Member	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Jillian Broadbent AO	11	11	4	4		
Paul Binsted	11	11			5	5
Michael Carapiet*	0	1	0	2		
Ian Moore	10	11			5	5
Anna Skarbek	11	11	6	6		
Andrew Stock	10	11	6	6		
Martijn Wilder AM	10	11			4	5

*Leave of absence 21/09/2015 – 18/12/2015; Resigned 18/12/2015

Board member remuneration and allowances

Under the CEFC Act and the *Remuneration Tribunal Act 1974*, remuneration for Board members is determined independently by the Australian Government Remuneration Tribunal. Throughout 2015-16, the Remuneration Tribunal Determinations reflected in Figure 27 were in effect.

Figure 27: Remuneration Tribunal Determinations 2015-16

Determination	Date of effect
Remuneration Tribunal Determination 2015/08: Remuneration and Allowances for Holders of Part-Time Public Office (as amended)	From 11 May 2015
Remuneration Tribunal Determination 2015/20: Remuneration and Allowances for Holders of Part-Time Public Office (as amended)	From 1 January 2016

Under both determinations, Board members were remunerated annually (rather than per day or by meeting) as outlined in Figure 28. The remuneration amount changed from 1 January 2016 in accordance with *Remuneration Tribunal Determination 2015/20: Remuneration and Allowances for Holders of Part-Time Public Office* (as amended).

Figure 28: Rates of Board member remuneration 2015-16

Office	Annual remuneration to 31 December 2015	Annual remuneration from 1 January 2016
Chair	$102,400	$104,450
Board Member	$51,200	$52,230

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 each Board member during the reporting period are specified in Note 5.3 in the Financial Statements.

Travel allowance is also payable under the Remuneration Tribunal Determinations. During 2015-16 these were set by the *Remuneration Tribunal Determination 2013/16: Official Travel by Office Holders* (as amended) (to 30 August 2015) and *Remuneration Tribunal Determination 2015/11: Official Travel by Office Holders* (as amended) (from 30 August 2015).

Interpretation of the 2013/16 Determination was affected by Policies of the Australian Government.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is a statutory officer under the CEFC Act who is responsible for the day-to-day administration of the CEFC. The CEO is appointed by the Board after consultation with the responsible Ministers and holds office at the Board's pleasure.

The terms and conditions of the CEO's employment are established by the Board. The CEO's role is performed according to the policies established by the Board. The CEO cannot be a Board Member. The Board also delegates authority to the CEO by standing delegation or other delegations as it sees fit from time to time.

Mr Oliver Yates
Chief Executive Officer

Mr Oliver Yates was appointed the CEFC's inaugural Chief Executive Officer on 26 November 2012.

Mr Yates has more than 20 years' global experience in corporate advisory, financial structuring, project finance, debt structuring, equity raising and listings, with extensive experience in clean energy.

Mr Yates was an executive director at Macquarie Bank for more than 10 years, being country head in the United States (1998-2004), co-head Macquarie Capital Private Placements Group (2004-2008) and co-head Macquarie Capital Products Group (2001-2008). At Macquarie Bank, Mr Yates was involved in establishing new businesses and growing the bank's operations internationally, as well as leading the bank's initiatives in wind, solar, biofuels, carbon credits and other renewable businesses.

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

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

EXECUTIVE

The CEFC Executive includes the CEO and a leadership team of six Executives. The CEFC Executive is drawn from various industries and market sectors, bringing a range of skills and private sector experience necessary for the CEFC to pursue its objectives.

Mr Kevin Holmes
Chief Governance and Strategy Officer

Mr Holmes is responsible for a range of critical business functions, including strategic development, governance, performance management, marketing and communications, investment research and risk management. Mr Holmes also chairs the Executive Investment Committee and the Executive Risk Committee and is a member of the Asset Management Committee.

Mr Holmes was previously chief financial officer at EnergyAustralia (formerly TRUenergy), where he played a key role in the growth and transformation of the business into one of Australia's largest energy retailers and electricity generators.

Prior to that, Mr Holmes was chief operating officer and chief financial officer at Pacific Hydro, where he helped establish a world leading renewable energy company through a global growth strategy, including major greenfield projects in Australia, Chile, Brazil, the Philippines and Fiji.

Mr Holmes had a long international career with British Gas in the United Kingdom and then with BHP Billiton, holding various senior positions overseas before moving to Australia.

Mr Holmes is a Chartered Accountant, a Commerce Graduate of Otago University in New Zealand, a member of Chartered Accountants Australia and New Zealand and a Graduate Member of the Australian Institute of Company Directors.

Mr Michael Johnston
Chief Investment Risk Officer (Acting)

Mr Johnston is responsible for the credit analysis and risk assessment of all new investment opportunities under consideration by the CEFC, and for the management and reporting of the credit and investment risks within the existing investment portfolio. His role includes making recommendations to the Board regarding investment proposals and actively assisting the Executive in developing the overall strategic direction and mix of the investment portfolio.

Mr Johnston has more than 30 years' experience working in the Australian banking industry for both Australian and international banks. He has led a number of origination teams (primarily in the leveraged and acquisition space) and has participated in the debt financings for a number of MBOs/LBOs.

Prior to joining the CEFC, Mr Johnston was head of credit at Lloyds International (previously BOSI International). Mr Johnston holds a Bachelor of Economics from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.

Mr Paul McCartney
Chief Originations and Transactions Officer (Joint)

As joint Chief Originations and Transactions Officer, Mr McCartney is responsible for the origination and contractual documentation of new investments for the CEFC.

Mr McCartney has more than 25 years' experience working across clean energy, commercial property, funds management and IT services and has led a number of the CEFC's transactions across bioenergy, clean energy and energy efficiency. Mr McCartney's experience includes M&A, in addition to CFO roles for listed and unlisted companies working across startup businesses and established market leaders such as NAB and GWA International.

Mr McCartney joined the CEFC in 2013, having previously worked at Low Carbon Australia. Mr McCartney is a Certified Practising Accountant and holds a Bachelor of Accountancy from RMIT University.

Mr Andrew Powell
Chief Financial Officer

Mr Powell has more than 25 years' experience working within industry and public accounting both in Australia and the United States. Mr Powell is experienced in all aspects of financial accounting, as well as mergers and acquisitions, public listings and transaction and deal structuring.

Mr Powell was previously the chief financial officer and company secretary of Low Carbon Australia Limited, a public company established by the Australian Government in 2010. In addition to having oversight of the finance, IT, HR and legal roles as CFO, Mr Powell worked with the deal teams on structuring and reviewing transactions. He also actively supported the CEO in providing strategic direction, articulating a compelling vision and building the company's profile with the general public and business community.

Prior to that, Mr Powell was senior vice president of finance for Symyx Technologies, Inc. a NASDAQ-listed company, for a period of eight years in California. He also worked with Ernst & Young in both Australia and the United States for a combined period of nine years.

Mr Powell is a Chartered Accountant and holds a Bachelor of Economics from Macquarie University.

Mr Ludovic Theau
Chief Originations and Transactions Officer (Joint)

As joint Chief Origination and Transactions Officer, Mr Theau is responsible for the origination and execution of new investments for the CEFC.

Mr Theau has led the successful financing of a number of the CEFC's innovative renewable energy and energy efficiency projects, helping to develop the CEFC's growing investment portfolio.

Mr Theau has more than 25 years experience in large transactions in the infrastructure, utilities and PPP sectors, including a wide range of renewable energy and energy efficiency projects. Prior to the CEFC, Mr Theau worked in Europe and Australia in financial advisory, funds management, asset management, commercial and investment banking, with Hastings Funds Management, Westpac, ABN AMRO, Macquarie Bank, UBS and BNP Paribas.

Mr Theau holds a Master of Engineering from Ecole Centrale de Paris, France.

Ms Nancy Peterson
General Counsel and Corporate Secretary

Ms Peterson is an experienced solicitor with over 20 years' experience in the legal field. As General Counsel, Ms Peterson heads the CEFC's legal team, which provides proactive support to the investment and portfolio management teams and more generally provides advice on corporate legal matters to the CEFC. She also provides support to the Board as Corporate Secretary.

Ms Peterson has an extensive transactional legal background, with experience in Australia, Europe and the United States. Prior to the CEFC she worked as lawyer with GE Capital in Australia and Europe, with her most recent position being Deputy General Counsel with GE Capital in Sydney.

Before moving in-house, Ms Peterson worked in private practice in the US and Australia. Ms Peterson was an attorney with a Pacific Northwest (USA) regional firm and then worked for Minter Ellison Lawyers in Sydney. In these roles she acted for both financiers and borrowers in a wide ranging number of real estate and project finance, acquisition finance and corporate finance matters.

Ms Peterson holds a law degree (JD, magna cum laude) from Northwestern School of Law of Lewis & Clark College in Portland, Oregon, and a Bachelor of Arts in Economics (High Honors) from Portland State University. She holds a New South Wales practicing certificate and is a member of the Oregon (USA) State Bar.

Executive departures

During the year the CEFC saw the departure of two founding Executives, Mr Ted Dow and Ms Meg McDonald.

The Board and Executive wish to thank them for their considerable contribution to the success of the CEFC. This provided an opportunity to strategically restructure the business and reporting lines to provide more effective support to achieve the CEFC's objectives and to scale for future growth.

EXECUTIVE COMMITTEES

In addition to the Executive leadership group, the CEFC has three executive committees that assist the Corporation in the review and management of its investments, internal governance and risk management:

1. The Executive Investment Committee screens new investments prior to presentation to the Board and closes out transactions after Board investment approval
2. The Asset Management Committee has an oversight role for the ongoing management and performance of investments that have reached financial close
3. The Executive Risk Committee oversees the operation of the Risk Management Framework and the management of risk, compliance and governance issues associated with the CEFC's investments and the CEFC itself.

EXECUTIVE REMUNERATION AND ALLOWANCES

The Board's Remuneration and Human Resources Committee is responsible for structuring Executive remuneration, the evaluation of performance and approval of any variable compensation amounts.

During 2015-16, Total Annual Remuneration Packages (TARPs) for the six CEFC Executive members included base salary, superannuation, and variable compensation.

Variable compensation payments for each 12-month period are determined within the guidelines recommended by the Remuneration and Human Resources Committee and approved by the Board. The method for calculation is based on both short-term and longer-term performance metrics agreed by the Board and includes financial, operational and individual targets.

Eligibility for a variable compensation payment is based on the assessed performance of each Executive member and their contribution to the achievement of the CEFC's defined performance objectives. Variable compensation payments were made within the reporting period.Information on payments made to the Executive members in the reporting period is available in the Financial Statements at Note 2.1 and Note 5.2. Most CEFC Executive travel and expenses claims are usually dealt with on an indemnity and reimbursement basis. Refer Indemnities and Insurance Premiums for Officials.

ABOUT OUR STAFF

At 30 June 2016, excluding Board members and including the CEO and six Executive members, the CEFC had a headcount of 69 staff (including 66 full-time equivalent) dedicated to fulfilling the CEFC's key tasks across transactions origination, investment portfolio management, corporate treasury, finance, human resources, compliance, risk management, marketing and communications, stakeholder relations and administrative functions.

Given our investment and business focus, the CEFC's staff are mainly drawn from private sector finance backgrounds. Although working for a public sector entity, CEFC employees are not public servants for the purposes of the *Public Service Act 1999* and are instead employed under the CEFC Act. CEFC staff are employed on individual contracts with employment conditions and remuneration determined by the CEFC.

The organisation remains a relatively new one, still developing its operating platforms and maturing its structures as its portfolio builds and as the business evolves and responds to changing market circumstances. This requires the CEFC to progressively augment and deepen its skills base.

The CEFC has also shared expertise and experience with its international counterparts, in particular the UK Green Investment Bank (GIB), in specialist areas of our respective investment priority market sectors, emerging technologies, portfolio management and in the legal area. In mid-2015, a member of the GIB's investment team joined the CEFC for a period of two months, and this was followed by a reciprocal exchange of a CEFC legal team member to the GIB in early 2016.

Terms of employment, remuneration and conditions

CEFC staff have their terms and conditions established under contract, with no eligibility for public sector terms, conditions or benefits except as provided by law. Staff remuneration may include a variable compensation component, noting the variable compensation plan is approved annually by the Board and is therefore not guaranteed. Executive employees' remuneration is overseen by the Board's Remuneration and Human Resources Committee. More information on payments made to employees in the reporting period is available at Note 2.1 and Note 5 in the Financial Statements.

CEFC staff travel and expense claims are usually dealt with on an indemnity and reimbursement basis.

Staff Profile: Age

CEFC staff have an average age of 42 years. This reflects the specialised role of the CEFC, and:

- The need to hire experienced, senior practitioners within each functional area of the Corporation
- The fact the CEFC does not currently have a graduate entry program. Consideration may be given to instituting such a program as the CEFC reaches further maturity.

Staff Profile: Gender and equal employment opportunity

The Corporation remains at near gender equity, with 46 per cent female employees and 54 per cent male employees. This is identical to the previous reporting period. Of the CEFC's 69 employees (headcount basis, including the CEO but excluding Board members), eight are employed on a part-time basis, primarily to accommodate family responsibilities. To support staff in balancing their work and family commitments, flexible work arrangements are available to male and female employees, including senior employees. The CEFC's Equal Employment Opportunity report for the 2015-16 year is available at Appendix B.

Staff Profile: Diversity

Of the CEFC's headcount of 69 staff at 30 June 2016 (excluding the Board and CEO), almost 50 per cent (32) were born overseas, with almost 15 per cent (10) reporting English as a second language. No CEFC employees identified as Indigenous. In addition, there were no CEFC employees reporting as having a disability. Given the CEFC's relatively small employment profile, the CEFC does not consider this as statistically significant.

LAW AND POLICY

ENABLING LEGISLATION

CEFC Act and associated key governance events

The CEFC Act sets out the organisation's purpose and functions, establishes arrangements for the Board, CEO and staff, and creates a system of delegations to ensure that the CEFC has sufficient resources and sufficient controls on their use. The CEFC was established by the CEFC Act on 3 August 2012.

The objective of the CEFC under the CEFC Act is "to facilitate financial flows into the clean energy sector". The main function of the CEFC is the "investment function": to invest, directly and indirectly, in renewables, energy efficiency and other emissions-reducing technologies. The CEFC Act also specifies a number of support functions, including:

- Liaison with relevant individuals, businesses and agencies 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.

The CEFC Act contains five main positive duties (i.e. 'you must do this') and three main negative duties ('i.e. you must not do this') in relation to the investment function. See Figure 29.

Figure 29: Duties in relation to the CEFC investment function

Main positive duties	1. To perform the investment function including by investing in businesses or projects for the development of, commercialisation of, or in relation to the use of clean energy technology, or in businesses that supply goods or services needed to develop, or commercialise, or in relation to the use of the same 2. To ensure investments are solely or mainly Australian-based 3. By 1 July 2018, to ensure that at least half of the Corporation's funds are invested in renewable energy technologies 4. To otherwise take all reasonable steps to comply with directions of the CEFC Investment Mandate 5. To establish Investment Policies that support the above.
Main negative duties	1. Not to invest in carbon capture and storage 2. Not to invest in nuclear technology 3. Not to invest in nuclear power.

Clean energy technology is broadly defined through the definitions of renewable, energy efficiency and low emissions technologies (excluding the prohibited technologies). Further restrictions on eligibility may be placed by means of the Investment Mandate. This did not occur during 2015-16.

During 2015-16 there were no amendments to the CEFC's enabling legislation. From 18 September 2013 to 23 March 2016, Australian Government policy had been to abolish the CEFC through repeal of the CEFC Act. On 23 March 2016, the Prime Minister the Hon. Mr Malcolm Turnbull and the Minister for the Environment the Hon. Mr Greg Hunt jointly announced changes to Australian Government policy with respect to the CEFC, including retention of the CEFC.

The Australian Government had previously brought forward legislation to effect its policy of abolition on three occasions. At the change of policy on 23 March 2016, two of these Bills had failed to secure passage and the remaining Bill on foot was discharged from the House of Representatives on prorogation.

The duty of the CEFC Board, CEO and staff throughout this period remained to administer the law as it stood, to carry out the investment task assigned to the CEFC under law, and to be responsive to Government direction as it was given from time to time, issued principally through the CEFC Investment Mandate.

Jillian Broadbent

CEFC Investment Mandate and associated key governance events

The CEFC Investment Mandate direction is the means by which the Government of the day provides instruction as to how the CEFC can make investments, providing it:

- 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).

Under the CEFC Act, the Board must be consulted on the draft of a proposed new Investment Mandate, and any submission made by the Board must be tabled in each House of the Parliament. See Figure 30.

