cefc

Investing in Australia's clean energy transition

Annual Report 2018–19

The CEFC has a unique role as a catalyst for change: we invest to lead the market, putting our capital to work in new areas, building investor confidence and accelerating solutions to difficult problems.

In this Report

For further information please visit **cefc.com.au**

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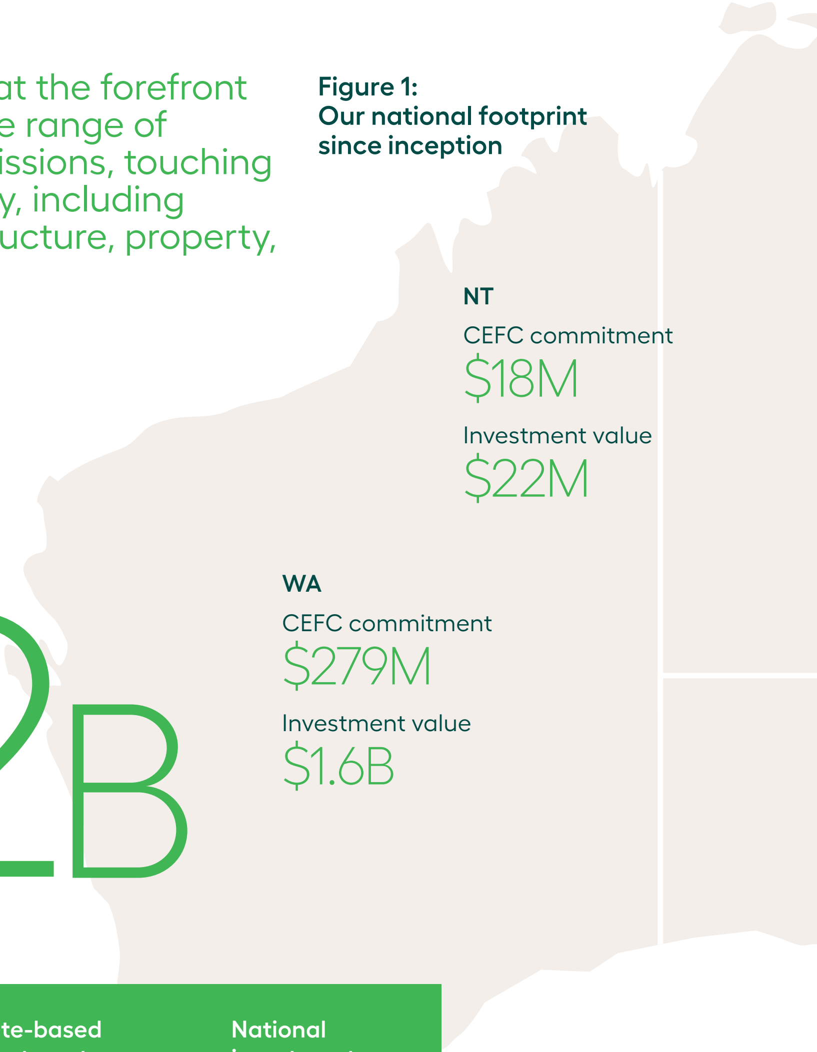
Investing Australia-wide

The CEFC continues to be at the forefront of new investment in a wide range of activities to drive down emissions, touching on all areas of our economy, including agriculture, energy, infrastructure, property, transport and waste.

