ANNUAL REPORT 2016-17

CEFC
CLEAN ENERGY FINANCE CORP

ANNUAL REPORT

2016–17

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Australian Government | CEFC CLEAN ENERGY FINANCE CORP

21 September 2017

The Hon Josh Frydenberg MP
Minister for the Environment and Energy

Senator the Hon Mathias Cormann
Minister for Finance

Parliament House
Canberra ACT 2600

Dear Ministers,

CLEAN ENERGY FINANCE CORPORATION ANNUAL REPORT 2016-17

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2016-17*.

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

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

This report is comprised of:

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

This Annual Report was approved by resolution at the 71st meeting of the Board of the CEFC, held at the Corporation's office at Level 17, 1 Bligh Street, Sydney.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely

Steven Skala 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

STEVEN SKALA AO

I am pleased to commend the Clean Energy Finance Corporation Annual Report for 2016-17.

The CEFC has delivered a strong performance in its fourth full year of operation, achieving new highs in the number, impact and value of commitments across the clean energy sector.

The CEFC was created with a clear charter to stimulate change in Australia's investment in clean energy, as a key pathway to the decarbonisation of the Australian economy. During its first four years of operation, the CEFC's investments in renewable energy and energy efficiency have impacted across diverse sectors of the Australian economy. CEFC investments are delivering positive returns to taxpayers, while catalysing or leading to additional private sector finance in the sector and helping reduce Australia's emissions.

The CEFC's investments demonstrate the enormous positive opportunities of clean energy to assist with the decarbonisation challenge. For example, the accelerated quantum and delivery of large-scale renewable energy projects is helping move them down the cost curve at significant speed. We look forward to future investment in large-scale storage projects to further enhance grid stability alongside increased renewable energy. The CEFC is also working with industry leaders to deliver the benefits of energy efficiency across the built environment.

A feature of the CEFC since its inception has been our collaboration with co-financing partners to extend the reach of our finance to smaller and more diverse businesses, including those in rural and regional Australia. During the year we passed an important milestone in this area, delivering $250 million in tailored asset finance to more than 2,000 individual smaller-scale renewable and energy efficiency and vehicle financing projects, working alongside other major financial institutions.

In 2016-17, our responsible Ministers instructed the CEFC to include a heightened focus in three specific areas – Sustainable Cities, the Great Barrier Reef and clean energy innovation. We are seeing immediate pick up in these areas, with CEFC finance being relevantly deployed with increasing momentum.

As a specialist and active financier in the clean energy sector, the CEFC is also well placed to work with expert review panels, policy makers, the industry and other investors in understanding the market, as well as the key drivers of carbon emissions and priority areas for investment. During the past year, this has seen the CEFC work closely with the Australian Government and other agencies, including AEMO, ARENA and the Clean Energy Regulator. Our hands-on experience as financiers in the energy market and a range of industry sectors provides the CEFC with an intimate view of market expectations and preferences, allowing us to bring an additional perspective to policy forums which continues to be well received.

After completion of the year in review, Minister for the Environment and Energy, the Hon Josh Frydenberg and Minister for Finance, Senator the Hon Mathias Cormann, appointed Leeanne Bond, Samantha Tough, Nicola Wakefield Evans and me as new Board members. The CEFC continues to benefit from the experience of continuing Board members Paul Binsted and Martijn Wilder AM in stewarding the organisation.

I would like to recognise the contribution of my predecessor and founding Chair Jillian Broadbent AO. As chair of the Expert Review Panel which led to the creation of the CEFC, Ms Broadbent was closely involved with the organisation since its initial conception. Along with her fellow Board members, she set an effective investment strategy, as well as a high standard for governance and performance. I would also like to recognise the contributions of other founding Board members Ian Moore, Anna Skarbek and Andrew Stock, whose terms also concluded just after completion of the year in review. They have left a strong legacy for the new Board and we are duly grateful.

The calibre of the Executive and staff of the CEFC is a credit to the organisation. The clean energy sector is both complex and fast moving. Given the CEFC's unique role in catalysing new investment into the sector, our teams often find themselves in the position of developing new and innovative approaches to financing, while simultaneously endeavouring to deliver important public policy outcomes. The fact that this is done in an environment requiring commercial rigour, with expectations that the CEFC will deliver a positive return to the taxpayer, speaks volumes about the skill and expertise required of the CEFC.

The CEFC is grateful to founding CEO Oliver Yates for his tenacity of purpose and significant achievements, and we wish him well in his new endeavours. Our new CEO Ian Learmonth has quickly embedded himself in the organisation and the sector and enjoys the support of a dedicated and highly motivated organisation.

The Board looks forward to working with Ian, the Executive and staff of the CEFC in continuing to capitalise on the potential of clean energy investment to help transition Australia to a low carbon economy.

Steven Skala AO
Chair

CEO'S REPORT

IAN LEARMONTH

I was appointed CEO in May this year, as the CEFC enters its fifth year of operations. I would like to acknowledge our founding CEO, Oliver Yates, for his leadership in guiding the CEFC to reach scale since its inception in 2013.

The CEFC continues to make a substantial contribution to Australia's transition to a low carbon economy and the 2016-17 financial year was our most successful to date. Our investments across the year were notable for their scale, their breadth and their diversity. Working with private sector investors – both large and small – we saw CEFC capital put to work across many 'firsts', providing a real-world demonstration of the positive role of clean energy investment in addressing Australia's emissions reduction challenge.

Within the year we finalised 35 individual transactions, exceeding the combined transactions of the previous three years. We committed more than $2 billion in CEFC capital, to projects valued at $6.5 billion. Cumulative leverage across the portfolio was more than $2.10 at 30 June 2017, with each $1.00 of CEFC investment since 2013 helping catalyse an additional $2.10 from the private sector. Equally important, our current investments, upon financial close will fund projects that are estimated to achieve annual abatement of almost 7.3 million tonnes CO_2-e, or more than 121 million tonnes CO_2-e over their lifetimes.

The CEFC Act makes clear that these investments are to deliver a positive return to the taxpayer. We are pleased to report that, at 30 June 2017, our $3.4 billion portfolio of investment commitments had a forecast lifetime investment yield of more than five per cent.

Australia's energy sector

The future shape of Australia's energy sector remains a matter of intense public debate. Given the central role of energy in all areas of economic and social activity, this is perhaps not surprising. In our daily engagement with the business sector, we are aware of the widespread desire for affordability, secure and reliable energy and, importantly, sustainability. Equally, we continue to witness a growing appetite for investments that will deliver lower energy consumption, lower emissions and heightened productivity. These trends are evidenced across a number of CEFC investment commitments in 2016-17, including our first large-scale infrastructure investment and our first investment in a mine to produce lithium – a central component of battery storage.

The CEFC is rightly recognised as a major investor in renewable energy. In fact, in the past year we were the single largest debt financier of large-scale solar, bringing new domestic and international financiers to these major renewable energy projects. We recognise integrated battery storage as an important emerging investment priority. Perhaps not as well recognised is our continued investment support for energy efficiency projects, which play an exciting role in business productivity and competitiveness. Notably, more than 60 per cent of emissions come from sectors outside electricity and gas, including primary industries, manufacturing, services, construction, transport and the residential sector.

Likewise, we have also confirmed our position as a major investor in clean energy innovation, not least through the first four transactions delivered via the Clean Energy Innovation Fund. These companies represent a new breed of entrepreneurs and businesses using technology to play an important role in a low carbon economy.

The CEFC team

As a specialist financier, we consciously build our reputation around being expert, commercial, transformative and innovative. These factors help open doors with clients and investors, build confidence in transaction decisions and are important in our ability to operate with commercial rigour. I'd like to recognise my colleagues at the CEFC for their continued commitment, hard work and innovation across the year. The culture, professionalism and enthusiasm of our team is a core strength of the organisation.

Our board

As stewards of taxpayer finance, the CEFC has a heightened sense of responsibility in our activities. This tone has been clearly set by our Board members, whose guidance and insights have made an important contribution to our performance. The CEFC recognises our debt of gratitude to our founding Board members, including our Chair, Jillian Broadbent AO, whose unwavering vision for our organisation enabled us to reach scale in a relatively short period. Jillian's five-year tenure on the Board has now been reached, along with those of fellow founding Board members Ian Moore, Anna Skarbek and Andrew Stock. We thank them for their guidance and wish them continued good fortune. Equally, we welcome our new Board members, including chair Steven Skala AO, and fellow appointees Leeanne Bond, Samantha Tough and Nicola Wakefield Evans. Working alongside continuing Board members Paul Binsted and Martijn Wilder, we have confidence about the continued strong governance of our organisation.

We have been pleased with the support of our responsible Ministers during the year, the Minister for the Environment and Energy, the Hon Josh Frydenberg, and the Minister for Finance, Senator the Hon Mathias Cormann. We also welcome the interest in our activities from other members of the Australian Parliament, as well as State and Territory Parliaments around Australia.

Looking to the future

The CEFC is now well established, with a clear investment focus and a substantial and growing portfolio. Our own days as a 'start up' organisation are behind us, as we deepen our exposure across the economy, and seek to apply CEFC capital to areas where we can have the greatest impact on decarbonisation – whether in supporting cleaner electricity, ambitious energy efficiency or electrification and fuel switching of our transport sector in particular. We continue to also seek the best financial return possible for the taxpayer whilst ensuring our portfolio risk is appropriate and continues to be well managed.

For the future, the organisation will continue to match commercial rigour with our public policy purpose. We anticipate working in even more diverse areas of the energy space. Distributed energy, energy storage, improved grid transmission, network security and demand response management are all areas that require greater investment. They also have a central role to play in reducing carbon emissions, by ensuring the benefits of cleaner generation are delivered across the economy, alongside a much stronger focus on reduced energy consumption.

The CEFC is actively looking for investment opportunities in these areas, encouraging additional private sector capital, as we continue the vital effort to accelerate the decarbonisation of our economy. We look forward to working with existing businesses, entrepreneurs and developers right across the private sector in capitalising on these opportunities for the benefit of the Australian community.

Ian Learmonth
CEO

Performance

YEAR IN REVIEW

2016-17 NEW COMMITMENTS

SCALE AND VALUE OF CEFC **COMMITMENTS** ACCELERATE AUSTRALIA'S **CLEAN ENERGY** INVESTMENT

35
TRANSACTIONS

$2.1B
NEW COMMITMENTS

$6.5B
TOTAL PROJECT VALUE

Every $1 of **CEFC** finance helped catalyse **+$2** from the private sector

DECARBONISING **OUR ECONOMY**

<2°

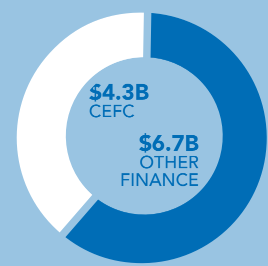
Our investments focus on industry sectors with highest potential for decarbonisation:

1. Renewables, retailers, network service providers
2. Property, infrastructure, manufacturing, agriculture
3. Transport

CEFC **FINANCE IN ACTION**

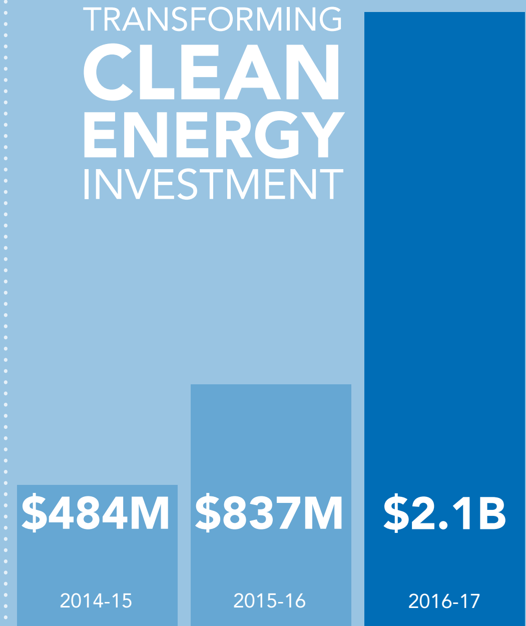
	LOW CARBON ELECTRICITY	**AMBITIOUS ENERGY** EFFICIENCY	**ELECTRIFICATION** AND FUEL SWITCHING
CEFC FINANCE	$844M	$1.1B	$102M
TOTAL PROJECT VALUE	$3.3B	$2.8B	$382M

OUR COMMITMENTS **SINCE INCEPTION**



$11B
TOTAL PROJECT VALUE

TRANSFORMING **CLEAN ENERGY** INVESTMENT



CEFC ANNUAL COMMITMENTS

SPECIAL INVESTMENT PROGRAMS

SUSTAINABLE CITIES	**$800M** CEFC COMMITMENTS
REEF FUNDING PROGRAM	**+240** PROJECTS
CLEAN ENERGY INNOVATION FUND	**$30M** CEFC COMMITMENTS
PORTFOLIO LIFETIME ABATEMENT	**~121M** tCO_2-e

INVESTING ACROSS AUSTRALIA 2016-17

NATIONAL PROGRAMS

- AMP CAPITAL WHOLESALE OFFICE FUND
- ARTESIAN CLEAN ENERGY SEED FUND
- CBA CLIMATE BOND
- CBA ENERGY EFFICIENT EQUIPMENT FINANCE PROGRAM
- FLEXIGROUP ABS TRUST CLIMATE BOND
- IMPACT INVESTMENT GROUP SOLAR INCOME FUND
- INVESTA COMMERCIAL PROPERTY FUND CLIMATE BOND
- INVESTA OFFICE FUND GREEN BOND
- NAB ENERGY EFFICIENT BONUS PROGRAM
- PALISADE RENEWABLE ENERGY FUND
- RATESETTER GREEN LOAN LENDING PLATFORM

STATE-BASED COMMITMENTS

- ATIRA STUDENT LIVING
  Adelaide
- BODANGORA WIND FARM
  Wellington
- CARBON REVOLUTION CARBON FIBRE WHEELS
  Geelong
- COLLINSVILLE SOLAR FARM
  Collinsville
- DUBBO SOLAR FARM
  Dubbo
- GANNAWARRA SOLAR FARM
  Gannawarra
- GREENSYNC SMART GRID TECHNOLOGIES
  Melbourne
- GRIFFITH SOLAR FARM
  Griffith
- HAMILTON SOLAR FARM
  Collinsville
- KIDSTON SOLAR PROJECT
  Kidston
- LONGREACH SOLAR FARM
  Longreach
- MONASH UNIVERSITY CLIMATE BOND
  Melbourne
- MOOREBANK LOGISTICS PARK INFRASTRUCTURE
  Sydney
- OAKEY SOLAR FARM
  Oakey
- PARKES SOLAR FARM
  Parkes
- PILBARA MINERALS LITHIUM MINE
  Pilgangoora
- RESOURCECO WASTE TO ENERGY
  Sydney
- ROSS RIVER SOLAR FARM
  Townsville
- SAPPHIRE WIND FARM
  Glen Innes
- SEA AUTOMOTIVE DRIVE SYSTEMS FOR ELECTRIC TRUCKS
  Melbourne
- SGCH ENERGY EFFICIENT COMMUNITY HOUSING
  Sydney
- WHITSUNDAYS SOLAR FARM
  Collinsville

ACCELERATING CLEAN ENERGY INVESTMENT

The CEFC achieved a substantial increase in investment commitments in 2016-17, with more than $2 billion in new commitments to 35 individual transactions.

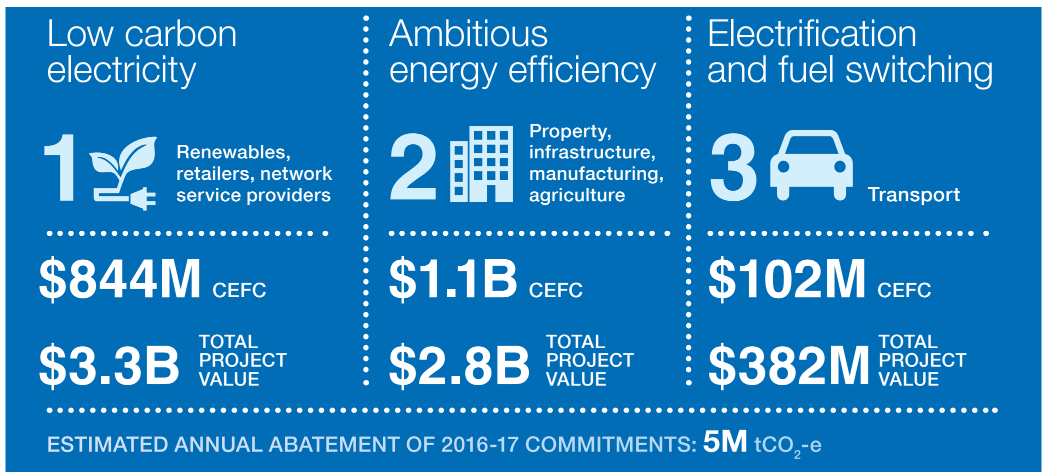
The increased value and scale of CEFC activity eclipsed prior year commitments, with the breadth and depth of the CEFC investments signalling strong business and investor appetite for clean energy assets.

At 30 June 2017, after four full financial years of operation, the CEFC had made cumulative commitments of $4.3 billion, to projects with a combined value of $11 billion. Each $1.00 of CEFC investment commitments in 2016-17 was matched by more than $2.00 from the private sector, with the investment portfolio expected to generate a return above the Government's cost of funds.

The portfolio of current investment commitments almost doubled, to $3.4 billion at 30 June 2017, after accounting for loan amortisation, full repayments of some of our investments, and other exits during the year.

The accelerated pace of CEFC commitments in the 2016-17 financial year was the result of significant origination, marketing, research and stakeholder engagement activities across targeted industry sectors. It also reflected an improved policy environment, greater awareness of the importance of clean energy investment, and increased investor confidence.

Figure 1: New investment commitments 2016-17



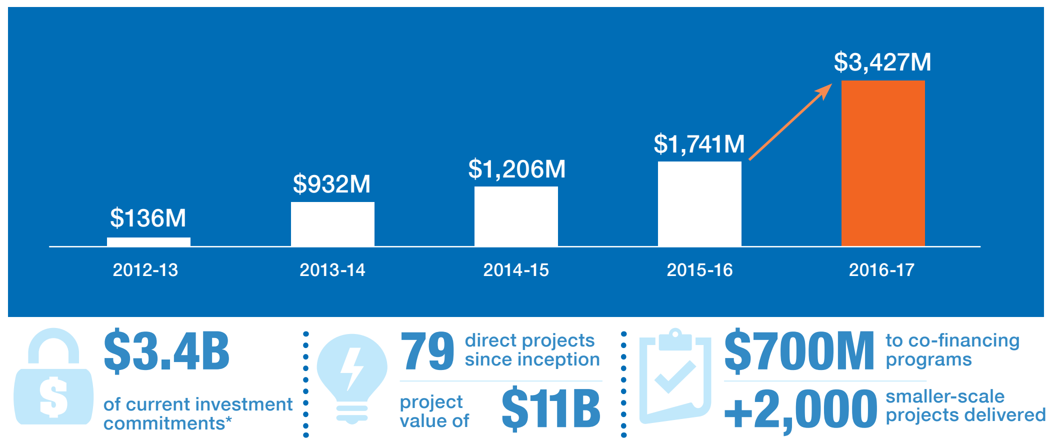
WHERE WE INVEST

The CEFC investment strategy seeks to maximise the impact that finance into the clean energy sector can have on Australia's emissions reduction efforts.

CEFC commitments in 2016-17 focused on industry sectors with strong potential for decarbonisation. By transforming investment in these sectors, the CEFC is working to address the most promising pathways to decarbonisation, which is essential for the Australian economy to achieve net zero emissions in the second half of the century. These decarbonisation pathways are:

- **Low carbon electricity** – through the increased deployment of renewable energy technologies, battery storage and improvements to the electricity grid
- **Ambitious energy efficiency** – which will play a critical role in reducing energy consumption and, in turn, carbon emissions in all sectors of the economy
- **Electrification and fuel switching** – moving from high emissions to lower emissions fuel sources, including from fossil fuels to bioenergy, and increasing electrification, including vehicles.

Figure 2: CEFC investment portfolio since inception



*After allowing for new investments in each year, minus loans fully amortised, repaid or exited, and expired or cancelled undrawn commitments, at June 30 2017

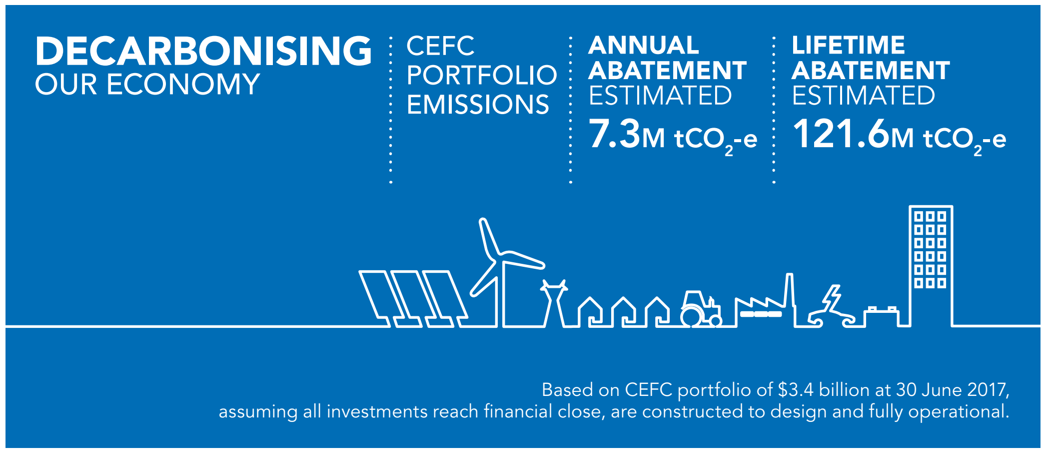
CEFC PORTFOLIO EMISSIONS

CEFC investment priorities are focused on opportunities with strong potential to accelerate the decarbonisation of the Australian economy, contributing to Australia's commitments under the Paris Agreement to reduce its 2005 carbon emissions by 26-28 per cent by 2030. This targeted approach, working alongside investors and project proponents, saw a substantial increase in anticipated carbon abatement associated with CEFC finance in the 2016-17 year.

New investment commitments in the 2016-17 year are expected to abate 5MtCO_2-e annually. Across the CEFC portfolio of current investments (assuming all reach financial close, are constructed to design and fully operational), CEFC financed projects are estimated to achieve annual abatement of almost 7.3 million tonnes CO_2-e, and more than 121 million tonnes CO_2-e over their lifetimes.

The CEFC does not claim that this abatement occurs independently of complementary government policies such as the Renewable Energy Target.

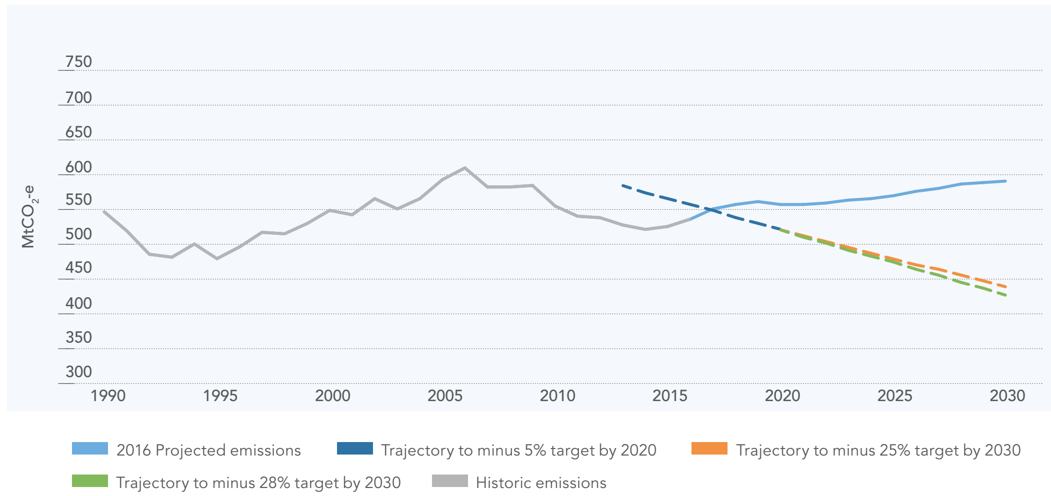
Figure 3: **Estimated portfolio emissions abatement**



THE EMISSIONS CHALLENGE

Australia ratified the Paris Agreement on climate change in November 2016. Australia's commitments under the Paris Agreement are forecast to lead to a 50 per cent reduction in per capita emissions, and a two thirds reduction in the emissions intensity of economic activity. The Australian Government has reported that this is among the strongest targets of major economies on that basis. Figure 4 illustrates a linear trajectory for Australia to reduce emissions by 26-28 per cent below 2005 levels by 2030.

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



Source: Department of the Environment and Energy: Australia's emissions projections 2016

In its New Energy Outlook 2017, Bloomberg New Energy Finance (BNEF) said it expected the Australian power sector to fundamentally change by 2040, re-orienting from fossil fuels to renewables. BNEF said solar, wind and batteries would make up the bulk of new investment in power generation due to four key market forces:

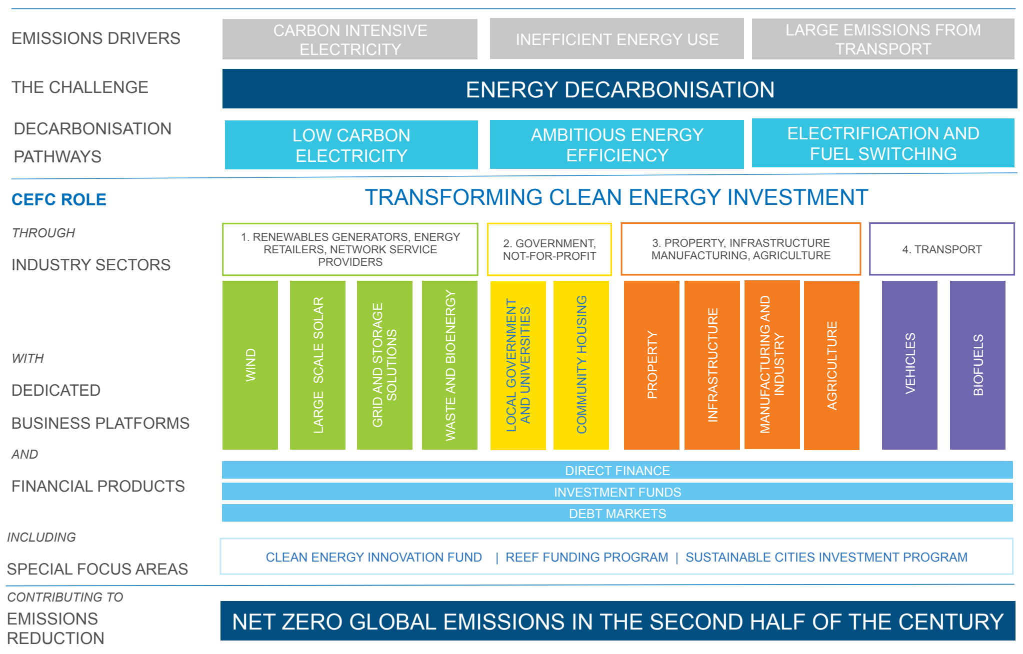
1. An influx of behind-the-meter generation
2. Continued renewable energy cost declines
3. An ageing and inflexible coal fleet
4. The advent of smart and flexible technologies.

BNEF estimated that as wind, solar, batteries and pumped hydro replace retiring coal and gas, renewable energy would provide 42 per cent of Australia's generation in 2030 and 59 per cent in 2040.

STRATEGIC FRAMEWORK

The CEFC Strategic Framework describes our approach to transforming investment in emissions reduction, with a clear focus on the areas of the economy where CEFC finance can have a high impact in contributing to Australia's decarbonisation. Through our focus on these decarbonisation pathways, the CEFC is supporting industries as they transition to a lower emissions environment, to ultimately achieve the Paris Agreement vision for a net zero emissions global economy in the second half of the century.

Figure 5: CEFC strategic framework



TECHNOLOGY ROADMAP

Australia's energy system is seeing significant new investment, with clean energy solutions and new technologies entering the market at increasing scale and price competitiveness. In 2016-17, the CEFC worked with project proponents, financiers and investors to help ensure these come together to deliver a system that is secure, affordable and sustainable.

Figure 6: Technology roadmap for energy security

ENERGY STORAGE AND SYSTEM STRENGTH

Pumped hydro and battery storage to improve energy security and balance variable renewable energy. Introduction of synchronous condensers and other technologies to maintain grid inertia.

TRANSMISSION UPGRADES

Upgrading transmission links between and within regions to increase energy security and help energy flow from where it is generated to where it is needed. Intra-regional transmission could also unlock new energy resources.

DISPATCHABLE RENEWABLES

Concentrated solar thermal, pumped hydro and storage, hydrogen and biomass will provide dispatchable capacity to complement variable renewables and provide ancillary services, in the form of hardware, data collection and control software.

BEHIND-THE-METER SOLUTIONS

Smart grid technology to better enable demand management and create 'virtual power plants' to reduce volatility and price stress caused by peaks in electricity demand. Potential to unlock 'hidden' resources within the grid.