Figure 30: Investment Mandates in effect 2015-16

Name	Date issued	Date registered	Date of effect	Main changes from previous Investment Mandate
Clean Energy Finance Corporation (Investment Mandate) Direction 2015	17 February 2015	4 March 2015	5 March 2015 to 23 December 2015	• Increase the benchmark rate of return to the five-year Australian Government bond rate plus 4 to 5 per cent, before operating expenses, (up from the five-year Australian Government Bond rate plus nil after operating costs) • Not increase the level of exposure to credit risk above the level of the existing portfolio as assessed on 5 March 2015
Clean Energy Finance Corporation (Investment Mandate) Direction 2015 (No. 2)	3 December 2015	23 December 2015	24 December 2015 to 9 May 2016	• Inclusion of new focus areas: supporting emerging and innovative renewable technologies and energy efficiency, such as large-scale solar, storage associated with large and small-scale solar, offshore wind technologies, and energy efficiency technologies for cities and the built environment
Clean Energy Finance Corporation (Investment Mandate) Direction 2016	5 May 2016	9 May 2016	10 May 2016	• From 1 July 2016, establish a $1 billion Clean Energy Innovation Fund for projects and businesses at the earlier stage of investment, with a benchmark rate of return of the five-year Australian Government bond rate plus one per cent, before operating expenses, with a risk profile that in aggregate is appropriate with the earlier stage technologies and businesses targeted • Lower the overall portfolio benchmark rate of return from five-year Australian Government bond rate plus 3 to 4 per cent, before operating expenses (down from the Government bond rate plus 4 to 5 per cent before operating expenses) • Increase the tolerance for risk to a level that in aggregate has an acceptable but not excessive level of risk, having regard to the terms of the CEFC Act and the focus on particular areas identified in the Investment Mandate

The applicable Investment Mandate at 30 June 2016 directs the CEFC to:

- Mobilise investment in renewable energy, low emissions and energy efficiency projects and technologies in Australia, as well as manufacturing businesses and services that produce required inputs
- Apply commercial rigour and make its investment decisions independently of Government
- Establish a $1 billion Clean Energy Innovation Fund for projects and businesses at the earlier stage of investment, with a target portfolio benchmark rate of return (PBR) of the five-year Australian Government bond rate plus one per cent, before operating expenses and a portfolio that in aggregate has an acceptable but not excessive level of risk, having regard to the terms of the CEFC Act and the particular areas of focus for the Clean Energy Innovation Fund. The Innovation Fund became operational on 1 July 2016
- For the balance of the CEFC portfolio (excluding the Innovation Fund), target a benchmark rate of return based on a weighted average of the five-year Australian Government bond rate plus 3 to 4 per cent, before operating expenses and measured across the portfolio of investments over time
- Seek to develop a CEFC portfolio that in aggregate has an acceptable but not excessive level of risk, having regard to the terms of the CEFC Act and the focus on particular areas described here:
  - Include a focus on supporting emerging and innovative renewable technologies and energy efficiency, such as large-scale solar, storage associated with large- and small-scale solar, offshore wind technologies, and energy efficiency technologies for cities and the built environment (while noting the Corporation may invest at the demonstration, commercialisation and deployment stages of innovation).
- Invest responsibly and manage risk to achieve financial self-sufficiency
- Use financial products and structures to address impediments inhibiting investments in the sector
- Limit the provision of concessionality to $300 million in any one financial year
- Take a medium to long term outlook when setting its investment strategy
- Ensure that projects seeking CEFC funding of greater than $20 million comply with the Australian Industry Participation Plans (AIPP) policy
- Consider the potential effect of the CEFC on other market participants and the operation of the Australian financial and energy markets when making investment decisions
- Have regard to positive externalities and public policy outcomes when making investment decisions and when determining the extent of any concessionality for an investment
- Adopt best practice corporate governance, adopt policies on environmental, social and governance issues, and not act in a way that is likely to cause damage to the Australian Government's reputation.

Copies of the Investment Mandates, and accompanying Explanatory Statements, the consultation drafts and CEFC submissions on them are available at comlaw.gov.au.

CEFC Investment Policies and associated key governance events

The Board's role to ensure that the CEFC takes all reasonable steps to meet the requirements of the Investment Mandate, including through appropriate Investment Policies. The CEFC Investment Policies set out:

- A governance framework for the CEFC, which clarifies the roles of the Board, the Executive, the committees and the CEFC's external advisors in investment making
- The investment strategy of the CEFC, including the 2018 Portfolio Vision, investment approach and guidelines
- Board-approved definitions of key terms it is empowered to define under the CEFC Act ("solely or mainly Australian-based" and "low emissions technology") and guidelines as to what it will assess as "renewable energy technology" and "energy efficiency technology"
- Benchmarks and standards for assessing the performance of the CEFC's investments and of the CEFC itself
- Risk management for the CEFC's investments and for the CEFC itself.

These policies are reviewed at least once annually, and automatically upon issue of a new Investment Mandate. The Investment Policies have been under continuous review from 5 March 2015 and throughout the 2015-16 year due to the iterative development of the Investment Mandate over that period. In 2016-17, we expect further amendments to the Investment Mandate to reflect Australian Government policy as announced during the 2016 election campaign.

Figure 31: Special Account credits and debits under CEFC Act 2015-16

Transaction	Credits ($m)	Debits ($m)	Balance ($m)
Opening balance of the Special Account – 1 July 2015			2,919.0
Section 46 Credit – 1 July 2015	2,000.0		4,919.0
Section 54 Return of Funds – 10 June 2016	391.2		5,310.2
Section 48 Drawdown of Funds* – 10 June 2016	-	331.2	4,979.0
Total	2,391.2	331.2	4,979.0

* On 10 June 2016, a net drawdown of $60 million was made, comprising both a return of funds under section 54 and a draw of funds under section 48.

CEFC funding and associated key governance events

The CEFC is self-funding through its investment returns on money appropriated to it under the CEFC Act. Under the CEFC Act, $2 billion is credited to the CEFC Special Account maintained by the Department of the Environment and Energy each 1 July, for five years from 1 July 2013.

The CEFC was not created to exercise a major cash management function. Accordingly, funds credited to the Special Account do not actually leave the Consolidated Revenue Fund created by *The Constitution* until they are released for investment when authorised by the nominated Minister in accordance with the procedure outlined in the CEFC Act.

In other words, the funds credited to the CEFC Special Account give rise to a drawing right of the CEFC against the CEFC Special Account, rather than an actual transfer to the CEFC. The funds are only actually drawn down when the CEFC has a use for them.

Investments are made (both directly by the CEFC and indirectly through intermediaries) into eligible clean energy technologies. Repayments and returns from these investments are paid directly to the CEFC's operational account. Where the Board has identified funds that it considers surplus, these funds can be returned to the Special Account via the Department of the Environment and Energy.

During the 2015-16 year, the CEFC and the responsible Ministers agreed a mechanism for the return of surplus cash amounts and the CEFC returned funds to the Commonwealth (see Note 4.1 to the Financial Statements). A summary of movements in and out of the Special Account is set out in Figure 31.

Under the CEFC Act, and subject to ministerial authorisation by the Minister for the Environment, the CEFC may also make payments to ARENA. There were no payments made to ARENA during the 2015-16 reporting period.

OTHER LEGISLATION, POLICIES OF THE AUSTRALIAN GOVERNMENT AND KEY GOVERNANCE EVENTS

Public Governance, Performance and Accountability Act 2013 and compliance with finance law

As a corporate Commonwealth entity, in addition to the CEFC Act, the PGPA Act and its subordinate instruments are the main legislation that govern the Corporation's activities. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board (both as a collective and as individuals) and on employees.

As the main finance law for Government at the Commonwealth level, the PGPA Act sets the standard for the use of public resources and the management of risk. The *Public Governance, Performance and Accountability Rule 2015* specifies further requirements at a more operational level of detail. Australian Accounting Standards Board (AASB) standards are applied to the Corporation by force of the *Public Governance, Performance and Accountability (Financial Performance) Rule 2015*, as outlined in Note 1 to the Financial Statements.

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2015-16.

Australian Government energy and environmental policies

The most important changes of Australian Government policy for the CEFC in 2015-16 were with respect to the abolition of the CEFC, and policy changes in respect of the Investment Mandate (see discussion on "Enabling Legislation" at page 101).

The 2015-16 year was characterised by a number of other important reviews and policy changes at the intersection of energy and environment policy – i.e. where the CEFC tends to invest as a "clean energy" financier. The major policy reviews and changes impacting the CEFC in the year included:

- Passage of legislation just prior to the 2015-16 year to reduce the Renewable Energy Target (RET) impacted the CEFC in two important ways:
    1. Influenced the development of the *Clean Energy Finance Corporation (Investment Mandate) Direction 2015 (No. 2)* as evidenced by correspondence from the Hon. Greg Hunt, MP Minister for the Environment, tabled in the Senate debate on the legislation
    2. Provided a level of certainty to the market in pursuing renewable energy developments that were reliant on the RET, increasing demand for CEFC finance to support these developments.
- Reduction and re-phasing of funding to ARENA:
    1. The CEFC was directed to create a new Clean Energy Innovation Fund with input from ARENA via the *Clean Energy Finance Corporation (Investment Mandate) Direction 2016*
    2. There was less grant funding available for deployment to the sector generally, impacting those investments that are incapable of supporting CEFC debt or equity investments without a grant.

Additionally, after the 2015-16 year, the bringing together of energy, energy efficiency, climate and environment policy into the one portfolio for the first time also brings significant opportunity for the CEFC to be engaged as part of the Australian Government "toolkit" supporting policy outcomes.

Other Australian Government policy affecting the CEFC

Following the change of Government on 18 September 2013, the CEFC has been notified of several changes to Australian Government policies that have sought to extend their application to the CEFC.

While these are not of legal effect, they have been notified to the CEFC, usually as an interim arrangement to assist in the rapid adoption of Australian Government policy. Some of these could take shape in future as PGPA Act Rules or Government Policy Orders (GPO) made as part of the PGPA Act reforms.

The CEFC has sought to adopt a co-operative approach to engagement with Government and seeks to comply with Government policy wherever possible. Complying in this way may circumscribe the CEFC's scope of operations, despite the formal operational independence prescribed in the CEFC Act.

With respect to the Australian Government Public Sector Workplace Bargaining Policy, the CEFC has been in practical compliance. An exemption from the need to commence a process of enterprise bargaining was sought while the Bills to abolish the CEFC remained in the Parliament.

To 30 June 2016, policies informally notified to the CEFC by correspondence are set out in Figure 32.

Figure 32: Policies informally notified to the CEFC by correspondence

Date	Description	Action
24 September 2012 5 February 2013	Co-operation with Parliamentary Budget Office	The Australian Government published *Australian Government Protocols Governing the Engagement Between Commonwealth Bodies and the Parliamentary Budget Officer*
20 February 2012	Recruitment	Requests that the CEFC comply with the APSC's *Interim Recruitment Arrangements for non-APS Agencies* (effective until 1 July 2015)
28 March 2014 2 November 2015	Employment Framework	Requests that the CEFC conduct bargaining under the *Australian Government Public Sector Workplace Bargaining Policy*; replaced on 2 November 2015 by the Workplace Bargaining Policy 2015
12 November 2015	Employment Framework	Application of the *Commonwealth Aboriginal and Torres Strait Islander Employment Strategy*

Other statutory requirements affecting the CEFC

As a corporate Commonwealth authority which acts 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

Under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act), the timing of the annual reporting requirement depends on when the entity first gained 40 employees or more.

The CEFC was formed as a Corporation on 3 August 2012, and the CEFC first attracted obligations under the EEO Act on 17 April 2014. In previous reporting periods the CEFC separately reported annually based on this anniversary. In order to bring the reporting period into line with the CEFC Annual Report (i.e. this document), the 2016 report covers the period 17 April 2015 to 30 June 2016 and is contained 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* (EPBC Act). 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* (WHS Act), and 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 that have had, or may have, a significant effect on the operations of the CEFC in 2015-16. There were also no 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 2014-15 annual audit report accompanying the financial statements (as reproduced in the CEFC's 2014-15 Annual Report).

As far as the CEFC is aware, the only Parliamentary Committee reports which substantially involved the CEFC during 2015-2016 were as follows:

- The Senate Select Committee on Wind Turbines, which issued its Final Report (August 2015)
- The Senate Environment and Communications Legislation Committee, which reported on Additional Estimates 2015-16 (March 2016).

BUSINESS MODEL AND APPROACH TO BUSINESS

The CEFC is an investment institution and operates with commercial rigour. However, the CEFC differs from other financial institutions in that it also has a public policy purpose.

The CEFC was formed with a statutory object to "facilitate increased flows of finance into the clean energy sector" and it does this by performing its investment function in the renewable, energy efficiency and low emissions technology sectors.

The Investment Mandate direction specifies that the CEFC applies commercial rigour when making its investment decisions, using financial products and structures to address the barriers inhibiting investment in the sector. Further, the CEFC should have regard to positive externalities and public policy outcomes when making investment decisions. Put simply, this means that the CEFC can give weight to non-financial aspects to the transaction that are of broader economic or public benefit.

GOVERNANCE APPROACH

The CEFC Board has built upon the statutory framework and Australian Government policies by providing charters which specify Board and Board committee responsibilities. The Board has further adopted Codes of Conduct and Ethics, a system of written delegations of authority and corporate policies and procedures to establish appropriate controls and to provide an ethical decision-making framework for the CEFC.

From this basis, the Board and Executive have together further extended and built out a robust set of Investment Policies, a Risk Management Framework and accompanying procedures, and an internal support structure which assists in meeting the high standards required of the CEFC as a public authority. Collectively, this interlocking system of:

- documented policies and procedures
- effective Board and Executive committee oversight
- clear reporting lines and responsibilities
- a well-developed corporate ethos, and
- properly inducted and trained people

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

INVESTMENT UNIVERSE

The CEFC's investment universe is defined by factors imposed by the CEFC Act and the Investment Mandate. The CEFC Act limits the scope of the CEFC's investments to the clean energy sector and fixes the exposure to solely or mainly Australian-based activity.

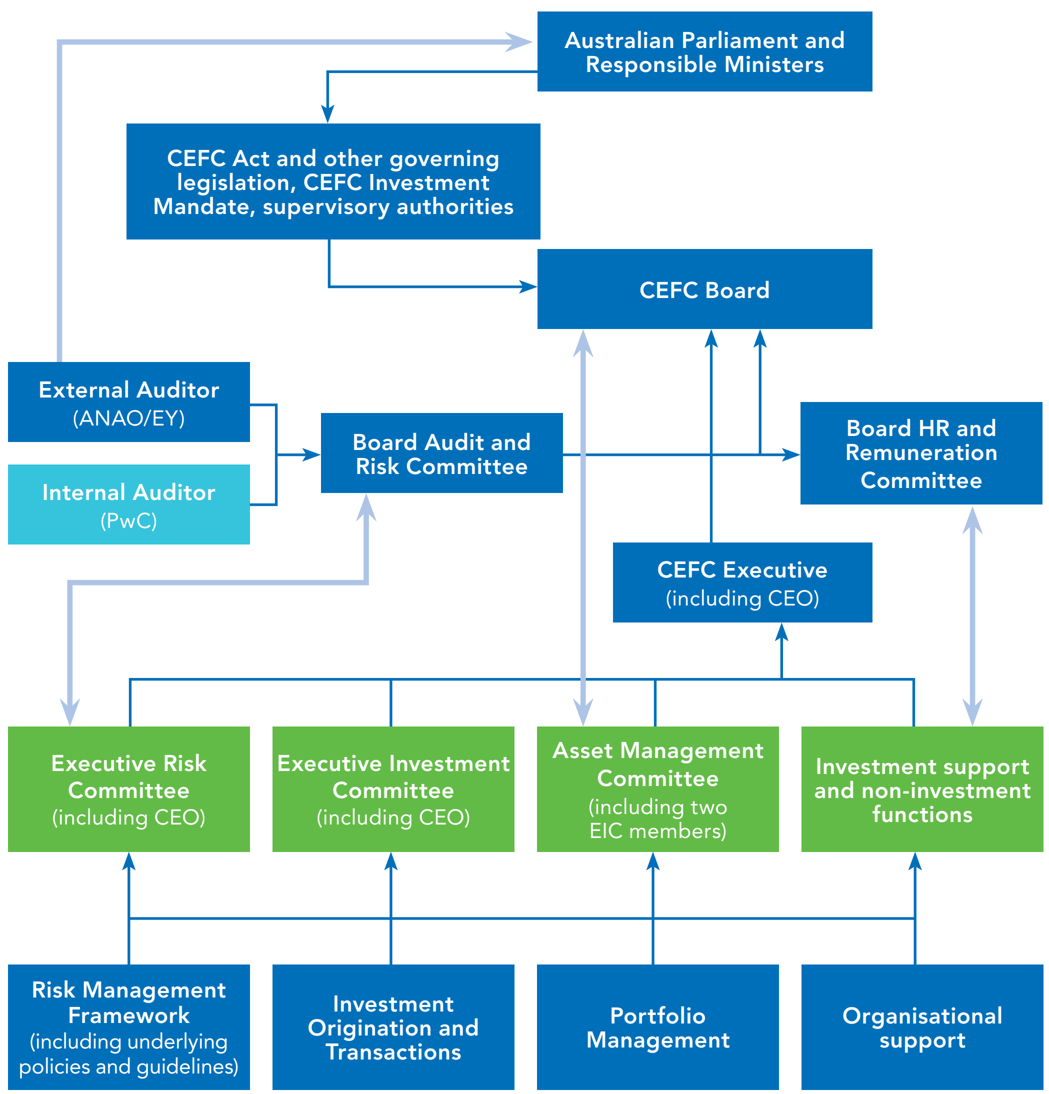
The Investment Mandate requires the CEFC to target a portfolio benchmark rate of return (PBR) that:

- has an acceptable but not excessive level of risk
- considers the potential effect of investment activity on other market participants

- includes a focus on emerging and innovative renewable energy and energy efficiency technologies
- from 1 July 2016, makes available $1 billion over 10 years for investment in emerging clean energy technology projects and businesses, through the Clean Energy Innovation Fund.