Figure 1: Our national footprint since inception



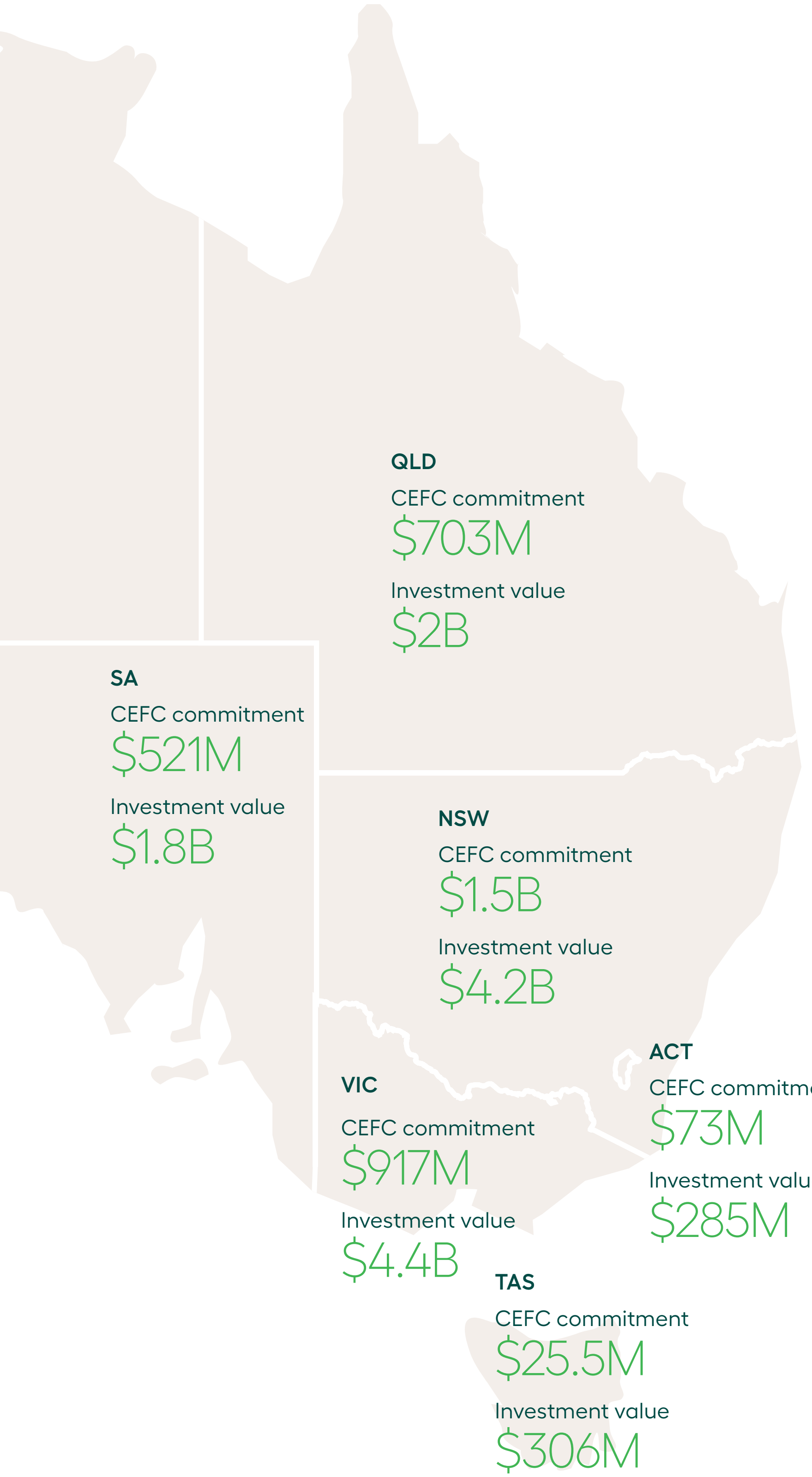
$6.2B

CEFC commitments at 30 June 2019*

> “We are proud to report that, since inception, CEFC investments have helped drive more than $24 billion in additional private sector investment commitments Australia-wide.
>
> **Ian Learmonth**
> CEO, CEFC

State-based investments since inception	**National investments since inception**
~90 **Transactions**	~50 **Transactions**
~$4.0B* **CEFC commitments**	~$3.2B* **CEFC commitments**
~$15B **Total investment value**	~$9B **Total investment value**

* *CEFC lifetime commitments at 30 June 2019 exclude revocable commitments, repayments and cancellations on total commitments of almost $7.2 billion since inception.*



> “For most of the CEFC’s operational life, both debt and equity markets in Australia for clean energy investments have been relatively immature, which has been one of the key barriers to the development of the sector in Australia. As such the CEFC has played a leading role in developing these markets.
>
> **Statutory Review of the CEFC**
> Deloitte

cefc

1 October 2019

The Hon Angus Taylor MP
Minister for Energy and Emissions Reduction

Senator the Hon Mathias Cormann
Minister for Finance

Parliament House
Canberra ACT 2600

Dear Ministers

CLEAN ENERGY FINANCE CORPORATION (CEFC) ANNUAL REPORT 2018-19

On behalf of the Board and Management of the CEFC, I am pleased to present the *Clean Energy Finance Corporation Annual Report 2018-19*.

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 90th meeting of the Board of the CEFC, held in Perth on 19 September 2019.

There were no exemptions from reporting requirements sought or granted.

Yours sincerely

Steven Skala AO
Chair

Clean Energy Finance Corporation
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From our Chair

I am pleased to commend the 2018–19 Annual Report of the Clean Energy Finance Corporation.

After another strong year of investment, the CEFC continued to be an important catalyst in building Australia's clean energy economy, consolidating its position as a reliable financial institution and prudent steward of Australian taxpayers' money. The CEFC was pleased recently to be described by the Prime Minister, the Hon. Scott Morrison MP as "the world's most successful green bank". It has every intention of maintaining its reputation as a considered investor and market instigator.

The CEFC's careful investment over six years reflects its ability to independently implement Australian Government directions under its Investment Mandate. This is further supported by its pillars of good governance, responsible client selection and considered risk management, an approach which continues to give confidence to private sector market participants to follow its lead.

A condition of all CEFC investments is that they advance the Australian Government's goals, over time, to decarbonise the economy and meet Australia's international commitments, including the Paris Agreement targets by 2030 to reduce emissions on 2005 levels by 26–28 per cent.

In an area where prediction is both difficult and often unreliable, one thing is clear: Australia is on the path to decarbonisation. The question is not whether as a nation we continue in that direction but rather, how quickly and effectively we do so, and how well we adapt to new energy mixes as part of that journey.

Energy use is linked to growth and prosperity – where it is curtailed, so too is GDP and productivity. The CEFC values its role in identifying ways to support clean energy generation and its consumption as a significant part of Australia's orderly transition to a sustainable low emissions economy.

The CEFC was established to catalyse private investment in the nation's fledgling clean energy sector, while achieving reasonable returns for Australian taxpayers. This is at the core of all CEFC activities.

Its success in drawing private investments into clean energy can be measured by the rate at which the CEFC leverages additional private capital into the sector. In 2018–19, every CEFC dollar invested was matched by more than $3 in private finance, up from $1.80 in 2017–18. Since inception, every $1 of CEFC finance has been matched by more than $2 from the private sector.

This point is verified by the independent statutory review into the CEFC completed by Deloitte in this reporting year. Deloitte concluded that the CEFC "has been effective in facilitating increased flows of finance into the clean energy sector projects it supported" and that "in the absence of the CEFC a range of projects it supported may not have proceeded".