PATHWAYS TO DECARBONISATION

LOW CARBON ELECTRICITY

The CEFC continues to play an important role in financing large-scale renewable energy projects to build lower carbon sources of energy generation to replace Australia's existing carbon intensive electricity generation.

Despite strong growth in renewables, Australia still has one of the most emissions-intensive electricity systems among advanced economies. Australia's electricity system produces 0.735 tCO_2-e per MWh, 75 per cent more than the 0.421 tCO_2-e per MWh on average produced in OECD member countries[4]. Coal, the most carbon-intensive fossil fuel, remains the dominant energy source for Australia's ageing electricity generation fleet.

Australia's electricity system continues to see significant new investment, with clean energy solutions entering the market at increasing scale and price competitiveness. CEFC investments in large-scale solar and wind projects, as well as emerging bioenergy opportunities, are contributing to this technological advancement and, in turn, improved cost profile.

Through a planned and coordinated approach, Australia's energy mix can incorporate higher levels of clean energy alongside strengthened transmission, better demand management systems and increased storage capacity, contributing to improved systems reliability, energy affordability and environmental sustainability.

Figure 7: Commitments to low carbon electricity 2016-17

Low carbon electricity

Renewables, retailers, network service providers

$844M CEFC

$3.3B TOTAL PROJECT VALUE

2016-17 NEW COMMITMENTS

4. International Energy Agency (2016) *CO_2-e from fuel combustion.*

CEFC FINANCE IN ACTION: LOW CARBON ELECTRICITY

SOLAR FINANCE DELIVERING 500MW OF RENEWABLE ENERGY

The CEFC financed 10 large-scale solar projects in 2016-17, delivering more than $440 million in new investment commitments to accelerate projects with a combined value of $1.3 billion.

New generating capacity across the 10 projects will exceed 500MW. Key commitments included:

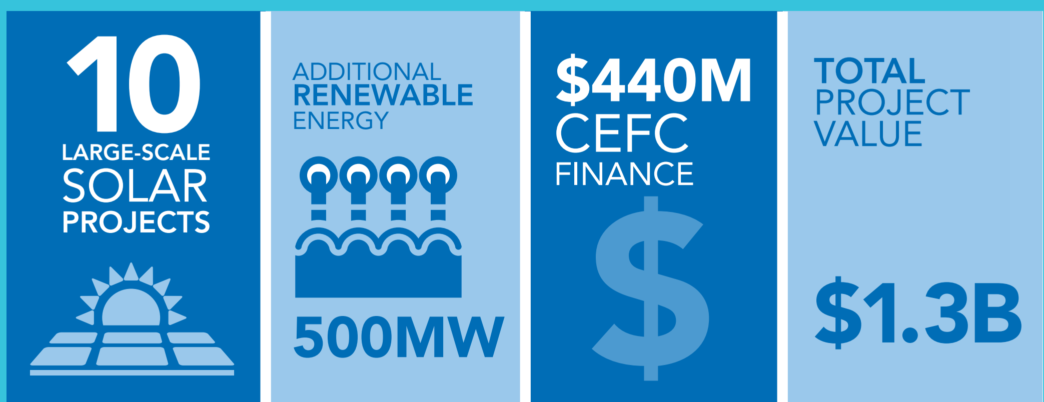
1. Finance for Victoria's first solar farm, at Gannawarra
2. Finance for three major projects to create a 'solar belt' in regional NSW, at Dubbo, Griffith and Parkes
3. The repurposing of the Collinsville Power Station site in Queensland as a solar farm
4. Finance for Stage One of the Kidston Solar Farm in Queensland
5. Our first equity commitment to a large-scale solar project, with $20 million to the 116MW Ross River Solar Farm in Queensland

Through these projects, we have seen rapid improvements in the cost competitiveness of solar, so that it is now possible to develop a commercially viable large-scale solar project without grant funding.

> "As an ASX-listed company focused on renewable energy generation and storage, we are pleased to partner with the CEFC to develop this project. The development of the Kidston Renewable Energy Hub is an important step in the transition of the Australian economy to a clean, low carbon economy."

Michael Addison
Genex Managing Director

Figure 8: CEFC large-scale solar commitments 2016-17



CEFC FINANCE IN ACTION: LOW CARBON ELECTRICITY

INVESTING IN REGIONAL COMMUNITIES

CEFC investment commitments in 2016-17 contributed to the construction of two major wind farms in regional New South Wales, delivering ongoing employment and revenue streams to their local communities.

The new commitments were notable for the size of the CEFC investment and the scale of the projects.

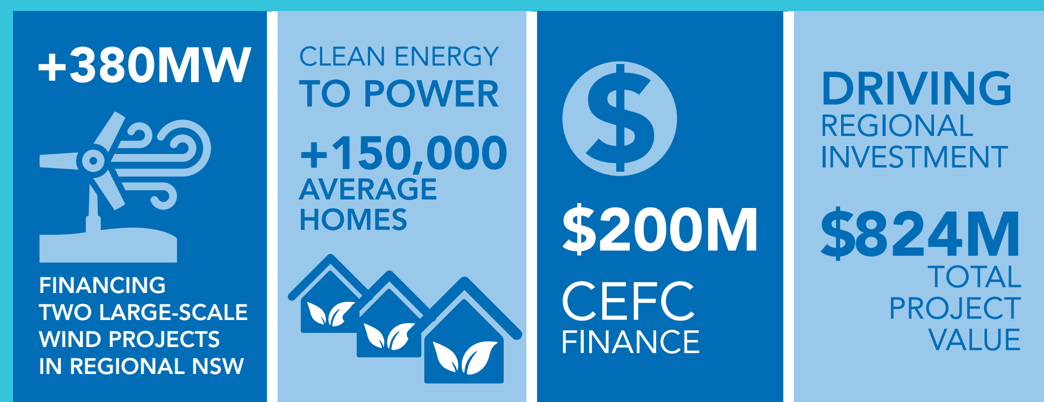
1. The 270MW Sapphire Wind Farm, in northern NSW, is expected to generate enough electricity to power more than 110,000 average homes. It will create an estimated 150 job opportunities during construction. CEFC commitment: $120 million.
2. The 113 MW Bodangora Wind Farm, in the central west of NSW, is expected to generate enough electricity to power more than 49,000 average homes. It will create an estimated 120 job opportunities during construction. CEFC commitment: $80 million.

As the wind sector has matured, the CEFC has seen growing confidence from investors prepared to invest in projects that may have either partial offtake arrangements or be fully merchant.

> "Building Bodangora Wind Farm is the first significant milestone in delivering on Infigen's growth ambitions. We have been delighted to work with our partners in bringing this project to fruition. Critical to our success has been the role played by the Clean Energy Finance Corporation and NORD/LB in providing Infigen with debt facilities."

Ross Rolfe
Infigen Energy Managing Director

Figure 9: CEFC wind commitments 2016-17



CEFC FINANCE IN ACTION: LOW CARBON ELECTRICITY

LITHIUM BOOST TO CLEAN ENERGY SUPPLY CHAIN

In a first for the CEFC, we invested $20 million in a West Australian mining project producing lithium concentrate – a central component used in electric vehicles and battery storage.

The Pilgangoora lithium mine is in the Pilbara region, about 120km south of Port Hedland. It will produce lithia raw materials (spodumene concentrate) that can be used to support a full range of lithium products for lithium ion batteries and energy storage solutions.

Worldwide demand for lithium is growing, driven by the increasing uptake of electric vehicles that use lithium ion batteries, and by the growth in energy storage solutions requiring lithium supplies.

The lithium concentrate supplies to be produced by this project will help build Australia's capacity to supply much needed resources for the clean energy technologies that are set to play a vital role in supporting the increased share of renewables in our future energy mix.

> "Pilgangoora is a world-scale project which will help underpin the establishment of an important new export industry in the Pilbara region of Western Australia, delivering strategic metals which are an essential part of the supply chain for the global battery supply chain which is currently undergoing transformational growth."
>
> **Ken Brinsden**
> *Pilbara Minerals Managing Director and CEO*

Figure 10: Australia's lithium advantage

CEFC FINANCE IN ACTION: LOW CARBON ELECTRICITY

TURNING WASTE INTO FUEL

The CEFC committed $30 million to Adelaide-based ResourceCo to build two new plants that will transform selected non-recyclable waste streams into solid fuel, known as Processed Engineered Fuel (PEF).

The first plant is to be built at Wetherill Park in Sydney and the second to be in another Australian state yet to be announced. PEF is used in cement kilns, reducing the reliance on coal and other fossil fuels.

Reusing waste makes good environmental sense, through the reduction of landfill and landfill gases and the ability to replace fossil fuels.

CEFC research into the bioenergy sector has identified investment opportunities of between $2.2 billion and $3.3 billion to 2020 in the urban waste industry.

Australia produces about 23 million tonnes of landfill each year, causing a growing problem with potential air, water and land quality impacts and generating ongoing monitoring and remediation liabilities.

> "At ResourceCo we are committed to playing a key role in helping to achieve Australian Government environmental targets, including waste reduction and carbon emission avoidance. With critical finance support from the CEFC, the opening of the NSW alternative fuel plant will work to achieve just that."
>
> **Simon Brown**
> *ResourceCo Managing Director*

Figure 11: The PEF potential

PATHWAYS TO DECARBONISATION

AMBITIOUS ENERGY EFFICIENCY

Energy efficiency is an important enabler of emissions reduction and energy productivity in the broader economy, while we transition to a new mix of clean energy generation technologies.

Improving energy efficiency is one of the most direct and cost-effective ways to reduce carbon emissions, with the potential to lower costs, lower energy imports and lower carbon emissions.

Energy use contributes around 78 per cent of Australia's greenhouse gas emissions. Industry accounts for nearly 40 per cent of these emissions. Emissions intensity varies widely between industry sectors but there are significant opportunities to improve the energy efficiency of large energy users. While small and medium sized companies generally consume modest amounts of electricity individually, together their consumption is material.

Emissions from the residential sector make up around 16 per cent of national emissions. Alongside regulations and information programs, better access to finance can help households invest in energy efficiency upgrades to reduce energy consumption and, in turn, carbon emissions.

Transport, including road, rail, domestic and shipping aviation, accounts for around 17 per cent of Australia's emissions. As well as electrification and fuel switching, ongoing improvements in fuel efficiency will be critical to achieving Australia's emissions goals.

Figure 12: Commitments to ambitious energy efficiency 2016-17

Ambitious energy efficiency

Property, infrastructure, manufacturing, agriculture

$1.1B CEFC

$2.8B TOTAL PROJECT VALUE

2016-17 NEW COMMITMENTS

CEFC FINANCE IN ACTION: AMBITIOUS ENERGY EFFICIENCY

PUSHING THE BOUNDARIES IN COMMERCIAL PROPERTY

The CEFC is investing $110 million in equity as part of a $600 million capital raising for the $4.1 billion Investa Commercial Property Fund (ICPF).

The commitment will help Investa finance the development of the $900 million 33-storey energy efficient office tower at 60 Martin Place in Sydney. The building is being designed to achieve both a National Australian Built Environment Rating System (NABERS) rating of in excess of 5.5 stars, and a 6-star Green Star rating from the Green Building Council of Australia.

Investa is the first Australian property company to commit to a Science Based Target of net zero emissions by 2040, supported by a work plan of carbon reduction programs.

With the support of the CEFC, Investa will create an online resource outlining Investa's approaches and the economics behind the development of energy efficiency in buildings. It will be available to the wider property community, supporting the CEFC's goal of encouraging Australia's commercial property sector to transition to higher levels of building sustainability.

> "The CEFC agreement provides Investa with an unprecedented opportunity to further advance our market leading position by once again being first mover in the identification of emerging technology that can be incorporated into the way we and the industry as a whole manage office buildings."

Nina James
General Manager, Corporate Sustainability, Investa

Figure 13: Technology solutions for zero carbon buildings

ENERGY **EFFICIENCY**	FUEL **SWITCHING**	ON-SITE **ELECTRICITY**	OFF-SITE **ELECTRICITY**	A ZERO **EMISSIONS GRID**
Improvements in the efficiency of appliances and equipment, and thermal efficiency in buildings.	Switching appliances and equipment that use gas, wood or other fuels to electric alternatives.	Use of on-site low carbon distributed energy, such as solar PV and battery storage.	Purchase of off-site low carbon electricity, e.g. through power purchase agreements.	Decarbonisation of the electricity grid through replacement of fossil fuels with large-scale centralised renewable energy.

Source: Australian Sustainable Built Environment Council

CEFC FINANCE IN ACTION: AMBITIOUS ENERGY EFFICIENCY

ACCELERATING NET ZERO EMISSIONS IN PROPERTY

The CEFC investment in the $4.7 billion AMP Capital fund will help accelerate the development of world-leading energy efficient commercial property portfolios in Australia. The centrepiece is the redevelopment of 50 Bridge Street in Sydney, as well as the wider Quay Quarter Sydney precinct.

AWOF's portfolio includes landmark properties at 200 George Street, Sydney and Melbourne's Collins Place and 700 Bourke Street. The 700 Bourke Street property is only the fourth in Australia to achieve the 6-Green Star performance rating from the Green Building Council of Australia, indicating world's best practice operational performance.

A wide range of technologies can be used to achieve the efficiencies and emissions targets. They may include optimisation of ventilation, air conditioning and heating controls through the building management system, LED lighting, motion-sensing lighting control systems, installation or procurement of energy sourced from renewable energy systems, energy-efficient façade design and glazing selection, and internal staircases to reduce elevator use.

> "We are really pleased to welcome the CEFC as an investor in AWOF, which attracted over $700 million in equity investment in 2016. With a portfolio of 12 premium properties, AWOF is well positioned to deliver sustainability outcomes for investors such as CEFC."

Nick McGrath
AWOF Fund Manager

Figure 14: Driving efficiency in buildings

$100 MILLION CEFC INVESTMENT	AWOF FUND SIZE **$4.7** BILLION	**+5** STARS ★★★★★ NABERS RATING BY 2030	**ZERO** NET CARBON EMISSIONS BY 2030

CEFC FINANCE IN ACTION: AMBITIOUS ENERGY EFFICIENCY

INFRASTRUCTURE FINANCE TACKLES FREIGHT EMISSIONS

The CEFC made its first investment in clean energy transport infrastructure in 2016-17, committing up to $150 million to the Moorebank Logistics Park intermodal terminal in south-western Sydney. By 2030, developer Qube Holdings expects the project to:

- Reduce the distance travelled by container trucks on Sydney's road network by 150,000 kilometres every day
- Deliver annual net carbon emission savings equivalent to removing 11,000 vehicles from the road for a full year, or burning 25,000 tonnes of coal
- Generate 65,000 MWh/year from renewable energy sources installed on site, capable of powering more than 10,000 homes.

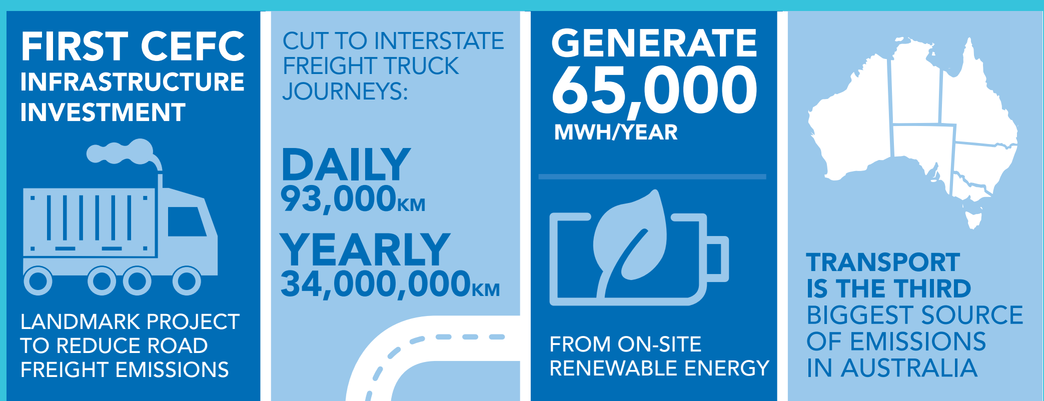
More than 1,300 jobs are expected to be created during the construction phase.

This infrastructure investment will also contribute to delivery of the Australian Government's Western Sydney City Deal, which brings together Federal, State and local governments to help unlock the economic potential of Sydney's outer west, while improving liveability in the local environment.

> "We are extremely proud to be the first transport infrastructure project which the CEFC has chosen to support in this way. Being able to deliver a faster and more reliable supply chain that creates savings for our customers, as well as remove thousands of truck trips from our roads at the same time as delivering very significant environmental benefits is a great trifecta."

Maurice James
Qube Holdings Managing Director

Figure 15: Landmark infrastructure transformation



CEFC FINANCE IN ACTION: AMBITIOUS ENERGY EFFICIENCY

PEER-TO-PEER GREEN LENDING PLATFORM

The CEFC provided $20 million to Australia's first peer-to-peer green lending platform, the RateSetter Green Loan marketplace.

The innovative online platform allows investors to lend directly to creditworthy borrowers looking to buy or install an approved 'green' product. Through the online platform, investors can nominate the amount they wish to invest, the interest rate they are prepared to accept, and their request can then be matched to approved borrowers. Borrowers can access this finance to invest in eligible clean energy assets.

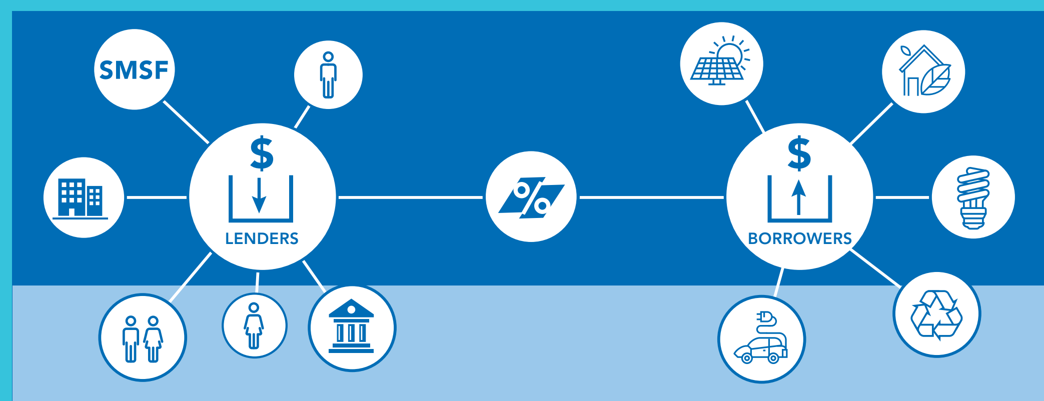
Eligible assets include:

- Solar and storage equipment - such as solar panels and inverters for rooftop installation, solar thermal, solar hot water and batteries that form part of a solar installation
- Energy efficient and low emission equipment - such as power factor correction, voltage optimisation, LED lighting, heating, ventilation and air conditioning.

> "We are delighted to have the support of the CEFC to develop this initiative to support the uptake of clean energy in the home, on the road and in the running of Australian businesses."

Daniel Foggo
RateSetter CEO

Figure 16: Connecting investors and borrowers peer-to-peer



PATHWAYS TO DECARBONISATION

ELECTRIFICATION AND FUEL SWITCHING

As the electricity system decarbonises, many energy-consuming activities in transport, industry and buildings can reduce emissions by switching from carbon-intensive fossil fuels to electricity generated from large-scale renewables, coupled with energy storage.

Electrification to meet the energy demands of industry, transport and buildings is part of the long-term lowest cost pathway to lower emissions. As electricity generation moves to low carbon energy sources, electricity will become the least emissions intensive energy source available.

Activities in sectors that are not suited to electrification can switch to sustainable bioenergy, or other lower carbon fuel sources, also reducing emissions. These transitions will require investment in supply chain contributors, such as lithium-ion producers for batteries and new bio-fuel production capability, as well as infrastructure, such as electric charging stations.

CEFC investment commitments in this area were largely delivered through the Clean Energy Innovation Fund and our co-financing programs.

Figure 17: Commitments in electrification and fuel switching 2016-17

Electrification and fuel switching

Transport | **$102M** CEFC | **$382M** TOTAL PROJECT VALUE

2016-17 NEW COMMITMENTS

SPECIAL INVESTMENT PROGRAMS

CLEAN ENERGY INNOVATION FUND

The Clean Energy Innovation Fund is a $200 million program supporting the growth of innovative clean energy technologies and businesses which are critical to Australia's clean energy transformation.

Established in 2016-17, the Innovation Fund targets technologies and businesses that have passed beyond the research and development stage, and which can benefit from early stage seed or growth capital to help them progress to the next stage of their development.

The venture capital market in Australia is dominated by investments in health, property and manufacturing. Venture capital transactions in the clean energy market were limited prior to creation of the Clean Energy Innovation Fund.

The Innovation Fund uses CEFC finance to invest in innovative clean energy companies and projects. It is operated in consultation with ARENA, drawing on the complementary experience and expertise of the two organisations. Final investment approval is provided by the CEFC Board, which is responsible for all CEFC investment commitments made under the CEFC Act.

Figure 18: Clean Energy Innovation Fund

FINANCING CLEAN ENERGY INNOVATION

2016-17 CEFC commitment **$30M**

Each CEFC dollar catalysed **$2.16** in private sector investment

Estimated lifetime abatement **14,000** tCO_2-e

CEFC FINANCE IN ACTION: CLEAN ENERGY INNOVATION FUND

CLEAN ENERGY SEED FUND

$10 million as a cornerstone investor in Australia's first Clean Energy Seed Fund, which raised $26 million, exceeding investor expectations. Managed by Artesian Venture Partners, it invests in start-ups via clean energy accelerators.

"The investments in the Clean Energy Seed Fund from high profile institutional investors are a validation of the Fund's objectives and a huge vote of confidence that Australian clean energy entrepreneurs and startups can be at the forefront of the revolution in clean energy innovation."

Jeremy Colless
Artesian Managing Partner

CARBON REVOLUTION

$10 million equity investment in Carbon Revolution, to scale-up production of its unique one-piece carbon fibre car wheels, which help to reduce fuel consumption and in turn lower vehicle carbon emissions. Production will grow to more than 100,000 wheels a year by 2021.

"We are delighted with the support that we have received from existing as well as new shareholders, particularly the Clean Energy Innovation Fund. It demonstrates the increasing support for innovation and advanced manufacturing in Australia."

James Douglas
Carbon Revolution Chairman

CEFC FINANCE IN ACTION: CLEAN ENERGY INNOVATION FUND

GREENSYNC

$5 million equity investment in GreenSync, a new generation energy innovator using smart software controls and coordination to integrate renewable energy and battery storage systems into the grid, extending clean energy to more businesses and consumers.

"Our hardware and software provide smart layers of control that help better manage energy consumption. We're aiming to optimise electricity grids to enable a supply that contains more than 80 per cent renewable energy."

Phil Blythe
GreenSync Founder and CEO

SEA ELECTRIC

$5 million debt finance to SEA Electric to scale-up the manufacture of its electric drive systems, used to convert light weight vehicles used for express freight, general delivery and waste collection, to 100 per cent electric operation, tackling an important source of emissions.

"Our electric drive systems are becoming increasingly cost competitive with equivalent petrol or diesel engines, which means that businesses using these vans and trucks can consider 100 per cent electric vehicles on a commercial basis, as well as for their environmental benefits."

Tony Fairweather
SEA Electric Executive Chairman

SPECIAL INVESTMENT PROGRAMS

SUSTAINABLE CITIES INVESTMENT PROGRAM

The Sustainable Cities Investment Program extends the CEFC's work in bringing clean energy solutions to the built environment. The Sustainable Cities Investment Program aims to invest $1 billion over 10 years in clean energy and energy efficient technology solutions in cities and the built environment.

The Sustainable Cities program leverages private sector capital to accelerate the deployment of cutting edge clean energy projects in Australia's cities. These can include precinct-scale renewable energy plants and installations, next generation transport management systems, 'green' buildings and energy efficiency retrofits for social and affordable housing.

The CEFC works closely with the Department of Prime Minister and Cabinet to ensure the Sustainable Cities program complements the activities of the City Deals initiative, which develops coordinated investment plans to unlock business and industry development in cities, including Western Sydney, Launceston and Townsville.

Figure 19: **Sustainable Cities Investment Program**

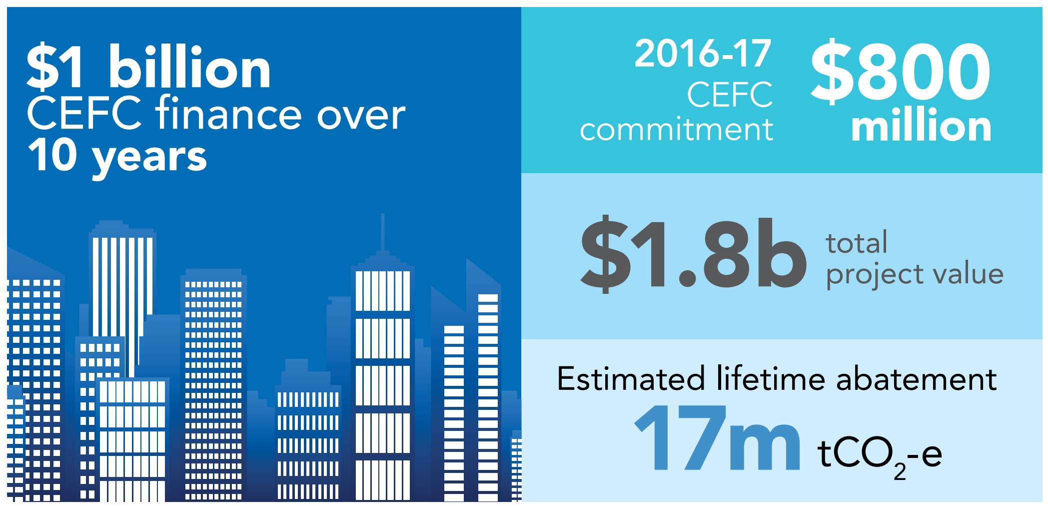


Figure 20: Clean energy opportunities in our cities

PROPERTY

Finance for building owners to improve building energy performance through energy efficient construction, energy efficient equipment, and better lighting, air conditioning and building control systems.

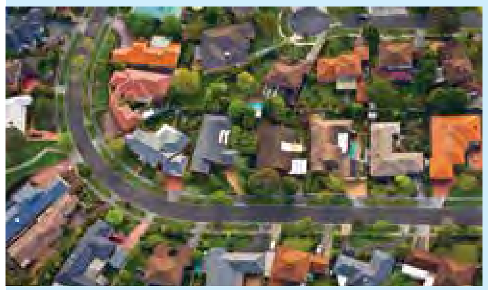
TRANSPORT AND INFRASTRUCTURE

Finance to encourage the switch to more energy efficient vehicles, electric vehicles and hybrids. Infrastructure projects that reduce carbon emissions and achieve industry-leading levels of energy efficiency.

UNIVERSITIES AND LOCAL GOVERNMENT

Tailored long-term finance to enable councils and universities to incorporate clean energy technologies across their large asset bases.

COMMUNITY HOUSING



Tailored finance to support the increased use of energy efficient construction materials, double glazing, insulation and ventilation in new and existing homes.

FIFTY CLEAN ENERGY IDEAS FOR THE PROPERTY SECTOR

The property sector is one of Australia's biggest carbon emitters, with buildings contributing more than 20 per cent of greenhouse gas emissions. During the year the CEFC worked with consultants Norman Disney & Young to produce a report identifying 50 best practice initiatives that can be used across a wide variety of new and existing properties.

The initiatives reflect the insights of major investors across the property sector, many of whom are at the forefront of Australia's clean energy transition. The report highlighted a wide range of clean energy technologies that currently aren't prescribed by the National Construction Code, but which are proven, readily available and can be deployed immediately.

Figure 21: Best practice clean energy for property

50 BEST PRACTICE INITIATIVES FOR NET ZERO CARBON BUILDINGS

8 PROPERTY SECTORS COVERED

- **OFFICE**
- **RETAIL**
- **HOTEL**
- **INDUSTRIAL** Warehouses, Manufacturing and Logistics
- **HEALTHCARE** Hospitals, Laboratories and High Dependency Aged Care
- **RESIDENTIAL** Homes, Apartments and Independent-Living Aged Care
- **COMMON LIVING** Student Accommodation and Low Dependency Aged Care
- **EDUCATION**

16 INITIATIVES **PAYBACK** LESS THAN 5 YEARS

PAYBACK LESS THAN 10 YEARS **36** INITIATIVES

CEFC FINANCE IN ACTION: SUSTAINABLE CITIES

ADELAIDE DEVELOPMENT CHASES TOP MARKS

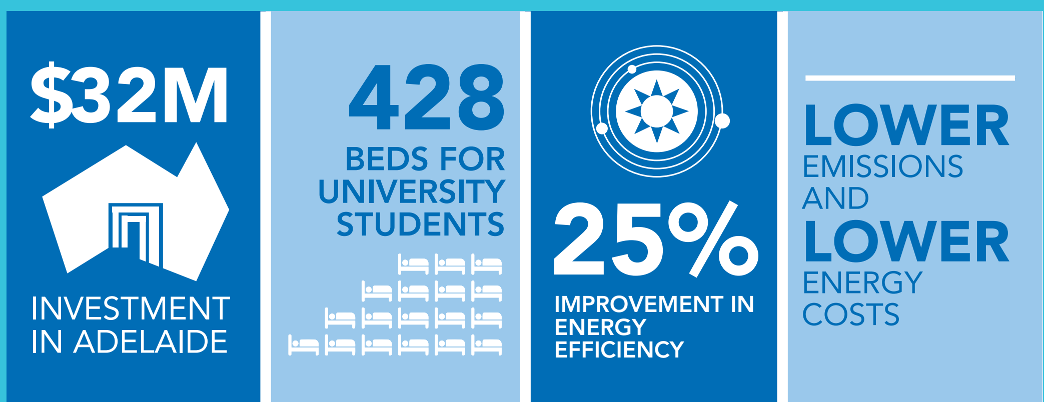
The CEFC's first major property investment in Adelaide will drive the development of innovative new student accommodation.