Please note the Australian Government has indicated an intention to issue further revisions to the CEFC's Investment Mandate.

Figure 33: CEFC governance approach



APPROACH TO INVESTING

Within the investment universe defined by the CEFC Act and the Investment Mandate, the CEFC Board sets strategic priorities for investment, namely those that achieve cleaner power solutions, contribute to a better built environment and/or develop new sources of capital for clean energy investments.

The CEFC is not a grants organisation. CEFC Investments are made with the expectation of a positive risk-based financial return on a portfolio basis, in line with the target PBR detailed in the Investment Mandate. The CEFC invests responsibly and manages risk with a view to both financial self-sufficiency and public policy outcomes.

In achieving financial self-sufficiency, operating expenses must be maintained at sustainable levels. The CEFC's most significant expense item is staffing, accounting for 59 per cent of total expenses. With just 69 staff (including 66 FTEs) (excluding the Board) at year end, the CEFC seeks to leverage the scale and service networks of co-finance partners to assist in delivering CEFC finance to small and medium businesses, while larger transactions are typically financed directly.

In undertaking our investment activity, we have regard to the potential effects on other market participants, with a strong preference to invest alongside the private sector and investors where our participation also facilitates private sector participation. We do not compete with private sector investors.

In performing our investment function, we seek to lend at risk-adjusted rates as close as possible to commercial market rates. We create and participate in financing structures that attract private sector co-financiers and other capital providers to enable a project to progress. The combination of a commercial approach while seeking to "crowd in" rather than "crowd out" private sector investment helps create conditions for the more efficient deployment of capital. In many cases our engagement in transactions is intended to see private sector co-investors step into a transaction once the investment terms are fully developed.

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

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

Concessionality is applied sparingly, balancing the CEFC's commitment to commercial rigour with public policy outcomes. We may choose to deploy concessional finance to assist in overcoming financial impediments to an otherwise bankable project or to encourage public policy outcomes. This is determined on a case-by-case basis, with reference to the specifics of the project. Since our inception in 2013 through to 30 June 2016, the CEFC has provided a cumulative $19.7 million of concessionality on investments. In 2015-16, we provided $6.8 million of concessionality on our investments, compared with $1.4 million in 2014-15.

INVESTMENT STRATEGY

Our investment strategy is built on identifying areas of the economy where there are the highest opportunities for emissions reductions, coupled with a requirement for capital to bring those opportunities to fruition as soon as practically possible. To that end, we have identified three strategic priority areas for investment:

1. Cleaner power solutions
2. A better built environment
3. New sources of capital.

When evaluating investment opportunities within our three strategic priority areas, two broad threshold factors are considered:

1. Eligibility constraints: the CEFC's ability to invest is limited by the CEFC Act, the Investment Mandate and the PGPA Act
2. Investment selection criteria: The CEFC evaluates the commercial merits and relative investment attractiveness of each prospective investment, influenced by the risk management approach of the CEFC and the implications of each potential investment decision for the portfolio.

The CEFC Act requires that at least half of the investment portfolio is invested in renewable energy technologies by 1 July 2018. This includes investments in wind, solar PV, thermal and concentrated solar power (CSP), biomass, geothermal, tidal and other renewable energy. This may include both on-grid and off-grid projects, energy storage and transmission, using creative and innovative financing structures to reduce the cost of capital.

The remainder of the portfolio will be balanced between low emissions and energy efficiency transactions, that will be delivered either directly or indirectly through supporting new sources of capital and investment products.

PERMITTED INVESTMENT INSTRUMENTS

The CEFC is able to invest directly or indirectly across the capital structure, in publicly traded or privately held instruments, including:

- senior debt
- subordinated debt
- preferred equity/convertible debt
- common equity interests in pooled investment schemes, trusts and partnerships
- net profits interests, royalty interests and entitlements to volumetric production payments.

APPROACH TO RISK

The CEFC Board is ultimately responsible for the overall performance of the CEFC. Effective risk management is a critical component of good performance management. To assist in its risk oversight, the Board has established an Audit and Risk Committee, which is in turn assisted and advised by an Executive Risk Committee, an Executive Investment Committee and an Asset Management Committee.

Risk Management Framework

The Board has established an enterprise-wide Risk Management Framework to monitor and manage all categories of risk in the CEFC's investments and for the CEFC itself. The Risk Management Framework and the CEFC Investment Policies embed active management and mitigation of risks into all areas of the CEFC's investment functions and broader business operations.

The Risk Management Framework identifies five broad categories of risk:

1. Strategic risk
2. Investment risk
3. Financial risk
4. Operational risk
5. Compliance risk

Risk management pillars

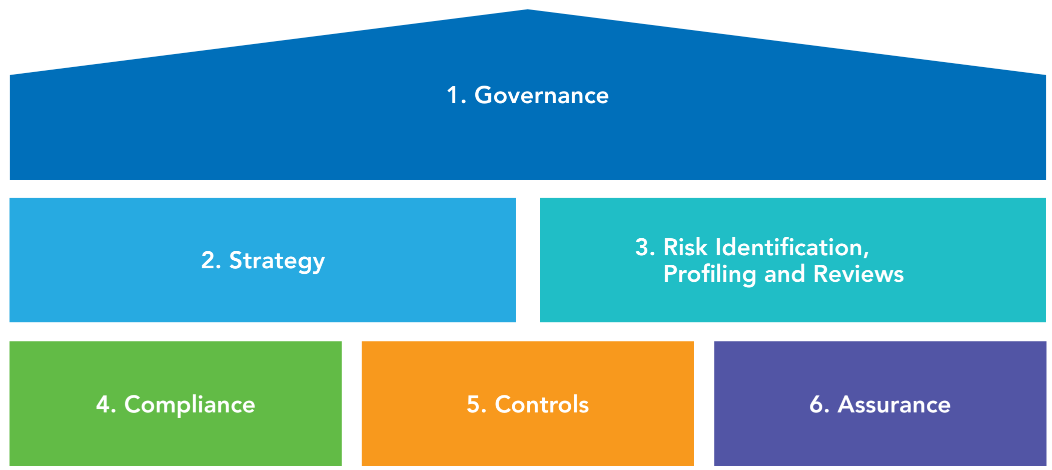
To manage these identified categories of risk, the Risk Management Framework has established six functional pillars through which the CEFC manages risk, namely: Governance, Strategy, Risk Identification, Profiling and Reviews, Compliance, Controls, and Assurance. Governance is the key overarching function to effective risk management. The CEFC's objective in implementing good governance is to create an operating environment where sound, transparent and well-informed decision making is facilitated.

Strategy and Risk Identification, Profiling and Reviews each determine key risk areas that, in addition to specific risk management plans, are fundamentally addressed through the supporting risk pillars of Compliance, Controls and Assurance. See Figure 34.

Environmental, social and governance risk

The Board believes that effective management of financial and reputational risks, including matters related to environmental, social and governance (ESG) issues will, over the long term, support its business objectives and Mission.

Figure 34: CEFC enterprise risk management framework



INTERACTION OF STRATEGY, RISK AND PERFORMANCE

Under our Risk Management Framework, the CEFC recognises that strategy, risk and performance are closely linked, with the interaction of these key elements strongly influencing the delivery of our objectives.

Risk is "the effect of uncertainty on achieving objectives". This short definition has three key elements; "effect", "uncertainty" and "objectives". Each of the three elements are critical but often, when considering "risk", a majority of the focus goes straight to the level of "uncertainty" (or in other words "what could go wrong") without an adequate focus on the effect those uncertainties have on the objectives of the organisation.

Therefore, a genuinely insightful approach to risk management, for both investments and for the Corporation overall, involves:

1. An organisational understanding of the organisation's objectives (primarily reflected in 'Pillar 2 – Strategy' of the CEFC Risk Management Framework)
2. An understanding of how the sources of uncertainty in our operating environment (including internal and external factors) effect achievement of those objectives (Pillar 3 – Risk Identification, Profiling and Reviews)
3. Identifying and implementing actions in the form of controls (Pillar 5 – Controls), to reduce the impact of uncertainty on objectives, if the level of uncertainty is outside the organisation's risk appetite.

Given risk (by its very definition) has implicit and unavoidable linkages between uncertainty and objectives, risk and performance measures must be considered concurrently. By way of example, if we only consider risk in isolation, then in any given reporting period a downward shift in our organisational risk profile will always be seen as positive. However, if that shift in risk profile is wholly attributable to a reduction in gross credit risk exposure, because, say, no new business has been written and many existing facilities have been repaid, then in reality we are further away from achieving our objectives. Therefore, consistent with the approach of leading commercial financial institutions, evaluating risk alongside strategy and performance is a more comprehensive approach to management of the business as we pursue our overarching objective to facilitate increased flows of finance into the clean energy sector.

Given our evolution and increasing maturity as an organisation, the CEFC carefully manages risk, strategy and performance on the delivery of the Corporation's objectives.

Figure 35: Operating environment, activities and objectives

DEALING WITH INVESTMENT RISK

As a body whose primary activity is its investment function, the CEFC has a central focus on managing all types of investment risk. As a responsible investor of public funds, the CEFC is ever conscious that return does not come without risk and the levels of investment return should be commensurate with the risk assumed. An investment strategy that is too risk-averse would not allow the CEFC to fulfil its public policy purpose. On the other hand, an approach that is too tolerant of investment risk could lead to capital losses.

The portfolio benchmark return requirements under the Investment Mandate provide an indication that the level of risk is to be "acceptable but not excessive". Balancing risk, return and public policy outcomes are factors that are considered with each investment decision, as well as on a portfolio basis.

Figure 36: Types of risk in CEFC investments

CREDIT RISK	Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and default on their payment obligations. We have developed an investment portfolio that is significantly skewed towards debt investments, so credit risk is a very important risk factor. We have adopted methodologies to assess the credit quality of proposed investments and the level of credit risk embodied in each lending transaction. At the portfolio level, diversification and concentration guidelines are in place. Guidelines are also applied to single asset, entity and industry level exposures.
MARKET RISK	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or value of investments. We have a moderate exposure to direct market risk with around 23 per cent of assets exposed to market risk at 30 June 2016. In addition, our investments are indirectly exposed to market risks, most notably through our debt portfolio. As a sector specific investor, renewable energy borrowers can be exposed to a general fall in prices of energy and, in particular, a fall in realised (as compared to expected) prices for both 'green' and 'black' electricity. Such price changes may adversely impact a borrower's ability to make repayments which may manifest itself in credit risk to the CEFC.
TECHNOLOGY RISK	Technology risk is defined as the risk of an investment loss arising because a technology does not operate as efficiently or effectively as predicted which may be the result of design, engineering and/or implementation issues. Renewable energy, energy efficiency and low emissions technologies all present varying degrees of technological risk depending on the nature of the technology under consideration, the nature of the technology's application in the subject investments, the technology's stage of development along the innovation chain, and the nature and pace of innovation in competing technologies. Technology risk includes regulatory risk associated with the use of the particular technology. Assessment, analysis and mitigation for technology risk is a key component of the CEFC's investment risk analysis process.
CONCENTRATION RISK	The CEFC has concentration risk. The sector-specific purpose of the CEFC limits the scope for diversification as a risk mitigant. At the portfolio level, diversification and concentration guidelines are applied to technology types along with geographic, regulatory, single asset and industry level exposures.
POLICY AND REGULATORY RISK	Investments of the CEFC are also exposed to policy or regulatory risk as many of the CEFC's investments are impacted by the "green" price for energy attracted under the RET.

TREATING INVESTMENT RISK

A high level summary of how the CEFC deals with investment risk is as follows:

- The CEFC has a well-developed process for screening and reviewing investments to ensure that there are appropriate "checkpoints" for risk before a given investment proposal is approved and documented. This is underpinned by a thorough process of due diligence
- Investment proposals must be credible, with an acceptable risk/return profile
- Industry standard techniques are employed in risk identification, risk analysis, risk evaluation and risk treatment as part of any investment analysis
- Where risks are identified, or the nature of the risks involved are unfamiliar, the progression of the investment may be paused while additional due diligence or market specific research is undertaken
- Where appropriate, the CEFC seeks the lowest possible risk position in the capital structure as a protection of the CEFC investment against underperformance
- If the CEFC lends to projects that sell power at "merchant rates", the loans are sized and structured in a manner that maximises the probability of repayment, even where actual prices fall below the forecast price levels. Overall merchant risk exposure is also capped at portfolio level
- The CEFC applies conditions to the investment that are appropriate to managing the identified risk, for example, by applying special conditions that take effect for underperformance that result in extraordinary repayments of capital
- The Corporation has a strong preference for investing alongside private sector capital providers which enables the sharing of the investment risks
- For debt investments, the CEFC is typically secured against the borrowing entity, the project or the equipment it is lending towards
- The CEFC spends considerable effort understanding the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and what will happen to the CEFC's funds in the capital structure if the proposal ultimately fails
- The CEFC diversifies its portfolio, seeking to avoid excessive concentration of risk in specific technologies, in exposure to single entities, in exposure to higher-risk finance in the capital structure, in exposure to merchant risk, in exposure to individual commodity markets and geographical areas
- The CEFC has instituted an extensive portfolio management function, systems and process.

Inevitably, and despite the CEFC's best efforts, a proportion of investments will underperform, and for some of these, the CEFC will experience a loss. In a 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 any security available.

RED TAPE REDUCTION

In carrying out its Mission and statutory objective, the CEFC makes finance available to Australian business. To that end, the CEFC-administered legislation (the CEFC Act) is a net benefit to business.

The CEFC conducts its business like a commercial enterprise, such as a bank. The CEFC can talk to clients about their proposals at any stage of the investment process. Applications for finance can be accepted at any time, and the CEFC keeps application forms as simple as possible. Where the CEFC runs funding rounds and tender requests and the process doesn't suit, proponents are able to lodge an application outside the process via the CEFC website.

To avoid wasting precious CEFC and client funds, much of the documentation and diligence necessary to support a transaction (sometimes totalling in the hundreds of thousands of dollars) is only performed after the proposal is deemed eligible, viable and has been approved, but before it is contracted and any funds drawn.

In performing this diligence, the information the CEFC collects is typically the same that any diligent financier would seek before funding a project. Often the information requested is important for the underlying business case.

The CEFC has adopted an approach of continuous improvement. Where the CEFC can automate and improve processes to reduce the burden on clients without compromising investment integrity, the CEFC will continue to do so.

STATEMENT OF ETHICS AND ETHICAL DEALING

The CEFC is an Australian Government entity that is ultimately owned by the Australian people. The CEFC has adopted a Code of Conduct and Ethics to govern behaviour across the organisation. The Board and Executive set a high standard for ethical behaviour and the tone of corporate culture, and expect ethical conduct at all times.

RELATED ENTITY TRANSACTIONS

The CEFC approach to dealings with related entities during the 2015-16 year was governed by the procedures of the CEFC Act and PGPA Act, as well as by the CEFC Board Audit and Risk Committee, which reviews all related-party transactions.

Board members disclose their standing interests to the other Board members and conflicts of interest are managed in accordance with the law and principles of good governance. Declarations of new conflicts of interest are a standing item at every Board meeting. Where the relation to the other entity is via a Board member and the interest is material, the Board member takes no part in the decision on the transaction.

In addition to the statutory requirements around declarations of interest and procedures for dealing with conflicts of interest, the Board and CEO have established a system of declaration of interests for the Executive and staff, and an embargo register for the purposes of preventing conflicts of interest in the trade of stocks in companies with which the CEFC may be doing business and holds price sensitive information.

Individual related party transactions are disclosed in accordance with the relevant standards at Note 5.4 within the Financial Statements.