In 2018–19, $321 million was repaid or returned to the CEFC. Since inception, $718 million has been repaid or returned. This is further evidence of the prudent approach of the organisation, and a demonstration of the commercial rigour that underpins its investments.

In considering the CEFC's results this financial year, it is important to note that the CEFC holds substantial amounts of long-term fixed rate bonds. Falling interest rates during the year, and the introduction of the Accounting Standard AASB9, have meant the mark-to-market value of these bonds has increased materially in our accounts. This has resulted in a sharp increase in operating profit (described in the accounts as "surplus from continuing operations") of $218.8 million that would not have occurred if interest

$3:$1

Private sector leverage 2018–19

~$321M

CEFC finance repaid or returned 2018–19

~$718M

CEFC finance repaid or returned since inception

rates were stable or increasing. The $143.6 million of normalised surplus from operations of the CEFC nevertheless reflects a sound return for the Australian Government.[1]

Even after implying a cost of capital of 2.5 per cent based on the weighted average of the five-year Australian Government bond rate on each tranche of capital that the CEFC has drawn from the CEFC Special Account, the net return to the Commonwealth remains positive and means that the CEFC is more than paying for itself – a notable achievement given the purposive nature of its formation and objectives.

In this financial year, the Australian Government issued a new Investment Mandate Direction. This required the CEFC to consider the potential effects on reliability and security of supply when evaluating potential renewable generation investments. It also encouraged priority to be given to investments that will support reliability and security of electricity supply.

Accordingly, in supplementation of reliability and security-related investments already in place, the CEFC is further increasing its focus on grid augmentation and interconnection, addressing market constraints and marginal loss factors and harnessing a rapidly growing distributed energy market. It is also pursuing additional opportunities in firming technologies and services, large and small batteries, and projects that can solve several problems at once.

New opportunities may lie in hydrogen, electric vehicles, the internet of things and artificial intelligence. The CEFC looks to all these as important, challenging and exciting opportunities that are consistent with its core objectives and will continue to work closely with investors to further consolidate its healthy pipeline of investment opportunities, including in response to the current Mandate Direction. The CEFC's strong portfolio enables it strategically to seek to stimulate economic activity in areas such as energy storage and the required improvements to the grid, as well as to support early-stage developments and technologies while they build commercial traction with private investors.

The CEFC operates in an energy space that is constantly evolving, often at considerable speed. As an independent statutory corporation, the CEFC is a prudent investor of Commonwealth funds. It will pursue changes of direction in accordance with its underpinning legislation, and with the same considered and analytical approach that has been the hallmark of its six years of operation.

New technologies and emerging sectors take time to develop their full potential. The CEFC's experience in solar and wind, and its success in helping build this sector, demonstrates the value of the CEFC's model. Of course, this model necessarily is evolving and includes consideration within its strategy as to where new resources in staff, skills and experience are required to make the most of these possibilities.

The CEFC enjoys close working relationships with the Australian Government. In this regard, it thanks the Minister for Energy and Emissions Reduction, Hon Angus Taylor MP and the Minister for Finance, Senator the Hon Mathias Cormann and their staff and expresses confidence in the continuity of good working relationships with them. The CEFC is also grateful for the support of the Department of the Environment and Energy.

"A condition of all CEFC investments is that they advance the Australian Government's goals, over time, to decarbonise the economy and meet Australia's international commitments, including the Paris Agreement targets

Steven Skala AO
Chair, CEFC

The CEFC Board thanks our CEO Ian Learmonth, the Executive, and all the staff who are dedicated to helping the CEFC invest in Australia's clean energy transition. They know how important their work is and this is reflected in everything they do.

Steven Skala AO
Chair, CEFC

1 *The normalised surplus from operations excludes gains brought to account through holding bonds and loans at fair value, together with the non-cash expense and revenue related to concessional loan charges.*

From our CEO

The past 12 months have seen the CEFC evolve as an organisation. Today, we are increasingly well equipped to address the challenges of Australia's transition to lower emissions, founded on the development of a stronger, cleaner and more reliable energy grid.

~$1.5B

New commitments 2018–19

~$6.3B

Transaction value 2018–19

~64 Mt CO_2-e

Lifetime emissions 2018–19 commitments

The CEFC continues to play the catalytic role in the Australian clean energy sector that has characterised our first six years of operation. Our sound record of achievement gives the market confidence to follow our lead. As we extend our scope into new territories and new technologies, we are fortified by a strong market presence, a robust investment pipeline and an enduring commitment to invest with commercial rigour on behalf of Australian taxpayers.

In the 12 months to 30 June 2019, we committed almost $1.5 billion in new investments across 30 projects with a total value of $6.3 billion. This included almost $1 billion in renewable energy, and more than $500 million in energy efficiency and low emissions projects.

Our capital continues to crowd in private sector investment. We are proud to report that, since inception, CEFC investments have helped drive more than $24 billion in additional private sector investment commitments Australia-wide.

The projects we have invested in are aiming to reduce Australia's greenhouse gas emissions by an estimated 260 million tonnes of CO_2-e over their lifetime, making a considerable contribution to the national emissions reduction effort.

During the past year we have also seen the ongoing maturity of the renewables sector, with the Renewable Energy Target of 33,000 GWh delivered some 12 months ahead of schedule, reflecting the dynamic wind and solar markets across the country.