The CEFC committed $32 million to the 428-bed student accommodation project in Waymouth Street, Adelaide. Managed by Atira Student Living, the off-campus, purpose-built student apartment complex is a joint venture investment between Blue Sky Private Real Estate (BSPRE) and Goldman Sachs. The project is expected to open in February 2018.

Through the CEFC finance, the development will achieve a 25 per cent reduction in greenhouse gas emissions compared with business as usual. This will deliver a significant reduction in the building's carbon intensity, as well as lower ongoing energy costs. Initiatives incorporated into the project include energy efficient heating, ventilation and air conditioning, energy efficient equipment, LED lighting, centralised gas water heating, water efficient taps and 25kW rooftop solar.

> "While liveability and sustainability are key considerations for today's students, we also expect to create benefits through reduced operating costs."
>
> **Nick Singleton**
> *Blue Sky Private Real Estate Investment Director*

Figure 22: Adelaide project sets new standards



CEFC FINANCE IN ACTION: SUSTAINABLE CITIES

CLEAN ENERGY BOOST FOR COMMUNITY HOUSING

The CEFC extended our finance to community housing provider SGCH (St George Community Housing), with a $130 million commitment for the construction of 300 new energy efficient homes under the NSW Social and Affordable Housing Fund (SAHF).

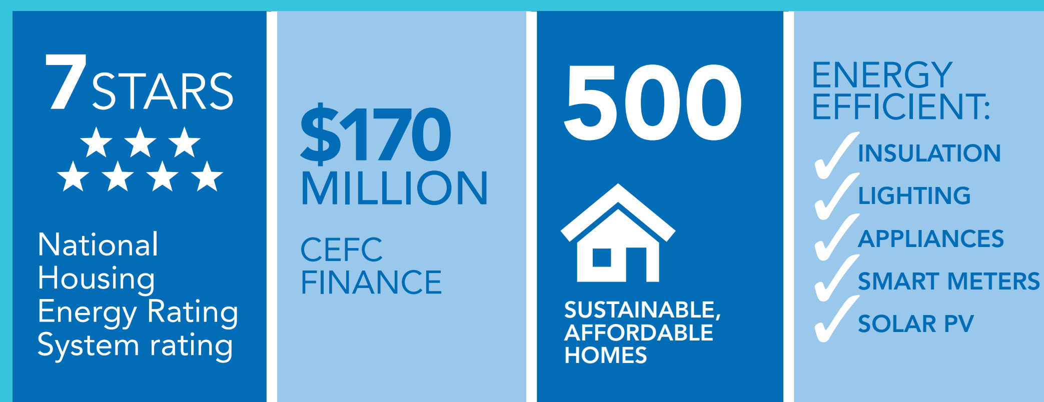
The CEFC finance will enable SGCH to build all its SAHF homes to an average 7-Star National Housing Energy Rating System (NatHERS) rating. The homes are likely to include features such as improved insulation, LED lighting, energy efficient appliances, smart meters and solar installations.

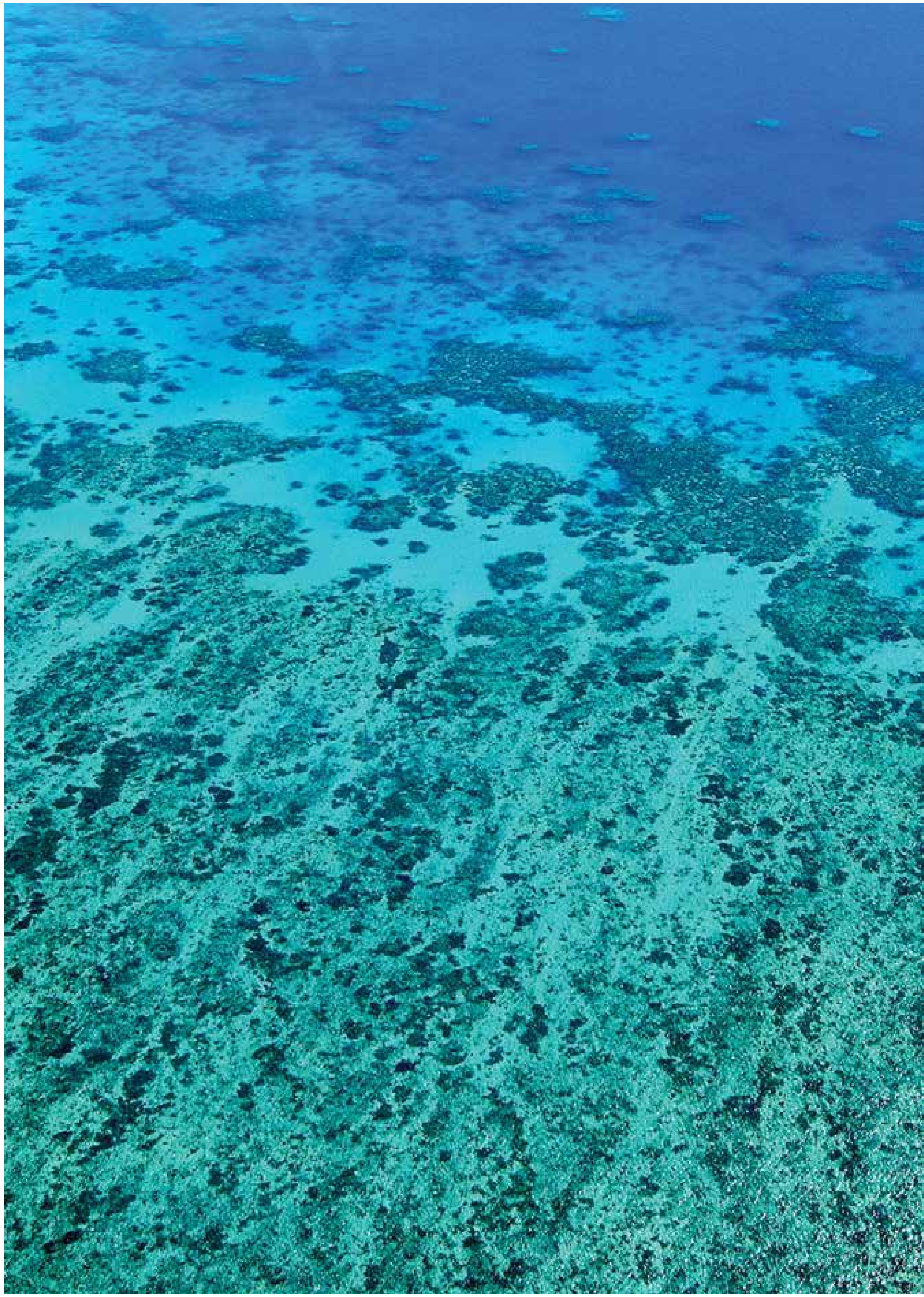
SGCH will build a mix of social and affordable housing units in south and south-western Sydney, delivering more sustainable, affordable housing for low to moderate income families.

SGCH, one of Australia's largest community housing providers, has already drawn on $40 million in CEFC finance in an earlier transaction, to enable the construction of some 200 energy efficient dwellings.

> "This finance is a game changer. Our tenants will be able to manage their electricity costs using the latest clean energy solutions, while living in well-located, sustainable and affordable housing. The finished dwellings will demonstrate the long-term benefits for the people of NSW, with sustainable social, economic and environmental outcomes."
>
> **Scott Langford**
> *SGCH CEO*

Figure 23: Clean energy benefits for low income families





SPECIAL INVESTMENT PROGRAMS

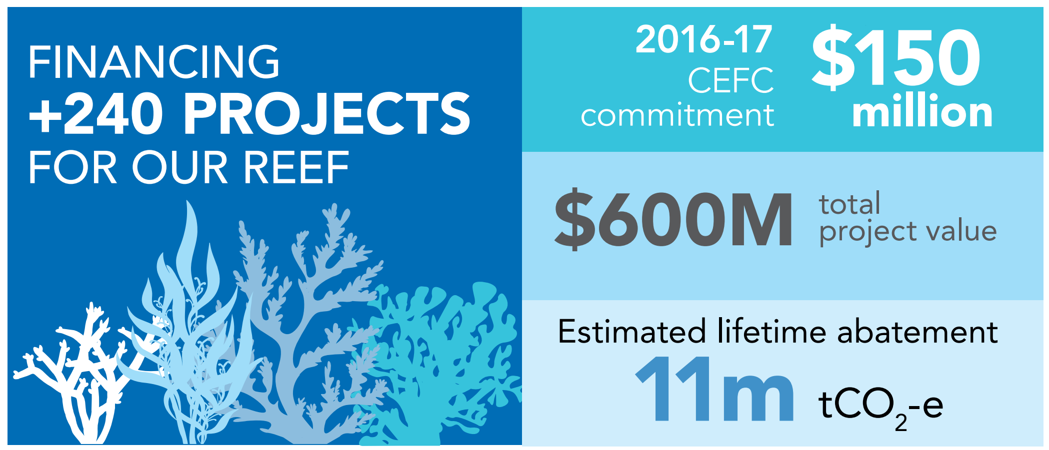
REEF FUNDING PROGRAM

The Reef Funding Program is a $1 billion investment program targeting clean energy projects in the Great Barrier Reef catchment area. The program makes finance available for clean energy businesses and projects which support the delivery of the Australian Government's Reef 2050 plan, aiming to extend the benefits of clean energy to the long-term health of the Great Barrier Reef.

The Reef Funding Program was created following a Ministerial Direction through the Investment Mandate to direct finance toward eligible projects in the Great Barrier Reef catchment area. Investments include projects that have a positive co-benefit for the health of the reef (either directly by improving water quality, or indirectly by reducing emissions). Five priority industry areas for investment: agribusiness, tourism, renewables, property and infrastructure.

In its first year of operation, agribusinesses in the Reef area have invested in irrigation equipment, improved fuel efficiency for farm equipment and small-scale equipment and system wide upgrades. The CEFC has consulted widely with businesses, government agencies and financiers in the Reef Catchment Area to raise awareness of the financing options. In addition, we continue to work directly with agribusinesses and farming bodies to help raise awareness about how producers can benefit from clean energy solutions.

Figure 24: **Reef Funding Program**



CEFC COMMITMENTS 2016-17

Figure 25: CEFC finance in action – low carbon electricity

CEFC FINANCE IN ACTION – LOW CARBON ELECTRICITY		
Renewables generators, electricity retailers and network service providers		**CEFC commitment 2016-17**
Artesian Venture Partners	Cornerstone investor in the $26 million Clean Energy Seed Fund, managed by Artesian Venture partners and focused on emerging innovations and startups in clean energy. Finance delivered through the Clean Energy Innovation Fund.	$10.0m
Commonwealth Bank	Cornerstone investor in the Commonwealth Bank's first climate bond, linked to a broad range of clean energy assets.	$28.0m
RATCH-Australia	A disused coal-fired power station at Collinsville in North Queensland, being redeveloped as a $100 million 42MW solar farm, which is expected to generate enough power to meet the needs of 15,000 homes.	$60.0m
CWP Renewables	The 270MW Sapphire Wind Farm, located west of Glen Innes in northern NSW, expected to generate enough energy to meet the needs of 110,000 homes.	$119.3m
FlexiGroup	A $50 million climate bond issued by FlexiGroup with an underlying asset base of residential rooftop solar. The CEFC was a cornerstone investor.	$20.0m
Genex Power Ltd	Development of a 50MW solar farm as part of Phase One of the Kidston Renewable Energy Hub near Townville. Phase Two of the project includes a pumped hydro storage project on the same site.	$50.1m
GreenSync	GreenSync, which specialises in demand management technology, is scaling up its operations using CEFC finance delivered through the Clean Energy Innovation Fund.	$5.0m
Neoen	A 30MW solar farm south-east of Griffith in NSW, including 112,000 solar panels, is expected to generate enough power to meet the energy needs of more than 11,500 homes.	$40.8m
Impact Investment Group	The $100 million IIG Solar Income Fund, managed by the Impact Investment Group, has seed assets including the Mt Majura and Williamsdale solar farms in the ACT and the Karratha Airport solar farm in WA.	Up to $50.0m

CEFC FINANCE IN ACTION – LOW CARBON ELECTRICITY

Renewables generators, electricity retailers and network service providers		CEFC commitment 2016-17
Infigen	The 113MW Bodangora Wind Farm, near Wellington in NSW, is expected to produce enough energy to meet the needs of more than 49,000 homes.	$81.4m
Lighthouse Solar Fund	A new equity fund, investing in the origination, design and installation of solar PV systems that can be leased by small and large-scale commercial customers.	$15.0m
Canadian Solar	The 15MW Longreach Solar Farm, with 54,600 panels across 86 hectares, is expected to generate enough power to meet the energy needs of some 5,000 homes.	$13.5m
Neoen	The Dubbo Solar Hub,a 25MW solar farm over two sites in NSW, one east of Dubbo and one north of Narromine. Together, they are expected to generate enough power to meet the needs of 9,500 homes.	$28.4m
Canadian Solar	The 25MW Oakey Solar Farm, with its 93,600 panels across 60 hectares, is expected to generate enough power to meet the needs of 7,000 homes.	$19.4m
Neoen	A 55MW solar farm west of Parkes will include more than 200,000 solar panels, expected to generate enough power to meet the needs of 20,500 homes.	$79.5m
Pilbara Minerals	The Pilgangoora lithium-tantalum project in WA produces lithia raw materials (spodumene concentrate) that can be used to support a full range of lithium products for lithium ion batteries and energy storage solutions.	$19.8m
Palisade Investment Partners	The Palisade Renewable Energy Fund, aiming to inject as much as $500 million in new investment to accelerate the development of renewable energy infrastructure assets, with a focus on late stage development, construction and brownfield assets. The CEFC was a cornerstone investor.	$75.0m
Esco Pacific/ Palisade Investment Partners	The 116MW Ross River Solar Farm south-west of Townsville is expected to generate enough power to meet the needs of 65,000 homes. This is the CEFC's first equity investment in a solar farm.	$20.2m
ResourceCo	ResourceCo is developing facilities to transform selected non-recyclable waste streams into Processed Engineered Fuel (PEF) that can be used in cement kilns, displacing coal and other fossil fuels. The Wetherill Park plant in Sydney will be capable of processing 150,000 tonnes of waste materials annually.	$30.0m
Edify Energy	Three large-scale solar farms will add a combined 165MW of capacity to the national electricity grid. The Whitsunday and Hamilton solar farms in north Queensland are both 57.5MW developments. The 50MW Gannawarra project is the CEFC's first commitment to a Victorian solar farm.	$78.1m
TOTAL CEFC COMMITMENTS TO LOW CARBON ELECTRICITY		**$843.6m[5]**

5. The CEFC completed 35 individual transactions in 2016-17. Some transactions are allocated across multiple categories, reflecting the deployment of CEFC finance across different industry sectors.

Figure 26: CEFC finance in action – ambitious energy efficiency

CEFC FINANCE IN ACTION – AMBITIOUS ENERGY EFFICIENCY

Property, infrastructure, manufacturing, agriculture, community housing and universities		CEFC commitment 2016-17
PROPERTY		**$610.9m**
Blue Sky Private Real Estate and Goldman Sachs	The Atira Student Living 428-bed student accommodation project in Adelaide is being built to a new benchmark in energy efficient design.	$31.8m
Commonwealth Bank	Part of the Commonwealth Bank's first climate bond, linked to a broad range of clean energy assets.	$29.0m
Commonwealth Bank	The CBA Energy Efficient Equipment Finance program provides finance for a wide range of energy efficient assets, including those that can be used to retrofit buildings to reduce energy use.	$18.1m
Investa Commercial Property Fund	Cornerstone investor in the first green bond issued by the Investa Commercial Property Fund. The $100 million issuance was certified by the Climate Bonds Initiative.	$19.0m
Investa Office Fund	Investa Office Fund (IOF) was the first Australian real estate investment trust to issue a certified Australian dollar green bond. The $150 million issuance will be allocated against a portfolio of low carbon buildings within IOF's portfolio. The CEFC was a cornerstone investor.	$20.0m
Property-related transaction	Transaction details to be announced when finalised.	$60.0m
National Australia Bank	The NAB Energy Efficient Bonus program is helping Australian businesses transform their energy use with loans for eligible clean energy investments, such as vehicles, energy efficient irrigation systems, solar PV, building and lighting upgrades, processing line improvements and refrigeration.	$3.0m
Property-related transaction	Transaction details to be announced when finalised.	$200.0m
RateSetter	Australia's first peer-to-peer green lending platform, RateSetter's Green Loan Marketplace, is an innovative online platform for investors, borrowers and clean energy product providers.	$20.0m
AMP Capital	The CEFC finance will help accelerate the development of world-leading energy efficient commercial property through the $4.7 billion AMP Capital Wholesale Office Fund, which is aiming to deliver a property portfolio of net zero carbon emission buildings by 2030.	$100.0m
Investa Office Management	CEFC finance is contributing to the development of the $900 million 33-storey energy efficient office tower at 60 Martin Place in Sydney, to push the boundaries of energy efficiency in commercial property.	$110.0m

CEFC FINANCE IN ACTION – AMBITIOUS ENERGY EFFICIENCY		
Property, infrastructure, manufacturing, agriculture, community housing and universities		**CEFC commitment 2016-17**
INFRASTRUCTURE		**$150.0m**
Qube Holdings Ltd	Qube Holdings Ltd is developing the nationally-significant Moorebank Logistics Park to take emissions-intensive trucks off Australian roads by increasing the use of rail networks to distribute containerised freight to and from Port Botany. This is the CEFC's first infrastructure investment.	$150.0m
MANUFACTURING		**$59.5m**
Commonwealth Bank	Part of the CBA Energy Efficient Equipment Finance program	$21.4m
National Australia Bank	Part of the NAB Energy Efficient Bonus program.	$38.1m
AGRICULTURE		**$155.1m**
Commonwealth Bank	Part of the CBA Energy Efficient Equipment Finance program	$39.5m
National Australia Bank	Part of the NAB Energy Efficient Bonus program.	$115.6m
COMMUNITY HOUSING		**$150.0m**
SGCH (St George Community Housing)	An additional commitment from the CEFC, to construct a total of 500 new energy efficient homes for low income families in Sydney, and retrofit existing dwellings to higher energy efficiency standards. (Total CEFC commitment to SGCH since 2015-16 is now $170m).	$130.0m
UNIVERSITIES		
Monash University	In a world-first for the university sector, Monash University is using a $218 million climate bond, certified by the Climate Bonds Institute, to finance sustainability and clean energy projects. The CEFC was a cornerstone investor.	$20.0m
TOTAL CEFC COMMITMENTS TO AMBITIOUS ENERGY EFFICIENCY		**$1,125.4m[6]**

6. The CEFC completed 35 individual transactions in 2016-17. Some transactions are allocated across multiple categories, reflecting the deployment of CEFC finance across different industry sectors.

Figure 27: CEFC finance in action – electrification and fuel switching

CEFC FINANCE IN ACTION – ELECTRIFICATION AND FUEL SWITCHING		
BIOFUELS AND VEHICLES		**CEFC commitment 2016-17**
Carbon Revolution	The CEFC finance is part of a $50 million capital raising to enable the company to increase production of the world's only mass-produced one-piece lightweight carbon fibre car wheel. Finance delivered through the Clean Energy Innovation Fund.	$10.0m
Commonwealth Bank	Part of the CBA climate bond program.	$42.9m
Commonwealth Bank	Part of the CBA Energy Efficient Equipment Finance program.	$21.0m
National Australia Bank	Part of the NAB Energy Efficient Bonus program.	$23.4m
SEA Electric	SEA Electric is using CEFC finance to ramp up its conversion of medium-duty trucks and commercial vans to be 100 per cent electric vehicles. Finance delivered through the Clean Energy Innovation Fund.	$5.0m
TOTAL CEFC COMMITMENTS TO ELECTRIFICATION AND FUEL SWITCHING		**$102.3m[7]**

7. The CEFC completed 35 individual transactions in 2016-17. Some transactions are allocated across multiple categories, reflecting the deployment of CEFC finance across different industry sectors.

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.

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

Compliance with this requirement requires active management of the CEFC investment portfolio, particularly the investment strategy; the origination of new investments into the CEFC portfolio; and anticipating existing assets in the portfolio which may be capable of early repayment and/or redemption or sale.

There are many transactions and market events which can influence the make-up of the CEFC portfolio at any point in time. Some of these fall outside the control of the CEFC, such as:

- Early repayment due to a client deciding to refinance their debt or sell the underlying project that the CEFC has financed
- An impairment of a particular investment (debt or equity)
- Variability in the precise timing surrounding finalisation of negotiations and contractual commitments
- Actual, versus projected, uptake of CEFC commitments of funds
- Illiquidity of many elements of the portfolio
- A change in International and Australian accounting standards to revalue certain assets.

Compliance with this requirement also needs to be balanced with protection of the portfolio value for the Commonwealth, including avoiding the wholesale liquidation of assets, the deferral of commitments, and interruptions to the continuity of the CEFC's operations and client service.

Figure 28: Commitments by technology

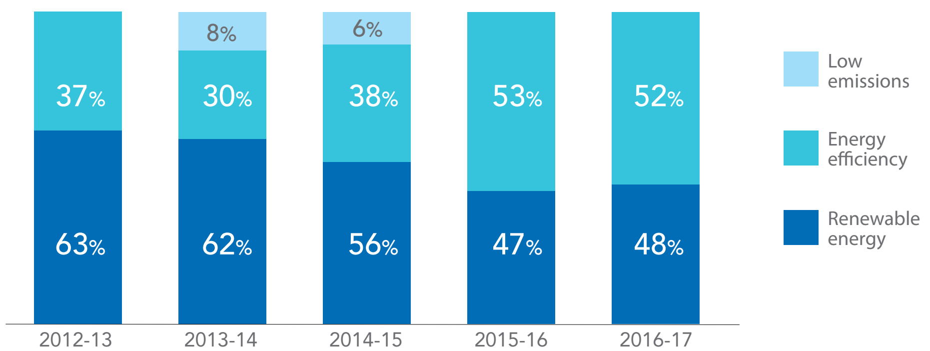


Figure 29: Eligible clean energy technologies

RENEWABLE ENERGY	ENERGY EFFICIENCY	LOW EMISSIONS
Renewables, including bioenergy, geothermal, hydro, ocean, solar, waste-to-energy and wind. Hybrids of renewables with other technologies. Technologies, including enabling technologies associated with storage, prediction of supply, or assistance in transmission of renewable energy or hybrid technology (that integrates renewable energy technology) or 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.	Low emissions, including energy production, electricity generation, fuels for and modes of transport, using reducing or eliminating existing fugitive greenhouse gas emissions. Technologies that reduce emissions that are not renewables or energy efficiency, including supply of goods or services*.

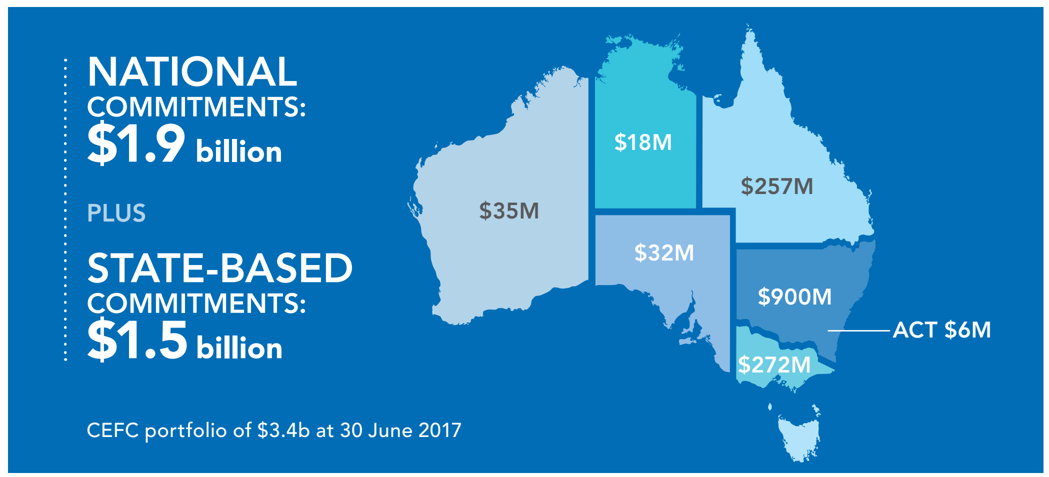
* *Subject to CEFC Board Guidelines.*

COMMITMENTS BY GEOGRAPHY

The CEFC has a national focus. At 30 June 2017, the current portfolio of $3.4 billion included $1.9 billion of national commitments and $1.5 billion of state-based commitments. National commitments include climate bonds and funds.

The increased scale of our co-financing programs continues to substantially extend our reach on a geographic basis. These programs provide businesses, manufacturers, agribusinesses and residential customers with access to CEFC finance via their usual financial institutions, and is particularly effective in delivering finance to a large number of smaller-scale clean energy projects.

Figure 30: Current portfolio commitments by geography

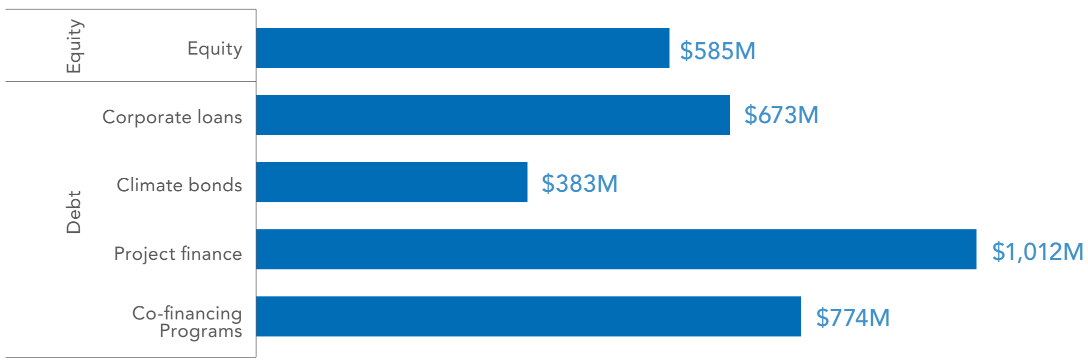


COMMITMENTS BY FINANCE TYPE

The CEFC invests in a range of financing structures, new investment products and across multiple parts of the capital structure to catalyse increased private sector investment in clean energy. In 2016-17, the CEFC saw a significant increase in corporate loans and project finance, representing commitments in the renewable energy and property sectors in particular.

At 17 per cent of the total CEFC portfolio, the CEFC's equity portfolio includes commitments in early stage companies through the Clean Energy Innovation Fund, the CEFC's first equity investment in a large-scale solar project at Ross River in Queensland, and our commitment to the Palisade Renewable Energy Fund, a dedicated institutional renewable energy fund.

Figure 31: Portfolio commitments by finance type since inception



INVESTMENT LEVERAGE

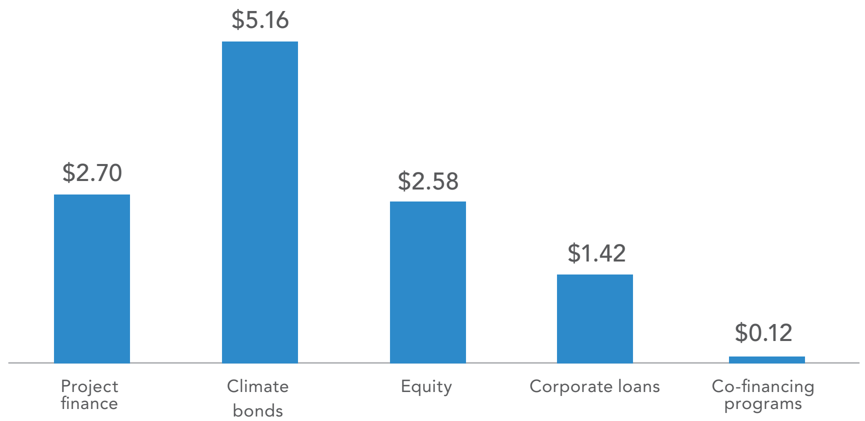
The CEFC plays a central role in catalysing or 'crowding in' additional private sector capital to enable projects to proceed and to support increased investment in the clean energy sector. This leverage of additional investment allows the CEFC to increase the impact of CEFC finance, by using our finance, expertise and market reach to help drive additional investor interest in clean energy opportunities.

In the reporting period, we achieved an overall investment leverage of more than $2.00 of private sector investment for each $1.00 of new CEFC committed investments.