Mr Martijn Wilder AM was appointed chair of the ARENA Board while serving on the CEFC Board. The CEFC has also done business with Baker & McKenzie, a law firm in which Mr Wilder is a partner.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICIALS

The CEFC has made certain indemnities and insurances to "officers" of the Corporation including Board members and senior managers (for the CEFC, this is the Executive). The CEFC also indemnifies staff for items such as travel expenses on a reimbursement basis. See Figure 37.

Figure 37: Indemnities and insurance premiums for officers 2015-16

INDEMNITY/INSURANCE	OFFICERS INCLUDED	PERIOD OF COVERAGE	PREMIUM/FEES PAID
Comcover General liability Insurance coverage for Directors and Officers	All Board members and the CEFC Executive; General Counsel; all staff and office bearers	1 July 2015 – 30 June 2016	$60,202
Deed of Insurance, Access and Indemnity with each Director and Officer	All Board members and the CEFC Executive; General Counsel	10 May 2013 – 7 years after ceasing to be a Director or Officer of the Corporation	Nil: indemnity only
Supplementary Directors' and Officers' Insurance to fill in gaps in the Comcover coverage	All Directors and Officers	14 June 2013 – 14 June 2021	$590,665
Comcare Workers' Compensation Insurance	All Directors, Officers and staff	1 July 2015 – 30 June 2016	$44,348
Indemnification for Reasonable Travel and Expenses	All Directors and Officers	Ongoing	Nil: indemnity only

Comcover and Comcare insurance

These insurances have general application that include Board members and the Executive among others as per the ordinary insurances required of Commonwealth entities.

Travel and expense reimbursement

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

Board members do not generally require travel reimbursement as their expenses are met through allowances as determined by the Remuneration Tribunal (refer Board Member Remuneration and Allowances).

PROCUREMENT

The CEFC is not an entity to which the Commonwealth Procurement Rules are applicable. 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 Corporation must specify in the Annual Report the details for each procurement contract on foot within the financial year valued at above $80,000. These contracts are specified in Figure 38.

Figure 38: Procurement contracts 2015-16

Date entered into	Value of contract $	Value expensed during the FY $	Contracting party	Purpose
February 2013	1,625,009	290,057	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2013 to 29 February 2016
June 2013	590,665	73,984	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
July 2013	714,945	13,478	The Uniting Church in Australia Property Trust (Q.)	Lease of premises at Level 8, 140 Ann Street, Brisbane to 14 July 2015
January 2015	204,000	96,235	Reval.com Inc	Two-year license fees, maintenance, support and implementation costs for Loan Management System
May 2015	136,675	136,675	PWC	Internal Audit engagement for 1 July 2015 to 30 June 2016
June 2015	723,377	231,079	The Uniting Church in Australia Property Trust (Q.)	Extension of lease of premises at Level 8, 140 Ann Street, Brisbane from 15 July 2015 to 14 July 2018
June 2015	501,031	128,700	Technology One Ltd	Five-year license fees, three-year minimum maintenance, support and initial implementation costs for Finance One software
July 2015	378,974	378,974	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2015 to 30 June 2016 under the Whole Of Government travel procurement program
July 2015	207,741	207,741	Bloomberg Financial	Bloomberg terminal and New Energy Finance All Insight Package Level III
July 2015	95,402	95,402	Datacom Systems Pty Ltd	IT support and applications

Date entered into	Value of contract $	Value expensed during the FY $	Contracting party	Purpose
July 2015	93,457	93,457	Evolution Marketing services Pty Ltd	Provision and support for the Customer Relationship Management System
July 2015	87,957	14,264	IPVS QoS Solutions Pty Ltd	Upgrade of Voice Over Internet Protocol telephone system
December 2015	106,435	106,435	Heidrick and Struggles Australia Pty Ltd	Recruitment services
February 2016	4,332,408	255,494	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
February 2016	645,698	4,848	Intermain Pty Ltd	Refurbishment and fitout of Sydney office (the majority of these costs were reimbursed by the landlord)
March 2016	97,649	1,245	WC Audio Visual	Video conferencing and related equipment
May 2016	155,100	0	PWC	Internal Audit engagement for 1 July 2016 to 30 June 2017
June 2016	152,900	152,900	Australian National Audit Office	Audit of financial statements for year ended 30 June 2016
TOTAL	**10,849,423**	**2,280,968**		

3

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Environment and Energy

I have audited the accompanying annual financial statements of the Clean Energy Finance Corporation for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authorities, Chief Executive and Chief Financial Officers;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements comprising a summary of significant accounting policies and other explanatory information.

Opinion

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

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

(b) present fairly the financial position of the Clean Energy Finance Corporation as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The directors of the Clean Energy Finance Corporation 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 and the rules made under that Act and is also responsible for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

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

Independence

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

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

23 August 2016

CLEAN ENERGY FINANCE CORPORATION

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

In our opinion, the attached financial statements for the year ended 30 June 2016 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.

Jillian Broadbent AO Chair of the Board	Paul Binsted Director	Oliver Yates Chief Executive Officer	Andrew Powell Chief Financial Officer
23 August 2016	23 August 2016	23 August 2016	23 August 2016

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	17,570	14,544
Suppliers	2.1B	4,865	4,688
Depreciation and amortisation	3.2A	534	455
Finance costs		-	6
Concessional loan charges	2.1C	6,876	1,392
Write-down and impairment of assets	2.1D	83	2,271
Provision for irrevocable loan commitments	2.1E	(178)	266
Total expenses		**29,750**	**23,622**
Own-source Income			
Own-source revenue			
Interest and loan fee revenue	2.2A	51,013	54,619
Distributions from equity investments		30	19
Total own-source revenue		**51,043**	**54,638**
Gains and losses			
Other (losses) / gains	2.2B	(156)	139
Total (losses) / gains		**(156)**	**139**
Total own-source income		**50,887**	**54,777**
Surplus from continuing operations		**21,137**	**31,155**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets		5,885	1,138
Total other comprehensive income		**5,885**	**1,138**
Total comprehensive income		**27,022**	**32,293**

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

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	232,778	149,577
Short-term investments	3.1B	-	100,000
Trade and other receivables	3.1C	3,853	6,451
Loans and advances	3.1D	402,225	322,871
Available-for-sale financial assets	3.1E	277,694	77,057
Other financial assets	3.1F	306,594	597,875
Total financial assets		**1,223,144**	**1,253,831**
Non-financial assets			
Property, plant and equipment	3.2A	1,021	314
Computer software	3.2A	509	338
Prepayments	3.2B	539	515
Total non-financial assets		**2,069**	**1,167**
Total assets		**1,225,213**	**1,254,998**
LIABILITIES			
Payables and unearned income			
Suppliers	3.3A	1,324	1,617
Unearned income	3.3B	5,536	6,530
Other payables	3.3C	4,588	3,004
Total payables and unearned income		**11,448**	**11,151**
Provisions			
Employee provisions	5.1	1,199	878
Other provisions	3.4	13,435	10,860
Total provisions		**14,634**	**11,738**
Total liabilities		**26,082**	**22,889**
Net assets		**1,199,131**	**1,232,109**
EQUITY			
Contributed equity	4.1	1,108,363	1,168,363
Reserves		7,023	1,138
Retained surplus		83,745	62,608
Total equity		**1,199,131**	**1,232,109**

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

CLEAN ENERGY FINANCE CORPORATION

Statement of Changes in Equity

for the period ended 30 June 2016

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Opening balance								
Balance carried forward from previous period	62,608	31,453	1,138	-	1,168,363	1,200,565	1,232,109	1,232,018
Comprehensive income								
Surplus for the period	21,137	31,155	-	-	-	-	21,137	31,155
Other comprehensive income	-	-	5,885	1,138	-	-	5,885	1,138
Total comprehensive income	**21,137**	**31,155**	**5,885**	**1,138**	**-**	**-**	**27,022**	**32,293**
Transactions with owners								
Distributions to owners								
Return of equity to CEFC Special Account	-	-	-	-	(60,000)	(50,600)	(60,000)	(50,600)
Contributions by owners								
Equity injection from Low Carbon Australia Limited	-	-	-	-	-	18,398	-	18,398
Total transactions with owners	**-**	**-**	**-**	**-**	**(60,000)**	**(32,202)**	**(60,000)**	**(32,202)**
Closing balance as at 30 June	**83,745**	**62,608**	**7,023**	**1,138**	**1,108,363**	**1,168,363**	**1,199,131**	**1,232,109**

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

CLEAN ENERGY FINANCE CORPORATION

Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees		45,254	51,620
Distributions from equity investments		9	6
Total cash received		**45,263**	**51,626**
Cash used			
Employees		16,186	14,576
Suppliers		4,133	4,805
Total cash used		**20,319**	**19,381**
Net cash from operating activities	**4.2**	**24,944**	**32,245**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		133,680	18,605
Redemption of short-term investments		200,000	375,000
Redemption of other financial assets		453,226	201,333
Redemption of AFS financial assets		434	-
Total cash received		**787,340**	**594,938**
Cash used			
Purchase of property, plant and equipment		971	254
Purchase of computer software		452	388
Loans made to other parties		208,015	108,650
Purchase of AFS financial assets		197,645	74,514
Purchase of short-term investments		100,000	205,000
Acquisition of other financial assets		162,000	179,700
Total cash used		**669,083**	**568,506**
Net cash from investing activities		**118,257**	**26,432**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		-	18,398
Total cash received		**-**	**18,398**
Cash used			
Return of equity		60,000	50,600
Total cash used		**60,000**	**50,600**
Net cash used by financing activities		**(60,000)**	**(32,202)**
Net increase in cash held		**83,201**	**26,475**
Cash and cash equivalents at the beginning of the reporting period		149,577	123,102
Cash and cash equivalents at the end of the reporting period	**3.1A**	**232,778**	**149,577**

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

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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 and, working with co-financiers, its objective 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.

The Corporation's outcomes are set out in Note 7.1.

Effective 5 May 2016, the Corporation was issued with the Clean Energy Finance Corporation Investment Mandate Direction 2016 ('Investment Mandate 2016') which among other things, required the Corporation to make available up to $100 million a year, from 2016-17 to 2025-26, for debt and equity investment in emerging clean energy technology projects and businesses that involve technologies that have passed beyond the research and development stages but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector investment.

1.2 Basis of Preparation of the Financial Statements

The financial statements 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 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 issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain 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.

Part 5 of the CEFC Act makes provision for funding of the Clean Energy Finance Corporation via an appropriation to the CEFC Special Account. Accordingly, the Corporation has sufficient funding and realisable assets to meet all of its liabilities and obligations. Any change to the continued existence of the Corporation in its present form would require an Act of Parliament to amend or repeal the CEFC Act. Accordingly, these financial statements are prepared on the basis of the Corporation remaining a going concern.

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

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).

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 issued prior to the sign-off date and applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Corporation's financial statements.

Future Australian Accounting Standard Requirements

The following new standards 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 Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 9 Financial Instruments	1 July 2018	*Regulatory Deferral Accounts*. Part E defers the application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010), and includes a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard will require the Corporation to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes impacting the Corporation are described below: a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		Consequential amendments were also made to other standards as a result of AASB 9, most notably revisions to AASB 7, including significant new disclosure requirements for each component of AASB 9. The Corporation is currently evaluating the likely impact of adopting AASB 9. It is reasonable to expect that certain financial assets will be classified differently and that it will involve a larger provision for impairment based on the change to the expected-loss model.
AASB 15 Revenue from Contracts with Customers	1 July 2018	AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 applies to annual periods beginning on or after 1 January 2018.

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		The Corporation is currently evaluating the likely impact of adopting AASB 15, however, since the majority of the Corporation's revenue is derived from financial instruments, it is not anticipated that the adoption of this standard will have a material impact on the Corporation's revenue recognition.
AASB 16 Leases	1 July 2019	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 Corporation operates from leased premises and the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Corporation's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Corporation performs a detailed review.

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 are not expected to have a future material impact on the Corporation's financial statements.

Note 2: Financial Performance

This section analyses the financial performance of the Clean Energy Finance Corporation for the year ended 30 June 2016.

2.1: Expenses

	2016 $'000	2015 $'000
2.1A: Employee Benefits		
Wages and salaries	15,903	13,445
Superannuation		
Defined contribution plans	932	796
Leave and other entitlements	390	279
Separation and redundancies	345	24
Total employee benefits	**17,570**	**14,544**

Accounting Policy

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

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

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

When an employee has rendered service to the Corporation during the period, the Corporation 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 Corporation'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 Corporation 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.

Retention

The expected cost of retention payments is recognised when, and only when:

a) the Corporation has a present legal or constructive obligation to make such payments; and

b) a reliable estimate of the obligation can be made.

Superannuation

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

	2016 $'000	2015 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	179	122
Consultants	612	553
Contractors	561	888
Data feeds and other subscriptions	319	190
Facility services and outgoings	116	88
Financial statement audit services	153	145
Information technology services	187	82
Insurance	138	149
Internal audit services	113	63
Legal fees	224	245
Marketing and communications	215	333
Telecommunications	129	97
Travel and incidentals	614	514
Website	72	163
Other	352	217
Total goods and services supplied or rendered	**3,984**	**3,849**
Goods supplied in connection with		
External parties	121	111
Total goods supplied	**121**	**111**
Services rendered in connection with		
External parties	3,863	3,738
Total services rendered	**3,863**	**3,738**
Total goods and services supplied or rendered	**3,984**	**3,849**
Other suppliers		
Operating lease rentals in connection with:		
Minimum lease payments for office premises – external parties	852	762
Workers compensation expenses	29	77
Total other suppliers	**881**	**839**
Total suppliers	**4,865**	**4,688**

Leasing commitments

The Corporation has entered into operating leases for office premises which expire between 1 July 2018 and 29 February 2021.

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

	2016 $'000	2015 $'000
Within 1 year	1,036	533
Between 1 to 5 years	3,541	505
Total operating lease commitments	**4,577**	**1,038**

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.

Corporation as lessee

Leases that do not transfer to the Corporation 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.

	2016 $'000	2015 $'000
2.1C: Concessional Loan Charges		
Concessional loan charge	6,876	1,392
Total concessional loan charges	**6,876**	**1,392**

Accounting Policy

The Corporation is required to record a non-cash concessional loan charge when it makes a loan at a discount to the prevailing market equivalent rates or terms. This non-cash charge is recorded 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 Corporation from the charge and income will net to $Nil.

Accounting Judgements and Estimates

For each investment, the Corporation will attempt to maximise its return and provide only the level of discount from market rates/terms that is required to ensure the project proceeds, however, this may involve the Corporation taking a position that is not generally offered by other market participants (e.g. longer term fixed-rate debt, 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 Corporation is required to record a concessional loan discount in relation to such loans and this requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan. This involves benchmarking to market rates for similar facilities and adjusting for specific differences in tenor, credit worthiness, 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.

	2016 $'000	2015 $'000
2.1D: Write-Down and Impairment of Assets		
Loan impairment charge	83	2,232
AFS financial assets impairment charge	-	39
Total write-down and impairment of assets	**83**	**2,271**

Accounting Judgements and Estimates

Impairment of loans and advances

The Corporation 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 Corporation 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 Corporation 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. The Corporation's AFS debt instruments are early in their life (of what can be 7+ year fixed terms) and the Corporation does not have a significant history from which to ascertain the likely extent of ultimate defaults and consequential losses.

	2016 $'000	2015 $'000
2.1E: Provision for Irrevocable Loan Commitments		
Provision for irrevocable loan commitments	(178)	266
Total provision for irrevocable loan commitments	**(178)**	**266**

2.2: Own-Source Revenue and Gains

	2016 $'000	2015 $'000
2.2A: Interest and loan fee revenue		
Loans and advances:		
- interest and fees	24,910	22,826
- unwind of concessional loan discount	2,011	1,508
Interest from AFS financial assets	4,347	1,642
Interest from cash and short-term investments	7,536	12,711
Interest from other financial assets	12,209	15,932
Total interest and loan fee revenue	**51,013**	**54,619**

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 Corporation 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.

	2016 $'000	2015 $'000
2.2B: Other (Losses) / Gains		
Loss on sale of investment	(156)	-
Gain on elimination of make good obligation	-	139
Total other (losses) / gains	**(156)**	**139**

Note 3: Financial Position

This section analyses the Corporation'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

	2016 $'000	2015 $'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	232,778	149,577
Total cash and cash equivalents	**232,778**	**149,577**

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 3 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 3 months or less, to maintain liquidity.

	2016 $'000	2015 $'000
3.1B: Short-Term Investments		
Short-term deposits with financial institutions	-	100,000
Total short-term investments	**-**	**100,000**

Accounting Policy

Term deposits in bank accounts with original maturity greater than 3 months but less than 12 months are classified as short-term investments.