As a result, we recognise there are complex grid challenges ahead and we are increasingly targeting complementary projects and technologies to improve the security and reliability of our electricity system. This work will support the transition to a low emissions economy, powered by a higher share of Australia's abundant renewable energy resources. We look forward to supporting both the projects and the technologies necessary here, including large-scale batteries, pumped hydro and potential grid related infrastructure.

Our new Clean Futures Team is focused on delivering clean energy outcomes in areas where investible opportunities are still emerging, such as hydrogen and biofuels, and where such opportunities can sometimes be commercially challenging. This specialist team is collaborating with key market participants, such as AEMO and ARENA, governments and the private sector. We welcome this shared commitment to identify and address the economic and structural barriers to Australia's clean energy transition.

Some of the CEFC's most exciting recent investments are helping solve the nation's most intractable energy and emissions challenges.

Waste, and its contribution to greenhouse gas emissions as landfill, increasingly poses such a challenge. Our investment in Australia's first large scale energy-from-waste plant in Kwinana near Perth is a great example of innovation, delivering better waste management as well as clean energy to power local communities. When operational, the plant will produce cost-competitive baseload renewable energy for the WA South West Interconnected System, producing 36MW of electricity – enough to power up to 50,000 homes.

In South Australia our $100 million commitment to help finance home battery systems will also contribute to cleaner, more affordable and reliable energy in that state.

The opportunities to embed energy efficiency across more sectors, such as agriculture, infrastructure, property, transport and resources, continue to form a significant part of our activities, alongside continued efforts to strengthen our large-scale solar and wind sectors.

Buildings account for around 20 per cent of Australia's energy use and therefore offer great scope for improvement through the inclusion of clean energy initiatives that can reduce energy costs and lower emissions. Our work with Mirvac to embed clean energy technology as part of the base build in residential communities in Sydney and Brisbane will result in new homes that include built-in solar and battery storage systems, high-grade insulation, LED lighting and energy efficient appliances. We see this as an exciting model for future developments.

Our $200 million Clean Energy Innovation Fund, which we operate with the support of ARENA, continues to invest in the technologies of the future by supporting early-stage companies. Our investment this year in Omni Tanker is helping this exciting Australian company scale-up its business to meet international demand. Omni Tanker manufactures cutting edge carbon fibre tanks that are lighter than conventional steel tanks, which means that transporting them uses less energy and produces fewer emissions. We were also delighted to increase our investment in Victoria's Carbon Revolution, another innovative home-grown company taking its carbon fibre wheel technology to the world.

A commitment to innovation extends across our portfolio. During the year we were pleased to support the creation of Australia's first carbon neutral equities fund, which will work with leading Australian listed companies as they accelerate their transition to lower carbon emissions. The creation of Warada Capital, our first joint venture, will see us become more closely involved in project development, design and implementation, while ensuring a pathway for potential further investment in projects at financial close.

Of course, we are not in this alone. The CEFC's achievements come through positive collaboration with entrepreneurs, developers, businesses, investors large and small, a wide range of industry bodies, and local, State and Commonwealth government. This collaborative approach is central to the staff of the CEFC and is in fact one of the new Values we adopted this year, alongside impact, integrity and innovation.

In addition to my own frequent engagement with the market as CEO, during the year we sought market feedback about experiences in working with the CEFC. We welcome the trust placed in us by those we work with and will continue to earn that respect.

We appreciate the engagement and guidance of our Board under Chair Steven Skala AO, and our constructive working relationship with the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP and the Minister for Finance, Senator the Hon Mathias Cormann.

We also acknowledge the positive support and professionalism of the Department of the Environment and Energy.

The CEFC is grateful to work alongside the ARENA team: their knowledge and professionalism are making important inroads in early-stage market participation.

As we evolve, the CEFC's investments will continue to be guided by the deep industry knowledge of our expert team and a clear understanding of our role as a caretaker of taxpayer funds.

> "
> Some of the CEFC's most exciting recent investments are helping solve the nation's most intractable energy and emissions challenges.
>
> **Ian Learmonth**
> CEO, CEFC

This year Prime Minister, the Hon Scott Morrison MP described the CEFC as the "world's most successful green bank". The Executive and staff of the CEFC value this reputation. We recognise that it is built on our work over many years as a prudent investor and market catalyst and we are determined to uphold these high standards in years to come.

Ian Learmonth
CEO, CEFC

Performance

01

Case studies

CEFC strategy

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

We operate with a flexible approach to our activities to meet the needs of our evolving market. This includes supporting measures to integrate renewable energy into our electricity system by investing in innovative technologies, projects and business models.

We also apply commercial rigour in our investment approach, using financial products and structures designed to address the barriers to private sector investment that contribute to Australia's emissions reduction activities.

> "Deloitte concluded that the CEFC "has been effective in facilitating increased flows of finance into the clean energy sector projects it supported" and that "in the absence of the CEFC a range of projects it supported may not have proceeded".
>
> **Steven Skala AO**
> Chair, CEFC

Figure 2: CEFC Strategy

1 Increasing the impact of our investment activities

Invest in proven energy storage and grid technologies to support grid stability and reliability.

Support nationally significant infrastructure opportunities that underpin the energy transition.

Encourage additional private sector capital into clean energy solutions to lower carbon emissions.

2 Developing innovative investment solutions

Deliver investment solutions to meet diverse technology, business and industry needs.

Invest in cleantech businesses through the Clean Energy Innovation Fund.

Actively manage our assets and capital to ensure we achieve expected outcomes and support continued investment.