Cumulative leverage across the overall portfolio was more than $2.10 at 30 June 2017, with each $1.00 of CEFC investment since 2013 helping catalyse more than an additional $2.10 from the private sector.

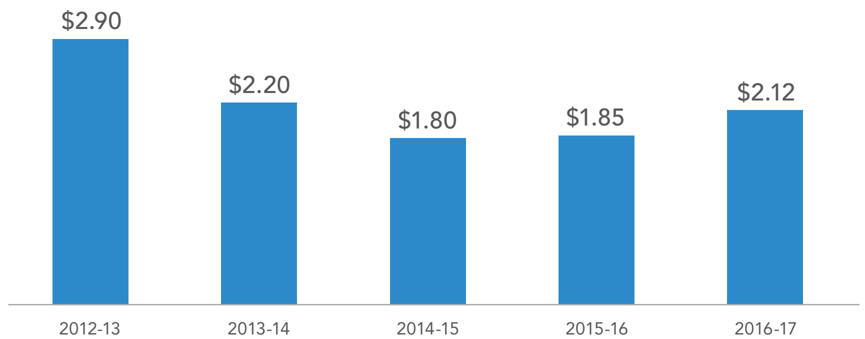
This leverage remains an important indicator of the contribution of the CEFC in building financing capability and expanding the scale of clean energy investment in Australia. It also indicates the continued willingness of private sector investors to work alongside the CEFC to develop and deliver clean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

Figure 32: Portfolio investment leverage by finance type



($ of private sector investment for every $1 of CEFC investment)

Figure 33: Portfolio investment leverage since inception

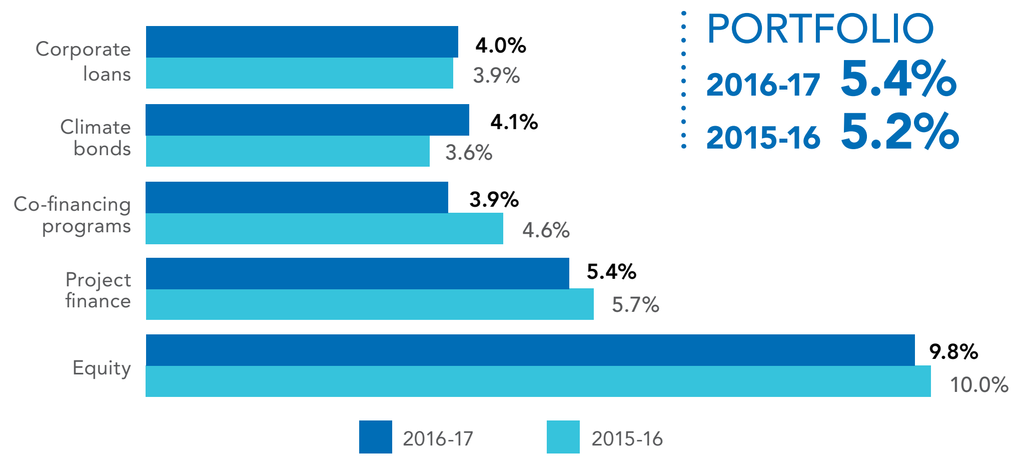


($ of private sector investment for every $1 of CEFC investment)

INVESTMENT YIELD

Forecast lifetime investment yield is an indicator of the return on the CEFC's portfolio performance over the lifetime of the investments, once funds are fully deployed. At 30 June 2017, the CEFC had a $3.4 billion portfolio of investment commitments with a forecast lifetime investment yield of 5.4 per cent. This compares with the forecast lifetime investment yield of 5.2 per cent on the $1.7 billion portfolio of commitments at 30 June 2016. The slight increase in the forecast lifetime investment yield is predominantly a reflection of the CEFC's balanced spread of new investment commitments during 2016-17.

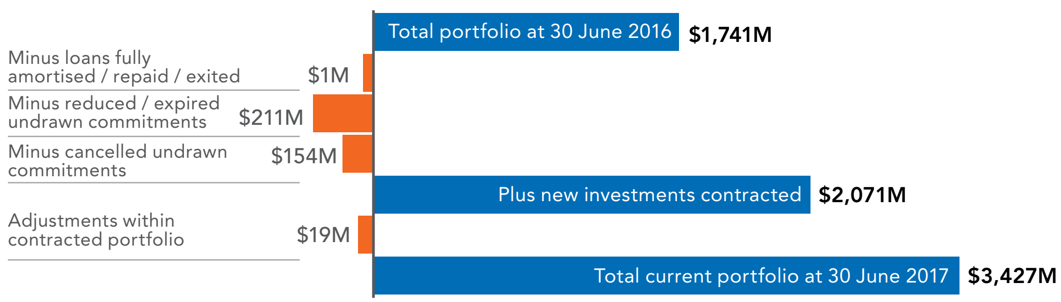
Figure 34: **Portfolio yield by finance type**



MOVEMENTS IN INVESTMENT PORTFOLIO

At 30 June 2017, the CEFC portfolio of investment commitments was $3.427 billion, a 96 per cent growth on the $1.741 billion reported at 30 June 2016. The portfolio growth was driven by new investment commitments during the year, minus loans amortised, fully repaid or exited, as well as expired or cancelled undrawn commitments.

Figure 35: **Movements in CEFC investment portfolio**



ANNUAL PERFORMANCE STATEMENT

INTRODUCTORY STATEMENT

The CEFC Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2016-17 Annual Performance Statements, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

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

ENTITY PURPOSE

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

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

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

RESULTS

The CEFC had a strong year in 2016-17. A summary of the CEFC's performance outcomes is included in Figure 36. CEFC performance has been assessed against the performance criteria set out in the 2016-17 Corporate Plan, as well as the performance criteria set out in the 2016-17 Portfolio Budget Statements.[8]

Figure 36: CEFC performance summary 2016-17

	PERFORMANCE CRITERION	MEASURE	OUTCOME
1	Investment in renewable energy, low emissions and energy efficiency technology	Dollar value of new investment commitments	$2.1 billion against a target of between $800 million and $1 billion.
2	Placement of funds into Australia's clean energy sector	Dollar value of capital deployed	More than $900 million against a target of $450 million.
		Expected carbon abatement from committed projects at negative cost	A positive return to the CEFC for each tonne of CO_2-e emissions abatement
		Financial leverage in projects financed	Actual leverage was more than $2.00 for every $1.00 committed by the CEFC, which is above the target of $1.00 per $1.00 committed.
3	Performance against portfolio benchmark return (PBR) set by the Australian Government	Portfolio return achieved	4.5% versus a PBR target range of 5.74% to 6.74%.
		Level of operating expenditure before accounting concessionality and impairments.	$28.8 million versus a target of less than $31.3 million.
4	Dissemination of information to industry stakeholders and building industry capacity	Value and diversity of tangible pipeline of opportunities	Pipeline of investment opportunities increased from around $7 billion to more than $9 billion at 30 June 2017.
		Level of marketing and communications activity	Marketing and communications activity, including increased media outreach and participation in relevant conferences and industry events, which increased from 135 in 2015-16 to 159 in 2016-17.
		Stakeholder awareness and knowledge	There was increased stakeholder awareness and knowledge of CEFC, as evidenced by a 45 per cent increase in our social media audience[9].

8. Criterion sources: 2016-17 Portfolio Budget Statements and 2016-17 Corporate Plan
9. Twitter and Linkedin audience

ANALYSIS OF PERFORMANCE CRITERIA

1. Investment in renewable energy, low emissions and energy efficiency technology

New investment commitments of nearly $2.1 billion were made during 2016-17, taking total CEFC commitments over the past four years to $4.3 billion. This was well above our target of $800 million to $1 billion for 2016-17.

CEFC commitments were made across 35 transactions, reflecting a strong increase in the level of investment in renewable energy in the Australian market and the increasing breadth of the CEFC's operations.

More than half of new investment commitment amounts in 2016-17 were allocated to energy efficiency transactions that support reduced energy consumption and, in turn, lower carbon emissions across industry sectors. The 35 new transactions included the first investments made under the Clean Energy Innovation Fund, which committed $30 million to four innovative Australian businesses.

The development and execution of our strategy, which focusses on areas of the economy with high potential for emissions reduction, was supported by increasing organisational strength and capability to enable the strong investment performance in 2016-17.

2. Placement of funds into Australia's clean energy sector

Total funds deployed were more than $900 million, which was well above the target of $450 million for 2016-17, and is correlated with the strong level of new investment commitments during the year. Our investments in 2016-17 made a significant contribution in facilitating Australia's emissions reduction efforts, with CEFC investments in that year forecast to reduce emissions by more than 5 million tonnes per annum. As an investor, we achieved positive returns for each tonne of CO_2-e abated.

In order to increase the flows of finance into the clean energy sector, it is important that others also invest in the sector, as reflected in the CEFC Mission. At the transaction level, we measure this through financial leverage. Actual leverage in CEFC transactions in 2016-17 was 1:2.1, above the target of 1:1, representing more than $2.00 in investment for every $1.00 of CEFC commitment.

3. Performance against portfolio benchmark return set by the Australian Government

At 30 June 2017, the CEFC portfolio return was 4.50 per cent, against a Portfolio Benchmarket Return (PBR) target of 5.74-6.74 per cent, over the medium to longer term, representing a net difference of 1.24 per cent below the bottom end of the target range.

At 30 June 2016, the CEFC portfolio return was 4.65 per cent against a PBR target of 5.95 per cent, representing a net difference of 1.30 per cent. While the improvement in the actual rate achieved was positive, the Board has previously advised that the PBR target is considered high, given the CEFC's narrow investment universe, risk profile and public policy purpose. Every transaction entered into by the CEFC (even after providing for concessionality) is at a rate of return that exceeds the five-year Government bond rate.

Financial sustainability is important as we pursue our pubic policy purpose. The level of expenditure we incur is an important indicator. For the 2016-17 year, our operating expenses before concessionality and impairment were $28.8 million, against a target of less than $31.3 million. This contributed to the healthy net surplus from operations of $21.7 million.

4. Dissemination of information to industry stakeholders and building industry capacity

The 2016-17 year saw significant external debate about the future of Australia's energy sector, and the potential role of clean energy solutions in the context of energy affordability, security and reliability. As an active investor seeking to catalyse additional finance into the clean energy sector, we retain a strong focus on sharing our experience and insights on the energy and other industry markets.

The CEFC participated in high-value targeted engagement activities, contributing to a better informed external discourse around policy solutions through submissions, ministerial, parliamentary and stakeholder engagement, and media activities. We strengthened our offer to the agribusiness sector by forming a collaboration with the Department of Agriculture and Water Resources to promote the CEFC's offer to the sector.

We also broadened our presence at external industry forums, including major presentations in the property, infrastructure and mining sectors, in addition to continued strong engagement with the clean energy sector. We also more actively leveraged the strength and reputation of the CEFC to host industry events and fostering opportunities to connect investors and CEFC finance, as demonstrated through the successful Innovators Demo Day, and property-sector roundtables to canvass energy efficiency opportunities in the property sector.

There was considerable effort to promote the Reef Funding Program, including extensive consultation and briefings to relevant government agencies, with industry groups in the Reef catchment area and in external client meetings. We also worked with the Department to conduct initial stakeholder engagement and develop our offer to market.

CEFC participation in industry events and conferences, along with our media outreach, increased by more than 17.5 per cent compared with the previous year.

Reflecting the increasing maturity of the organisation, and the accelerated breadth and scope of investment activities, we also substantially strengthened essential brand-related assets, including increasing the visual impact of the CEFC logo, digital channels and visual materials. Considerable work on driving consistency in CEFC messaging and impact was supported by storytelling workshops for staff, the creation of ready-made presentation materials and best practice design and messaging across Twitter, LinkedIn and the CEFC website: cefc.com.au. Our social media audience increased 45 per cent during 2016-17.

GREEN BANK NETWORK

The CEFC is a foundation member of the Green Bank Network (GBN), an international membership organisation formed to foster collaboration and knowledge exchange among existing 'Green Banks', enabling them to share their experiences, best practices and lessons learned. The GBN also aims to serve as a source of knowledge and a network for jurisdictions that seek to establish their own form of 'green bank'. Other members include organisations in the US, UK, Malaysia and Japan.

EXTERNAL RECOGNITION

During the year we were pleased to receive external recognition for our activities:

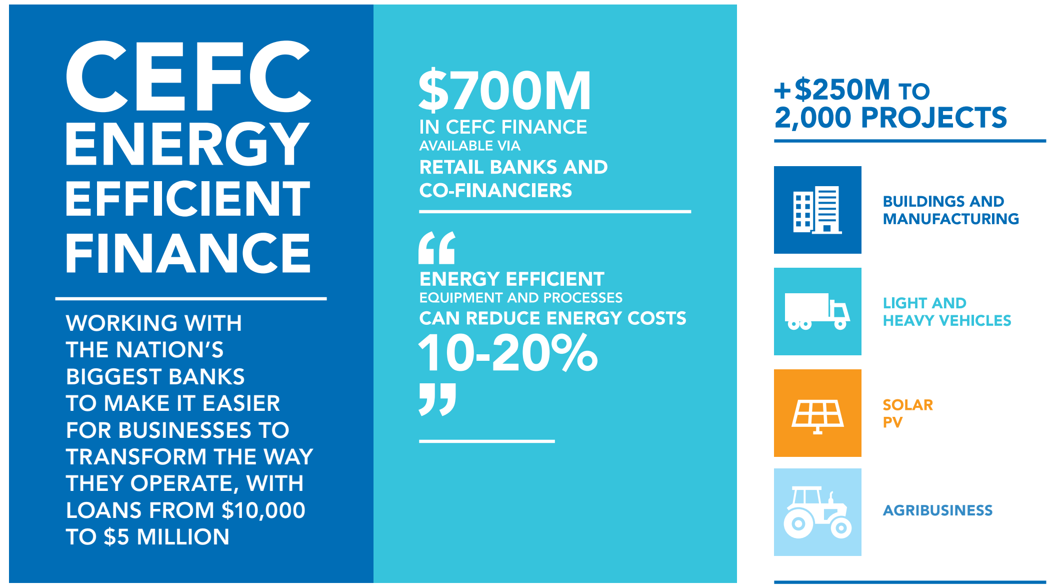
- The industry leading partnership between CEFC and community housing provider SGCH was recognised at the PowerHousing Australia Awards, with the CEFC receiving the Business Partner Award.
- The CEFC won the Online Reporting category for our 2016 Annual Report at the Australasian Reporting Awards, which benchmark us against listed companies and business organisations. We also received a Silver Award for the printed version of our report, for the second consecutive year.

BUSINESS ASSET FINANCE

The CEFC works with banks, energy providers and other financiers to provide a range of cost-effective financing solutions to help businesses, including SME's and agribusinesses, to invest in clean energy assets and technologies to reduce their energy costs, improve their productivity and reduce emissions.

In 2016-17, the CEFC committed an additional $300 million to three co-financing programs, taking total CEFC commitments to these unique programs to almost $1 billion since inception. Through these programs, the CEFC has contributed $250 million to more than 2,000 individual clean energy projects.

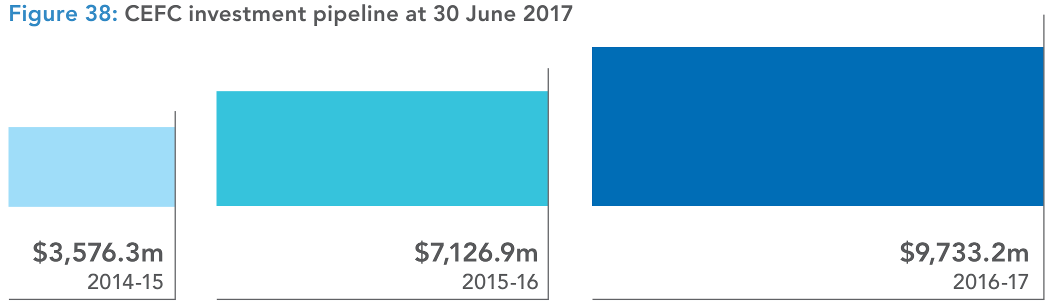
Figure 37: Finance for SME's and agribusiness



INVESTMENT PIPELINE

The pipeline of investment opportunities increased from around $7 billion to more than $9 billion at 30 June 2017. This growth reflects increased interest in clean energy investment, coupled with a broader understanding of the role of the CEFC in working with investors and project developers across a range of eligible clean energy investments.

Figure 38: CEFC investment pipeline at 30 June 2017



CEFC FINANCE IN ACTION: CLIMATE BONDS

DEVELOPING A NEW SOURCE OF CLEAN ENERGY FINANCE

The CEFC has been a cornerstone investor in eight of the 14 climate bonds issued in Australia since 2013, supporting the growth of this important new channel to increase the flow of clean energy finance. CEFC climate bonds commitments in 2016-17 included:

- $20 million to the Investa Office Fund inaugural Green Medium Term Note, the first certified Australian dollar green bond issued by an Australian REIT. Proceeds from the $150 million bond issue have been fully allocated against a portfolio of low carbon buildings.
- $100 million commitment as a cornerstone investor in CBA's first climate bond, a $650 million bond linked to a broad portfolio of clean energy assets.
- $20 million cornerstone commitment to FlexiGroup's $50 million tranche of 2017-1 Class A2-G notes. The climate-certified bonds have an underlying asset base of residential rooftop solar and priced at a yield 0.03 per cent lower than the remainder of the $265 million issue, which lacked certification.
- $20 million cornerstone investment in the world's first university issued certified climate bond. Monash University's $218 million climate bond is to finance sustainability and clean energy projects.

> "We're pleased to have the CEFC as a cornerstone investor in our first climate bond, recognising the important role it plays in nurturing the growth of climate bonds to support the development of the clean energy sector in Australia. Increasing investor awareness will fuel demand for climate bonds, and based on the strong domestic and global pipeline for renewable and low-carbon projects, we expect to see the Australian market grow."

Simon Ling
CBA Managing Director Debt Markets

CLEAN ENERGY INNOVATORS DEMO DAY

At our first Clean Energy Innovators Demo Day, the CEFC brought together 10 innovative entrepreneurial businesses and some 50 investors to help accelerate investment opportunities.

The participating businesses were seeking as much as $88 million in immediate financing, and were promoting a range of clean energy opportunities, including:

- software to recycle spent electric vehicle batteries for household storage
- extending solar power to tenants
- helping people get the most from their solar panels and batteries, including through internet connected devices.

Participating companies, investors and the CEFC are exploring financing opportunities that were identified via the Demo Day.

Figure 39: **Supporting clean energy innovation**

CLEAN ENERGY INNOVATORS **DEMO DAY**

10 CLEAN ENERGY **INNOVATORS**

INVESTORS **50**

$88 MILLION **FUNDS** SOUGHT

Business and Governance

CEFC PURPOSE

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

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

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

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

The CEFC's purpose and mission is achieved through:

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

INVESTMENT APPROACH

The CEFC Strategic Framework describes our investment approach, with a clear focus on the areas of the economy where CEFC finance can have a high impact in accelerating emissions reduction to contribute to Australia's decarbonisation challenge.

We invest, directly or indirectly, in businesses and projects that are solely or mainly Australian-based and that develop, commercialise or are used in clean energy technologies, including the related supply of goods and services. Investments in renewable energy technologies are required to make up at least half of our investments from 1 July 2018. We invest responsibly and manage risk prudently, adopting a commercially rigorous approach to our investment activities. See Figure 40.

Figure 40: CEFC investment approach

COMPLYING INVESTMENTS

Under the CEFC Act, the CEFC may only invest where the investment meets the complying investment criteria. This requires investments to be solely or mainly Australian-based businesses and projects which include renewable energy, energy efficiency and low emissions technologies. Under the CEFC Act, investments in carbon capture and storage, nuclear energy and nuclear technology are prohibited.

COMMERCIAL RIGOUR

We apply commercial rigour in our investment approach, using financial products and structures to address the barriers inhibiting private sector investment in Australia's emissions reduction. We are not a grant-making organisation. We invest with an expectation that our portfolio of investments will generate positive financial returns, noting that individual investments will differ in their underlying risk profiles. Careful risk assessment and mitigation through structuring and financing terms are a critical enabler of our investment activities. We seek to adopt the lowest acceptable risk position to minimise the likelihood of capital losses, while noting the level of expected emissions reductions and other public policy benefits.

PUBLIC POLICY PURPOSE

While we operate with an objective of financial sustainability, our primary purpose is not profit maximisation. We differ from private sector financial institutions in that we have a public policy purpose where we place considerable value on the externalities associated with our financing activities. These external benefits include emissions reductions, moving new technologies down the cost curve, productivity gains achieved through energy efficiency, technology diversity in the energy mix, innovation, capability development and leveraging private sector funds into the clean energy sector. In some circumstances, we may provide concessional finance where we consider this promotes public policy benefits.

'CROWDING IN'

We encourage and actively seek to 'crowd in' additional investment in the clean energy sector, working with private sector financiers, project sponsors and business owners. We do not seek to displace private sector financiers in the clean energy sector, nor disrupt areas where the financial markets are functioning well. For more information, please refer to the CEFC Investment Policies on our website: www.cefc.com.au

GOVERNANCE

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

The Board draws on relevant Australian Government policies and incorporates private sector principles of good corporate governance in providing oversight and direction to the Executive.

Two Board committees contribute to effective governance:

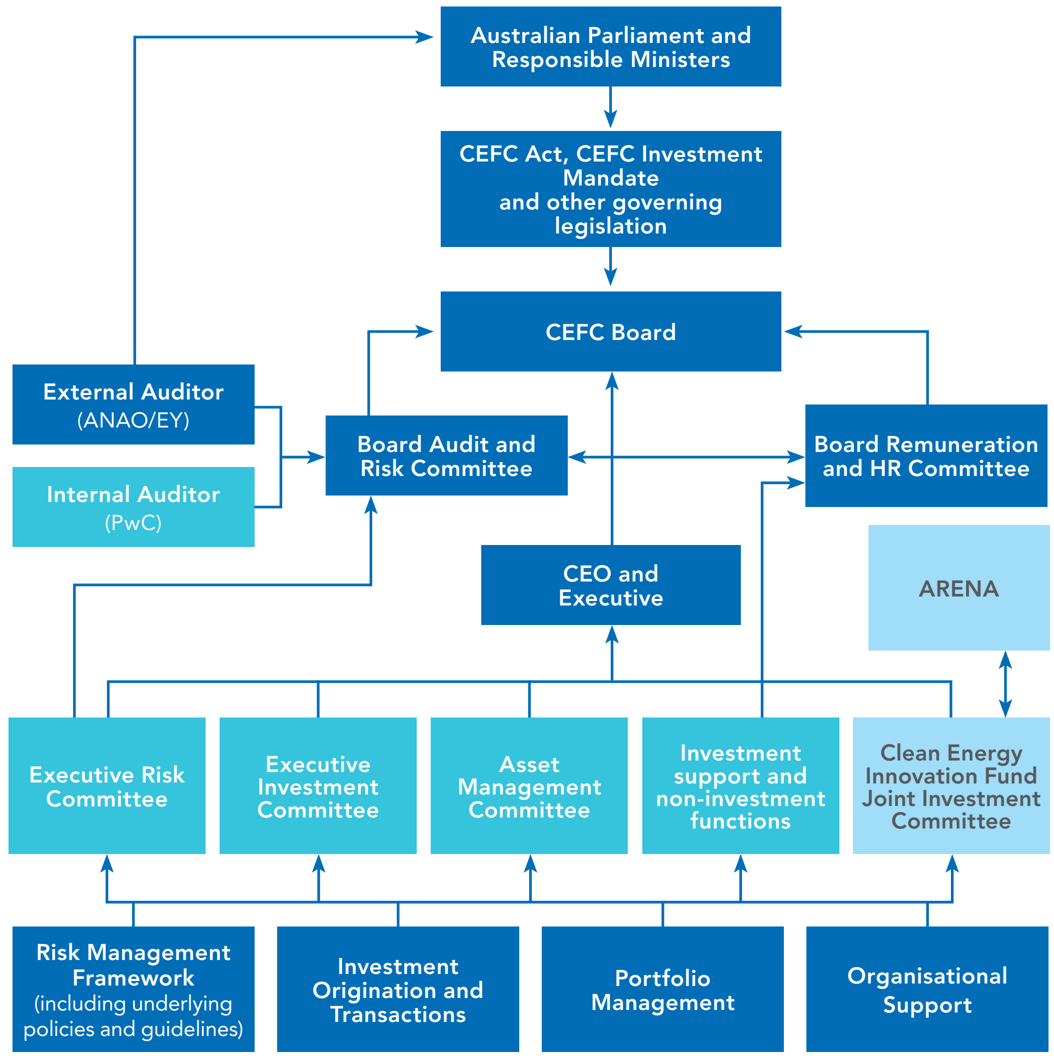
1. Audit and Risk Committee – which advises and assists the Board in financial governance, financial performance, audit, annual reporting, compliance and risk management.
2. Remuneration and Human Resources Committee – which advises and assists the Board in workforce planning, performance evaluation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

The Board has further adopted a Code of Conduct and Ethics, a delegated authority framework and corporate policies and procedures to establish appropriate controls and to provide an ethical decision-making framework for the CEFC. This structure includes a robust set of Investment Policies, a Risk Management Framework and accompanying procedures.

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

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

Figure 41: Governance approach



CONFLICTS AND RELATED ENTITY TRANSACTIONS

The CEFC considers matters regarding potential conflicts and related entity transactions in accordance with the CEFC Act and the PGPA Act. Declarations by Board members of any material personal interests are a standing agenda item at each Board meeting.

Executives and staff are also required to declare potential personal conflicts of interest, and comply with a share trading policy which prohibits share trading in entities with which the CEFC may be doing business and/or may hold price sensitive information. The Audit and Risk Committee reviews all related entity transactions which are disclosed in accordance with the relevant accounting standards at Note 5.4 within the Financial Statements.

CEFC BOARD

The members of the CEFC Board at 30 June 2017 were:

Ms Jillian Broadbent AO - Chair

Ms Broadbent has had a distinguished career in banking and business. A former member of the Reserve Bank of Australia Board, she is University of Wollongong Chancellor, Chair of the board of Swiss Re Life and Health Australia Limited and on the board of Woolworths Limited. Ms Broadbent received an Officer of the Order of Australia for services to economic and financial development in Australia and the community. Ms Broadbent was CEFC Chair from 7 August 2012 to 7 August 2017.

Mr Paul Binsted - Member

Mr Binsted has extensive experience in investment banking and other aspects of corporate financial advice. A former managing director and joint CEO of Lazard in Australia, he has held senior roles in investment banking, including with Citigroup Australia. Mr Binsted was a member of the Australian Financial Forum 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 from 1 February 2013 for five years.

Mr Ian Moore - Member

Mr Moore has extensive experience in investment banking, including senior roles with Bankers Trust, Challenger Infrastructure and Property Funds, and Artesian Capital Management. He was a member of the CEFC Expert Review Panel. Mr Moore was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Ms Anna Skarbek - Member

Ms Skarbek is CEO of ClimateWorks Australia and has previously worked in investment banking in London and Australia, and as senior policy adviser to the Victorian Deputy Premier. She is a trustee of the Sustainable Melbourne Fund, a director of the Green Building Council of Australia and a member of the Grattan Institute Energy Program Reference Panel, the Wentworth Group of Concerned Scientists and the Vivid Economics Advisory Group. Ms Skarbek was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Mr Andrew Stock - Member

Mr Stock has extensive experience in the energy sector, including in senior management roles in electricity and gas, petroleum and petrochemical businesses in Australia and internationally. Mr Stock is a director of Horizon Oil Limited, and chair of the Energy Advisory Boards at Adelaide and Melbourne Universities. Mr Stock was a member of the CEFC Board from 7 August 2012 to 7 August 2017.

Mr Martijn Wilder AM - Member

Mr Wilder is head of the Global Environmental Markets, Clean Energy and Climate Change practice at Baker & McKenzie. A Professor of Climate Change Law at the Australian National University, he chairs the Australian Renewable Energy Agency and is a director of the World Wildlife Fund (Australia) and the Climate Council. Mr Wilder chairs the NSW Climate Change Council, is a governing Board member of the Renewable Energy and Energy Efficiency Partnership and is a member of the Wentworth Group of Concerned Scientists. Mr Wilder was awarded a Member of the Order of Australia in recognition for service to environmental law, particularly in the area of climate change and to the community. Mr Wilder was appointed to the CEFC Board from 1 February 2013 for five years.

CEFC Board members (from August 2017)

NEW BOARD MEMBERS

The Australian Government appointed four new CEFC Board members for five-year terms from August 2017, to replace retiring Board members. The new appointees are:

Mr Steven Skala AO - Chair

Mr Skala has more than 35 years' experience in law, business and banking, as well as extensive service in the arts and community sectors. He is Vice Chairman (Australia) of Deutsche Bank AG. He is a former Chairman of Film Australia Limited and Wilson Group Limited, and a former Director of the Australian Broadcasting Corporation, the Channel Ten Group of Companies and Max Capital Group. Mr Skala was a senior partner at Arnold Bloch Leibler lawyers for almost 20 years, and has Arts and Law (Honours) degrees from the University of Queensland and a Bachelor of Civil Law from the University of Oxford. He is Chairman of the Heide Museum of Modern Art, Deputy Chairman of the General Sir John Monash Foundation, a Director of The Centre for Independent Studies, a Founding Panel Member of Adara Advisors Pty Ltd and a Member of the International Council of the Museum of Modern Art (MoMA) in New York. In 2010, Mr Skala was appointed an Officer of the Order of Australia for service to business and commerce, the arts and the community.