	2016 $'000	2015 $'000
3.1C: Trade and Other Receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	199	208
Total goods and services receivables	**199**	**208**
Other receivables		
Unbilled receivables	371	908
Interest	3,234	5,260
Other	49	75
Total other receivables	**3,654**	**6,243**
Total trade and other receivables (gross)	**3,853**	**6,451**
Less: Impairment allowance	-	-
Total trade and other receivables (net)	**3,853**	**6,451**
Receivables are expected to be recovered		
No more than 12 months	3,853	6,451
Total trade and other receivables (net)	**3,853**	**6,451**
Receivables are aged as follows		
Not overdue	3,853	6,451
Total trade and other receivables (gross)	**3,853**	**6,451**

Credit terms for goods and services were within 30 days (2015: 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 Corporation 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 Corporation 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 attributable to the Australian Government in the statement of comprehensive income. The net gain or loss recognised in surplus attributable to the Australian Government incorporates any interest earned on the financial asset.

The Corporation had no financial assets at FVPL during the financial years ended 30 June 2016 and 2015.

AFS Financial Assets

AFS financial assets include equity investments and debt securities. 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 Corporation evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Corporation is unable to trade these financial assets due to inactive markets, the Corporation 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 Corporation 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 Corporation had no HTM investments during the financial years ended 30 June 2016 and 2015.

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 Corporation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Effective Interest Method

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

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

Impairment of Financial Assets

Financial assets held at amortised cost

The Corporation is required to ascertain the extent to which its loans are likely to be recoverable. Given the risk position that may be assumed by the Corporation in its various loans (e.g. senior debt, unsecured debt, 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 Corporation will not fully recover 100% of the principal relating to all the loans it makes, although the Corporation has not identified any individual loans that are not expected to be recoverable at the reporting date.

At the end of each reporting period the Corporation 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 Corporation 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 Corporation, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Corporation 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 Corporation 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 Corporation 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 Corporation's loans are early in their life (of what can be 10+ year fixed terms) and the Corporation does not have a history from which to ascertain the likely extent of ultimate defaults and consequential losses. Therefore, in accordance with Australian banking industry practice, the Corporation 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 Corporation'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. Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of

(i) the contractual cash flows of the assets in the group; and

(ii) historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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 Corporation has adopted 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) 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 CEFC portfolio as well as specific model and data limitations. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation 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.

	2016 $'000	2015 $'000
3.1D: Loans and Advances		
Gross funded loans	411,795	332,752
Concessional loan discount on drawn loans	(6,651)	(7,045)
Funded loans, net of concessionality discount	**405,144**	**325,707**
Less impairment allowance	**(2,919)**	**(2,836)**
Net loans and advances	**402,225**	**322,871**
Maturity analysis loans and advances, net of concessionality:		
Overdue - impaired	2,692	3,431
Due in 1 year	74,727	32,925
Due in 1 year to 5 years	315,522	238,688
Due after 5 years	12,203	50,663
Funded loans, net of concessionality discount	**405,144**	**325,707**
Less impairment allowance	**(2,919)**	**(2,836)**
Net loans and advances	**402,225**	**322,871**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2016 was for an amount of $63.5 million (2015: $67.7 million). The following table shows the diversification of investments in the loan portfolio at 30 June 2016:

	2016			2015		
	No. of Loans	**Loan Value $'000**	**%**	**No. of Loans**	**Loan Value $'000**	**%**
<$10 million	70	69,807	17%	59	40,655	13%
$10 - $30 million	2	32,230	8%	2	45,624	14%
$30 - $50 million	6	239,631	59%	3	121,689	37%
$50 - $80 million	1	63,476	16%	2	117,739	36%
Total loans and advances, net of concessionality discount	**79**	**405,144**	**100%**	**66**	**325,707**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June 2016 by credit quality. Since the loans made by the Corporation 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 Corporation 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).

	2016		2015	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	110,679	27%	39,135	12%
A- to A+	1,966	0%	6,751	2%
BBB- to BBB+	124,485	31%	59,273	18%
BB- to BB+	157,584	39%	195,286	60%
B- to B+	10,430	3%	25,262	8%
Total loans and advances, net of concessionality discount	**405,144**	**100%**	**325,707**	**100%**

Impairment allowance

	2016 $'000	2015 $'000
Reconciliation of the Impairment Allowance: Movements in relation to loans and receivables		
As at 1 July	2,836	604
Increase recognised in write-down and impairment of assets	83	2,232
Closing balance at 30 June	**2,919**	**2,836**

	2016 $'000	2015 $'000
3.1E: Available For-Sale-Financial Assets		
Quoted:		
Debt securities	276,973	75,902
Equities	568	1,125
	277,541	**77,027**
Unquoted:		
Equities	153	30
	153	**30**
Total AFS financial assets	**277,694**	**77,057**

Concentration of risk and impairment – AFS financial assets

Equity investments are amounts held by way of shares in publicly-listed entities or units in unincorporated unit trust structures. During the 2016 financial year, no permanent diminution was recognised in the value of AFS financial assets (2015: $39,000).

	2016 $'000	2015 $'000
3.1F: Other Financial Assets		
Restricted deposit accounts with financial institutions	306,594	597,875
Total other financial assets	**306,594**	**597,875**

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 Corporation as they are contractually restricted to funding committed credit facilities and committed investments at call. Accordingly, the maturity analysis shown below is the anticipated maturity date at which the funds are expected to be repaid to the Corporation.

	2016 $'000	2015 $'000
Maturity analysis for other financial assets (gross)		
Due in 1 year	1,945	57,226
Due in 1 year to 5 years	142,277	198,687
Due after 5 years	162,372	341,962
Total other financial assets	**306,594**	**597,875**

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 Corporation 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 A+. 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 2016 by credit quality using the Corporation's SCR methodology:

	2016		2015	
	$'000	%	$'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	18,360	6%	-	-%
A- to A+	-	-%	-	-%
BBB- to BBB+	194,824	63%	206,317	35%
BB- to BB+	48,410	16%	246,558	41%
B- to B+	-	-%	20,000	3%
Unrated - equity investments	45,000	15%	125,000	21%
Total restricted deposit accounts	**306,594**	**100%**	**597,875**	**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 2016 (2015: $Nil).

3.2: Non-Financial Assets

	Other property, plant & equipment $'000	Computer software $'000	Total $'000
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 2016			
As at 1 July 2015			
Gross book value	1,474	560	2,034
Accumulated depreciation and amortisation	(1,160)	(222)	(1,382)
Total as at 1 July 2015	**314**	**338**	**652**
Additions:			
By purchase or internally developed	971	441	1,412
Depreciation and amortisation expense	(264)	(270)	(534)
Disposals:			
Gross book value	(182)	(215)	(397)
Accumulated depreciation and amortisation	182	215	397
Total as at 30 June 2016	**1,021**	**509**	**1,530**
Total as at 30 June 2016 represented by:			
Gross book value	2,263	786	3,049
Accumulated depreciation and amortisation	(1,242)	(277)	(1,519)
Total as at 30 June 2016	**1,021**	**509**	**1,530**

	Other property, plant & equipment $'000	Computer software $'000	Total $'000
Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2015			
As at 1 July 2014			
Gross book value	1,358	172	1,530
Accumulated depreciation and amortisation	(935)	(144)	(1,079)
Total as at 1 July 2014	**423**	**28**	**451**
Additions:			
By purchase or internally developed	268	388	656
Depreciation and amortisation expense	(377)	(78)	(455)
Disposals:			
Gross book value	(152)	-	(152)
Accumulated depreciation and amortisation	152	-	152
Total as at 30 June 2015	**314**	**338**	**652**
Total as at 30 June 2015 represented by:			
Gross book value	1,474	560	2,034
Accumulated depreciation and amortisation	(1,160)	(222)	(1,382)
Total as at 30 June 2015	**314**	**338**	**652**

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.

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 Corporation where an obligation exists to restore premises to original condition. These costs are included in the value of the Corporation's leasehold improvements with a corresponding provision for the 'make good' recognised.

The Corporation'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 amount of the assets do not differ materially from their fair values. As at 30 June 2016, the carrying amount of property, plant and equipment approximates their fair value.

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

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

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Corporation 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 license expires or when no further future economic benefits are expected from its use or disposal.

	2016 $'000	2015 $'000
3.2B: Prepayments		
Prepayments	539	515
Total prepayments	**539**	**515**
Total prepayments expected to be recovered:		
No more than 12 months	224	125
More than 12 months	315	390
Total prepayments	**539**	**515**

3.3: Payables and Unearned Income

	2016 $'000	2015 $'000
3.3A: Suppliers		
Trade creditors and accruals	1,324	1,617
Total suppliers	**1,324**	**1,617**
Suppliers expected to be settled:		
No more than 12 months	1,324	1,617
Total suppliers	**1,324**	**1,617**

Settlement of supplier balances was usually made within 30 days.

	2016 $'000	2015 $'000
3.3B: Unearned Income		
Unearned establishment and commitment fees income	5,536	6,530
Unearned income expected to be recognised:		
No more than 12 months	1,169	1,400
More than 12 months	4,367	5,130
Total unearned income	**5,536**	**6,530**

	2016 $'000	2015 $'000
3.3C: Other Payables		
Wages and salaries	3,820	2,618
Superannuation	92	65
FBT liability	4	3
Lease liability	506	14
Other	166	304
Total other payables	**4,588**	**3,004**
Other payables expected to be settled:		
No more than 12 months	3,844	2,778
More than 12 months	744	226
Total other payables	**4,588**	**3,004**

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.

There are no outstanding financial liabilities at FVPL as at reporting dates.

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 de-recognised 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 de-recognition 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 loans $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
As at 1 July 2015	**10,233**	**129**	**498**	**10,860**
Additional provisions made	6,836	-	-	6,836
Amounts reversed	-	-	(178)	(178)
Offset to loans and advances	(4,083)	-	-	(4,083)
Total at 30 June 2016	**12,986**	**129**	**320**	**13,435**

	2016 $'000	2015 $'000
Other provisions expected to be settled:		
No more than 12 months	5,362	1,799
More than 12 months	8,073	9,061
Total other provisions	**13,435**	**10,860**

Note 4: Funding

This section identifies the Corporation'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. In prior years, the CEFC Special Account was maintained by the Department of the Treasury, however, due to a Machinery of Government change during the 2015-16 financial year, responsibility for the Corporation was transferred from the Department of the Treasury to the Department of the Environment and Energy.

	2016 $'000	2015 $'000
Appropriations credited to the CEFC Special Account maintained by the Department of the Environent 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	-	-
Funds returned during the year as an equity return to the CEFC Special Account maintained by the Department of the Environment and Energy	(60,000)	(50,600)

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 (in prior years the Department of the Treasury) 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.

In accordance with an instruction received from the Australian Government, as part of a restructuring of administrative arrangements, another Australian Government controlled entity – Low Carbon Australia Limited - relinquished the following net assets to the CEFC for $Nil consideration and was de-registered as of 17 December 2014.

A summary of the assets acquired and liabilities assumed follows:

	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	-	18,398
Net assets received	**-**	**18,398**

A summary of the assets acquired and liabilities assumed follows:

	2016 $'000	2015 $'000
Summary of Contributed Equity		
Opening balance – 1 July	1,168,363	1,200,565
Return of equity to CEFC Special Account	(60,000)	(50,600)
Net Assets received from restructuring of administrative arrangements	-	18,398
Closing contributed equity balance – 30 June	**1,108,363**	**1,168,363**

4.2: Cash Flow Reconciliation

	2016 $'000	2015 $'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per:		
Cash flow statement	232,778	149,577
Statement of financial position	232,778	149,577
Difference	**-**	**-**
Reconciliation of net cost of services to net cash from operating activities		
Net contribution from services	21,137	31,155
Adjustments for non-cash items		
Depreciation and amortisation	534	455
Concessional loan charge	6,876	1,392
Impairment	83	2,271
Provision for irrevocable commitments	(178)	266
Capitalised interest and fees on loans	(4,707)	(3,147)
Amortisation of concessional loan discount	(2,011)	(1,508)
Interest on make good	-	6
Gain on elimination of make good	-	(139)
Distribution from equity investment	(21)	(14)
Shares received for non-cash consideration	(200)	-
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	2,929	590
(Increase) / decrease in prepayments and other assets	(24)	75
Liabilities		
Increase / (decrease) in employee provisions	321	279
Increase / (decrease) in supplier payables	108	311
Increase / (decrease) in unearned income	(994)	549
Increase / (decrease) in other payables	1,091	(296)
Net cash from operating activities	**24,944**	**32,245**

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

	2016 $'000	2015 $'000
Annual and long service leave	1,199	878
Total employee provisions	**1,199**	**878**
Employee provisions expected to be settled:		
No more than 12 months	627	466
More than 12 months	572	412
Total employee provisions	**1,199**	**878**

5.2: Senior Management Personnel Remuneration

	2016 $	2015 $
Short-term employee benefits		
Salary	2,079,796	2,158,013
Performance bonuses	547,285	655,817
Retention bonuses	299,334	283,349
Redundancy payments	345,129	-
Travel allowances	20,800	17,600
Annual leave accrued	1,669	45,140
Motor vehicle and other allowances	-	1,083
Total short-term employee benefits	**3,294,013**	**3,161,002**
Post-employment benefits		
Superannuation	105,008	94,298
Total post-employment benefits	**105,008**	**94,298**
Other long-term employee benefits		
Long service leave	8,527	45,750
Total other long-term employee benefits	**8,527**	**45,750**
Total senior management personnel remuneration expenses	**3,407,548**	**3,301,050**

The total number of senior management personnel that are included in the above table are 8 (2015:5).

5.3: Directors' Remuneration

	2016 No.	2015 No.
The number of non-executive directors of the Corporation included in these figures are shown below in the relevant remuneration bands:		
$ 0 to $29,999	1	-
$30,000 to $59,999	5	6
$60,000 to $89,999	-	-
$90,000 to $119,999	1	1
Total	**7**	**7**

	2016 $	2015 $
Total remuneration received or due and receivable by non-executive directors of the Corporation	**411,923**	**448,512**

The Corporation has no executive directors.

5.4: Related Party Disclosures

Transactions with Directors or Director-Related Entities

The following table provides the total amount of transactions that were entered into with director-related parties during the financial year ended 30 June 2016. The directors involved took no part in the relevant decisions of the Board.

Director	Related Party	Transaction	Year	Purchase from Related Party $'000	Receipt from Related Party $'000
Martijn Wilder AM	Baker & McKenzie	Legal advice	2016	6	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2015	7	-

Mr Wilder is also the chairman of the Australian Renewable Energy Agency ('ARENA') and was the chairman of Low Carbon Australia Limited ('LCAL').

Transactions with Other Related Entities

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2016:

Low Carbon Australia Limited:

As part of a restructuring of administrative arrangements, LCAL relinquished net assets totalling $Nil (2015: $18,398,000) to the Corporation for $Nil consideration. This was recognised by CEFC as an equity contribution. The distribution of net assets from LCAL was undertaken in accordance with the wind-up provisions in the Constitution of that entity and details of the net assets transferred have been included in Note 4.1 – Contributed Equity.

Note 6: Managing Uncertainties

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

6.1: Contingent Assets and Liabilities

Quantifiable Contingencies

The Corporation had no significant quantifiable contingencies as at 30 June 2016 or 2015.

Unquantifiable Contingencies

At 30 June 2016 and 2015 the Corporation 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 Corporation 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

	2016 $'000	2015 $'000
6.2A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	232,778	149,577
Total cash and cash equivalents	**232,778**	**149,577**
Loans and receivables		
Trade and other receivables	3,853	6,451
Short-term investments	-	100,000
Loans and advances	402,225	322,871
Other financial assets	306,594	597,875
Total loans and receivables	**712,672**	**1,027,197**
AFS financial assets		
Debt	276,973	75,902
Equity securities	721	1,155
Total AFS financial assets	**277,694**	**77,057**

	2016 $'000	2015 $'000
Carrying amount of financial assets	**1,223,144**	**1,253,831**
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	1,324	1,617
Other	166	304
Total at amortised cost	**1,490**	**1,921**
At fair value		
Provision for concessional loans	12,986	10,233
Total at fair value	**12,986**	**10,233**
Total financial liabilities	**14,476**	**12,154**
Carrying amount of financial liabilities	**14,476**	**12,154**

	2016 $'000	2015 $'000
6.2B: Net Gains on Financial Assets		
Cash and cash equivalents		
Interest from cash and short-term investments	7,536	12,711
Interest from other financial assets	12,209	15,932
Net gains on cash and cash equivalents	**19,745**	**28,643**
Loans and receivables		
Interest income and fees	24,910	22,826
Unwind of concessional loan discount	2,011	1,508
Net gains on loans and receivables	**26,921**	**24,334**
AFS financial assets		
Interest income from debt securities	4,347	1,642
Distributions from equity investments	30	19
Net gains on AFS financial assets	**4,377**	**1,661**
Net gains on financial assets	**51,043**	**54,638**

The total interest income from financial assets not at fair value through profit or loss was $51,043,000 (2015: $54,638,000).