3 Operating with organisational effectiveness

Develop and retain expert high-performing teams.

Adopt a sound risk management approach across all our activities.

Operate with effective business systems and organisational processes.

Decarbonisation pathways

> "The opportunities to embed energy efficiency across more sectors, such as agriculture, infrastructure, property, transport and resources, continue to form a significant part of our activities, alongside continued efforts to strengthen our large-scale solar and wind sectors.
>
> **Ian Learmonth**
> CEO, CEFC

The pathway to lower emissions requires sustained investment and action across all areas of economic activity.

With energy use a significant source of emissions in the Australian economy, the electricity generation sector has a central role to play in Australia's emissions reduction efforts. However other sectors are also important and CEFC investment activities therefore cover a broad range of technologies and sectors.

Our approach is to identify the main sources of carbon emissions in the Australian economy and to understand and align our activities to the pathways that will facilitate a lower emissions economy in the future. See Figure 3 for the pathways that guide our investment origination focus.

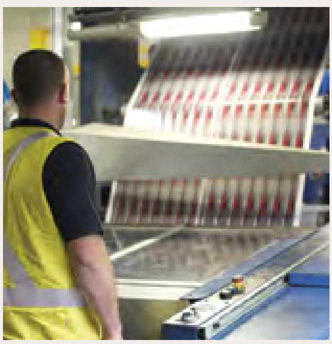
Figure 3: CEFC decarbonisation pathways

1 Low carbon electricity

Through the increased deployment of clean energy technologies, including storage and energy infrastructure that deliver clean, reliable and secure energy.

2 Electrification and fuel switching

Switching from fossil fuels to lower emissions alternatives in infrastructure and transport, including electrifying industrial processes, adopting electric vehicles and switching to lower emissions fuel sources such as biofuels.



3 Ambitious energy efficiency

Delivered Australia-wide, to substantially lower energy intensity and improve energy productivity in line with the 40 per cent target in the National Energy Productivity Plan.

4 Bio-sequestration and non-energy emissions reduction

Including through recycling and reducing the volume of waste going to landfill, along with adopting lower emissions practices across the economy.

Investment trends

Australia has committed to reduce emissions to 26 to 28 per cent below 2005 levels by 2030 under the Paris Agreement.

Projections from the Department of the Environment and Energy estimate Australia requires cumulative emissions reductions of 695Mt CO_2-e (26 per cent reduction) to 762Mt CO_2-e (28 per cent reduction) between 2021 and 2030 to meet this target.

The scale of the emissions challenge suggests Australia requires significant new investment across the economy (see Figure 4). While changes in investment patterns are evident in some sectors of the economy, in other areas the transition to lower emissions is yet to begin in earnest. In this context, the CEFC has a clear focus on increasing private sector investment flows to address a diverse range of emissions challenges. We recognise that lower economy-wide emissions can best be achieved through a multi-sectoral approach.

Figure 4: Economy-wide investment requirements

Electricity

The transformation of Australia's electricity sector continued in 2018–19. AEMO data shows that more than 3,700MW of new wind and large-scale solar generation capacity was connected to the NEM in the year. Open NEM data shows that renewables, including rooftop solar PV, contributed 21.3 per cent of generation in the NEM in 2018–19, up from 17.7 per cent a year earlier.

Vehicles

With the model range of electric vehicles available in Australia increasing, more consumers are expected to make the switch to lower emissions electric and hybrid vehicles. However, the National Greenhouse Accounts show that transport-related emissions continue to grow, influenced by increasing economic output, growing freight volumes and higher diesel use.

Agriculture

Agriculture emissions represent around 13 per cent of national emissions, driven largely by emissions from beef, sheep and dairy. Assuming average seasonal conditions, projections from the Department of the Environment and Energy indicate that agriculture-related emissions will continue to rise slowly, underpinned by growing global food demand and the associated use of on-farm machinery.

Buildings

New buildings in many sectors are adopting energy efficient designs, but the task of upgrading Australia's large stock of existing buildings is proceeding slowly. Analysis from ClimateWorks Australia suggests that while the property sector has the potential to reduce emissions by 69 per cent below 2005 levels by 2030, it is on track to achieve just an 11 per cent reduction under current and proposed policies.

Manufacturing

Industry is switching to cleaner, lower cost sources of electricity. Large manufacturers have signed PPAs for renewable energy, remote area mines are replacing diesel with solar, and large gas users are embracing energy efficiency. But emissions from industrial sources remain high and continue to grow in some areas, according to data from the Department of the Environment and Energy.

Waste

The waste sector covers emissions from the disposal of organic materials to landfill and wastewater emissions from domestic, commercial and industrial sources. The Department of the Environment and Energy projects 2020 waste emissions of 11Mt CO_2-e, despite a 14 per cent fall on current levels due to waste diversion from landfill and higher levels of recycling and methane capture.

In focus

Investment funds

Green MVE sets sights on ASX 300

The CEFC has committed up to $50 million to AB Managed Volatility Equities – Green (Green MVE), our first investment in listed equities. Portfolio manager, AllianceBernstein, aims to set a new standard in low carbon investing, with Green MVE focused on some 70 ASX 300 listed companies. The active investment strategy starts by anchoring the portfolio in low-volatility equities, and then by applying a 'price on carbon' during the stock selection process to help reduce the emissions associated with the portfolio holdings. Green MVE aims to make the portfolio carbon neutral by offsetting the emissions, attracting interest from institutional investors, family offices and insurers who are increasingly preferencing low carbon assets.