Ms Leeanne Bond

Ms Bond is one of Australia's leading engineers, with extensive experience in the water and energy sectors in Queensland and the Northern Territory. She serves on the boards of Snowy Hydro, Territory Generation, Liquefied Natural Gas Limited, JKTech Pty Ltd, the Queensland Building and Construction Commission (QBCC) and Engineers Australia Ltd. She is also incoming Chair of Synertec Corporation. Ms Bond recently retired from the board of Coffey International Limited. She has previously held board positions on a number of water and energy businesses, including Tarong Energy and the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water. Ms Bond was awarded Australian Professional Engineer of the Year in 2007. She is a Fellow of the Australian Institute of Company Directors and an honorary fellow of Engineers Australia.

Ms Nicola Wakefield Evans

Ms Wakefield Evans is a non-executive director of Macquarie Group Limited, Lend Lease Corporation Limited, BUPA Australia & New Zealand and the national board of the Australian Institute of Company Directors. She is also a member of the boards of Asialink (University of Melbourne), the University of New South Wales' Foundation and is a member of the Takeovers Panel. Ms Wakefield Evans was a partner of King & Wood Mallesons for 20 years, which included responsibility for the development and growth of the firm's international practice and its Hong Kong, China and London offices. Ms Wakefield Evans' key areas of expertise include resources and energy, infrastructure, airports, financial services, technology and media and communication.

Ms Samantha Tough

Ms Tough has extensive executive and board experience in the energy and resources sectors. She currently serves on the boards of Synergy and Saracen Mineral Holdings Limited and is deputy Chair of the WA Academy of Performing Arts. Ms Tough was previously Chair of Retail Energy Market Company Ltd, Structerre Pty Ltd, Molopo Energy Ltd, Aerison Pty Ltd and Southern Cross Goldfields Ltd. She is also a former director of Cape PLC, Strike Resources Ltd and Murchison Metals Ltd. Ms Tough has held senior executive roles with Woodside Energy Ltd, Hardman Resources Ltd, the Commonwealth Bank and the Pilbara Power Project. She has a Bachelor of Law and Bachelor of Jurisprudence from the University of Western Australia and worked as a barrister and solicitor before progressing to the commercial sector. Ms Tough is a Fellow of the Australian Institute of Company Directors.

BOARD COMMITTEE MEMBERSHIP

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

Figure 42: Board committee memberships 2016-17

Board Member	Remuneration and Human Resources Committee	Audit and Risk Committee
Jillian Broadbent AO	Member	
Paul Binsted		Chair
Ian Moore		Member
Anna Skarbek	Member	
Andrew Stock	Chair	
Martijn Wilder AM		Member

Meeting attendance by Board members

In 2016-17 there were 14 Board meetings and a further 12 Board Committee meetings. The attendance of Committee members is recorded in Figure 43.

Figure 43: Board member meeting attendance 2016-17

	Board Meeting		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	12	14	7	7	-	-
Paul Binsted	13	14	-	-	5	5
Ian Moore	12	14	-	-	5	5
Anna Skarbek	14	14	6	7	-	-
Andrew Stock	14	14	7	7	-	-
Martijn Wilder AM	12	14	-	-	3	5

Board member remuneration and allowances

Under the CEFC Act and the *Remuneration Tribunal Act 1973*, remuneration for Board members is determined independently by the Australian Government Remuneration Tribunal. Throughout 2016-17, the Remuneration Tribunal Determinations reflected in Figure 44 were in effect.

Figure 44: Remuneration Tribunal Determinations 2016-17

Determination	Date of effect
Remuneration Tribunal Determination 2015/20: Remuneration and Allowances for Holders of Part-Time Public Office (as amended)	1 January 2016
Remuneration Tribunal Determination 2016/18: Remuneration and Allowances for Holders of Part-Time Public Office (as amended)	8 December 2016

Under both determinations, Board members were remunerated annually (rather than per day or by meeting) as outlined in Figure 45. The remuneration amount did not change between each determination.

Figure 45: Rates of Board member remuneration 2016-17

Office	Annual remuneration
Chair	$104,450
Board member	$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 allowances are also payable under the Remuneration Tribunal Determinations. During 2016-17 these were set by the *Remuneration Tribunal Determination 2015/11: Official Travel by Office Holders* (as amended) (from 30 August 2015) and *Remuneration Tribunal Determination 2016/07: Official Travel by Office Holders* (as amended) (from 28 August 2016).

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS

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 46.

Figure 46: Indemnities and insurance premiums for officers 2016-17

INDEMNITY/INSURANCE	OFFICERS INCLUDED	PERIOD OF COVERAGE	PREMIUM/FEES PAID
Comcover indemnity for Directors and Officers	All Board members and the Executive. All Officers and staff	1 July 2016 – 30 June 2017	$65,870
Deed of Insurance, Access and Indemnity with each Director and Officer	All Board members and the CEFC Executive	10 May 2013 – 7 years after ceasing to be a Director or Officer of 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 2016 – 30 June 2017	$63,079
Indemnification for Reasonable Travel and Expenses	All Directors, Officers and staff	Ongoing	Nil: indemnity only

Comcover and Comcare insurance

Insurances provided by Comcover and Comcare have general application that 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 other work-related expenses. Staff members (including the Executive) are indemnified and reimbursed for reasonable travel and ancillary expenses incurred in the performance of their duties, based on verified claims and in accordance with relevant CEFC policies. 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).

CEFC EXECUTIVE

CEFC Executive members

The Executive brings a range of skills and private sector experience to the CEFC. The Chief Executive Officer is a statutory officer under the CEFC Act. The CEO is appointed by the Board after consultation with the responsible Ministers and holds office at the Board's pleasure. During the year, the Board appointed Ian Learmonth as CEO, following the resignation of inaugural CEO Oliver Yates.

Mr Ian Learmonth
Chief Executive Officer

Mr Learmonth has more than 20 years' experience as a financier and investor, working across clean energy and major infrastructure projects, as well as social impact investments. He established Social Ventures Australia's Impact Investing business, raised its first Social Impact fund and structured and launched Australia's first Social Impact Bond. He was also instrumental in establishing a dedicated Social and Affordable Housing fund. Previously an Executive Director of Macquarie Group for 12 years, Mr Learmonth has investment banking experience in Sydney, Hong Kong and London. He established and led its European renewable energy and carbon credit investments, as well as structured finance and asset financing in Asia and Europe. Earlier in his Macquarie career, Mr Learmonth established the bank's IT operating lease business and completed a number of securitisations for both Macquarie Bank and external clients. Mr Learmonth has degrees in both Law and Commerce from the University of Queensland and is a director of Sydney's Belvoir Theatre. Mr Learmonth became CEO in May 2017.

Ms Rebecca Cottrell
General Counsel and Corporate Secretary

As General Counsel, Ms Cottrell heads the CEFC's legal team, which provides proactive support to the originations and transactions and portfolio management teams and, more generally, provides advice on corporate legal matters to the CEFC. Ms Cottrell also provides support to the Board as Corporate Secretary. Ms Cottrell is a highly experienced leader within the financial services industry and a former partner of Goldman Sachs JBWere. She has worked in Australia and New Zealand, including senior leadership roles as Head of Federation and Head of Legal at Goldman Sachs in New Zealand, and as General Counsel and Company Secretary of the NZ Stock Exchange. Ms Cottrell is a solicitor admitted in the NSW Supreme Court and the High Court of New Zealand. Ms Cottrell joined the CEFC January 2017.

Mr Kevin Holmes
Chief Governance and Strategy Officer

Mr Holmes is responsible for strategic development, governance, performance management, marketing and communications, investment research and risk management. He chairs the Executive Investment Committee, the Joint 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 and chief financial officer and chief operating officer at Pacific Hydro. He also had long international careers with both British Gas and BHP. Mr Holmes is a Chartered Accountant, a Commerce Graduate of Otago University, a member of Chartered Accountants Australia and New Zealand, and a Graduate Member of the Australian Institute of Company Directors.

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 is a Certified Practising Accountant and holds a Bachelor of Accountancy from RMIT University.

Mr Paul McCartney
Chief Originations and Transactions Officer (Joint)

Mr Panizza is responsible for oversight of investment risk and overall management of the CEFC portfolio. He spent 10 years with the Macquarie Group in Singapore, and also developed an Asian leveraged finance business for ABN AMRO. Mr Panizza has served in a board capacity on several operating subsidiaries within the Macquarie Group, including Macquarie Capital (Singapore) Pte Ltd and the ASX-listed Miclyn Express Offshore Limited. He was also Vice Chair of the not-for-profit Humanitarian Organization for Migration Economics. Mr Panizza holds a Capital Markets Services License and Financial Advisers License from the Monetary Authority of Singapore. He is a Member of the Australian Institute of Company Directors and has a Master of Business Administration and a Bachelor of Economics from the University of Western Australia. Mr Panizza joined the CEFC in September 2016.

Mr Stephen Panizza
Chief Investment Risk Officer

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. As Chief Financial Officer, Mr Powell heads our Brisbane office and has oversight of the CEFC's finance, information and communications technology and administrative function.
Mr Powell is a member of the Executive Investment Committee and the Executive Risk Committee. 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 chief financial officer and company secretary of Low Carbon Australia Limited and the senior vice president of finance for Symyx Technologies Inc., a NASDAQ-listed company. Mr Powell worked with Ernst & Young in both Australia and the United States and is a Chartered Accountant with a Bachelor of Economics from Macquarie University, and is a Graduate Member of the Australian Institute of Company Directors.

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

EXECUTIVE REMUNERATION AND ALLOWANCES

The Remuneration and Human Resources Committee is responsible for structuring Executive remuneration, evaluating performance and approving variable compensation payments, which consider short and long-term performance metrics, including financial, operational and individual targets.

During 2016-17, Total Annual Remuneration Packages (TARPs) for the CEFC Executive members included base salary, superannuation and variable compensation. For additional information, refer Note 2.1 and Note 5.2 in the Financial Statements.

CEFC Executive travel and expenses claims are usually dealt with on an indemnity and reimbursement basis. Refer Indemnities and Insurance Premiums for Officials.

Energy efficient building project - AMP Capital Wholesale Office Fund

Image supplied by AMP Capital

WORKING WITH THE CEFC

The CEFC's success can be attributed to an effective organisational model based on deep experience and expertise, with a commercial and innovative approach to transforming clean energy investment. The CEFC seeks to be known as expert, commercial, transformative and innovative in our approach to transaction opportunities. See Figure 47.

Figure 47: Approach to transaction opportunities

EXPERT

We have a breadth of expertise across our target sectors, and work closely with project partners to deliver clean energy outcomes which make economic and commercial sense.

COMMERCIAL

We take a commercial approach to our activities, delivering a positive financial return on our investments while also delivering on our public policy purpose.

TRANSFORMATIVE

We operate at the forefront of the finance and energy sectors helping our clients meet their sustainability objectives and delivering outcomes to transform clean energy investments.

INNOVATIVE

We provide a range of innovative finance solutions, including debt and/or equity, and tailor our financial solutions to meet the needs of individual transactions.

OUR EMPLOYEES

While the CEFC has considerable available capital to invest, it remains a relatively small organisation in terms of numbers of people. Organisational effectiveness and operational efficiency are critical to the CEFC's performance.

CEFC staff are mainly drawn from the finance and energy sectors, reflecting our specialist investment focus. Key organisational tasks include strategic planning, transaction origination, portfolio management, legal, finance, human resources, compliance, risk management, marketing and communications, investment research, stakeholder relations and administrative functions.

With the growth of the organisation and its investment portfolio, the CEFC has progressively augmented and deepened its skills base, as well as prioritised cross-skilling and backup for each role to minimise key-person risk.

For the 2016-17 year, annual employee turnover was 17 per cent, including six per cent planned (e.g. completion of fixed term contract) and 11 per cent unplanned (e.g. resignations).

During the reporting period, the CEFC participated in the Department of the Environment and Energy's graduate program, hosting a graduate for a three-month rotation to provide exposure to the CEFC's business and the markets in which it operates. The CEFC also hosted a Year 11 work experience student.

TERMS OF EMPLOYMENT

CEFC employees are employed under the CEFC Act and are not public servants for the purposes of the *Public Service Act 1999*.

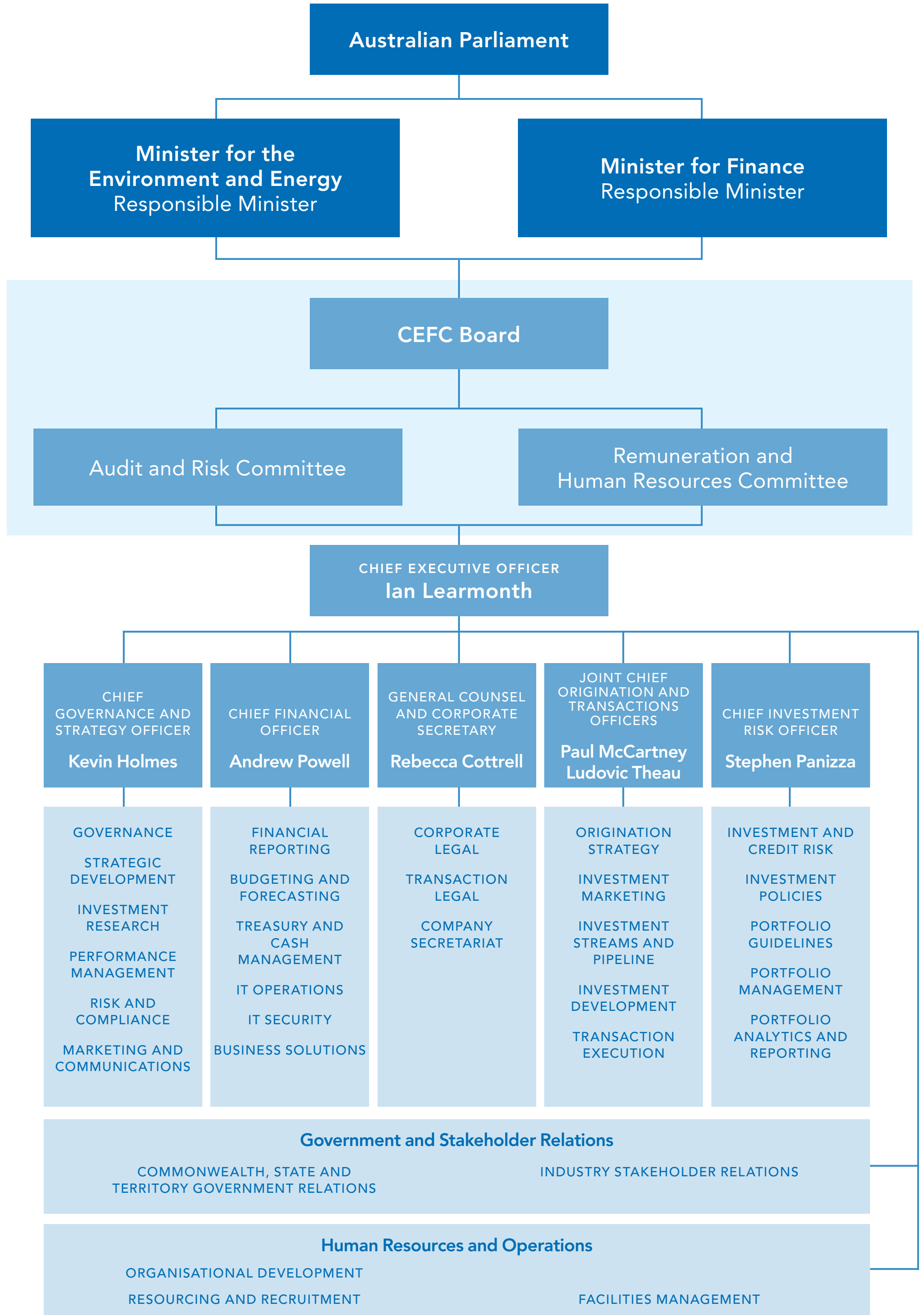
CEFC employees are employed on individual contracts, with terms and conditions based on the National Employment Standards (NES) in the *Fair Work Act 2009*. In addition, the Australian Government Industry Award 2016 (AGIA) was introduced on 15 August 2016 to cover non-Executive employees. The CEO and Executive have individual contracts and are not subject to the AGIA.

In addition to the NES and AGIA, the CEFC Board has approved additional employment benefits, such as paid parental leave and study support.

Employee remuneration is determined by the CEFC with reference to market benchmarking data to ensure the organisation can recruit and retain high calibre employees with the requisite skills to manage the CEFC's diverse functional areas. Employee remuneration may include a variable compensation component, noting the variable compensation plan is approved annually by the Board and is therefore not guaranteed.

Executive remuneration is overseen by the Remuneration and Human Resources Committee. Additional information on payments to employees is available in Note 5 in the Financial Statements.

Figure 48: CEFC organisation chart



EMPLOYEE PROFILE

The CEFC is a specialised financier and has recruited experienced, senior practitioners within each functional area. This is reflected in the CEFC's average employee age of 42 years.

As the CEFC grows, it is recruiting more entry-level employees, and we are increasingly able to provide career development and growth pathways.

At 30 June 2017, the CEFC had 87 employees, compared with 66 at 30 June 2016. See Figure 49.

The CEFC has 43 per cent female employees, and 57 per cent male employees.

To support our people in balancing their work and personal commitments, flexible work arrangements are available to all employees. There are 10 people employed on a part-time basis, primarily to accommodate family responsibilities.

The CEFC has a diverse staff base, with 40 per cent of employees born in 16 countries other than Australia, and 13 per cent reporting English as their 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.

The CEFC's Equal Employment Opportunity report for the 2016-17 year is available in Appendix B.

Board member, Anna Skarbek, brings her baby daughter along to the CEFC Sydney office.

Figure 49: Staff numbers

Category	Level	Headcount	Full time equivalent
Statutory Officers	Chair	1	0.2*
	Board members	5	1 *
	Chief Executive Officer	1	1
Employees	Executive level	6	6
	Executive Director/ Head of Function	8	8
	Director	19	18.1
	Associate Director	22	21.5
	Senior Associate	8	8
	Associate	7	6.7
	Manager	5	4.8
	Administration	11	10.4
TOTAL		93	85.6
TOTAL, EXCLUDING CHAIR AND BOARD MEMBERS		**87**	**84.4**

* All Board roles are part-time.

WOMEN IN SUSTAINABLE FINANCE

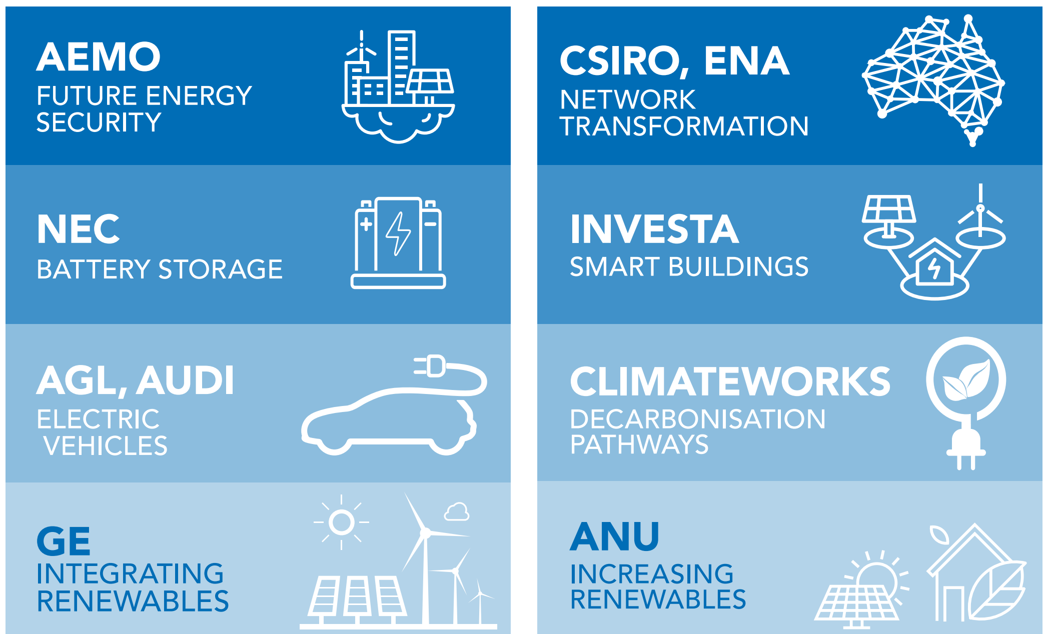
CEFC staff took a leadership role in the development of 'Women in Sustainable Finance' networking groups in Sydney and Brisbane during 2016-17. The group brings together people from a broad cross section of business, including investment funds, banks and environment and sustainable development teams, as well as corporates, energy and renewable energy companies.

FOCUS ON LEARNING

CEFC employees have access to online learning modules, with content ranging from induction and compliance to leadership, emotional intelligence, and environmental and sustainability awareness.

Employees also participate in 'lunch and learn' sessions on market developments, emerging technologies and personal development. These initiatives provide an important opportunity for CEFC staff to increase their understanding of relevant developments and organisations in the clean energy sector, with presentations from respected external groups. See Figure 50.

Figure 50: **Engaging with trends in the clean energy sector**



RISK MANAGEMENT

APPROACH TO RISK

The CEFC Board is ultimately responsible for overall business performance, including oversight of risk management. To assist in risk oversight, the Board has established an Audit and Risk Committee.

The CEO has established the Executive Risk Committee, Executive Investment Committee, Joint Investment Committee for the Clean Energy Innovation Fund (with ARENA) and the Asset Management Committee, each contributing to effective risk management.

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

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

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

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

Figure 51: Analysing and mitigating investment risk

ANALYSING AND MITIGATING INVESTMENT RISK

The CEFC has a well-developed process for screening and reviewing investments to ensure that there are appropriate controls and '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 commercially viable, with an acceptable risk/return profile.
- Industry standard techniques are employed in risk identification, analysis and mitigation, as part of any investment analysis.
- Where unfamiliar or unique risks are identified, the progression of the investment may be paused while additional due diligence or market-specific research is undertaken.
- The CEFC typically seeks the lowest possible risk position in the capital structure as a protection of the CEFC investment against underperformance.
- If the CEFC lends to projects that sell power on an uncontracted or 'merchant' basis, the loans are sized and structured in a prudent manner 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 also applies additional conditions to an investment to mitigate an identified risk, including accelerated repayments of capital in certain events.
- The CEFC has a strong preference for investing alongside private sector capital providers, enabling investment risks to be shared.
- For debt investments, the CEFC typically holds first ranking security against the borrowing entity, the project, or the equipment financing.
- The CEFC spends considerable effort analysing the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and the CEFC's potential exposure in the event that an investment fails.
- The CEFC seeks portfolio diversification to avoid excessive exposure and concentration of risk across a range of areas, including: specific technologies; higher risk financing structures; single entities; merchant energy price risk; individual markets and geographical areas.
- The CEFC has instituted an extensive portfolio management function, with systems and processes to ensure continuous monitoring of investments and early detection of underperformance to enable remedial action.
- Inevitably a proportion of investments will underperform and the CEFC will experience a loss. For example, in a debt default situation, the level of loss incurred by the CEFC will be determined by a number of factors, including the level of seniority that the CEFC holds in the capital structure and the value of the underlying security.

LEGISLATIVE AND GOVERNMENT INFORMATION

RESPONSIBLE MINISTERS

Under the CEFC Act, the CEFC has two responsible Ministers (see Figure 52). At the beginning of 2016-17, the CEFC was within the Environment portfolio. Following the 2016 federal election, the CEFC came within the Environment and Energy portfolio.

Figure 52: CEFC Responsible Ministers

Operative dates	Responsible Ministers
26 November 2015 – 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, Minster for the Environment and Energy Senator the Hon Mathias Cormann, Minister for Finance

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 53: CEFC Nominated Ministers

Operative dates	Nominated Ministers
26 November 2015 – 19 July 2016	The Hon Greg Hunt MP, Minister for the Environment
From 19 July 2016	The Hon Josh Frydenberg MP, Minster for the Environment and Energy

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 (refer page 95).

The CEFC can additionally 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 one Ministerial Direction in effect during 2016-17, in addition to the Investment Mandate.

Figure 54: Ministerial Directions

Operative dates	Nominated Ministers
1 July 2016 to 30 June 2017	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 2016-17. The CEFC has received notice of the potential future application of the Australian Government Protective Security Policy Framework to the CEFC by means of a GPO.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2016-17 year.

PROCUREMENT

CEFC procurement occurs via the most efficient, effective, economical and ethical means possible, which can involve direct engagement of service providers based on quotes, select tenders, proposals from external advisors, and in some instances, joining Australian Government procurement arrangements. Under section 74 of the CEFC Act, the CEFC must specify in the Annual Report the details for each procurement contract within the financial year valued at above $80,000. See Figure 55.

Figure 55: Procurement contracts 2016-17

Effective date	Contract Value $	Expensed $ in 2016-17	Contracting party	Purpose
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
January 2015	204,000	41,393	Reval.com Inc	2-year license fees, maintenance, support and implementation costs for Loan Management System
June 2015	501,031	143,120	Technology One Ltd	5-year license fees, 3-year minimum maintenance, support and initial implementation costs for Finance One software
July 2015	723,377	492,299	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. Fully expensed during 2016-17, as the premises were exited in June 2017
March 2016	4,331,218	766,244	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
May 2016	155,100	132,396	PwC	Internal Audit engagement for 1 July 2016 to 30 June 2017
July 2016	310,161	310,161	Herbert Smith Freehills	Legal fees incurred for various investment projects for the period 1 July 2016 to 30 June 2017
July 2016	520,301	520,301	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2016 to 30 June 2017, under the whole of government travel procurement program
July 2016	196,944	196,944	Bloomberg Financial	Bloomberg terminal and NEF All Insight Package Level III
July 2016	190,375	190,375	Datacom Systems Pty Ltd	IT support, applications and hardware for the period 1 July 2016 to 30 June 2017
July 2016	129,715	129,715	National Australia Trustees Ltd	Bond custody fees for the period 1 July 2016 to 30 June 2017
July 2016	124,673	124,673	Macquarie Telecom Pty Ltd	Provision of telecommunications, data and hosting for the period 1 July 2016 to 30 June 2017
October 2016	151,525	151,525	Taylor Root	Recruitment services
October 2016	101,200	101,200	Profusion PAC Pty Ltd	Recruitment services
October 2016	237,666	237,666	Korn Ferry	Recruitment services
May 2017	4,046,431	94,103	Riverside Development Pty Ltd	Lease of premises at Level 25, 71 Eagle Street, Brisbane from 18 May 2017 to 30 September 2022
June 2017	203,500	170,500	Australian National Audit Office	Audit of financial statements for year ended 30 June 2017
TOTAL	**12,717,882**	**3,876,398**		

REQUIREMENTS UNDER THE CEFC ACT

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 appropriate controls on their use.

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

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

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

During 2016-17 there were no amendments to the CEFC's enabling legislation. However, on 31 May 2017 the Australian Government introduced a Bill into the Parliament to amend the CEFC Act to remove the prohibition on investing in carbon capture and storage. At the time of writing, the Bill was waiting to proceed through the House of Representatives and had not been introduced into the Senate.

CEFC INVESTMENT MANDATE

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

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

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.

The *Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2)* (the '2016 Mandate No.2') was issued on 13 December 2016 and replaced the *Clean Energy Finance Corporation Investment Mandate 2016*. The primary change was to provide direction in relation to the new Sustainable Cities Investment Program and the Reef Funding Program. It also directed the Corporation to reduce the funding allocation for the Clean Energy Innovation Fund. The changes in the Corporation's Investment Mandate are detailed in Figure 56.

The 2016 Mandate No.2 is available at www.comlaw.gov.au.

Figure 56: Investment Mandates in effect 2016-17

Name	Date issued	Date registered	Date of effect
Clean Energy Finance Corporation (Investment Mandate) Direction 2016	5 May 2016	9 May 2016	10 May 2016
Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2)	13 December 2016	10 January 2017	11 January 2017

CEFC INVESTMENT POLICIES

The CEFC Investment Policies are available on the CEFC website: www.cefc.com.au. They include:

- The governance framework for CEFC investment activities
- The investment strategy, including the 2018 Portfolio Vision, investment approach and guidelines
- Links to Board-approved Guidelines
- Benchmarks and standards for assessing the CEFC performance
- Risk management.

The Board is responsible for formulating the Investment Policies and for ensuring they are consistent with the Investment Mandate. The Investment Policies are reviewed at least once annually and also upon issue of a new Investment Mandate. The Investment Policies were updated on 10 July 2017.

CEFC FUNDING

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

The CEFC funds its own operating costs through investment-related revenue. Repayments and revenue from the CEFC's investments are paid directly to the CEFC operational account and are available for re-investment. Where the Board has identified funds that it considers surplus, these funds can be returned to the CEFC Special Account via the Department of the Environment and Energy.

Under the CEFC Act, and subject to ministerial authorisation by the Minister for the Environment and Energy, the CEFC may also make payments to ARENA. There were no payments made to ARENA during the 2016-17 reporting period.

A summary of movements in and out of the CEFC Special Account is set out in Figure 57.