	2016 $'000	2015 $'000
6.2C: Net losses on Financial Liabilities		
Financial liabilities - at amortised cost		
Interest expense	-	6
Net losses on financial liabilities - at amortised cost	**-**	**6**
Net losses on financial liabilities	**-**	**6**

The total interest expense from financial liabilities not at fair value through profit or loss was $Nil (2015: $6,000).

6.2D: Credit Risk

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

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

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

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

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

	Note	Not past due nor impaired 2016 $'000	Not past due nor impaired 2015 $'000	Past due or impaired 2016 $'000	Past due or impaired 2015 $'000	Total 2016 $'000	Total 2015 $'000
Cash and cash equivalents	3.1A	232,778	149,577	-	-	232,778	149,577
Short-term investments	3.1B	-	100,000	-	-	-	100,000
Trade and other receivables	3.1C	3,853	6,451	-	-	3,853	6,451
Loans and advances	3.1D	402,452	322,276	2,692	3,431	405,144	325,707
AFS financial assets	3.1E	277,694	77,057	-	-	277,694	77,057
Other financial assets	3.1F	306,594	597,875	-	-	306,594	597,875
Total financial assets		**1,223,371**	**1,253,236**	**2,692**	**3,431**	**1,226,063**	**1,256,667**
Committed credit facilities	6.5	789,206	704,245	-	-	789,206	704,245
Total Commitments		**789,206**	**704,245**	**-**	**-**	**789,206**	**704,245**
Total credit risk exposure		**2,012,577**	**1,957,481**	**2,692**	**3,431**	**2,015,269**	**1,960,912**

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.

Ageing of financial assets that were past due but not impaired for 2016

The Corporation had no amounts past due but not impaired at 30 June 2016 (2015: $Nil).

6.2E: Liquidity Risk

The Corporation'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 Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Corporation has significant cash balances, all invested short-term, access to government funding, and internal policies and procedures in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2016

	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	-	1,324	-	-	-	1,324
Provision for concessional loans	-	5,362	950	6,674	-	12,986
Other	-	166	-	-	-	166
Total	**-**	**6,852**	**950**	**6,674**	**-**	**14,476**

Maturities for non-derivative financial liabilities 2015

	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	-	1,617	-	-	-	1,617
Provision for concessional loans	-	1,670	2,773	5,790	-	10,233
Other	-	304	-	-	-	304
Total	**-**	**3,591**	**2,773**	**5,790**	**-**	**12,154**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC Special Account that is to be funded in an amount of $2 billion per annum for each of the 5 years commencing 1 July 2013. The Corporation has drawn amounts totalling $1,462.8 million from this Special Account to fund its investments and has returned amounts totalling $441.8 million in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $1,021 million at 30 June 2016 (2015: $1,081 million).

6.2F: Market Risk

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

The Corporation 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.

The Corporation accounts for AFS debt securities at fair market value. A +/-10bp change in the yield of the debt securities would have approximately a $1.5 million (2015: $0.4 million) impact on the fair value at which the instruments are recorded in the statement of financial position.

6.2G: Concentration of Exposure

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

The Corporation will have a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same), with at least 50% of its investment in the renewables sector.

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

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 2016				2016 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	257,541	20,000	153	277,694	277,694
Financial assets for which fair value is disclosed					
Loans and advances	-	261,000	164,000	425,000	402,225
Total for financial assets	**257,541**	**281,000**	**164,153**	**702,694**	**679,919**
Financial liabilities at fair value					
Provision for concessional loans	-	-	12,986	12,986	12,986
Total for financial liabilities	**-**	**-**	**12,986**	**12,986**	**12,986**

There was no transfer between levels.

	Fair Value at 30 June 2015				2015 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	77,027	-	30	77,057	77,057
Financial assets for which fair value is disclosed					
Loans and advances	-	235,000	115,000	350,000	322,871
Total	**77,027**	**235,000**	**115,030**	**427,057**	**399,928**
Financial liabilities at fair value					
Provision for concessional loans	-	-	10,233	10,233	10,233
Total for financial liabilities	**-**	**-**	**10,233**	**10,233**	**10,233**

There was no transfer between levels.

Accounting Policy

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

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

The principal or the most advantageous market must be accessible to the Corporation. 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 Corporation 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 Corporation 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:

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 equity 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 Corporation 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 3.1D: Loans and Advances. These SCR's 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 Corporation 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 3.1D: Loans and Advances and these SCR's 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

	2016 $'000	2015 $'000
Loan Portfolio		
Nominal value	173,978	123,165
Less principal repayment	(11,276)	(6,729)
Less unexpired discount	(7,857)	(7,044)
Less impairment allowance	(1,008)	(1,336)
Carrying value of concessional loans	**153,837**	**108,056**

6.5: Committed Credit Facilities

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

	2016 $'000	2015 $'000
Committed credit facilities	514,206	499,245
Committed investments at call	275,000	205,000
Total committed credit facilities as per commitments note	**789,206**	**704,245**

At 30 June 2016 the Corporation had entered into agreements to provide loan advances totalling $45 million and purchase corporate bonds totalling $150 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 2016 there was approximately $4.2 million of possible future concessional loan 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.

Note 7: Other Information

7.1: Reporting of Outcomes

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

	Outcome 1 2016 $'000	Outcome 1 2015 $'000	Total 2016 $'000	Total 2015 $'000
Departmental				
Expenses	29,750	23,622	29,750	23,622
Own-source income	50,887	54,777	50,887	54,777
Net return from outcome delivery	**21,137**	**31,155**	**21,137**	**31,155**

7.2: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original budget as presented in the 2015-16 Treasury Portfolio Budget Statements (PBS) to the 2015-16 final outcome as presented in accordance with AAS for the Corporation. The Budget is not audited.

7.2A: Budgetary Reports

The budgeted financial statements for 2015-16 were prepared on the basis of the Australian Government's intention to abolish the CEFC. Legislation to abolish the CEFC and transfer the CEFC's existing assets and liabilities to the Commonwealth was before Parliament at that time. Given the uncertainty regarding the timing of the passage of legislation, the budgeted financial statements assumed the CEFC was to be abolished from 1 July 2015. Accordingly, the 2015-16 Budget assumed:

- no new investments would be entered into by the CEFC post 30 June 2015;
- revenue from those contracts planned to be executed prior to 30 June 2015 was forecast to continue through the life of the investments (including revenue associated with the unwind of previously recorded concessionality charges);
- no additional concessionality charges were forecast to be incurred (consistent with the assumption of no new investments being entered into by the CEFC post 30 June 2015);
- all operational expenses (employee benefits and supplier costs) were anticipated to cease effective 30 June 2015;
- an allowance for possible loan impairment was provided in each period of the forward estimates in relation to the existing investment portfolio; and
- all outstanding liabilities to suppliers and employees were assumed to be settled at 30 June 2015.

The Corporation was not abolished at 1 July 2015, and therefore has continued to fulfil its obligation to invest in accordance with the CEFC Act. There has been no material change in the approach of the Corporation or the operations of the Corporation during the 2015-16 financial year, and as a consequence there are a large number of material variances to a budget that was based on assumption of abolition on the first day of the financial period. In explaining variances to the budget, the Corporation has therefore focussed on those items which are considered of most significance to the operations of the CEFC.

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	17,570	9,435	8,135
Suppliers	4,865	3,764	1,101
Depreciation and amortisation	534	624	(90)
Concessional loan charges	6,876	-	6,876
Write-down and impairment of assets	83	4,761	(4,678)
Provision for irrevocable loan commitments	(178)	-	(178)
Total expenses	**29,750**	**18,584**	**11,166**
Own-Source Income			
Own-source revenue			
Interest and loan fee revenue	51,013	49,250	1,763
Other revenue	30	-	30
Total own-source revenue	**51,043**	**49,250**	**1,793**
Gains			
Other (losses) / gains	(156)	-	(156)
Total (losses) / gains	**(156)**	**-**	**(156)**
Total own-source income	**50,887**	**49,250**	**1,637**
Net contribution by / (cost of) services	**21,137**	**30,666**	**(9,529)**
Revenue from Australian Government	-	-	-
Surplus from continuing operations	**21,137**	**30,666**	**(9,529)**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets	5,885	-	5,885
Total other comprehensive income	**5,885**	**-**	**5,885**
Total comprehensive income	**27,022**	**30,666**	**(3,644)**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	232,778	-	232,778
Trade and other receivables	3,853	2,991	862
Loans and receivables at amortised cost	402,225	530,115	(127,890)
Available for sale financial assets	277,694	118,045	159,649
Other financial assets	306,594	330,033	(23,439)
Total financial assets	**1,223,144**	**981,184**	**241,960**
Non-financial Assets			
Property, plant and equipment	1,021	269	752
Computer software	509	177	332
Prepayments	539	-	539
Total non-financial assets	**2,069**	**446**	**1,623**
Total assets	**1,225,213**	**981,630**	**243,583**
LIABILITIES			
Payables and unearned income			
Suppliers	1,324	-	1,324
Unearned income	5,536	7,364	(1,828)
Other payables	4,588	-	4,588
Total payables and unearned income	**11,448**	**7,364**	**4,084**
Provisions			
Employee provisions	1,199	-	1,199
Other provisions	13,435	-	13,435
Total provisions	**14,634**	**-**	**14,634**
Total liabilities	**26,082**	**7,364**	**18,718**
Net assets	**1,199,131**	**974,266**	**224,865**
EQUITY			
Contributed equity	1,108,363	879,819	228,544
Reserves	7,023	2,793	4,230
Retained surplus	83,745	91,654	(7,909)
Total equity	**1,199,131**	**974,266**	**224,865**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Changes in Equity

for the period ended 30 June 2016

	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 period	62,608	60,988	1,620	1,138	2,793	(1,655)	1,168,363	1,168,362	1	1,232,109	1,232,143	(34)
Comprehensive income												
Surplus for the period	21,137	30,666	(9,529)	-	-	-	-	-	-	21,137	30,666	(9,529)
Other comprehensive income	-	-	-	5,885	-	5,885	-	-	-	5,885	-	5,885
Total comprehensive income	**21,137**	**30,666**	**(9,529)**	**5,885**	**-**	**5,885**	**-**	**-**	**-**	**27,022**	**30,666**	**(3,644)**
Transactions with owners												
Distributions to owners												
Return of equity to Special Account	-	-	-	-	-	-	(60,000)	(288,543)	228,543	(60,000)	(288,543)	228,543
Contributions by owners												
Equity injection from Special Account	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(60,0000)**	**(228,543)**	**228,543**	**(60,000)**	**(288,543)**	**228,543**
Closing balance as at 30 June	**83,745**	**91,654**	**(7,909)**	**7,023**	**2,793**	**4,230**	**1,108,363**	**879,819**	**228,544**	**1,199,131**	**974,266**	**224,865**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Cash Flow Statement

for the period ended 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	45,254	44,925	329
Distributions from equity investments	9	-	9
Total cash received	**45,263**	**44,925**	**338**
Cash used			
Employees	16,186	9,434	6,752
Suppliers	4,133	7,611	(3,478)
Total cash used	**20,319**	**17,045**	**(3,274)**
Net cash from operating activities	**24,944**	**27,880**	**(2,936)**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	133,680	204,349	(70,669)
Redemption of short-term investments	200,000	100,000	100,000
Redemption of other financial assets	453,226	166,836	286,390
Redemption of AFS financial assets	434	-	434
Total cash received	**787,340**	**471,185**	**316,155**
Cash used			
Purchase of property, plant and equipment	971	-	971
Purchase of computer software	452	-	452
Loans made to other parties	208,015	219,986	(11,971)
Purchase of AFS financial assets	197,645	20,000	177,645
Purchase of short-term investments	100,000	-	100,000
Acquisition of other financial assets	162,000	-	162,000
Total cash used	**669,083**	**239,986**	**429,097**
Net cash from investing activities	**118,257**	**231,199**	**(112,942)**
FINANCING ACTIVITIES			
Cash used			
Return of equity	60,000	288,543	(228,543)
Total cash used	**60,000**	**288,543**	**(228,543)**
Net cash used by financing activities	**(60,000)**	**(288,543)**	**228,543**

	Actual $'000	Budget[1] $'000	Variance[2] $'000
Net increase in cash held	**83,201**	**(29,464)**	**112,665**
Cash and cash equivalents at the beginning of the reporting period	149,577	29,464	120,113
Cash and cash equivalents at the end of the reporting period	**232,778**	**-**	**232,778**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

7.2B: Major Budget Variance for 2015-16

Affected Line Items	Explanations of Major Variances
Statement of Comprehensive Income:	
Employee Benefits	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), employee benefit costs were incurred for the full 2015-16 financial year. In order to meet the obligations of the CEFC Act, it was necessary for the Corporation to continue to employ executives and staff across all key functions including investment, legal, risk management, finance, corporate affairs, human resources, etc.
Suppliers	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), supplier costs were incurred in the normal course of operations of the Corporation for the full 2015-16 financial year.
Concessional loan charges	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), additional concessional loan charges were incurred on a number of new investments made during the 2015-16 financial year. The budget had assumed that no new investments would be made after 1 July 2015.
Write-down and impairment of assets	During the 2015-16 financial year a number of long term loans in the CEFC portfolio were refinanced by the private sector. The loans that were refinanced tended to be the higher yielding facilities, but consequently also the higher risk facilities, including a significant portion of sub-debt. In addition, the Corporation has invested in a higher proportion of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value rather than amortised cost. With the removal of certain higher risk facilities from the Corporation's portfolio and a larger proportion of new investments being made in AFS financial assets, the provision for impairment of assets has not had to increase at the rate forecast in the Budget.
Interest and loan fee revenue	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the budget), the Corporation continued to make new investments to generate income for the Corporation that more than offset the reduction from facilities being refinanced unexpectedly during the financial year.
Changes in gains/(losses) on AFS financial assets	As stated above, the Corporation has invested in a significant number of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value through other comprehensive income. The fall in interest rates during the 2015-16 financial year has also benefited the fair value of the AFS financial assets held by the Corporation as most of the Corporation's AFS financial assets are fixed interest rate facilities.
Statement of Financial Position:	
Cash and cash equivalents; and short term investments	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investment commitments by the Corporation.
Loans and receivables at amortised cost	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year.
Available for sale financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16. As stated above, the Corporation has invested in a larger proportion of AFS financial assets in the 2015-16 financial year, so while loans and receivables were being refinanced by the private sector, new AFS financial assets were being brought onto the Corporation's statement of financial position. The largest components of the variance to Budget in available for sale financial assets were investments made during 2015-16 in Climate Bonds issued by a major Australia bank and a corporate entity, together with longer tenor corporate bonds issued by the major banks which the Corporation acquired in conjunction with the targeted CEFC energy efficiency programs being deployed through these banks to their customers.
Other financial assets	The other financial assets are lower than Budget as new investments have been made a slower rate than the repayment of these facilities and a number have repaid more rapidly than forecast in 2015-16. This is because the Corporation has not been required to 'cash back' new loans to the same extent in 2015-16 given the greater certainty afforded through the decision by the Australian Government to retain the Corporation.
Non-financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), new property, plant & equipment and computer software additions were purchased to enable the Corporation to continue operating effectively. Prepayments were also incurred in the normal course of operations.
Payables and unearned income	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), payables and unearned income both continued to be generated in the normal course of operations of the Corporation and remained outstanding at 2015-16 financial year.
Other provisions	The variance to Budget in other provisions is due to the status of various investments in the Corporation's portfolio at 30 June 2016. Once an investment draws-down, the provision for concessionality is classified as an offset to the loan and receivable. In preparing a budget it is not possible to anticipate exactly at what stage each investment will be at at any given point in time.

Affected Line Items	Explanations of Major Variances
Contributed equity	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by the Department of the Environment and Energy were lower than budgeted.
Retained surplus	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), it continued to incur costs associated with operations. The assumption in the Budget was that the Corporation would continue to generate income for the full year but the associated costs of managing the portfolio were not included in the Budget.
Statement of Changes in Equity:	
Reserves	Since the Corporation was not abolished on 30 June 2015 (as anticipated in the Budget), it has invested in a significant number of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value through other comprehensive income and reserves in the Statement of Financial Position. The fall in interest rates during the 2015-16 financial year has also benefited the fair value of the AFS financial assets held by the Corporation as most of the Corporation's AFS financial assets are fixed interest rate facilities.
Contributed equity	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by the Department of the Environment and Energy were lower than budgeted. The only return of equity in 2015-16 was an amount of $60 million from investments that had been realised during the normal course of operations.
Cash Flow Statement:	
Employees	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), employees were retained in the Corporation and employment related payments were made throughout the 2015-16 financial year in the normal course of the Corporation fulfilling its investment obligations under the CEFC Act.
Suppliers	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), supplier costs were paid throughout the 2015-16 financial year for costs associated with operating the Corporation in the normal course.
Redemption of other financial assets; and acquisition of other financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16 and this is reflected in the redemption and acquisition of other financial assets in the Cash Flow Statement.
Principal loan repayments received	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year.
Loans made to other parties	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year. This resulted in lower than budgeted draw-downs against contracted facilities for the year.