In focus

Renewable energy

Equity boost for storage, hydro

In our largest equity investment in renewables, we have committed up to $100 million in the Australian Renewables Income Fund (ARIF), managed by Infrastructure Capital Group. ARIF will acquire and develop large-scale wind and solar developments, as well as energy-from-waste projects, large-scale battery storage and pumped hydro opportunities. The CEFC commitment is directed towards further renewable energy asset acquisitions, including yet-to-be-developed large-scale assets, as well as operating projects. Based on previous investment experience, we expect the investment to contribute to the development of some 260MW in renewable generation assets, with the potential to deliver carbon abatement of about 630,000 tonnes per year.

Australia's specialist clean energy investor

The CEFC further strengthened our position as Australia's leading specialist clean energy investor in 2018–19, achieving a number of significant milestones in the year, with our finance continuing to play a catalytic role in the clean energy sector.

This progress reflected the evolving maturity of our portfolio, investment approach and financial performance, and our continuing endeavours to contribute to lower emissions across key areas of the Australian economy. As the Prime Minister Mr Scott Morrison MP commented in a media release, "we have the world's most successful green bank in the Clean Energy Finance Corporation".[1]

In our sixth year of activity, the CEFC made new investment commitments of almost $1.5 billion in the 12 months to 30 June 2019, across 30 transactions with a total investment value of $6.3 billion. We were pleased to deploy $1.3 billion into the clean energy sector in the 12-month period, accelerating the delivery of a diverse range of initiatives Australia-wide.

We also saw a record $321 million in CEFC capital repaid or returned in the year, underscoring our ability to earn a positive return on our investments and reinvest CEFC finance on behalf of the Australian community.

The increasing scale and depth of our portfolio, and the breadth of our market activity, have provided a strong base from which to extend our focus into important areas of investment potential in 2019–20. This gives us the opportunity to further demonstrate the important role we play in attracting additional private sector investment into Australia's clean energy transition.

In 2018–19, we sharpened our focus on emerging technologies that have yet to attract sufficient interest from mainstream investors, including behind-the-meter generation and grid solutions.

Alongside increasing interest in pumped storage and large-scale batteries, these technologies will be vital to maximising the integration of our abundant renewable energy resources into a strong and reliable low emissions grid.

New CEFC commitments in 2018–19 included $940 million in large and small-scale renewable energy, and a further $524 million across a broad range of energy efficiency and low emissions investments. Each dollar of CEFC finance committed in 2018–19 was matched by more than $3 from the private sector.

The work of our $200 million Clean Energy Innovation Fund continued to provide leadership in the exciting cleantech sector in 2018–19, with its lifetime investment commitments reaching $69 million.

We were also pleased to deliver $400 million in finance for some 5,800 smaller-scale projects during the year, together with our co-finance partners who allow us to reach smaller-scale borrowers around the country.

As expected, the scale of new investment commitments in 2018–19 was lower than the record $2.3 billion achieved in the previous year. This reflected broader market conditions, including the build out of the Renewable Energy Target. Grid and transmission constraints also contributed to a lower rate of investment activity across the renewables sector.

1 *Refer www.pm.gov.au: Media Release: Stepping up climate resilience in the Pacific, 13 August 2019.*

> “The fact Australia leads the world in per capita investment in clean energy, we have the world’s most successful green bank in the Clean Energy Finance Corporation and that we’re on track to have around a quarter of our electricity needs met by renewables by 2020 all underscores the work underway to reduce our global emissions.
>
> **Prime Minister**
> **Hon Scott Morrison** MP

Investment highlights

The pathway to lower emissions requires sustained investment and action across all areas of economic activity. We welcome the increasing focus on sustainability and emissions reduction from businesses, institutional investors and innovative entrepreneurs.

Renewables

We marked important milestones in large-scale solar and wind in 2018–19: CEFC commitments since inception are on track to deliver 1.6GW of new solar and 2GW of new wind in regional communities around Australia.

Waste

We invested in Australia's first large-scale energy-from-waste development, in WA, which will be capable of producing 36MW of electricity when operational, enough to power up to 50,000 homes.

Housing

We continue to extend the financial and emissions benefits of clean energy to the residential sector, through our investment commitments in community, seniors, student and build-to-rent housing.

Green bonds

Our early support for green bond issuances saw us support the Woolworths Group green bond, the first certified green bond issued by an Australian retailer, and by a supermarket business globally.

Equities and joint ventures

We made our first investment in listed equities, in the AllianceBernstein Green MVE portfolio and, together with ICA Partners, established our first specialist joint venture, Warada Capital.

Portfolio impact

The CEFC portfolio of investment commitments reached almost $6.2 billion at 30 June 2019, after allowing for revocable commitments, repayments and amortisation on almost $7.2 billion in total CEFC commitments since inception.

Clean energy impact

CEFC finance has helped drive $24 billion of investment commitments to clean energy projects, supporting significant growth in large-scale renewables in particular.

$24B

Economic impact

We have deployed more than $5 billion to investments and projects Australia-wide, of which some $718 million was repaid or returned to 30 June 2019.

$5B

> "There is evidence to support a finding that in the absence of the CEFC a range of projects it supported may not have proceeded.
>
> **Statutory Review of the CEFC**
> Deloitte

Investment impact

Each dollar of CEFC commitments has been matched by more than $2 in private sector finance, demonstrating our ability to attract additional private sector finance into lower emissions.*

$2 : $1

Emissions impact

Our commitments are targeting lifetime emissions abatement of more than 260Mt of CO_2-e, reflecting the combined efforts of the CEFC and our co-investors.