Figure 57: Special Account credits and debits under CEFC Act 2016-17

Transaction	Credits ($m)	Debits ($m)	Balance ($m)
Opening balance of the Special Account – 1 July 2016			4,979
Section 46 Credit – 1 July 2016	2,000		6,979
Section 48 Drawdown of Funds – 6 September 2016		100	6,879
Section 48 Drawdown of Funds – 21 October 2016		250	6,629
Section 48 Drawdown of Funds – 20 January 2017		300	6,329
Section 48 Drawdown of Funds – 21 April 2017		350	5,979
TOTAL	2,000	1,000	5,979

OTHER LEGISLATION, AUSTRALIAN GOVERNMENT POLICIES AND KEY GOVERNANCE EVENTS

PGPA Act 2013 and compliance with finance law

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

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2016-17.

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

Australian Government energy and environmental policies

Significant changes to Australian Government policy relating to the CEFC in 2016-17 were the creation of the Sustainable Cities Investment Program and the Reef Funding Program, through changes to the Investment Mandate. These policy developments were foreshadowed by the Australian Government before it was returned to office at the July 2016 federal election. Post-election, the Australian Government also determined to lower the amount of notional funding allocated to the Clean Energy Innovation Fund to $200 million over two years.

Through changes to Administrative Arrangements Orders, energy, energy efficiency, climate and environment policy were brought together into one portfolio under the Minister for the Environment and Energy. The CEFC welcomes this development and has been working effectively across the Department and relevant agencies and national energy sector regulators.

More broadly, the intersection of energy and environment policy took centre stage in national policy development and debate in 2016-17, reflecting Australia's commitments to the Paris Agreement, the impacts of rising gas and electricity prices, the entry of new technologies and several unforeseen weather and system events. These included:

- Fallout from the Basslink outage and drought affecting hydro generation in Tasmania.
- The 'system black' event in South Australia on 28 September 2016.
- The unanticipated closure of Hazelwood power station in Victoria in May 2017.

Major climate and energy policy reviews were commissioned at the Commonwealth level in response to these events, including:

- The Department of the Environment and Energy 2017 Review of Australia's Climate Change Policies, to recommend an approach to meeting Australia's emissions target commitments under the Paris Agreement (ongoing).
- The Ministerial Forum on Vehicle Emissions (ongoing).
- The Independent Review into the Future Security of the National Electricity Market (Finkel Review) which reported on 9 June 2017. This review will also feed into the 2017 Review of Australia's Climate Change Policies, above.
- The CSIRO Low Emissions Road Map – part of the CSIRO's system-wide approach to mapping Australia's future markets using science, which reported in June 2017. The Road Map is also intended to help inform the 2017 Review of Australia's Climate Change Policies by providing an independent, science-based analysis of the technology options in the energy sector that can help Australia meet its 2030 emissions reduction target.

- The Climate Change Authority (CCA) report Towards a Climate Policy Tool Kit: Special Review on Australia's Climate Goals and Policies – published in August 2016 after almost two years of research, analysis and policy consideration, the CCA recommended a comprehensive policy toolkit across Australia's sources of emissions, including an Emissions Intensity Scheme for the electricity sector.
- The joint Australian Energy Market Commission and CCA report Towards the Next Generation: Delivering Affordable, Secure and Lower Emissions Power – which was commissioned to provide advice on policies to enhance power system security and to reduce electricity prices consistent with achieving Australia's emissions reduction targets under the Paris Agreement. The bodies reported in June 2017 and agreed on three recommendations: (i) an Emissions Intensity Scheme for the electricity generation sector (ii) establishing a national framework for the gas market and (iii) the development of a competitive energy services market and associated demand management opportunities.
- A Feasibility Study of a Second Interconnector (Tamblyn Review). The Australian and Tasmanian Governments commissioned this study into whether a second electricity interconnector would help to address long-term energy security issues and facilitate investment in renewable energy. The study reported in April 2017 and found a second interconnector would "generate material benefits for the NEM under all plausible scenarios analysed and that those benefits would be sufficient to outweigh the cost… in some scenarios but not in others." The CEFC contributed to this study and notes the scenarios in which the costs do not outweigh the benefit are based on a higher cost of capital than is observed in present market conditions.

The Australian Government and COAG's determination of national responses to these reviews is critical to the investment climate for the entire electricity sector, consumers and the national economy. The CEFC has contributed to many of these processes, both informally and formally. Relevant CEFC submissions are available on the CEFC website: cefc.com.au

During the year, ARENA received more certainty as to its future funding arrangements. The amount of grant funding available for deployment to the sector generally impacts those investments that are incapable of supporting CEFC debt or equity investments without a grant. Certainty around ARENA's future budget position is therefore a welcome development for the sector.

OTHER STATUTORY REQUIREMENTS AFFECTING THE CEFC

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

Equal Employment Opportunity (Commonwealth Authorities) Act 1987

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

Environment Protection and Biodiversity Conservation Act 1999

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

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2016-17 that have had, or may have, a significant effect on the operations of the CEFC. There were also no reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner. There were also no reports about the CEFC from the Auditor-General other than the 2015-16 annual audit report accompanying the financial statements (as reproduced in the CEFC 2015-16 Annual Report).

As far as the CEFC is aware, the only Parliamentary Committee reports which substantially involved the CEFC during 2016-2017 were as follows:

- The Senate Environment and Communications References Committee report of the Inquiry into Retirement of Coal Fired Power Stations (29 March 2017)
- Senate Environment and Communications Legislation Committee, which reported on Additional Estimates 2016–17 (February 2017) and (29 May 2017)
- Select Committee into the Resilience of Electricity Infrastructure in a Warming World report, entitled Stability and Affordability: Forging a path to Australia's renewable energy future (7 April 2017).

Financial Statements

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for the Environment and Energy

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation and its subsidiaries (together the consolidated entity) for the year ended 30 June 2017:

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

(b) present fairly the financial position of the consolidated entity as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the consolidated entity, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

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

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

25 August 2017

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 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* ('PGPA Act'), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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

Steven Skala AO Chair of the Board	Paul Binsted Director	Ian Learmonth Chief Executive Officer	Andrew Powell Chief Financial Officer
25 August 2017	25 August 2017	25 August 2017	25 August 2017

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	21,058	17,570
Suppliers	2.1B	6,544	4,865
Depreciation and amortisation	3.2A	745	534
Concessional loan charges	2.1C	11,433	6,876
Write-down and impairment of assets	2.1D	2,129	83
Provision for irrevocable loan commitments	2.1E	292	(178)
Total expenses		**42,201**	**29,750**
Own-source income			
Own-source revenue			
Interest and loan fee revenue	2.2A	59,275	51,013
Distributions from trusts and equity investments		5,328	30
Total own-source revenue		**64,603**	**51,043**
Gains and losses			
Other (losses) / gains	2.2B	(92)	(156)
Total (losses) / gains		**(92)**	**(156)**
Total own-source income		**64,511**	**50,887**
Net contribution by services		**22,310**	**21,137**
Share of associates and joint ventures	3.1F	(639)	-
Surplus from continuing operations		**21,671**	**21,137**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains on Available-for-Sale financial assets		7,674	5,885
Net fair value loss taken to equity on cash flow hedge		(42)	-
Total other comprehensive income		**7,632**	**5,885**
Total comprehensive income		**29,303**	**27,022**

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

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Financial Position

as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	401,974	232,778
Trade and other receivables	3.1B	8,227	3,853
Loans and advances	3.1C	771,202	402,225
Available-for-Sale financial assets	3.1D	802,945	277,694
Other financial assets	3.1E	278,380	306,594
Equity accounted investments	3.1F	8,401	-
Derivative financial assets	3.1G	225	-
Total financial assets		**2,271,354**	**1,223,144**
Non-financial assets			
Property, plant and equipment	3.2A	944	1,021
Computer software	3.2A	484	509
Prepayments	3.2B	504	539
Total non-financial assets		**1,932**	**2,069**
Total assets		**2,273,286**	**1,225,213**
LIABILITIES			
Payables and unearned income			
Suppliers	3.3A	2,162	1,324
Unearned income	3.3B	15,678	5,536
Other payables	3.3C	5,106	4,588
Total payables and unearned income		**22,946**	**11,448**
Provisions			
Employee provisions	5.1	1,660	1,199
Other provisions	3.4	20,246	13,435
Total provisions		**21,906**	**14,634**
Total liabilities		**44,852**	**26,082**
Net assets		**2,228,434**	**1,199,131**
EQUITY			
Contributed equity	4.1	2,108,363	1,108,363
Reserves		14,655	7,023
Retained surplus		105,416	83,745
Total equity		**2,228,434**	**1,199,131**

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

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Changes in Equity

for the period ended 30 June 2017

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Opening balance								
Balance carried forward from previous period	83,745	62,608	7,023	1,138	1,108,363	1,168,363	1,199,131	1,232,109
Comprehensive income								
Surplus for the period	21,671	21,137	-	-	-	-	21,671	21,137
Other comprehensive income	-	-	7,632	5,885	-	-	7,632	5,885
Total comprehensive income	**21,671**	**21,137**	**7,632**	**5,885**	**-**	**-**	**29,303**	**27,022**
Transactions with owners								
Distributions to owners								
Return of equity to CEFC Special Account	-	-	-	-	-	(60,000)	-	(60,000)
Contributions by owners								
Equity injection from CEFC Special Account	-	-	-	-	1,000,000	-	1,000,000	-
Total transactions with owners	**-**	**-**	**-**	**-**	**1,000,000**	**(60,000)**	**1,000,000**	**(60,000)**
Closing balance as at 30 June	**105,416**	**83,745**	**14,655**	**7,023**	**2,108,363**	**1,108,363**	**2,228,434**	**1,199,131**

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

CLEAN ENERGY FINANCE CORPORATION

Consolidated Cash Flow Statement

for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees		62,744	45,254
Distributions from trusts and equity investments		3,437	9
Total cash received		**66,181**	**45,263**
Cash used			
Employees		20,186	16,186
Suppliers		5,668	4,133
Total cash used		**25,854**	**20,319**
Net cash from operating activities		**40,327**	**24,944**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		21,858	133,680
Redemption of short-term investments		90,000	200,000
Redemption of other financial assets		249,427	453,226
Redemption of AFS financial assets		12,366	434
Total cash received		**373,651**	**787,340**
Cash used			
Purchase of AFS financial assets		532,910	197,645
Loans made to other parties		391,150	208,015
Acquisition of other financial assets		221,212	162,000
Purchase of short-term investments		90,000	100,000
Investment in associates and joint ventures		8,867	-
Purchase of property, plant and equipment		283	971
Purchase of computer software		360	452
Total cash used		**1,244,782**	**669,083**
Net cash (used by) / from investing activities		**(871,131)**	**118,257**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		1,000,000	-
Total cash received		**1,000,000**	**-**
Cash used			
Return of equity		-	60,000
Total cash used		**-**	**60,000**
Net cash from / (used by) financing activities		**1,000,000**	**(60,000)**
Net increase in cash held		**169,196**	**83,201**
Cash and cash equivalents at the beginning of the reporting period		232,778	149,577
Cash and cash equivalents at the end of the reporting period	**3.1A**	**401,974**	**232,778**

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

Table of Notes to Consolidated Financial Statements

Table of Notes to Consolidated Financial Statements

Note 1: Overview

1.1 Objectives of the Corporation

The Clean Energy Finance Corporation ('CEFC' or 'the Corporation') was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* [Cth] ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit entity 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.

Effective 10 January 2017, the Corporation was issued with the Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2) ('Investment Mandate 2016 (No.2)') which among other things, required the Corporation to make available up to:

- $1 billion of investment finance over 10 years for a Reef Funding Program
- $1 billion of investment finance over 10 years for a Sustainable Cities Investment Program
- $200 million for debt and equity investment through the Clean Energy Innovation Fund.

1.2 Basis of Preparation of the Financial Statements

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

a) section 42 of the PGPA Act; and

b) section 74 of the CEFC Act.

The consolidated financial statements have been prepared in accordance with:

a) the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 ('FRR'); and

b) Australian Accounting Standards ('AAS') and Interpretations – Reduced Disclosure Requirements ('RDR') issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period.

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

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

1.3 Events after the Reporting Period

On 3 July 2017, the Corporation entered into a five year lease agreement in relation to new office space in Melbourne. The total five year commitment (net of landlord incentive) under this lease agreement is $431,000. In addition, the Corporation has also entered into a commitment to incur a total of approximately $383,000 in fit-out and office works for this site.

There have been no other significant events subsequent to balance date.

1.4 Taxation

The Corporation is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Corporation's wholly owned subsidiary, CEFC Investments Pty Limited, is not exempt from income tax, however, it has accumulated income tax losses at 30 June 2017, and no certainty as to whether any benefit from those losses would ever be realised as it has no income for the year ended 30 June 2017.

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 Group's financial statements.

Future Australian Accounting Standard Requirements

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

Standard/ Interpretation	Application date for the Group	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 9 Financial Instruments	1 July 2018	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139 and includes a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. 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 Group 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 Group 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. The standard 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. 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.

Standard/ Interpretation	Application date for the Group	Nature of impending change/s in accounting policy and likely impact on initial application
		The Group anticipates that upon adopting AASB 9, the majority of its loans and advances will continue to be held at amortised cost and some of its Available-for-Sale debt instruments will be reclassified and also held at amortised cost. The balance of loans and advances and Available-for-Sale instruments will likely be re-classified as fair value through P&L rather than amortised cost or fair value through other comprehensive income. This is expected to increase the volatility in reported results due to changes in fair value flowing through the income statement rather than equity. AASB 9 introduces changes to hedge accounting including the fact that only prospective testing will be performed. The Group also expects that, upon adopting AASB 9, there will be a larger provision for impairment and provision for irrevocable commitments based on the change to the expected-loss model.
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 Group operates from leased premises and the application of AASB 16 will increase Fixed Assets and create a new Liability, on the Statement of Financial Position, and reduce Operating Expenses and increase Finance Charges on the Statement of Comprehensive Income. Based on the operating leases that the Group has entered into as of the date of this report, when AASB 16 comes into effect on 1 July 2019, we expect to disclose both a right-to-use asset and a lease liability of approximately $6 million each. The maximum net impact to the income statement in a given year is expected to be approximately $0.25 million based on current interest rates.

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 Group'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 2017.

2.1: Expenses

	2017 $'000	2016 $'000
2.1A: Employee Benefits		
Wages and salaries	19,353	15,903
Superannuation		
Defined contribution plans	1,209	932
Leave and other entitlements	462	390
Separation and redundancies	34	345
Total employee benefits	**21,058**	**17,570**

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

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

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

Separation and Redundancy

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

Retention

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

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

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

Superannuation

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

	2017 $'000	2016 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	117	179
Consultants	412	612
Contractors	915	561
Data feeds and other subscriptions	385	319
Facility services and outgoings	236	116
Financial statement audit services	171	153
Information technology services	275	187
Insurance	144	138
Internal audit services	131	113
Legal fees	700	224
Marketing and communications	237	215
Telecommunications	116	129
Travel and incidentals	745	614
Website	24	72
Other	466	352
Total goods and services supplied or rendered	**5,074**	**3,984**
Goods supplied	174	121
Services rendered	4,900	3,863
Total goods and services supplied or rendered	**5,074**	**3,984**
Other suppliers		
Operating lease rentals in connection with:		
Minimum lease payments for office premises – external parties	1,407	852
Workers compensation expenses	63	29
Total other suppliers	**1,470**	**881**
Total suppliers	**6,544**	**4,865**

Leasing commitments

The Group has entered into operating leases for office premises which expire between 1 July 2018 and 30 September 2022.

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

	2017 $'000	2016 $'000
Within 1 year	1,646	1,036
Between 1 to 5 years	5,716	3,541
After 5 years	223	-
Total operating lease commitments	**7,585**	**4,577**

Accounting Policy

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

Group as lessee

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

	2017 $'000	2016 $'000
2.1C: Concessional Loan Charges		
Concessional loan charge	11,433	6,876
Total concessional loan charges	**11,433**	**6,876**

Accounting Policy

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

Accounting Judgements and Estimates

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

	2017 $'000	2016 $'000
2.1D: Write-Down and Impairment of Assets		
Loan impairment charge	2,129	83
Total write-down and impairment of assets	**2,129**	**83**

Accounting Judgements and Estimates

Impairment of loans and advances

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

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

Impairment of Available-for-Sale ('AFS') financial assets

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

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

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

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as loans and advances. The Group's AFS debt instruments are early in their life (of what can be 7+ year fixed terms) and the Group does not have a significant history from which to ascertain the likely extent of ultimate defaults and consequential losses.

	2017 $'000	2016 $'000
2.1E: Provision for Irrevocable Loan Commitments		
Provision for irrevocable loan commitments	292	(178)
Total provision for irrevocable loan commitments	**292**	**(178)**

2.2: Own-Source Revenue and Gains

	2017 $'000	2016 $'000
2.2A: Interest and loan fee revenue		
Interest and fees from loans and advances	30,045	24,910
Interest from Available-for-Sale financial assets	12,118	4,347
Interest from cash and short-term investments	7,199	7,536
Interest from other financial assets	7,488	12,209
Unwind of concessional interest rate discount	2,425	2,011
Total interest and loan fee revenue	**59,275**	**51,013**

Accounting Policy

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

Interest Revenue

Interest revenue is recognised as interest accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Deferred income received in cash at the start of a loan is brought to income on an effective yield basis over the life of the loan by reducing the carrying amount.

Establishment Fees

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

Commitment Fees

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

	2017 $'000	2016 $'000
2.2B: Other (Losses) / Gains		
Loss on sale of investment	(92)	(156)
Total other (losses) / gains	**(92)**	**(156)**

Note 3: Financial Position

This section analyses the Group's assets used to conduct its operations and the operating liabilities incurred as a result.

(Employee-related information is disclosed in the People and Relationships section).

3.1: Financial Assets

	2017 $'000	2016 $'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	401,974	232,778
Total cash and cash equivalents	**401,974**	**232,778**

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.

	2017 $'000	2016 $'000
3.1B: Trade and Other Receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	250	199
Total goods and services receivables	**250**	**199**
Other receivables		
Unbilled receivables	365	371
Interest	5,415	3,234
Dividends and distributions	1,873	-
Other	324	49
Total other receivables	**7,977**	**3,654**
Total trade and other receivables (gross)	**8,227**	**3,853**
Less: Impairment allowance	**-**	**-**
Total trade and other receivables (net)	**8,227**	**3,853**

Credit terms for goods and services were within 30 days (2016: 30 days).
Interest receivable is due monthly, quarterly or upon maturity, depending on the terms of the investment.

Accounting Policy for Financial Assets

Initial Recognition and Measurement

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

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

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

c) AFS financial assets; and

d) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as financial assets at FVPL where the financial assets:

a) have been acquired principally for the purpose of selling in the near future;

b) are derivatives that are not designated and effective as a hedging instrument; or

c) are parts of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the surplus 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.

AFS Financial Assets

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

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

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

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

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

HTM Investments

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

The Group had no HTM investments during the financial years ended 30 June 2017 and 2016.

Loans and Receivables

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

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

Derecognition

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

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

Derivative financial instruments

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

Impairment of Financial Assets

Financial assets held at amortised cost

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

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

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   i) adverse changes in the payment status of borrowers in the group; or

   ii) national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due, according to the contractual terms of the assets being evaluated. 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 Group has adopted a loan impairment provisioning methodology in order to ascertain the extent to which its loans are likely to be impaired but not reported. In accordance with Australian banking industry practice this incorporates internal credit risk indicators of a Shadow Credit Rating (SCR) 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 Group to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of comprehensive income.

	2017 $'000	2016 $'000
3.1C: Loans and Advances		
Gross funded loans	783,318	411,795
Concessional loan discount on drawn loans	(7,068)	(6,651)
Funded loans, net of concessionality discount	**776,250**	**405,144**
Less impairment allowance	**(5,048)**	**(2,919)**
Net loans and advances	**771,202**	**402,225**
Maturity analysis loans and advances, net of concessionality:		
Overdue or impaired	3,201	2,692
Due in 1 year	99,964	74,727
Due in 1 year to 5 years	446,349	315,522
Due after 5 years	226,736	12,203
Funded loans, net of concessionality discount	**776,250**	**405,144**
Less impairment allowance	**(5,048)**	**(2,919)**
Net loans and advances	**771,202**	**402,225**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2017 was for an amount of $149.5 million (2016: $63.5 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2017			2016		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10 million	70	84,949	11%	70	69,807	17%
$10 - $30 million	9	183,727	24%	2	32,230	8%
$30 - $50 million	6	237,239	30%	6	239,631	59%
$50 - $80 million	2	120,792	16%	1	63,476	16%
> $80 million	1	149,543	19%	-	-	0%
Total loans and advances, net of concessionality discount	**88**	**776,250**	**100%**	**79**	**405,144**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June 2017 by credit quality. Since the loans made by the Group are (in the main) to entities that will not have a formal credit rating, the Corporation has developed a Shadow Credit Ratings ('SCR') system. These are internal risk indicators used by the Group to assess the default risks of its debt instruments. The SCR assesses the probability of seeing the counterparty default under its obligations. The SCR is determined by a risk matrix based on internal risk assessments of the counterparty involved, the business risk it faces and the financial risk it has as a result of the debt it carries (including all new debt proposed in the investment opportunity).

	2017		2016	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	133,570	17%	110,679	27%
A- to A+	1,389	0%	1,966	0%
BBB- to BBB+	414,179	54%	124,485	31%
BB- to BB+	187,038	24%	157,584	39%
B- to B+	39,277	5%	10,430	3%
CCC	797	0%	-	0%
Total loans and advances, net of concessionality discount	**776,250**	**100%**	**405,144**	**100%**

Impairment allowance

	2017 $'000	2016 $'000
Reconciliation of the Impairment Allowance: Movements in relation to loans and receivables		
As at 1 July	2,919	2,836
Increase recognised in write-down and impairment of assets	2,129	83
Closing balance at 30 June	**5,048**	**2,919**

	2017 $'000	2016 $'000
3.1D: Available For-Sale-Financial Assets		
Quoted:		
Debt securities	563,870	276,973
Equities	-	568
	563,870	**277,541**
Unquoted:		
Equities and units in trusts	239,075	153
	239,075	**153**
Total AFS financial assets	**802,945**	**277,694**

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 2017 financial year, no permanent diminution was recognised in the value of AFS financial assets (2016: $Nil).

The largest single exposure in the Available-for-Sale portfolio at 30 June 2017 was for an amount of 120.1 million (2016: $90.6 million). The following table shows the diversification of investments in the Available-for-Sale portfolio at 30 June:

	2017			2016		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10 million	4	14,290	2%	5	721	0%
$10 - $30 million	4	68,772	9%	1	20,000	7%
$30 - $50 million	3	130,097	16%	2	87,626	32%
$70 - $100 million	3	265,443	33%	2	169,347	61%
> $100 million	3	324,343	40%	-	-	0%
Total AFS financial assets	**17**	**802,945**	**100%**	**10**	**277,694**	**100%**

The following table shows the diversification of the Available-for-Sale financial assets at 30 June 2017 by Shadow Credit Ratings:

	2017		2016	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AAA	29,236	4%	20,000	7%
AA- to AA+	495,864	62%	256,973	93%
A- to A+	18,770	2%	-	0%
BBB- to BBB+	20,000	2%	-	0%
Unrated – equities and units in trusts	239,075	30%	721	0%
Total AFS financial assets	**802,945**	**100%**	**277,694**	**100%**

	2017 $'000	2016 $'000
3.1E: Other Financial Assets		
Restricted deposit accounts with financial institutions	278,380	306,594
Total other financial assets	**278,380**	**306,594**

Maturity analysis of other financial assets

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

	2017 $'000	2016 $'000
Maturity analysis for other financial assets (gross)		
Due in 1 year	87	1,945
Due in 1 year to 5 years	92,595	142,277
Due after 5 years	185,698	162,372
Total other financial assets	**278,380**	**306,594**

Concentration of risk – other financial assets

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

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

	2017		2016	
	$'000	%	$'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	-	0%	18,360	6%
BBB- to BBB+	63,834	23%	194,824	63%
BB- to BB+	169,546	61%	48,410	16%
Unrated - equities and units in trusts	45,000	16%	45,000	15%
Total restricted deposit accounts	**278,380**	**100%**	**306,594**	**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 2017 (2016: $Nil).

	2017 $'000	2016 $'000
3.1F: Equity Accounted Investments		
Balance at 1 July	-	-
Investments made during the year	9,040	-
Share of income / (loss) of Associates and Joint Ventures	(639)	-
Balance at 30 June	**8,401**	**-**

	2017		2016	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity Accounted Investments				
Ross River Solar Farm	5,901	25.0%	-	0%
Stony Gap Wind Farm	-	15.4%	-	0%
Artesian Clean Energy Seed Fund	2,500	38.1%	-	0%
High Income Sustainable Office Trust	-	48.8%	-	0%
Total investments accounted for using the equity method	8,401		-	

The Group has not made any loans to Associates and Joint Ventures at 30 June 2017 (2016: $Nil) and has no contingent liabilities in relation to investments in Associates and Joint Ventures at 30 June 2017 (2016: $Nil).

At 30 June 2017 the Group had committed to invest up to a further $148 million (2016 $125 million) in the above equity accounted investments.

Accounting Policy

Investments in Associates

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

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

Jointly Controlled Entities

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

	2017 $'000	2016 $'000
3.1G: Derivative Financial Assets		
Cross currency swaps	225	-
Total derivative financial assets	**225**	**-**
Maturity analysis of derivative financial assets:		
Overdue - impaired	-	-
Due in 1 year	-	-
Due in 1 year to 5 years	225	-
Total derivative financial assets	**225**	**-**

Accounting Policy

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

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

3.2: Non-Financial Assets

	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 for 2017			
As at 1 July 2016			
Gross book value	2,263	786	3,049
Accumulated depreciation and amortisation	(1,242)	(277)	(1,519)
Total as at 1 July 2016	**1,021**	**509**	**1,530**
Additions:			
By purchase or internally developed	283	360	643
Depreciation and amortisation expense	(360)	(385)	(745)
Disposals:			
Gross book value	(896)	(195)	(1,091)
Accumulated depreciation and amortisation	896	195	1,091
Total as at 30 June 2017	**944**	**484**	**1,428**
Total as at 30 June 2017 represented by:			
Gross book value	1,650	951	2,601
Accumulated depreciation and amortisation	(706)	(467)	(1,173)
Total as at 30 June 2017	**944**	**484**	**1,428**

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

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. The valuation is based on internal assessment by Management to ensure that the carrying amount of the assets do not differ materially from their fair values. As at 30 June 2017, the carrying amount of property, plant and equipment approximates their fair value.

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

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

Depreciation and Amortisation

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

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

Property, plant and equipment

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

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.

	2017 $'000	2016 $'000
3.2B: Prepayments		
Prepayments	504	539
Total prepayments	**504**	**539**

3.3: Payables and Unearned Income

	2017 $'000	2016 $'000
3.3A: Suppliers		
Trade creditors and accruals	2,162	1,324
Total suppliers	**2,162**	**1,324**

Settlement of supplier balances was usually made within 30 days.

	2017 $'000	2016 $'000
3.3B: Unearned Income		
Unearned establishment and commitment fees income	15,678	5,536
Unearned income expected to be recognised:		
No more than 12 months	2,377	1,169
More than 12 months	13,301	4,367
Total unearned income	**15,678**	**5,536**

	2017 $'000	2016 $'000
3.3C: Other Payables		
Wages and salaries	4,396	3,820
Superannuation	141	92
FBT liability	7	4
Lease liability	560	506
Other	2	166
Total other payables	**5,106**	**4,588**

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.

Other Financial Liabilities

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

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

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

Derecognition

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

3.4: Other Provisions

	Provision for concessional investments $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
As at 1 July 2016	**12,986**	**129**	**320**	**13,435**
Additional provisions made	17,127	-	292	17,419
Amount reversed upon cancellation of an existing loan facility	(5,694)	-	-	(5,694)
Offset to loans and advances	(4,914)	-	-	(4,914)
Total at 30 June 2017	**19,505**	**129**	**612**	**20,246**

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

Note 4: Funding

This section identifies the Group's funding structure.

4.1: Contributed Equity

Equity from CEFC Special Account

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

	2017 $'000	2016 $'000
Appropriations credited to the CEFC Special Account maintained by the Department of the Environment and Energy	2,000,000	2,000,000
Funds drawn during the year as an equity contribution from the CEFC Special Account maintained by the Department of the Environment and Energy	1,000,000	-
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)

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.

	2017 $'000	2016 $'000
Summary of Contributed Equity		
Opening balance – 1 July	1,108,363	1,168,363
Return of equity to CEFC Special Account	-	(60,000)
Equity injection from Special Account	1,000,000	-
Closing contributed equity balance – 30 June	**2,108,363**	**1,108,363**

Note 5: People and Relationships

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

5.1: Employee Provisions

	2017 $'000	2016 $'000
Annual and long service leave	1,660	1,199
Total employee provisions	**1,660**	**1,199**

5.2: Key Management Personnel Remuneration

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

	2017 $	2016 $
Short-term employee benefits		
Salary	2,731,623	2,079,796
Performance bonuses	1,061,105	547,285
Retention bonuses	68,295	299,334
Redundancy payments	-	345,129
Travel allowances	16,800	20,800
Annual leave (paid) / accrued	(51,396)	1,669
Total short-term employee benefits	**3,826,427**	**3,294,013**
Post-employment benefits		
Superannuation	143,129	105,008
Total post-employment benefits	**143,129**	**105,008**
Other long-term employee benefits		
Long service leave (paid) / accrued	(8,126)	8,527
Total other long-term employee benefits	**(8,126)**	**8,527**
Total key management personnel remuneration expenses	**3,961,430**	**3,407,548**

The total number of senior management personnel that are included in the above table is 9 (2016:8).