Affected Line Items	Explanations of Major Variances
Purchase of AFS financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16. A greater proportion of these new investments in 2015-16 involved the purchase of AFS financial assets.
Redemption of short-term investments; and purchase of short-term investments	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were used to fund short-term investments and then subsequently redeemed by the Corporation to funds loans made to other parties, purchases of AFS financial assets and acquisitions of other financial assets.
Return of equity; and cash and cash equivalents at the beginning of the reporting period	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investment commitments by the Corporation.

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APPENDIX A

INDEX OF ANNUAL REPORTING REQUIREMENTS FOR THE CEFC

As a Commonwealth statutory authority, the CEFC has a range of annual reporting requirements set by legislation, subordinate legislation and reporting guidelines. These are explained in Figure 39.

Figure 39: Index of CEFC annual reporting requirements

Index of *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) Annual Reporting Requirements

Statutory Requirement	Legislation Reference	Section	Page Reference
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	46-9
Board statement of compliance of performance report with section 39 of the PGPA Act	PGPA Act, section 39 PGPA Rule, section 16F	1	46
Annual financial statements for Commonwealth entities	PGPA Act, sections 42 and 43(4) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* Australian Accounting Standards	3	123-177
Board statement of compliance on the financial statements with section 42(2) of the PGPA Act	PGPA Act, section 42	3	126
Parliamentary standards of presentation	PGPA Rule, section 17BC	All of the report	All
Plain English and clear design, including glossary	PGPA Rule, section 17BD	All of the report	All Glossary at 201
Details of the legislation establishing the body	PGPA Rule, section 17BE(a)	2	101
Summary of the objects and functions of the entity as set out in the legislation	PGPA Rule, section 17BE(b)(i)	2	101-2, 133
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	78
Names and titles of responsible Ministers	PGPA Rule, section 17BE(c)	2	81
Directions given to the entity by a Minister under an Act or instrument	PGPA Rule, section 17BE(d)	2	81-2, 103-4
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	82
Particulars of non-compliance with a Ministerial direction or a Government Policy Order	PGPA Rule, section 17BE(f)	2	82
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 – there were no incidents of significant non-compliance reported under s19(1)(e) of the PGPA Act	N/A
Information on the Board and Board members	PGPA Rule, section 17BE(j)	2, 3	84-92, 160
Outline of the organisational structure	PGPA Rule, section 17BE(k)	2	78-80
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	78-121
Related entities, transactions and decision making process	PGPA Rule, sections 17BE(n)and (o)	2, 3	117-8, 160
Any significant activities and changes that affected the operations or structure	PGPA Rule, section 17BE(p)	2	103-8
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	108

Statutory Requirement	Legislation Reference	Section	Page Reference
Particulars of any report on the entity given during the period by: (i) the Auditor General, other than a report under section 43 of the PGPA Act; or (ii) a Committee of either House, or of both Houses, of the Parliament; or (iii) the Commonwealth Ombudsman; or (iv) the Office of the Australian Information Commissioner	PGPA Rule, section 17BE(r)	2	108
Information from subsidiaries	PGPA Rule, section 17BE(s)	Not applicable. The CEFC had no subsidiaries in the reporting period	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Rule, section 17BE(t)	2	118
Index identifying where the requirements of section 17BE of the PGPA Rule are to be found	PGPA Rule, section 17BE(u)	This is the index	180-3
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	30-1
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	30-1
Concessions given by the Corporation	CEFC Act, section 74(1)(d)	3	168
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	170-4
Remuneration and allowances of Board members and senior staff	CEFC Act, section 74(1)(f)	2, 3	92-9, 159-160
Operating costs and expenses	CEFC Act, section 74(1)(g)	3, APPENDIX E	137-141, 170-4, 195-8
Benchmark report of operating costs and expenses of other comparable entities	CEFC Act, section 74(1)(h)	APPENDIX E	195-8
Procurement contracts of more than $80,000	CEFC Act, section 74(1)(i)	2	119-120

Statutory Requirement	Legislation Reference	Section	Page Reference
Credits and debits to the CEFC Special Account	CEFC Act, section 74(1)(j)	2, 3	105, 156-8
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)	Not applicable – there were no subsidiaries existing in the financial year	N/A
Other Statutory Annual Reporting Requirements			
Equal Employment Opportunity annual program report	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987, section 9*	APPENDIX B	184-6
Work Health and Safety annual report	*Work Health and Safety Act 2011*, Schedule 2, Part 4, section 4	APPENDIX D	192-4
Environment Protection and Biodiversity Conservation annual report	*Environment Protection and Biodiversity Conservation Act 1999*, section 516A	APPENDIX C	187-191

APPENDIX B

EQUAL EMPLOYMENT OPPORTUNITY

REPORTING PERIOD

The CEFC first attracted obligations under the *Equal Employment Opportunity (Cth Authorities) Act 1987* (EEO Act) from 17 April 2013, when it was created, and has since reported its EEO obligations annually. Accordingly, the previous EEO report covered 17 April 2014 to 16 April 2015 inclusive.

For the future, we will align our EEO reporting period with that of the Annual Report (i.e. 1 July to 30 June inclusive). In preparation for this alignment, this EEO report covers 17 April 2015 to 30 June 2016. All future EEO reports will align with full financial year reporting.

EEO POLICY AND PROGRAM

The CEFC is committed to developing and supporting positive working relationships and a healthy and safe workplace where all individuals are equally able to contribute to the success of the Corporation and to develop their careers.

In its first year of operation, the CEFC developed an EEO policy and program to ensure that individuals are employed, trained and promoted fairly, on merit, without discrimination and harassment, and that our staff reflect the diverse nature of the Australian community. The policy and program addresses the potential disadvantage that may be present in the workplace by, for example, age, gender, race, religion, sexual orientation, disability, pregnancy and/or marital status.

The CEFC EEO focus is to support equal participation through education and diversity initiatives that ensure employees are treated equally and their differences valued and respected in the workplace, while helping the CEFC to achieve its broad business benefit.

The EEO program was developed to include:

- clear EEO objectives and indicators against which the effectiveness of the program is to be assessed
- a methodology for the annual collection, recording and publication of employee statistics, broken down into the areas of employee gender and employees belonging to "designated groups"[1] as defined in the EEO Act and regulations
- assurances for annual, regular assessment of policies to identify discrimination against women or persons in designated groups
- assurances that employees are informed about the contents of the program and the results of any monitoring and evaluation procedures
- consultation with employees, particularly employees who are women or persons within the designated groups.

[1] **According to the EEO Act, section 3, the following are considered designated groups:**

(a) members of the Aboriginal race of Australia or persons who are descendants of indigenous inhabitants of the Torres Strait Islands;

(b) persons who have migrated to Australia and whose first language is not English, and the children of such persons;

(c) persons with a physical or mental disability;

(d) any other class of persons prescribed by the regulations for the purposes of this definition.

IMPLEMENTATION OF THE EEO POLICY AND PROGRAM

The CEFC became subject to EEO reporting when the transfer of assets and employees from the former Commonwealth company Low Carbon Australia Limited triggered classification of the CEFC as a "relevant authority" under section 3 of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, with effect 17 April 2013.

In its first year of operation, the CEFC established its policies and procedures, ensuring these were underpinned by EEO principles, and embedded them 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 harassment
- a Code of Conduct and Ethics
- the *Public Interest Disclosure Act 2013*
- annual workplace training for employees on the legal requirements of the Corporation's operating context, including workplace health, safety and conduct, EEO principles, anti-discrimination and workplace harassment
- induction training for all new employees that incorporates workplace conduct, EEO principles, anti-discrimination and workplace harassment
- introduction of the CEFC paid parental leave scheme, which provides a more generous parental leave payment than the legislated scheme.

Since implementation, the Corporation has not identified any policies or practices that discriminate against, or any patterns of lack of equality of opportunity in respect of women or designated groups under the EEO Act. Analysis of CEFC statistics indicate that there have been no material changes to this position since the previous reporting period ending 17 April 2015.

MONITORING AND EVALUATION OF THE EEO POLICY AND PROGRAM

The effectiveness of the EEO Policy and Program is reviewed on a regular basis, and the following improvements were made in the reporting period.

Flexible work arrangements

As flexible work options are embedded within the National Employment Standards, the Corporation's emphasis has been to ensure the Corporation's work practices and resources actively support employee flexibility, including working from home or from any of the Corporation's three office locations.

Of the Corporation's 69 employees, 11 (16%) use approved flexible working arrangements, including part-time hours and/or working from home. This is an increase from five employees (7%) who used approved flexible working arrangements in the previous reporting period. Employees who do not have approved regular arrangements are encouraged to use flexible work arrangements on an ad-hoc basis to help them more effectively balance their personal and work commitments.

During 2015-16, the Corporation actively focused on recruiting for business-critical functions to ensure appropriate support for every role within the CEFC. This has reduced key-person dependency and supported increased flexibility for employees.

Paid parental leave

The Corporation identified that its paid parental leave scheme, whilst more generous than the Australian Government scheme, was not competitive against comparable private or public sector organisations.

The scheme was reviewed against comparable organisations and the CEFC Board approved an updated approach. At the time of implementing the new scheme, the Corporation ensured that no existing employees would be worse off under the new scheme and that most employees would in fact be in a better financial position. See Figure 40.

Figure 40: Paid parental leave scheme comparison

	Previous paid parental leave scheme	New paid parental leave scheme (From June 2016)
Payment	18 weeks salary capped at a maximum of $1,143 per week	12 weeks at full salary, or 24 weeks at half salary (no $ cap)
Superannuation	Yes	Yes
Dad and partner payment	Two weeks salary capped at a maximum of $1,143 per week	Two weeks, paid at employee's usual payment rate, or four weeks at half pay

During the reporting period, three employees used the CEFC's paid parental leave scheme, one employee applied for future paid parental leave and two employees applied for future paid dad and partner parental leave.

Employee training

During the reporting period, the Corporation introduced a new online learning management system to administer employee induction training and annual compliance training.

The Corporation requires all employees to complete mandatory induction and annual training in EEO and anti-discrimination, together with training on the Corporation's Code of Conduct and Ethics, the *Public Interest Disclosure Act 2013*, workplace conduct (anti-bullying and harassment) and workplace health and safety.

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 2016, the CEFC had 69 employees, including 66 full-time equivalents (all statistics shown are headcount). This includes the CEO who is not "staff" under the CEFC Act, but rather a full-time statutory officer.

The Corporation remains at near gender equity, with 46 per cent female employees and 54 per cent male employees. This is identical to 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 one female (representing 14 per cent of the Executive team). This is an identical headcount to the previous reporting period, however the proportion has reduced from 20 per cent (one of five Executives) to 14 per cent (one of seven executives) due to the expanded Executive.

The proportion of females at the levels of Executive Director, Director and Associate Director levels decreased slightly (from 35 per cent to 34 per cent), while the proportion of females at the Manager and Analyst levels increased to 88 per cent and 50 per cent respectively. These changes reflect attrition and new hires (i.e. staff turnover). Given the small numbers involved this is not indicative of any inherent bias or discrimination within the organisation. Supporting this analysis, of the 20 new hires since the previous reporting period, 11 have been female and nine male, which is not inconsistent with the current organisational demographic.

The proportion of employees born overseas has increased marginally from 48 per cent to 49 per cent since the previous reporting period. During this period, the average age of the workforce decreased from 43 to 42. No employees identified as being indigenous or having a disability, which is unchanged since the previous reporting period. This is not significant given the headcount of 69 employees, nor demonstrative of discrimination.

APPENDIX C

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT

Under the CEFC Act, the CEFC's objective is to:

> *Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.*

The CEFC committed a record $837 million to new investments in the Australian clean energy sector in the 2015-16 financial year, contributing to projects with a total value of $2.5 billion.

The CEFC's investment commitments since its inception in 2013 is almost $2.3 billion, contributing to projects with a total value of $5.7 billion. This outcome contributes directly to the principles of Ecologically Sustainable Development (ESD).

Figure 41 details the CEFC's ESD activities in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Figure 41: ESD activities 2015-16

ESD reporting requirement	CEFC response
How 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 made by investing for an environmental outcome. 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 will lead to better valuation and pricing of finance and improved risk evaluation in the clean energy sector.

Figure 42: Environmental performance reporting

Theme	Steps taken to reduce effect	Measures to review and improve reducing the effect
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 easier control of air conditioning • centralised printing facilities, allowing for fewer high capacity multi-function devices (which have energy saving modes when not in use) • energy efficient computer monitors and laptops, which employees are encouraged to turn off each evening • sensor and LED lighting in our Sydney and Brisbane offices, which have a 5-star NABERS energy rating • an energy use dashboard in the Brisbane office to indicate energy and water consumption. The CEFC offsets all energy purchased. We are also committed to carbon offsetting all employee flights, and reducing the number of inter-office flights by using video conferencing facilities. There are no car parks associated with either the Brisbane or Sydney office leases and employees are encouraged to walk, run or cycle to work and to use public transport. No corporate car parks or corporate vehicles are provided to employees.	The CEFC is still scaling up as an organisation, in line with the growth of the business. While opportunities to improve energy efficiency are taken where available, it is not feasible to establish meaningful baselines for energy consumption for comparison while this scale up is occurring. During the 2015-16 year, we expanded our video conferencing facilities in our Brisbane and Sydney offices to reduce inter-office flight requirements. A review of our corporate policy of offsetting CO_2 emissions associated with office travel resulted in a change to our procedures. The CEFC now independently procures offsets for flights following Department of Finance changes to the Whole Of Government travel procurement provider, which resulted in "pay as you go" options no longer being available. During 2015-16, the CEFC procured 506.03 tonnes of carbon offsets to offset flights, via the Tasmanian Native Forest Protection Project.
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 • In Brisbane, a "follow me" printing system is installed to reduce paper consumption, with default printing set to double sided, black and white • 100% recycled printer paper is used	The CEFC is still scaling up as an organisation, in line with business growth. While opportunities to reduce waste are taken where available, it is not feasible to establish meaningful baselines for comparison purposes while this scale up is occurring.
Water	Water is recycled at the CEFC's premises: • The Brisbane office has a rain water system in operation • The Sydney office has a black water system in operation.	The CEFC is still scaling up as an organisation. While opportunities to improve water efficiency are taken where available, it is not feasible to establish meaningful baselines for comparison purposes while this scale up is occurring.

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.

The organisation is not large, with 69 employees filling 66 full-time equivalent positions. Since its inception in 2013, the CEFC has operated with a commitment to minimise its impacts on the environment.

While the CEFC is still in a scale up phase, benchmarking "business as usual" activities based on emissions intensity or consumption with a view to achieving reductions is not particularly meaningful. Instead the CEFC has embedded sustainability as part of its decision-making regarding operations and procurement.

INDICATORS

The CEFC is still scaling up as an organisation, which means that there may be increased overall environmental impacts in absolute terms. As far as possible, the CEFC works to reduce the impact per employee as it undertakes this growth.

Figure 43: Environmental performance indicators

Theme	Performance measure	Indicator(s) and 2015-16 performance
Energy efficiency	Total consumption of energy – this includes all energy consumed when undertaking the functions of the agency, such as energy consumed for office buildings and transportation.	Amount of electricity purchased/ consumed ($/kWh) = 71,601kWh costing $16,936 ($0.24 per kWh). Excludes travel in electric vehicles and trains and electricity consumed by staff working offsite. Amount of gas purchases/consumed ($/MJ) = NIL. Excludes gas powered travel and gas consumed by staff working offsite. Amount of other fuels purchased/ consumed ($/kWh/MJ/L) = NIL (NB CEFC has no corporate vehicles) Excludes other fuel powered travel and other fuel energy consumed by staff working offsite. Air travel distances (km) = NIL (NB All travel is offset).
	Total consumption of green energy – this includes the purchase of energy from sustainable sources.	Amount of green energy purchased/ consumed ($/kWh) during the reporting period = NIL The CEFC offset 100% of energy in 2015-16, at a cost of $1,108.80. The equivalent amount is 71,601 kWh for $18,044.8 (i.e. $0.25 per kWh).
	Greenhouse gas emissions.	Amount of greenhouse gases produced (tonnes) = NIL from these above measures as all were offset.
	Relative energy uses – this includes the green energy use relative to non-renewable energy use and energy use per employee.	Amount of green energy purchased/ consumed divided by the amount of electricity/gas/other fuels purchased/ consumed = Not applicable. No green energy was purchased but all emissions were offset. The ratio of carbon neutral energy purchased divided by the amount of electricity/ gas/other fuels purchased/consumed is 1. Amount of total energy purchased/ consumed ($/kWh) per employee = $245.45 per employee per annum.
Water	Total consumption of water – this includes all water consumed when undertaking the functions of the agency.	Amount of water purchased/ consumed ($/L) = Amount unknown.*
Waste	Total waste production – this includes all waste (i.e. unwanted by-products) produced when undertaking the functions of the agency.	Amount of waste produced (tonnes) = Amount unknown.