260Mt CO_2-e

Figure 5: CEFC performance

CEFC commitments	2018–19	Lifetime
CEFC commitments	$1.46b	$7.2b
Transactions financed	30	~140
Transaction value	$6.3b	$24.0b
Leverage	>$3:$1	>$2:$1
Est lifetime emissions (tCO_2-e)	64m	260m
Finance deployed	$1.3b	~$5.0b
Finance repaid/returned	~$321m	~$718m

* *The CEFC does not claim that abatement associated with its investment commitments occurs independently of government policies such as the Renewable Energy Target.*

Commitments in 2018–19

The CEFC made new investment commitments of almost $1.5 billion in the 12 months to 30 June 2019, across 30 transactions with a total investment value of $6.3 billion. Some transactions are allocated across multiple categories, reflecting CEFC commitments across diverse technologies and/or industry sectors.

Figure 6: CEFC commitments – low carbon electricity*

Renewables generators, electricity retailers and network service providers	CEFC investment commitment 2018–19
Neoen Australia: Numurkah Solar Farm	$56.2m
Mirvac: Australian Build-to-Rent Club	$2.0m
SA Government Home Energy Storage Subsidy Scheme	$100.0m
NEXIF Energy: Lincoln Gap Wind Farm	$50.0m
Infrastructure Capital Group: ARIF[1]	$100.0m
Housing Plus: Social and Affordable Housing	$49.3m
Intellihub Operations Pty Limited	$10.0m
ICA Partners[2]: Warada Capital Pty Ltd	$5.0m
RATCH-Australia Corporation: Collector Wind Farm	$180.0m
FlexiGroup Limited: Green bond	$10.0m
AllianceBernstein: Managed Volatility Equities (Green MVE)	$15.0m
Woolworths Group Ltd: Green bond	$1.2m
Total Eren: Kiamal Solar Farm	$51.2m
InfraRed Capital Partners: Curtin University	$23.8m
Neoen Australia: Gilgandra Solar Farm	$57.6m
Windlab Pty Ltd	$6.9m
Cromwell Diversified Property Trust: Seniors' Living Village	$25.8m
Bank of Queensland: Energy Efficient Equipment Finance	$50.0m
Barwon Institutional Healthcare Property Fund	$28.0m
TOTAL	**$822.1m**

1. *Australian Renewables Income Fund.*
2. *Previously Ironstone Capital Advisory.*

$822M

Total renewables generators, electricity retailers and network service providers

Figure 7: CEFC commitments – electrification and fuel switching*

Electrification and fuel switching	CEFC investment commitment 2018–19
Bank of Queensland: Energy Efficient Equipment Finance	$20.0m
TOTAL	**$20.0m**

$20M

Total electrification and fuel switching

* Some transactions are allocated across multiple categories, reflecting CEFC commitments across diverse technologies and/or industry sectors.

> “In the 12 months to 30 June 2019, we committed almost $1.5 billion in new investments across 30 projects with a total value of $6.3 billion. This included almost $1 billion in renewable energy, and more than $500 million in energy efficiency and low emissions projects.
>
> **Ian Learmonth**
> CEO, CEFC

$501M

Total property, infrastructure, manufacturing, agriculture, community housing and universities

$120M

Total waste and bioenergy

Figure 8: CEFC commitments – ambitious energy efficiency*

Property, infrastructure, manufacturing, agriculture, community housing and universities	CEFC investment commitment 2018–19
Mirvac: Australian Build-to-Rent Club	$60.7m
Housing Plus: Social and Affordable Housing	$42.3m
Cbus Property: 447 Collins Street Unit Trust	$100.0m
Relectrify Holdings Pty Ltd†	$2.5m
Redback Technologies Pty Ltd†	$0.7m
Intellihub Operations Pty Limited	$15.0m
AllianceBernstein: Managed Volatility Equities (Green MVE)	$35.0m
Zen Ecosystems Holdings Pty Ltd†	$2.0m
Omni Tanker Pty Ltd†	$4.0m
Woolworths Group Ltd: Green bond	$28.8m
Morse Micro Pty Ltd†	$1.8m
Carbon Revolution Pty Ltd†	$2.0m
InfraRed Capital Partners: Curtin University	$89.7m
Cromwell Diversified Property Trust: Seniors' Living Village	$34.2m
Bank of Queensland: Energy Efficient Equipment Finance	$30.0m
Barwon Institutional Healthcare Property Fund	$52.0m
TOTAL	**$500.7m**

† *Clean Energy Innovation Fund.*

Figure 9: CEFC commitments – biosequestration and non-energy emissions reduction*

Waste and bioenergy	CEFC investment commitment 2018–19
Visy Packaging Properties Pty Ltd	$30.0m
Avertas Energy^: Kwinana energy-from-waste facility	$90.0m
TOTAL	**$120.0m**

^ *Formerly Kwinana WtE Finance Co Pty Ltd.*

* Some transactions are allocated across multiple categories, reflecting CEFC commitments across diverse technologies and/or industry sectors.

AMP CAPITAL QUAY QUARTER TOWER DEVELOPMENT

Investment Mandate Directions

In December 2018, the CEFC received a new Ministerial direction under the *Clean Energy Finance Corporation Investment Mandate Direction 2018* "to include in its investment activities a focus on technologies and financial products as part of the development of a market for firming intermittent sources of renewable energy generation, as well as supporting emerging and innovative clean energy technologies".