5.3: Directors' Remuneration

	2017 No.	2016 No.
The number of non-executive directors of the Corporation included in these figures is shown below in the relevant remuneration bands:		
$ 0 to $29,999	-	1
$30,000 to $59,999	5	5
$90,000 to $119,999	1	1
Total	**6**	**7**

	2017 $	2016 $
Total remuneration received or due and receivable by non-executive directors of the Corporation	**401,871**	**411,923**

The Corporation has no executive directors.

5.4: Related Party Disclosures

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

Transactions with 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 2017. 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
Anna Skarbek	ClimateWorks Australia	Technical advice	2017	4	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2017	32	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2016	6	-

There were no balances outstanding at 30 June 2017 (2016: $Nil) in relation to these transactions.

Ms Anna Skarbek is the Chief Executive Officer of ClimateWorks Australia.

Mr Martijn Wilder is a partner at Baker & McKenzie and is also the chairman of the Australian Renewable Energy Agency ('ARENA').

Mr Paul Binsted is a non-executive director of Moorebank Intermodal Company which is participating in the development of the Moorebank Intermodal Terminal with Qube Holdings Limited, a company that has received a $150 million loan from the CEFC.

Transactions with Other Related Entities

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

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

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2017:

Related party	Purpose	2017 $	2016 $
Comcover	General insurance premiums	70,045	64,097
Comcare	Workers compensation insurance premiums	63,562	44,348
Department of the Environment and Energy	Executive search for new Board members	25,000	-
Infrastructure and Projects Financing Agency	Short-term secondment at no charge of two part-time staff to assist in the initial set-up and operation of this new agency	-	-

Note 6: Managing Uncertainties

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

6.1: Contingent Assets and Liabilities

Quantifiable Contingencies

The Group had no significant quantifiable contingencies as at 30 June 2017 or 2016.

Unquantifiable Contingencies

At 30 June 2017 and 2016 the Group had no significant unquantifiable contingencies.

Accounting Policy

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

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

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

6.2: Financial Instruments

	2017 $'000	2016 $'000
6.2A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	401,974	232,778
Total cash and cash equivalents	**401,974**	**232,778**
Loans and receivables		
Trade and other receivables	8,227	3,853
Loans and advances	771,202	402,225
Other financial assets	278,380	306,594
Total loans and receivables	**1,057,809**	**712,672**
AFS financial assets		
Debt	563,870	276,973
Equities and units in trusts	239,075	721
Total AFS financial assets	**802,945**	**277,694**
Derivative financial instruments		
Cash flow hedge on foreign exchange	225	-
Total derivative financial instruments	**225**	**-**
Carrying amount of financial assets	**2,262,953**	**1,223,144**

	2017 $'000	2016 $'000
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	2,162	1,324
Other	2	166
Total at amortised cost	**2,164**	**1,490**
At fair value		
Provision for concessional loans	19,505	12,986
Total at fair value	**19,505**	**12,986**
Total financial liabilities	**21,669**	**14,476**
Carrying amount of financial liabilities	**21,669**	**14,476**

There were no reclassifications of financial instruments during the year.

	2017 $'000	2016 $'000
6.2B: Net Gains on Financial Assets		
Cash and cash equivalents		
Interest from cash and short-term investments	7,199	7,536
Interest from other financial assets	7,488	12,209
Net gains on cash and cash equivalents	**14,687**	**19,745**
Loans and receivables		
Interest income and fees	30,045	24,910
Unwind of concessional interest rate discount	2,007	1,872
Net gains on loans and receivables	**32,052**	**26,782**
AFS financial assets		
Interest income from debt securities	12,118	4,347
Unwind of concessional interest rate discount	418	139
Distributions from trusts and equity investments	5,328	30
Net gains on AFS financial assets	**17,864**	**4,516**
Net gains on financial assets	**64,603**	**51,043**

The total income from financial assets not at fair value through profit or loss was $64,603,000 (2016: $51,043,000).

6.2C: Credit Risk

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

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

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

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

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

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

	Note	Not past due nor impaired 2017 $'000	Not past due nor impaired 2016 $'000	Past due or impaired 2017 $'000	Past due or impaired 2016 $'000	Total 2017 $'000	Total 2016 $'000
Cash and cash equivalents	3.1A	401,974	232,778	-	-	401,974	232,778
Trade and other receivables	3.1B	8,227	3,853	-	-	8,227	3,853
Loans and advances	3.1C	773,049	402,452	3,201	2,692	776,250	405,144
AFS financial assets	3.1D	802,945	277,694	-	-	802,945	277,694
Other financial assets	3.1E	278,380	306,594	-	-	278,380	306,594
Derivative financial assets	3.1G	225	-	-	-	225	-
Total financial assets		**2,264,800**	**1, 223,371**	**3,201**	**2,692**	**2,268,001**	**1,226,063**
Committed credit facilities	6.5	949,608	514,206	-	-	949,608	514,206
Committed trust and equity investments	6.6	307,492	230,000	-	-	307,492	230,000
Total commitments		**1,257,100**	**744,206**	**-**	**-**	**1,257,100**	**744,206**
Total credit risk exposure		**3,521,900**	**1,967,577**	**3,201**	**2,692**	**3,525,101**	**1,970,269**

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

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

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

Ageing of financial assets that were past due but not impaired for 2017

The Group had no amounts past due but not impaired at 30 June 2017 (2016: $Nil).

6.2D: Liquidity Risk

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

Maturities for non-derivative financial liabilities 2017

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

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**

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 $2,462.8 million (2016: $1,462.8 million) from this Special Account to fund its investments and has returned amounts totalling $441.8 million (2016: $441.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $2,021 million at 30 June 2017 (2016: $1,021 million).

6.2E: Market Risk

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

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

Derivative transactions may include:

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

a) Interest rate risk

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

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

	2017 $'000	2016 $'000
Interest Bearing Financial Assets		
Classified as floating rate		
Cash and cash equivalents	401,974	232,778
Other financial assets	278,380	306,594
Loans and advances	26,978	8,726
AFS Debt	29,236	20,000
Total classified as floating rate	**736,568**	**568,098**
Classified as fixed rate		
Loans and advances	744,224	393,499
AFS Debt	534,634	256,973
Derivative financial assets	225	-
Total classified as fixed rate	**1,279,083**	**650,472**
Interest Bearing Financial Liabilities		
Classified as floating rate		
Provision for concessional loans	918	1,556
Total classified as floating rate	**918**	**1,556**
Classified as fixed rate		
Provision for concessional loans	18,587	11,430
Total classified as fixed rate	**18,587**	**11,430**

The cash and cash equivalents and other financial assets are expected to be invested in loans and advances and available for sale securities in the short term, and the majority of these financial assets are expected to be classified as fixed rate. A +/-50bp change in the interest rate on floating rate financial assets would have approximately a $2.4 million (2016: $2.6 million) impact on the reported revenue and surplus.

The Group accounts for loans and advances at amortised cost, so any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss, unless an investment is sold prior to maturity and crystallises a previously unrealised gain or loss.

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

The Group accounts for AFS debt securities at fair market value. A +/-10bp change in the yield of the debt securities would have approximately a $3.1 million (2016: $1.5 million) impact on the fair value at which the instruments are recorded in the statement of financial position. As the coupon on the bonds is fixed, a change in prevailing interest rates would have no impact on the reported revenue.

b) Electricity Prices

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

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

c) Property Values

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

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

d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of foreign denominated assets and future cashflows may fluctuate because of changes in foreign exchange rates or the credit quality of the swap counter-party bank.

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

Movement in the cash flow hedge reserve is as follows:

	2017 $'000	2016 $'000
Cash flow hedge reserve		
Opening balance cash flow hedge reserve	-	-
Gain on derivative financial asset	225	-
Net unrealised loss on hedged asset	(267)	-
Closing balance cash flow hedge reserve	**(42)**	**-**

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

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

	Foreign currency fair value exposures	
	2017 USD $'000	2016 USD $'000
Financial assets exposures in foreign currencies at 30 June		
Loans and advances	25,218	-
Derivative financial instrument receivable	225	-
Total financial assets exposures in foreign currencies	**25,443**	**-**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	25,443	-
Total financial liabilities exposures in foreign currencies	**25,443**	**-**
Net foreign exchange exposures in foreign currencies	**-**	**-**

As shown by the above table, the net foreign exchange exposure as at 30 June 2017 is minimal. Any imbalance in this currency will arise largely due to movements in credit risk.

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

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

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

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

6.2F: Concentration of Exposure

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

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

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

There was no transfer between levels.

	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
Other financial assets	306,594	-	-	306,594	306,594
Financial assets for which fair value is disclosed					
Loans and advances	-	261,000	164,000	425,000	402,225
Total for financial assets	**564,135**	**281,000**	**164,153**	**1,009,288**	**986,513**
Financial liabilities at fair value					
Provision for concessional investments	-	-	12,986	12,986	12,986
Total for financial liabilities	**-**	**-**	**12,986**	**12,986**	**12,986**

There was no transfer between levels.

Accounting Policy

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

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

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

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

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

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

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

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

AFS financial assets

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

Loans and advances

- The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using the valuation technique of discounted cash flows through an external valuation system.
- Non-concessional loans are classified as level 2 and the long-term fixed-rate and variable-rate receivables are valued by the Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1C: Loans and Advances. These 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 Group through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1C: Loans and Advances and these 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

	2017 $'000	2016 $'000
Loan Portfolio		
Nominal value	403,916	173,978
Less principal repayment	(20,242)	(11,276)
Less unexpired discount	(7,068)	(7,857)
Less impairment allowance	(1,509)	(1,008)
Carrying value of concessional loans	**375,097**	**153,837**

6.5: Committed Credit Facilities

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

	2017 $'000	2016 $'000
Committed credit facilities	1,159,893	789,206
Committed investments at call	(210,285)	(275,000)
Total committed credit facilities as per commitments note	**949,608**	**514,206**

At 30 June 2017 the Group had entered into agreements to provide loan advances totalling $26 million (2016: $45 million) and purchase corporate bonds totalling $230 million (2016: $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 2017 there was approximately $5.6 million (2016: $4.2 million) of possible future concessional interest rate charges to be recorded in relation to the above contingent credit facilities. The actual amount of concessionality cannot be determined until such time as the loan commitments become non-contingent.

6.6: Committed Equity Investments

At 30 June 2017 the Group had entered into agreements to make future equity investments, not already backed by secured funding accounts, totalling $307 million (2016: $230 million) including amounts disclosed in Note 3.1F.

Note 7: Parent Entity Information

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

7.1 Parent Entity Accounting Policies

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

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

7.2 Parent Entity Statement of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits		21,058	17,570
Suppliers		6,544	4,865
Depreciation and amortisation		745	534
Concessional loan charges		11,433	6,876
Write-down and impairment of assets		2,129	83
Provision for irrevocable loan commitments		292	(178)
Total expenses		**42,201**	**29,750**
Own-source income			
Own-source revenue			
Interest and loan fee revenue		59,274	51,013
Interest on loan to subsidiary	7.4B	99	-
Distributions from equity investments		5,328	30
Total own-source revenue		**64,701**	**51,043**
Gains and losses			
Other (losses) / gains		(92)	(156)
Total (losses) / gains		**(92)**	**(156)**
Total own-source income		**64,609**	**50,887**
Net contribution by services		**22,408**	**21,137**
Share of associates and joint ventures		(549)	-
Surplus from continuing operations		**21,859**	**21,137**

	Notes	2017 $'000	2016 $'000
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on Available-for-Sale financial assets		7,674	5,885
Net fair value loss taken to equity on cash flow hedge		(42)	-
Total other comprehensive income		**7,632**	**5,885**
Total comprehensive income		**29,491**	**27,022**

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

7.3 Parent Entity Statement of Financial Position

as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		401,814	232,778
Trade and other receivables		8,320	3,853
Loans and advances		771,202	402,225
Loan to subsidiary	7.4B	5,906	-
Available-for-Sale financial assets		802,945	277,694
Other financial assets		278,380	306,594
Equity accounted investments		2,500	-
Investment in subsidiary	7.4A	250	-
Derivative financial assets		225	-
Total financial assets		**2,271,542**	**1,223,144**
Non-financial assets			
Property, plant and equipment		944	1,021
Computer software		484	509
Prepayments		504	539
Total non-financial assets		**1,932**	**2,069**
Total assets		**2,273,474**	**1,225,213**
LIABILITIES			
Payables and unearned income			
Suppliers		2,280	1,324
Unearned income		15,678	5,536
Other payables		4,988	4,588
Total payables and unearned income		**22,946**	**11,448**

	Notes	2017 $'000	2016 $'000
Provisions			
Employee provisions		1,660	1,199
Other provisions		20,246	13,435
Total provisions		**21,906**	**14,634**
Total liabilities		**44,852**	**26,082**
Net assets		**2,228,622**	**1,199,131**
EQUITY			
Contributed equity		2,108,363	1,108,363
Reserves		14,655	7,023
Retained surplus		105,604	83,745
Total equity		**2,228,622**	**1,199,131**

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

7.4: Notes to Parent Entity Financial Statements

7.4A: Investment in subsidiary

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

7.4B: Loan to subsidiary

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

- Interest rate: 7.5%
- Interest payment dates: 15 January and 15 July each year
- Maturity date: 15 June 2026

The balance outstanding at 30 June 2017 was $5.9million and interest receivable for the year amounted to $0.1million.

Note 8: Other Information

8.1: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original Budget, as presented in the 2016-17 Portfolio Budget Statements (PBS) for the Environment Portfolio, to the Actual 2016-17 outcome as presented in accordance with AAS for the Group. The Budget is not audited.

8.1A: Budgetary Reports

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2017

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	21,058	22,393	(1,335)
Suppliers	6,544	8,205	(1,661)
Depreciation and amortisation	745	742	3
Concessional loan charges	11,433	21,400	(9,967)
Write-down and impairment of assets	2,129	3,508	(1,379)
Provision for irrevocable loan commitments	292	254	38
Total expenses	**42,201**	**56,502**	**(14,301)**
Own-source income			
Own-source revenue			
Interest and loan fee revenue	59,275	54,741	4,534
Distributions from trusts and equity investments	5,328	-	5,328
Total own-source revenue	**64,603**	**54,741**	**9,862**
Gains and losses			
Other (losses) / gains	(92)	-	(92)
Total (losses) / gains	**(92)**	**-**	**(92)**
Total own-source income	**64,511**	**54,741**	**9,770**
Net contribution by / (cost of) services	**22,310**	**(1,761)**	**24,071**
Share of associates and joint ventures	(639)	(625)	(14)
Surplus / (deficit) from continuing operations	**21,671**	**(2,386)**	**24,057**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains on Available-for-Sale financial assets	7,674	78	7,596
Net fair value loss taken to equity on cash flow hedge	(42)	-	(42)
Total other comprehensive income	**7,632**	**78**	**7,554**
Total comprehensive income / (loss)	**29,303**	**(2,308)**	**31,611**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2016-17 PBS for the Environment Portfolio).
2. Difference between the actual and original budgeted amounts for 2016-17. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Financial Position

as at 30 June 2017

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	401,974	150,068	251,906
Trade and other receivables	8,227	3,710	4,517
Loans and advances	771,202	872,479	(101,277)
Available-for-Sale financial assets	802,945	189,703	613,242
Other financial assets	278,380	254,492	23,888
Equity accounted investments	8,401	-	8,401
Derivative financial assets	225	-	225
Total financial assets	**2,271,354**	**1,470,452**	**800,902**
Non-financial assets			
Property, plant and equipment	944	540	404
Computer software	484	260	224
Prepayments	504	559	(55)
Total non-financial assets	**1,932**	**1,359**	**573**
Total assets	**2,273,286**	**1,471,811**	**801,475**
LIABILITIES			
Payables and unearned income			
Suppliers	2,162	1,245	917
Unearned income	15,678	5,696	9,982
Other payables	5,106	507	4,599
Total payables and unearned income	**22,946**	**7,448**	**15,498**
Provisions			
Employee provisions	1,660	4,738	(3,078)
Provision for concessional loans	19,505	33,472	(13,967)
Other provisions	741	129	612
Total provisions	**21,906**	**38,339**	**(16,433)**
Total liabilities	**44,852**	**45,787**	**(935)**
Net assets	**2,228,434**	**1,426,024**	**802,410**
EQUITY			
Contributed equity	2,108,363	1,348,363	760,000
Reserves	14,655	3,321	11,334
Retained surplus	105,416	74,340	31,076
Total equity	**2,228,434**	**1,426,024**	**802,410**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2016-17 PBS for the Environment Portfolio).
2. Difference between the actual and original budgeted amounts for 2016-17. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Consolidated Statement of Changes in Equity

for the period ended 30 June 2017

	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	83,745	76,726	7,019	7,023	3,243	3,780	1,108,363	1,008,363	100,000	1,199,131	1,088,332	110,799
Comprehensive income												
Surplus / (deficit) for the period	21,671	(2,386)	24,057	-	-	-	-	-	-	21,671	(2,386)	24,057
Other comprehensive income	-	-	-	7,632	78	7,554	-	-	-	7,632	78	7,554
Total comprehensive income	**21,671**	**(2,386)**	**24,057**	**7,632**	**78**	**7,554**	**-**	**-**	**-**	**29,303**	**(2,308)**	**31,611**
Transactions with owners												
Contributions by owners												
Equity injection from Special Account	-	-	-	-	-	-	1,000,000	340,000	660,000	1,000,000	340,000	660,000
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**1,000,000**	**340,000**	**660,000**	**1,000,000**	**340,000**	**660,000**
Closing balance as at 30 June	**105,416**	**74,340**	**31,076**	**14,655**	**3,321**	**11,334**	**2,108,363**	**1,348,363**	**760,000**	**2,228,434**	**1,426,024**	**802,410**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2016-17 PBS for the Environment Portfolio).
2. Difference between the actual and original budgeted amounts for 2016-17. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Consolidated Cash Flow Statement

for the period ended 30 June 2017

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	62,744	50,977	11,767
Distributions from trusts and equity investments	3,437	-	3,437
Total cash received	**66,181**	**50,977**	**15,204**
Cash used			
Employees	20,186	21,757	(1,571)
Suppliers	5,668	8,204	(2,536)
Total cash used	**25,854**	**29,961**	**(4,107)**
Net cash from operating activities	**40,327**	**21,016**	**19,311**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	21,858	60,482	(38,624)
Redemption of short-term investments	90,000	-	90,000
Redemption of other financial assets	249,427	26,924	222,503
Redemption of AFS financial assets	12,366	194	12,172
Total cash received	**373,651**	**87,600**	**286,051**
Cash used			
Purchase of property, plant and equipment	283	315	(32)
Purchase of computer software	360	200	160
Loans made to other parties	391,150	420,370	(29,220)
Purchase of AFS financial assets	532,910	25,000	507,910
Purchase of short-term investments	90,000	-	90,000
Acquisition of other financial assets	221,212	-	221,212
Investment in associates and joint ventures	8,867	-	8,867
Total cash used	**1,244,782**	**445,885**	**798,897**
Net cash from / (used by) investing activities	**(871,131)**	**(358,285)**	**(512,846)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity	1,000,000	340,000	660,000
Total cash received	**1,000,000**	**340,000**	**660,000**
Net cash from financing activities	**1,000,000**	**340,000**	**660,000**

	Actual $'000	Budget[1] $'000	Variance[2] $'000
Net increase in cash held	**169,196**	**2,731**	**166,465**
Cash and cash equivalents at the beginning of the reporting period	232,778	147,337	85,441
Cash and cash equivalents at the end of the reporting period	**401,974**	**150,068**	**251,906**

1. The Group's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the CEFC section in the 2016-17 PBS for the Environment Portfolio).
2. Difference between the actual and original budgeted amounts for 2016-17. Explanations of major variances are provided further below.

8.1B: Major Budget Variance for 2016-17

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Comprehensive Income:	
Employee Benefits	The budget for employee benefits anticipated an increase in salaries approximating CPI effective 1 July 2016, however, there were very limited salary adjustments made in January 2017, resulting in lower than budget costs.
Suppliers	With the introduction of the Clean Energy Innovation Fund, that was anticipated to be a $1bn fund at the time the 2016-17 budget was prepared, we expected to incur substantial legal and consultant costs on evaluating early stage investments. With the reduction in the size of the Innovation Fund (to $200m) and the fact that we have been able to recover the majority of transaction related costs on those investments completed, we have achieved a lower than forecast supplier cost for 2016-17.
Concessional loan charges	Concessional loan charges are significantly lower than budget notwithstanding the actual investments made during the year are higher than budgeted. This is due to: a) the mix in investments which saw less loans written than budgeted and more AFS securities (including a number of large equity investments) purchased; b) lower concessional charges on a number of the aggregation arrangements as the tenor of the underlying loans being written by the aggregators was shorter than anticipated; c) The compression in margins and lower overall rate environment generally have reduced the need for the CEFC to provide as much concessionality as anticipated in many instances, as we have been able to be appropriately compensated for the longer tenor or fixed rate aspects of the loans written, without jeopardising the project economics of the transactions; and d) a facility with one of the major Australian banks expired during the period and was replaced with a different (less concessional) aggregation facility.
Write-down and impairment of assets	Write-down and impairment of assets is lower than budget as the calculated impairment provision is lower than budget as a result of the Group investing in a higher proportion of AFS financial assets, than Loans and Advances, in the 2016-17 financial year. AFS financial assets are accounted for at fair value rather than amortised cost and are not generally subject to the same credit exposure as typical loans and advances.

Affected Line Items	Explanations of Major Variances
Interest and loan fee revenue	Interest and loan fee revenue has a favourable variance to budget as: a) commitment fees were higher than forecast due to some borrowers not drawing or drawing more slowly than expected; b) higher than anticipated interest income on secured funding accounts established for some major renewables construction contracts; c) higher average bank account balances than originally anticipated; and d) an improved interest rate negotiated with a major Australian bank on short-term cash holdings.
Distributions from trusts and equity investments	CEFC had not forecast any distributions from trusts and equity investments as the budget anticipated that all investments providing a significant return would be by way of loans and advances in 2016-17. However, a number of new investments have been in the form of units in trusts and equity investments which have current period earnings, and have therefore provided distributions during the 2016-17 financial year.
Other Comprehensive Income	Other comprehensive income relates entirely to market movements in the fair value of AFS securities. This is typically a result of a change in the market interest rates on bonds (given CEFC is a fixed rate lender) or a change in the market value of underlying assets of a trust in which CEFC holds an investment. It is not possible to accurately forecast the change in the fair value of AFS investments that may arise from a change in market conditions.
Consolidated Statement of Financial Position:	
Cash and cash equivalents	Cash and cash equivalents are $252 million higher than budget as the CEFC drew down an additional $660 million from the CEFC Special Account, over and above what was budgeted, to meet its funding obligations under the contracts entered into during 2016-17. Two specific investments that were expected to reach financial close and draw down in June 2017, when the CEFC Special Account funds were withdrawn, have experienced minor delays and are now expecting to reach financial close and draw down within 60-90 days of their original dates.
Loans and advances	When the budget was prepared the CEFC expected the majority of new investments to take the form of loans and advances. However, as the year evolved, a substantial number of new investments were in the form of AFS securities. The increase in AFS more than offsets the lower than budget loan and advance balances.
Available for sale financial assets	As stated above, when the budget was prepared the CEFC expected the majority of new investments to take the form of loans and advances. However, as the year evolved, a substantial number of new investments were in the form of AFS securities. This includes quoted debt securities such as climate bonds and longer tenor bank bond arrangements as part of the aggregation facilities, unquoted units in trusts as well as unquoted equity investments. The change to bonds rather than term deposits in support of aggregation facility arrangements was to achieve longer tenor and a better return on investment. The opportunity to influence the carbon intensity of entire property funds through small equity investments rather than single properties by way of concessional loans was a key driver in the decision to pursue certain unquoted equity investments rather than solely unquoted debt arrangements which are classified as loans and advances.

Affected Line Items	Explanations of Major Variances
Payables and unearned income	Unearned income is significantly higher than budget as a substantial number of new loans reached financial close in the last 3-6 months of the financial year which triggered substantial establishment fees payable to the CEFC by these customers. While the facilities have reached financial close, they have not drawn down significant amounts by 30 June 2017 as we typically require the equity investors to fund the initial construction before drawing on the debt facilities. Since the establishment fees are deferred and recognised using the effective interest rate method, the majority of the fees sat in unearned income at 30 June 2017.
Provision for concessional loans	The provision for concessional loans was significantly lower than budget at 30 June 2017 as the CEFC had not provided the extent of concessionality during 2016-17 that it budgeted to provide. Refer to the explanation of lower concessional loan charges under the Statement of Comprehensive Income explanations above for further details. In addition, a facility with one of the major Australian banks expired during the period and was replaced with a different (less concessional) aggregation facility.
Contributed equity	The Corporation drew an additional $660 million from the CEFC Special Account and returned $100m less than forecast in the prior financial year as a result of the very large number of transactions that have been contracted in 2016-17. In 2016-17 in excess of $2 billion of new investments were contractually committed. Some of these new investments were funded during 2016-17 (using the additional monies from the CEFC Special Account) and additional amounts will continue to be funded under these contractual commitments during the 2017-18 financial year.
Retained Surplus	The retained surplus is significantly higher than budgeted due to the higher than budgeted surplus that was generated in 2016-17 off the back of a significantly higher than budgeted asset base.
Consolidated Statement of Changes in Equity:	
Reserves	Reserves relate entirely to market movements in the fair value of AFS securities. This is typically a result of a change in the market interest rates on bonds (given CEFC is a fixed rate lender) or a change in the market value of underlying assets of a fund in which CEFC holds an equity investment. It is not possible to accurately forecast/budget for the change in the fair value of AFS investments that may arise from a change in market conditions.
Contributed equity	The Corporation drew an additional $660 million from the CEFC Special Account and returned $100 million less than forecast in the prior financial year as a result of the very large number of transactions that have been contracted in 2016-17.

Affected Line Items	Explanations of Major Variances
Consolidated Cash Flow Statement:	
Operating cash received	The positive variance to budget is a direct reflection of the higher than budgeted earnings off a higher than budgeted asset base in the 2016-17 financial year. As mentioned above, interest and fee revenue as well as equity distributions have a favourable variance to budget as: a) commitment fees were higher than forecast due to some borrowers not drawing or drawing more slowly than expected; b) higher than anticipated interest income on secured funding accounts established for some major renewables construction contracts; c) higher average bank account balances than originally anticipated; d) an improved interest rate negotiated with a major Australian bank on short-term cash holdings, and e) a number of new property trust investments had current period earnings and have therefore provided distributions to the CEFC during the 2016-17 financial year.
Principal loan repayments received	In the budget, CEFC had anticipated being re-financed out of one of its wind farm debt facilities during the 2016-17 financial year. This did not occur during the 2016-17 financial year but is still being considered by the equity sponsor. The break costs, related to the other debt providers in the syndicate, are prohibitively expensive at this time, so the owners have deferred their refinancing considerations at least in the short term.
Redemption and Purchase of short term investments	The $90m positive variance to budget in both purchase and redemption of short term investments is a result of CEFC retaining an additional $100m from the CEFC Special Account in the prior financial year. The majority of this ($90m) was invested as a short-term investment to maximise the return on these funds until such time as they were drawn down by the CEFC's customer.
Redemption of other financial assets; and Acquisition of other financial assets	The redemption and acquisition of other financial assets is a gross-up to show the gross inflows/outflows related to the secured funding accounts. These were budgeted on a net basis as it is not possible during the budget process to estimate the number of times particular term deposits will be rolled, as it depends on the construction draw-down timetable as well as the forward rate curve for term deposits at the time each deposit is rolled. The net variance to budget of these two items is only $1.3 million.
Loans made to other parties	Loans made to other parties are lower than forecast as some investments which were forecast as loans, were completed as AFS securities instead.
Purchase of AFS financial assets	As stated above, when the budget was prepared the CEFC expected the majority of new investments to take the form of loans and advances. However, as the year evolved, a substantial number of new investments were in the form of AFS securities. This includes quoted debt securities such as climate bonds and longer tenor bank bond arrangements as part of the aggregation facilities, unquoted units in trusts as well as unquoted equity investments.
Contributed equity	As stated above, the Corporation drew an additional $660 million from the CEFC Special Account (in addition to the $340 million budgeted) as a result of the very large number of investment transactions that have been contracted in 2016-17.