* The CEFC is a tenant in each facility and does not have a means of capturing data to this level of specificity. Rain water and black water systems are in use in the Brisbane and Sydney offices respectively.

APPENDIX D

WORK HEALTH AND SAFETY REPORT 2015-16

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

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.

The CEFC has an inclusive, healthy and professional workplace culture. We do not tolerate:

- Physical and/or sexual harassment
- Discrimination
- Victimisation or bullying
- Drunkenness
- Unsafe work practices.

New employees are provided with the CEFC Corporate Policies and Procedures manual, which clearly describes the CEFC's approach to these issues. All new employees also complete extensive induction training, including modules relating to discrimination and equal employment opportunity (EEO), bullying and workplace violence, and workplace health and safety.

All CEFC employees are required to complete mandatory annual refresher training in EEO, bullying and workplace violence, and workplace health and safety.

CEFC 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 insisting on compliance with workplace laws.

The CEFC also operates under the public interest disclosure scheme established by the *Public Interest Disclosure Act 2013* (PID Act). This legislation 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.

The CEFC Board has final responsibility for ensuring compliance with duties under statute and at law relating to WHS. The Board has adopted the following framework for managing WHS compliance:

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

During 2015-16, the CEFC had up to six emergency wardens appointed across the organisation's offices in Sydney and Brisbane. These emergency wardens have conducted emergency response and evacuation training in accordance with requirements under New South Wales and Queensland law. In Melbourne, offices were shared with the Climate Change Authority, which provides resourcing for fire wardens.

The CEFC also has four certified First Aid Officers, who complete annual certification in accordance with best practice. In the event that a First Aid Officer is not available, a list of emergency first aid procedures and first aid equipment is available to all employees.

The CEFC encourages staff engagement in healthy exercise. The CEFC's premises provide locker, shower and change facilities for employees wanting to exercise around their work commitments. The CEFC also encourages employees to participate in wellbeing activities, providing corporate sponsorship for employees to enter corporate fitness challenges and events including National Ride2Work Day and fun runs/walks throughout the year.

The CEFC's premises provide security for employees, being located in secure buildings with restricted security pass access to the office, and to the building generally at nights and weekends. Workstation design and facilities all exhibit modern safety features, such as adjustable seats and computer monitor arms. Employees are reminded to undertake ergonomic self-assessments and are provided with additional equipment as required, including footstands, wrist supports and variable-height desks.

The CEFC has established a 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 Corporation 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 facing difficulties.

The CEFC revised its annual leave policy during the year to require employees to take at least half their annual leave entitlement each year, and to take a minimum of 10 consecutive days annual leave every two years. These changes are to promote employee wellbeing and relaxation, and are in the interests of appropriate risk management.

The CEFC is an annual provider of workplace flu vaccinations.

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 initiatives mentioned here. The CEFC had one workplace injury for the reporting period amongst employees and contractors.

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 to 30 June 2016, the JCPAA had not specified additional requirements for the CEFC under this provision.

Figure 44: CEFC employee diversity profile 30 June 2016

	Female		Born overseas		English as a second language		Indigenous	Disability	Total
	No.	%	No.	%	No.	%	No.	No.	No.
Executive*	1	14	4	57	1	14	0	0	7
Executive Director	0	0	3	50	0	0	0	0	6
Director	6	43	8	57	2	14	0	0	14
Associate Director	6	40	5	33	0	0	0	0	15
Analyst	5	45	7	64	4	33	0	0	12
Manager	7	88	4	50	0	0	0	0	8
Administration	6	86	3	43	3	43	0	0	7
GRAND TOTALS	**31**	**46**	**34**	**49**	**10**	**15**	**0**	**0**	**69**

*Includes the CEO, who is not "staff" under the CEFC Act but rather a full-time statutory officer.

Figure 45: CEFC EEO reporting comparison

EEO designated group	17 April 2015		30 June 2016	
	No.	%	No.	%
Female	26	46	32	46
Born overseas	28	50	34	49
English as a second language	5	9	10	15
Indigenous	0	0	0	-
Disability	0	0	0	-

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 for convenience.

ABOUT THE CEFC'S 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. It cannot invest directly in non-financial assets and does not have a large cash investment function. At 30 June 2016, it had a headcount of 69 employees (approx. 66 FTE) based in Sydney (HQ), 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 is 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 may not necessarily be readily available

c. data is not always reported using the same expense categories across the different entities.

ENTITIES CHOSEN FOR THE PURPOSES OF COMPARISON

In order to provide some comparison as required under section 74 of the CEFC Act, the Corporation has compared its 2015–16 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 UK Green Investment Bank (GIB) (all government-owned entities formed for public purpose with a commercial mode of operation). More information about these entities is provided below.

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 to invest according to ministerial directions supplied by an Investment Mandate. It is not sector-limited to renewable and low carbon technology in the same way the CEFC is, and pursues a broad sectoral spread in a range of investments – primarily equities (39.2 per cent), property, infrastructure and timber land (13.7 per cent), alternative assets (13.7 per cent), debt (11.6 per cent) and cash (21.7 per cent) at 30 June 2016. It had circa AUD$123 billion in funds under management invested in Australia and overseas as of 30 June 2016.

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:

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

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, provided facilities on the Commercial Account totaling $179 million during 2014-15 and had some $2.9 billion under management at 30 June 2015 (made up of circa $2.0 billion on the Commercial Account and $0.9 billion on the National Interest Account).

Green Investment Bank (GIB) (UK) – Structure

Formed as a public company owned by the UK Government in May 2012 and became fully operational in October 2012 when it was granted State Aid approval by the European Commission to make investments on commercial terms. The GIB has a mission similar to the CEFC – which the GIB states as "to accelerate the UK's transition to a greener, stronger economy." However, the GIB has a broader 'green impact' mandate that goes beyond renewable and low carbon energy and emissions reduction into areas such as recycling and the reduction of landfill. Although privatisation of the GIB is being actively pursued by the UK Government, GIB remained state-owned throughout the 2015-16 financial year.

The GIB is an investor in, and manager of, infrastructure projects which are green and profitable, and wants to become a long-term enduring institution. Like the CEFC, the GIB can invest in projects in the form of equity, debt and guarantees. Also like the CEFC, it is still a relatively young business and during its financial year ended 31 March 2016 committed circa £770 million (~$1.5 billion) to 30 new projects, with circa £0.9 billion (~$1.8 billion) of cumulative investments funded at the end of its financial year (March 2016).

Figure 46: CEFC operating costs and expenses benchmark

	CEFC 2015–16		Future Fund 2014–15 (c)		EFIC 2014–15 (c), (d)		GIB 2015–16 (e)	
	$'000	%	$'000	%	$'000	%	$'000	%
Staff Employment Related Expenses								
Wages and salaries	12,113	41	30,387	9	17,400	9	26,116	26
Superannuation	896	3	1,756	1	1,700	1	2,196	2
Leave and other entitlements	390	1	969	-	300	-		
Incentive compensation	3,759	13					4,318	1
Recruitment costs	415	1						
Other expenses	120	-					3,170	3
Total Staff Employment Related Expenses	**17,693**	59	**33,112**	10	**19,400**	10	**35,800**	36
Board Expenses								
Wages and salaries	376	1	789	-				
Superannuation	36	-	75	-				
Other expenses	40	1						
Total Board Expenses	**535**	2	**864**	0	**-**	0	**652**	1
Other Costs								
Interest expense	-	-			140,600	78		
Provision for impairment and irrevocable loan commitments	(95)	-			14,400	5	8,992	9
Concessional loan discount (b)	6,876	23						
Consultants fees and expenses	692	2						
Professional fees	362	1	246,326	78	1,700	1	9,045	9
Other investment portfolio expenses	319	1	16,300	5	400	-	20,589	21
Travel and incidentals	566	2			1,100	1		
Office facility costs	1,036	3			1,500	1	2,824	3
Marketing and communications	287	1			2,100	1		
Depreciation and amortisation	534	2	1,271	-	3,500	2	10,005	10
Auditors' remuneration	153	1	230	-	220	-	1,148	1
Administrative, IT and other expenses	792	3	17,564	3	2,580	1	10,678	11
Total Expenses	**29,750**	100	**315,667**	100	**187,500**	100	**99,733**	100

	CEFC 2015–16 (Actual)		Future Fund 2015–16 (Estimate) (f)	
	$'000	%	$'000	%
Employee benefits	17,570	59	36,112	8
Supplier costs	4,865	16	431,003	92
Depreciation and amortisation	534	2	1,273	-
Concessional loan discount (b)	6,876	23		
Allowance for impairment of assets and irrevocable loan commitments	(95)	-		
Total Expenses	**29,750**	100	**468,388**	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 2014-15 Annual Report since 2015–16 information is not available at the time of finalising this report for publication

(d) Costs are shown gross before National Interest Account allocation

(e) Green Investment Bank Group for twelve months ended 31 March 2016. Amounts converted at 30-6-16 average exchange rate of 1 GBP = 2.0389 AUD

(f) From 2016-17 Portfolio Budget Statements (Departmental + Administered)

(g) EFIC does not appear separately in the 2016-17 Portfolio Budget Statements and its 2015–16 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:

- Most investments are repaid or realised in the ordinary course of events, but some of these are repaid or sold earlier than expected.
- 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.
- Some loans can also end in default with a loss being realised. While the CEFC has not to date had a loan terminate in default, it is likely that at some stage this will occur, as for any lender.

Figure 47 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.

Figure 47: Realised investments 2015-16

Borrower	Investment description	Year of initial investment commitment	Initial CEFC commitment amount	Investment outcome
CFS Australian Clean Energy Infrastructure Fund	Equity in fund targeting commercial building sector for energy efficiency	2013-14	$80m	Fund did not raise sufficient private sector capital to close.
Carnegie Wave Energy Limited	Corporate loan for ocean/ wave generation technology	2013-14	$20m	Project proceeded with a private sector lender replacing the CEFC facility.
Energy Developments Limited	Corporate loan for low emissions projects	2013-14	$75m	Borrower was sold and the CEFC's partially drawn loan was refinanced by the private sector. The underlying projects were fully implemented.
Golden North Ice Cream	Energy efficiency loan for ice cream manufacturer	2012-13	$0.4m	Loan was repaid in the ordinary course of business. The underlying projects were fully implemented.

Borrower	Investment description	Year of initial investment commitment	Initial CEFC commitment amount	Investment outcome
JBS Ltd	Loan for biogas cogeneration at abattoir	2012-13	$4.4m	Loan was repaid in ordinary course of business. The underlying projects were fully implemented.
New Energy Corporation	Project finance for waste-to-energy facility	2013-14	$49.2m	Facility is still on foot however, the CEFC commitment has been reduced to $0 due to delays in the project reaching financial close.
Pacific Hydro Portland Wind Farm	Project finance for Stages 2-4 of Portland Wind Farm	2013-14	$70m	CEFC loan was refinanced by the private sector when the borrower was sold. The underlying project was fully implemented.
Richgro Garden Products	Biogeneration facility	2012-13	$2.2m	Loan was repaid in the ordinary course of business. The underlying projects were fully implemented.
Rivalea Australia Pty Ltd	Corporate loan for energy efficiency in integrated pork producer	2012-13	$0.6m	Loan was repaid in ordinary course of business. The underlying projects were fully implemented.

GLOSSARY AND ABBREVIATIONS

GLOSSARY

Term	Description
Australian Industry Participation Plans (AIPP)	Large-scale projects are required to develop Australian Industry Participation Plans (AIPPs), which help to open proponent purchasing programs to Australian suppliers of goods and services.
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.
Australian Renewable Energy Agency (ARENA)	An Australian Government agency which funds activities that are expected to advance renewable energy technologies towards commercial readiness, improve business models or reduce overall industry costs.
Black price	The wholesale electricity price received by an electricity generation facility, excluding the benefit of any renewable energy certificates.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation that creates and empowers the CEFC.
Clean Energy Innovation Fund	A new fund drawing on CEFC finance to target a diversified portfolio of Australian-based clean energy investments with a long-term commercial outlook. This includes technologies and businesses that have passed beyond the research and development stage, but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector capital. Investment proposals are jointly assessed by the CEFC and ARENA, with ARENA providing expert technical review. Final approval is provided by the CEFC Board, which is responsible for all 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 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	The CEFC's 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 sales networks. These products can be distinguished from a direct CEFC loan where the finance moves directly from the CEFC to the project owner.
Cogen/cogeneration	The combined generation of power and useful heat from the same process or source.

Term	Description
Committed investment	Where the CEFC has made a commitment to invest funds if all necessary pre-conditions are fulfilled by the counterparties.
Concession/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 its smaller-scale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity.
Dollars ($)	All references to dollars are Australian dollars unless otherwise specified.
Ecologically Sustainable Development (ESD)	A set of principles that corporations and government entities must report against under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).
Energy efficiency technologies	Energy efficiency includes energy conservation and demand management technologies, and enabling technologies that are related to energy efficiency, including supply of goods or services.
Energy productivity	Using less energy per unit of production or output.
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.
Equity	In finance terms, owned capital (such as shares) in a business or enterprise.
Export Finance and Insurance Corporation (Efic)	An Australian Government statutory authority that provides finance and support to Australian exporters.
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.
Fringe-of-grid	Areas at the edges of an electricity grid.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Green bonds	A generic term for bonds used to finance projects with a positive environmental outcome.
Green Investment Bank (GIB)	A public company owned by the UK Government and charged with accelerating the UK's transition to a greener, stronger economy.
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).

Term	Description
Heliostat	A mirror or polished surface used in concentrating and directing sunlight to optimise generation capacity.
Hybrid technology	As defined by the CEFC Board, a combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system.
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 (LGCs)	Tradable 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 (LRET)	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.
Limited recourse	Means that the right to compensation or recourse of the financier is limited to the assets that are the subject of the finance.
Low emissions technology	Low emissions technologies may be applied to a number of activities including but not limited to: a) energy production b) electricity generation including the use of non-renewable, fossil fuels c) fuels for and modes of transportation d) using, reducing, or eliminating existing fugitive greenhouse gas emissions. In addition to meeting the above criteria, the Board requires that at the time of CEFC investment, the low emissions technology must result in emissions of CO_2-e being substantially lower than the current average of the most relevant baseline for the activity being undertaken.
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.
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 (NEM)	A regulated electricity trading market that interconnects the electricity grids of the states and territories of New South Wales, Victoria, Queensland, South Australia, Tasmania and the 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 (PV)	A type of technology that converts energy from the sun into electricity, as in solar PV.

Term	Description
Portfolio Benchmark Return (PBR)	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 (PPA)	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.
Refinancing	Repayment of an existing loan with a new loan.
Renewable Energy Certificates (RECs)	A generic term for tradeable certificates under the *Renewable Energy (Electricity) Act 2000*.
Renewable Energy Target (RET)	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*. Made up of the small-scale renewables scheme (SRES) and the large-scale target (LRET).
Renewable energy technologies	Clean energy technologies that fit within the definition of "renewable energy technologies" under the CEFC Act, and can 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.
Single-axis tracking	A type of PV array that rotates a panel around a single axis to track the sun's movement across the horizon, optimising generation capacity.
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).
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of a loan.
Total Annual Remuneration Package (TARP)	Total remunerative benefits for staff including salary, superannuation and any other benefits.
Trigeneration	A system of generating power, heating and cooling from the same process or source. A trigeneration system is identical to a cogeneration system with the addition of the cooling element.

TABLE OF ABBREVIATIONS

Abbreviation	Full Name
AAO	Administrative Arrangements Orders
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
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*
$CO\text{-}_2$	Carbon Dioxide
CSIRO	Commonwealth Scientific and Industrial Research Organisation
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
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
GPO	Government Policy Order

Abbreviation	Full Name
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HTM	Held to maturity
IPS	Information Publication Scheme
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
MJ	Megajoule
MP	Member of Parliament
MW	Megawatt
MWh	Megawatt hour
NABERS	National Australian Built Environment Rating System
NatHERS	Nationwide House Energy Rating Scheme
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
REEP	Renewable Energy and Energy Efficiency Partnership
RET	Renewable Energy Target
SRES	Small-scale Renewable Energy Scheme

Abbreviation	Full Name
TARP	Total Annual Remuneration Package
WHS Act	*Work, Health and Safety Act 2011*

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