Affected Line Items	Explanations of Major Variances
Cash and cash equivalents at the beginning of the reporting period	The Corporation had budgeted to return $100 million of funds at 30 June 2016 to the CEFC Special Account, however, these were retained due to transactions that needed to be funded shortly after the end of the 2015-16 financial year, causing the cash and cash equivalents at the beginning of the reporting period to be $85 million higher than the budget had anticipated.
Cash and cash equivalents at the end of the reporting period	As stated above, cash and cash equivalents at the end of the reporting period are $252 million higher than budget as the CEFC drew down an additional $660 million from the CEFC Special Account, over and above what was budgeted, to meet its funding obligations under the contracts entered into during 2016-17. Two specific investments that were expected to reach financial close and draw down in June 2017 when the CEFC Special Account funds were withdrawn have experienced minor delays and are now expecting to reach financial close and draw down within 60-90 days of their original dates.

Appendices

APPENDIX A
INDEX OF ANNUAL REPORTING REQUIREMENTS

As a Commonwealth statutory authority, the CEFC has a range of annual reporting requirements set by legislation, subordinate legislation and reporting guidelines. See Figure 58.

Figure 58: Index of CEFC annual reporting requirements

Statutory Requirement	Legislation Reference	Section	Page
Index of *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) Annual Reporting Requirements			
Provision of Annual Report (including financial statements and performance report) to responsible Minister by 15 October each year	PGPA Act, section 46	Letter of Transmittal	iii
Board statement of approval of annual report with section 46 of the PGPA Act	PGPA Act, section 46 PGPA Rule, section 17BB	Letter of Transmittal	iii
Annual performance statements	PGPA Act, section 39 PGPA Rule, section 16F and 17BE(g))	1	
Board statement of compliance of performance report with section 39 of the PGPA Act	PGPA Act, section 39 PGPA Rule, section 16F	1	
Annual financial statements for Commonwealth entities	PGPA Act, sections 42 and 43(4) PGPA *(Financial Reporting) Rule 2015* Australian Accounting Standards	3	
Board statement of compliance on the financial statements with section 42(2) of the PGPA Act	PGPA Act, section 42	3	
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
Details of the legislation establishing the body	PGPA Rule, section 17BE(a)	2	
Summary of the objects and functions of the entity as set out in the legislation	PGPA Rule, section 17BE(b)(i)	2	
Summary of the purposes of the entity as included in the entity's corporate plan for the period	PGPA Rule, section 17BE(b)(ii)	2	
Names and titles of responsible Ministers	PGPA Rule, section 17BE(c)	2	
Directions given to the entity by a Minister under an Act or instrument	PGPA Rule, section 17BE(d)	2	
Government Policy Orders that applied in relation to the entity during the period under section 22 of the PGPA Act	PGPA Rule, section 17BE(e)	2	
Particulars of non-compliance with a Ministerial direction or a Government Policy Order	PGPA Rule, section 17BE(f)	2	
Statement of any significant issue reported to the responsible Minister under section 19(1)(e) of the PGPA Act that relates to non-compliance with the finance law and an outline of the action that has been taken to remedy the non-compliance	PGPA Rule, sections 17BE(h) and (i)	Not applicable – no incidents reported	N/A
Information on the Board and Board members	PGPA Rule, section 17BE(j)	2, 3	
Outline of the organisational structure	PGPA Rule, section 17BE(k)	2	
Outline of the location of major activities or facilities	PGPA Rule, section 17BE(l)	Inside front cover	Inside front cover
Main corporate governance practices used	PGPA Rule, section 17BE(m)	2	
Related entities, transactions and decision-making process	PGPA Rule, sections 17BE(n) and (o)	2, 3	
Any significant activities and changes that affected the operations or structure	PGPA Rule, section 17BE(p)	2	
Particulars of judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the operations	PGPA Rule, section 17BE(q)	2	
Particulars of any report on the entity given during the period by: (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	
Explanation where required information is unable to be obtained from subsidiaries	PGPA Rule, section 17BE(s)	Not applicable	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Rule, section 17BE(t)	2	
Index identifying where the requirements of section 17BE of the PGPA Rule are found	PGPA Rule, section 17BE(u)	This is the index	

Statutory Requirement	Legislation Reference	Section	Page
Index of *Clean Energy Finance Corporation Act 2012* (CEFC Act) Requirements			
Total value of section 63 investments, by reference to the class of clean energy technologies	CEFC Act, section 74(1)(a)	1	
Realisation of any section 63 investments	CEFC Act, section 74(1)(b)	APPENDIX F	
Explanation of why less than half of the funds are invested in renewable energy technologies	CEFC Act, section 74(1)(c)	1	
Concessions given by the Corporation	CEFC Act, section 74(1)(d)	3	
Balance sheet setting out, as at the end of the financial year, the assets and liabilities and a statement of cash flows	CEFC Act, section 74(1)(e)	3	
Remuneration and allowances of Board members and senior staff	CEFC Act, section 74(1)(f)	2, 3	
Operating costs and expenses	CEFC Act, section 74(1)(g)	3, APPENDIX E	
Benchmark report of operating costs and expenses of other comparable entities	CEFC Act, section 74(1)(h)	APPENDIX E	
Procurement contracts of more than $80,000	CEFC Act, section 74(1)(i)	2	
Credits and debits to the CEFC Special Account	CEFC Act, section 74(1)(j)	2, 3	
Reporting on each of the things referred to in sections 74(1)(d) to (i) of the CEFC Act for subsidiaries	CEFC Act, section 74(2)	Reporting for the subsidiary has been included in the reporting for the CEFC as set out in the sections above	

Statutory Requirement	Section	Page
Index of *Clean Energy Finance Corporation Investment Mandate Direction 2016 (No. 2)* requirements		
Reporting on non-financial investment outcomes, Clean Energy Innovation Fund, Sustainable Cities Investment Program and Reef Funding Program	Investment Mandate, section 15	

Statutory Requirement	Legislation Reference	Section	Page
Other statutory annual reporting requirements			
Equal Employment Opportunity Report	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, section 9	APPENDIX B	
Work Health and Safety Report	*Work Health and Safety Act 2011*, Schedule 2, Part 4, section 4	APPENDIX D	
Environment Protection and Biodiversity Conservation Report	*Environment Protection and Biodiversity Conservation Act 1999*, section 516A	APPENDIX C	

APPENDIX B

EQUAL EMPLOYMENT OPPORTUNITY REPORT 2016-17

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. This EEO report covers 1 July 2016 to 30 June 2017 inclusive.

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.

The CEFC EEO policy and program ensures 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 CEFC EEO 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 supports 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 includes:

- Clear EEO objectives and indicators against which the effectiveness of the program is assessed
- A methodology for the annual collection, recording and publication of employee statistics, including gender and 'designated groups' as defined in the EEO Act and regulations[1]
- Assurances for annual, regular assessment of policies to identify discrimination against women or 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 women and 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.

EEO IMPLEMENTATION

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

- Internal corporate policies and procedures, including EEO principles, anti-discrimination and workplace bullying and harassment
- A 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
- 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 30 June 2016.

EEO MONITORING AND EVALUATION

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

Paid parental leave

The Corporation reviewed its paid parental leave scheme against comparable organisations in 2015-16, which now provides enhanced payments to employees taking parental leave. During the reporting period, three employees used the CEFC's paid parental leave scheme and two employees used the Corporation's paid 'dad and partner' leave. At 30 June 2017, four employees have applied for future paid parental leave and two employees for future paid 'dad and partner' leave.

Flexible work arrangements

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

Of the Corporation's 87 employees, 17 (20 per cent) use approved FWAs, including part-time hours, flexible work hours and/or working from home. This is an increase from 11 employees using approved FWAs in the previous reporting period.

FWAs are increasingly being used by male employees and by senior employees. Of the 18 employees with approved FWAs, five (28 per cent) are male, and 10 (54 per cent) are Associate Director or Director level employees.

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

Employee feedback – engagement survey

Employee feedback in relation to the CEFC's culture and practices was sought via the Corporation's first engagement survey, held in October 2016.

The engagement survey results demonstrated no material difference between male and female respondents, with the engagement score being 71 per cent for females and 73 per cent for males, and an overall organisational engagement score of 72 per cent.

EMPLOYEE PROMOTIONS

During the reporting period, the CEFC promoted 10 employees, which included five male and five female employees.

EMPLOYEE TRAINING AND POLICIES

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

During the reporting year, the CEFC reviewed its Workplace Bullying, Discrimination and Harassment Policy, which was re-launched by the Board Chair and the CEO.

To further reinforce the CEFC's commitment to respectful work behaviour, following the new policy launch, all employees will undertake additional training in preventing and reporting workplace discrimination and harassment.

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 2017, the CEFC had 87 employees, including 85 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 has 43 per cent female employees and 57 per cent male employees. This is a slight reduction in female representation from the previous reporting period.

Females continue to be under-represented at higher levels in the CEFC and disproportionately represented at lower levels. The Executive team includes one female (representing 14 per cent of the Executive team). This is an identical headcount and percentage to the previous reporting period.

The proportion of females at the levels of Executive Director, Director and Associate Director levels remains at 35 per cent, while the proportion of females at the Associate and Manager levels remains at 50 per cent.

Of the 25 new hires since the previous reporting period, 10 are female and 15 male.

The proportion of employees born overseas has decreased from 49 per cent to 40 per cent since the previous reporting period. The CEFC's workforce is ethnically diverse, with 35 employees from 16 countries, in addition to those born in Australia.

During the reporting 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 considered significant given the headcount of 87 employees, nor demonstrative of discrimination.

Figure 59: CEFC employee diversity profile 30 June 2017

Level	Female		Born overseas		English as a second language		Indigenous	Disability	Total
	No.	%	No.	%	No.	%	No.	No.	No.
Executive*	1	14	2	29	1	14	0	0	7
Executive Director/ Head of Function	1	13	3	38	0	0	0	0	8
Director	6	32	7	37	2	11	0	0	19
Associate Director	10	45	8	36	1	5	0	0	22
Senior Associate	3	38	3	38	1	13	0	0	8
Associate	2	29	6	86	3	43	0	0	7
Manager	5	100	1	20	0	0	0	0	5
Administration	9	82	5	45	3	27	0	0	11
Total	**37**	**43**	**35**	**40**	**11**	**13**	**0**	**0**	**87**

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

Figure 60: CEFC EEO reporting comparison

EEO designated group	30 JUNE 2016		30 JUNE 2017	
	No.	%	No.	%
Female	32	46	37	43
Born overseas	34	49	35	40
English as a second language	10	15	11	13
Indigenous	0	-	0	-
Disability	0	-	0	-

APPENDIX C

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT 2016-17

In 2016-17, the CEFC committed a record of almost $2.1 billion to new investments in the Australian clean energy sector. This outcome contributes directly to the principles of Ecologically Sustainable Development (ESD). Figure 61 details the CEFC's ESD activities in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Figure 61: ESD activities 2016-17

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 62: 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 • offsets of 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. 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 2016-17, the CEFC procured 255 tonnes of carbon offsets to offset flights, via the Tasmanian Native Forest Protection Project.

Theme	Steps taken to reduce effect	Measures to review and improve reducing the effect
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 87 employees filling 84.4 full-time equivalent positions at 30 June 2017. 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 63: Environmental performance indicators

Theme	Performance measure	Indicator(s) and 2016-17 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) = 104,574kWh costing $29,850 ($0.29 per kWh). Excludes travel in electric vehicles and trains and electricity consumed by staff working offsite. Amount of gas purchased/consumed ($/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 from 1 October 2016 to 30 June 2017 = $22,784. The CEFC offset 100% of energy between 1 July 2016 to 30 September 2016, at a cost of $414. The equivalent amount is 28,414 kWh for $7,480 (i.e. $0.26 per kWh).
	Greenhouse gas emissions.	Amount of greenhouse gases produced (tonnes) = NIL from these above measures as all were offset.
	Relative energy uses – this includes the green energy use relative to non-renewable energy use and energy use per employee.	Amount of green energy purchased/ consumed divided by the amount of electricity/gas/other fuels purchased/ consumed = Not applicable. No green energy was purchased but all emissions were offset. The ratio of carbon neutral energy purchased divided by the amount of electricity/gas/other fuels purchased/consumed is 1. Amount of total energy purchased/ consumed ($/kWh) per employee = $343.10 per employee per annum.

Theme	Performance measure	Indicator(s) and 2016-17 performance
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 2016-17

REPORTING PERIOD

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

HEALTH, SAFETY AND WELFARE INITIATIVES

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

A RESPECTFUL WORKPLACE

The CEFC is committed to providing a positive, respectful and supportive work environment free from inappropriate workplace behaviour. The highest standards of conduct and ethical behaviour are essential to create a work environment which enables CEFC employees to contribute to the success of the organisation and their own career development, as well as promoting the integrity and accountability of the Commonwealth public sector. The CEFC does not tolerate under any circumstances:

- Bullying or victimisation
- Harassment of any kind
- Discrimination
- Vilification
- Smoking, intoxication and prohibited drugs
- Unsafe work practices

EMPLOYEE TRAINING

New employees are provided with the CEFC Employee Handbook, which clearly describes the CEFC approach to these issues. The handbook includes links to all CEFC policies, including the CEFC Code of Conduct and Ethics, Workplace Bullying, Discrimination and Harassment Policy, EEO Policy and WHS Policy. Employees are required to acknowledge their understanding of and confirm they will behave in accordance with these fundamental policies

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

All CEFC employees undertake mandatory annual refresher training in the CEFC Code of Conduct and Ethics, discrimination and equal employment opportunity, bullying and workplace violence, and WHS.

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 requiring compliance with workplace laws.

PUBLIC INTEREST DISCLOSURE

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

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

WORKPLACE SAFETY

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

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

During 2016-17, the CEFC had up to six emergency wardens in the Sydney and Brisbane offices. These emergency wardens have conducted emergency response and evacuation training in accordance with requirements under NSW and Queensland law. In Melbourne, offices are shared with ARENA, which provides resourcing for emergency wardens.

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

WELLBEING IN THE WORKPLACE

The CEFC encourages employees to participate in healthy exercise. CEFC premises provide locker, shower and change facilities for employees wanting to exercise around their work commitments.

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

CEFC premises include security for employees, being located in secure buildings with restricted security pass access to the offices, 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 provided with additional equipment as required, including foot-stands, wrist supports and variable-height desks, and are reminded to undertake ergonomic self-assessments.

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

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

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

HEALTH AND SAFETY OUTCOMES

The CEFC is required to report on health and safety outcomes (including the impact of injury rates of workers) achieved as a result of initiatives mentioned here. During the reporting period, the CEFC had one workplace injury, a trip/fall, for the reporting period. Two employees also submitted incident reports for falls sustained on footpaths outside work premises.

NOTIFIABLE INCIDENTS

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

INVESTIGATIONS

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

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

OTHER MATTERS UNDER JCPAA GUIDELINES

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

APPENDIX E

SUMMARY OF OPERATING COSTS AND EXPENSES AND BENCHMARK

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

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

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

ABOUT THE CEFC STRUCTURE

The CEFC is a corporate Commonwealth entity with an independent Board that makes investment decisions to invest in renewable and clean energy technologies under the CEFC Act and according to ministerial directions supplied by an Investment Mandate. The CEFC's investment focus is on debt and equity that is solely or mainly Australian-based. The CEFC cannot invest directly in non-financial assets and does not have a large cash investment function. At 30 June 2017, the CEFC had 93 employees (86 full-time equivalent) based in Sydney (headquarters), Brisbane and Melbourne. The CEFC has drawing rights against the Clean Energy Finance Corporation Special Account maintained by the Department of the Environment and Energy.

NOTE ON COMPARISONS

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

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

ENTITIES FOR COMPARISON

In order to provide meaningful comparison as required under Section 74 of the CEFC Act, the Corporation has compared its 2016–17 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), the Northern Australia Infrastructure Fund (NAIF) and the UK Green Investment Bank (GIB) (all Government-owned entities formed for public purpose with a commercial mode of operation).

Future Fund Management Agency (Future Fund) – Structure

The Future Fund was established under Division 2 of Part 5 of the *Future Fund Act 2006* and is governed by an independent Board, which makes investment decisions according to ministerial directions supplied by an Investment Mandate. It is not geographically nor sector-limited to renewable and low carbon technology in the same way the CEFC is, and pursues a broad sectoral spread in a range of investments – primarily equities (39.4 per cent), property, infrastructure and timberland (14.2 per cent), alternative assets (14.8 per cent), debt securities (10.6 per cent) and cash (21.0 per cent) at 30 June 2017. It had circa AUD$133 billion funds under management invested in Australia and overseas at 30 June 2017. For more information visit www:futurefund.gov.au

Export Finance and Insurance Corporation (Efic) – Structure

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 totaling $390 million during 2015-16 and had some $2.9 billion under management at 30 June 2016 (made up of circa $2.1 billion on the Commercial Account and $0.8 billion on the National Interest Account). For more information visit www:efic.gov.au

Northern Australia Infrastructure Facility (NAIF) – Structure

NAIF was established on 1 July 2016 as a corporate Commonwealth entity under the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act).

A commercially focused independent Board oversees the NAIF and is responsible for making investment decisions to deploy finance. The NAIF offers up to $5 billion in debt or alternative financing mechanisms, which may be on concessional terms, to benefit northern Australia. It is designed to be a key catalyst for longer term transformation of the northern Australian economy and population through the construction of infrastructure in northern Australia. This may include developments in airports, communications, energy, pipelines, ports, roads, rail and water. NAIF investments may support growth in sectors across the north, such as food and agribusiness, international education, medical research, tourism, energy and resources. For more information visit www:naif.gov.au

Green Investment Bank (GIB) (UK) – Structure

The Green Investment Bank (GIB) was 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 was privatised via sale to the Macquarie Group, which was completed on 18 August 2017. While the GIB remained government-owned throughout the 2016-17 financial year, the most recent publicly available information for comparison is for the year ended 31 March 2016.

The GIB was established with a mission similar to the CEFC: "to accelerate the UK's transition to a greener, stronger economy…" The GIB also had a broader 'Green Impact' mandate that extended beyond renewable and low carbon energy and emissions reduction into areas such as recycling and reduction of landfill. Like the CEFC, the GIB could 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 UK£770 million (~AU$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 64: CEFC operating costs and expenses benchmark – Comparison with Annual Reports (a)

	CEFC 2016–17		Future Fund 2015–16 (c)		EFIC 2015–16 (c), (d)		GIB 2015–16 (e)	
	$'000	%	$'000	%	$'000	%	$'000	%
Employee benefit expenses								
Wages and salaries	19,020		33,877		17,700		30,434	
Superannuation	1,174		2,094		1,800		2,196	
Leave and other entitlements	462		1,290		500			
Other expenses	-		-		1,000		3,170	
Total Employment Benefit Expenses	**20,656**	49	**37,261**	13	**21,000**	11	**35,800**	36
Board remuneration								
Wages and salaries	367		805					
Superannuation	35		76					
Total Board Remuneration	**402**	1	**881**	0	**-**	0	**652**	1
Total Employee and Board Remuneration and Benefits	**21,058**	50	**38,142**	13	**21,000**	11	**36,452**	37
Other Costs								
Interest expense	-	0			130,400	70		
Provision for impairment and irrevocable loan commitments	2,421	6			19,600	11	8,992	9
Concessional loan discount (b)	11,433	27						
Professional fees and expenses	1,243	3	207,685	72	1,580	1	9,045	9
Other investment portfolio expenses	385	1	20,332	7	500	0	20,589	21
Travel and incidentals	745	2			1,000	1		
Office facility costs	1,759	4			1,600	1	2,824	3
Insurance	207	1						
Marketing and communications	378	1			2,600	1		
Depreciation and amortisation	745	2	1,467	1	4,200	2	10,005	10
Auditors' remuneration	171	0	223	0	220	0	1,148	1
Administrative, IT and other expenses	1,656	4	20,350	7	3,700	1	10,678	11
Total Expenses	**42,201**	100	**288,199**	100	**186,400**	100	**99,733**	100

Figure 65: Operating costs and expenses benchmark – Comparison with Portfolio Budget Statements

	CEFC 2016–17 (Actual)		Future Fund 2016–17 (Estimate) (f)		NAIF 2016-17 (Estimate) (g)	
	$'000	%	$'000	%	$'000	%
Employee benefits	21,058	50	40,644	9	274	4
Supplier costs	6,544	15	390,088	90	5,837	96
Depreciation and amortisation	745	2	2,513	1		
Concessional loan discount (b)	11,433	27				
Allowance for impairment of assets and irrevocable loan commitments	2,421	6				
Total Expenses	**42,201**	100	**433,245**	100	**6,111**	100

Notes:

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

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

(c) From 2015-16 Annual Report since 2016–17 information is not available at the time of preparing this report.

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

(e) Green Investment Bank Group for 12 months ended 31 March 2016. Amounts converted at 30 June 2016 average exchange rate of 1 GBP = 2.0389 AUD

(f) From Portfolio Budget Statements 2017-18 for the Finance Portfolio

(g) From Portfolio Budget Statements 2017-18 for the Industry, Innovation and Science Portfolio

(h) Efic does not appear separately in the 2017-18 Portfolio Budget Statements and its 2016–17 Corporate Plan does not provide this level of detail

(i) Individual percentage value may not add to 100 due to rounding.

APPENDIX F

REALISED INVESTMENTS

The CEFC reports on its investment commitments each quarter and actively manages its investment portfolio. Changes in circumstances can often affect the final investment outcome. For example:

1. Most investments are repaid or realised in the ordinary course of events, but some of these are repaid or sold earlier than expected.
2. Some investment commitments are never drawn, for example because the borrower fails to meet conditions precedent. They are reported here for the sake of completeness.
3. 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 66 shows all CEFC investments that, for various reasons, were concluded during the year, including 'realised' investments. Investments which are only partially repaid or partially disposed of are not reported here as 'realised' investments at this time.

Figure 66: Realised investments 2016-17

Borrower	Investment description	Year of commitment	Initial CEFC commitment $'000	Investment outcome
Realised through repayment in full				
Kingborough City Council	Kingborough City Council	2012-13	$45	Loan was repaid in the ordinary course of business. The underlying projects were fully implemented
Wagga Wagga City Council	Wagga Wagga City Council - Oasis Aquatic Centre	2012-13	$208	Loan was repaid in the ordinary course of business. The underlying projects were fully implemented
Realised as facilities were either (partially or in full) contractually cancelled or allowed to expire				
Bindaree Beef	Plant upgrade, incorporating anaerobic digestion, electricity generation and heat capture	2013-14	$15,000	Business elected not to proceed
CBA Master Funded Participation Agreement: Stage 1	Master Risk Participation Agreement arrangement for Energy Efficient Loans to help businesses undertake energy efficiency investments	2012-13	$42,644	Commitment allowed to expire, superseded by a new Energy Efficient Equipment Finance program
CBA Master Funded Participation Agreement: Stage 2	Master Risk Participation Agreement arrangement for Energy Efficient Loans to help businesses undertake energy efficiency investments	2013-14	$48,690	Commitment allowed to expire, superseded by a new Energy Efficient Equipment Finance program
Firstmac	Asset financing facility for energy efficiency and renewable energy assets	2014-15	$40,000	Reduced commitment as agreed between CEFC and Firstmac
Gannawarra, Whitsundays and Hamilton Solar Farms	Portfolio financing of three large-scale solar farms: 120MW in Collinsville, Queensland and 50MW in Kerang, Victoria	2016-17	$1,097	Reduction in commitment based on debt sizing criteria at financial close
Kidston Solar Project Pty Ltd	Finance for 50MW large-scale solar PV project at Kidston, Queensland	2016-17	$12,571	Reduction in commitment due to partial sell down (to commercial financiers) of CEFC facility at financial close
Landfill Gas Industries Pty Ltd	Finance for installation of gas generators at existing landfill sites with long-term gas contracts	2014-15	$1,846	Reduction in commitment at expiration of availability period
LaSalle Australia Core Plus Fund	Property equity fund targeting the commercial property sector	2015-16	$50,000	Resulting from change in fund manager and investment strategy
Lighthouse Solar Fund	Conditional commitment for equity in a new solar fund	2016-17	$15,000	Fund raised sufficient private sector capital to proceed to financial close without the need for CEFC involvement

Borrower	Investment description	Year of commitment	Initial CEFC commitment $'000	Investment outcome
Longreach Solar Farm	14MW utility scale solar farm near Longreach, Queensland	2016-17	$137	Reduction in commitment based on debt sizing criteria at financial close
Oakey Solar Farm	25MW utility scale solar farm near Oakey, Queensland	2016-17	$294	Reduction in commitment based on debt sizing criteria at financial close
Origin Energy Solar as a Service	Behind-the-meter solar financing program	2014-15	$40,000	Reduced commitment at borrower's request
Origin Energy Limited	Facility established to enable on-bill financing of upgrades to energy equipment	2013-14	$6,135	Availability period expired prior to draw of full commitment
Origin Energy Limited	Facility established to enable on-bill financing of upgrades to energy equipment	2013-14	$382	Availability period expired prior to draw of full commitment
SGCH (St George Community Housing)	Provision of funding to facilitate clean energy initiatives in a community housing portfolio	2015-16	$20,000	Contingent commitment replaced with a second larger facility
Sun Edison Solar Fund	The rollout of programs to originate, design, install and own solar PV systems for residential and commercial customers	2013-14	$70,000	Fund did not raise sufficient private sector capital (a condition precedent to CEFC finance) to proceed to financial close
Windlab Ltd	Windlab required finance for its asset management services and to facilitate retention of development interests in operating wind farms	2015-16	$2,000	Reduced commitment as a result of change in borrower conditions

GLOSSARY AND ABBREVIATIONS

GLOSSARY

Term	Description
Abatement	Refers to reductions in CO_2-e emissions.
Aggregation finance	The provision of CEFC finance via co-finance intermediary partners, to aggregate customer demand that would otherwise be too expensive to be serviced directly by the CEFC.
Appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament.
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.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation which creates and empowers the CEFC.
Clean Energy Innovation Fund	The Innovation Fund uses CEFC finance to invest in innovative clean energy companies and projects. It is operated in consultation with ARENA, drawing on the complementary experience and expertise of the two organisations. Final investment approval is provided by the CEFC Board, which is responsible for all CEFC investment commitments made under the CEFC Act.
Clean energy and clean energy technology	The types of technology the CEFC is permitted to invest in, which includes 'renewable energy technologies', 'energy efficiency technologies' and 'low emissions technologies' as defined in the CEFC Act.
Climate 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.
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.

Term	Description
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 technologies, as defined in the CEFC Act, include technologies (including enabling technologies) that are related to energy conservation and demand management technologies.
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	The Australian Government's central piece of environmental legislation, which provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.
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.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Green bonds	A generic term for climate bonds.
Green price	The price for renewable energy certificates (RECs) that are created and sold by electricity generation facilities registered as accredited renewable energy facilities under the *Renewable Energy (Electricity) Act 2000*. Renewable energy facilities typically benefit from both the 'black price' and the 'green price' for each megawatt hour of electricity generated.
Greenhouse gases	The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2-e), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Hybrid technology	A combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system.
Investment Mandate	A formal Ministerial Direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function.
Large-scale	In reference to renewables, a power station large enough to earn certificates under the LRET (i.e. above 100kW for solar PV).
Large-scale generation certificates (LGCs)	Tradeable certificates created under Section 17 of the *Renewable Energy (Electricity) Act 2000*. One LGC is equivalent to 1MWh (megawatt hour) of eligible renewable electricity produced by an accredited renewable power station above its baseline.
Large-scale Renewable Energy Target (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.

Term	Description
Low emissions technology	The CEFC Board considers low emissions technologies on a case-by-case basis. See the Investment Guidelines on the CEFC website: www.cefc.com.au
Merchant basis	In respect of renewable energy generation, energy sold onto the spot market without the benefit of a fixed price power purchase agreement where the price received is the prevailing market price at the time of sale.
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.
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.
Reef Funding Program	The Reef Funding Program is a $1 billion investment program targeting clean energy projects in the Reef catchment area. The program makes finance available for clean energy businesses and projects which support the delivery of the Government's Reef 2050 plan, aiming to bring the benefits of clean energy to support the long-term health of the Great Barrier Reef.
Refinancing	Repayment of an existing loan with a new loan.
Renewable Energy Certificates (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).

Term	Description
Renewable energy technologies	Clean energy technologies that are defined as 'renewable energy technologies' under the CEFC Act, and include hybrids that integrate renewable energy technologies, and technologies that are related to renewable technologies, including enabling technologies.
Roll-off	Investment amounts that exit the portfolio (e.g. by sale, repayment, cancellation of all or part of the facility, reduction in quantum borrowed etc.).
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt.
Special Account	A type of Australian Government account in which funds are held for a specified purpose. The CEFC Act creates a Special Account in order to fund the CEFC.
Subordinated debt	Where two or more financiers are involved in offering finance, one may take a 'subordinated' or 'junior debt' position relevant to the other ('senior debt') in the event of a loss (i.e. one financier may rank after the other financier in priority for recovery in the event the finance recipient becomes insolvent and cannot repay the loan).
Sustainable Cities Investment Program	The Sustainable Cities Investment Program aims to invest $1 billion over 10 years in clean energy and energy efficient technology solutions in cities and the built environment.
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of a loan.
Total Annual Remuneration Package (TARP)	Total remunerative benefits for staff including salary, superannuation and any other benefits.

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_2	Carbon dioxide
CSP	Concentrated solar power
EAP	Employee Assistance Program
EEO Act	*Equal Employment Opportunity (Commonwealth Authorities) Act 1987*
Efic	Export Finance and Insurance Corporation
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ERF	Emissions Reduction Fund
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
GST	Goods and Services Tax

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

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