The new direction builds on the work of the CEFC in bringing clean energy solutions to the grid, while encouraging the CEFC to prioritise investments that support reliability and security of electricity supply, alongside our continuing investments in solar, wind, hydro, bioenergy and other technologies in the renewable energy sector.

The Australian Government has also tasked the CEFC with investing through a $1 billion Sustainable Cities Investment Program; a $1 billion Reef Funding Program; and the $200 million Clean Energy Innovation Fund. Finance for these programs is drawn from the CEFC's existing $10 billion allocation, with investments made in accordance with usual CEFC investment practice.

Building a stronger grid

Clean Energy Innovation Fund

Reef Funding Program

Sustainable Cities Investment Program

Building a stronger grid for a low emissions economy

Australia's electricity system is undergoing unprecedented, rapid and transformational change.

This change is necessary to deliver new sources of generation to replace retiring, older generation assets and to reduce Australia's emissions. However, while this transition occurs the electricity system must remain reliable and secure – for today and into the future. This requires increased investment to improve system flexibility, including through energy storage, network upgrades and demand management.

> "The CEFC's strong portfolio enables it strategically to seek to stimulate economic activity in areas such as energy storage and the required improvements to the grid, as well as to support early-stage developments and technologies while they build commercial traction with private investors.
>
> **Steven Skala AO**
> Chair, CEFC

This remains an important and ongoing focus for CEFC investment activities, and is further reflected in the Ministerial amendment to the Investment Mandate in December 2018 regarding the development of a market for firming intermittent sources of renewable energy generation.

BloombergNEF has forecast that Australia will have the most decentralised power system in the world as early as 2030, with behind-the-meter sources contributing an estimated one-third of Australian energy capacity. Further work from the CSIRO and Energy Networks Australia suggests we will need to invest more than $200 billion in the distribution and transmission network by 2050, along with more than $600 billion in centralised and on-site generation.

In 2018–19 we further increased our efforts to encourage private sector finance into new technologies where there is less appetite from mainstream investors, including behind-the-meter generation and grid solutions, as well as pumped storage and large-scale batteries.

A new specialist Clean Futures Team within the CEFC was created to deepen our focus on long-dated emerging opportunities in these areas. We have a particular focus on grid augmentation – including transmission, interconnectors and renewable energy zones – as well as hydro, grid-scale battery storage and hydrogen. This complements our ongoing activities to accelerate investment in near-term opportunities across multiple sectors of the economy, including renewable energy, energy efficiency and low emissions technologies.

Cleantech innovation

The Clean Energy Innovation Fund further strengthened its position as Australia's largest dedicated cleantech investor. The portfolio increased to almost $70 million in commitments, and achieved leverage of $8 for each $1 of CEFC finance committed in 2018–19, an encouraging sign of investor interest in early stage cleantech companies.

The Innovation Fund is a specialist financier, with access to $200 million in capital to invest in early stage innovative clean energy companies. It focuses on 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 Fund welcomed the appointment of John Clifford as Chair of its Investment Committee in 2018–19. Mr Clifford has had a long and distinguished career investing in and growing energy technology companies globally.

Operating with the assistance of ARENA, the Innovation Fund made six investments in the year, adding two companies to its portfolio and extending its commitment to four existing portfolio companies:

- $4.0 million equity investment in award-winning Australian manufacturer Omni Tanker, which produces innovative carbon fibre tank containers, and is expanding to meet international demand.
- $1.8 million equity investment in Morse Micro to help it take its Australian-designed Wi-Fi HaLow silicon chips to mass production. The chips have an extended range and lower power consumption.
- Increased investment commitments to support the ongoing growth and expansion of four existing portfolio companies: Relectrify, Redback Technologies, Carbon Revolution and Zen Ecosystems.

GreenSync Cleantech 100

Australia's GreenSync was named in the prestigious 2019 Global Cleantech 100, an annual guide to the leading companies and trends in sustainable innovation, featuring private, independent, for-profit companies best positioned to solve the world's clean technology challenges. The Innovation Fund has an equity stake in GreenSync, a Melbourne-based global energy-tech company that is pushing the boundaries towards more flexible and decentralised grids, keeping grids stable and efficient while absorbing more renewable energy.

Cleantech innovation

In focus

Figure 10: Clean Energy Innovation Fund

Innovation Fund

CEFC commitment

~$13.0M
2018–19

~$69.2M
Lifetime

Investment value

~$118.5M
2018–19

~$261.2M
Lifetime

Leverage

~$8.10:$1
2018–19

~$2.80:$1
Lifetime

Abatement*

~1.7Mt CO_2-e
2018–19

~8Mt CO_2-e
Lifetime

* *refers to impact of CEFC direct finance only*

Innovation

Omni Tanker sets sail

Award-winning Australian manufacturer Omni Tanker Holdings, which produces innovative carbon fibre tank containers, is expanding its business to meet international shipping demand, drawing on a $4 million equity investment from the Innovation Fund. Omni Tanker's carbon fibre tank containers are six times the strength of steel tankers, and more than 35 per cent lighter. They can transport a wide range of corrosive liquids and high purity chemicals. The combination of these light weight and chemical resistant properties means transporting the tankers requires less energy and produces lower emissions. Omni Tanker's core business is based on a patented technology invented by the late William (Bill) Rodgers.

Innovation

Carbon Revolution wheels are turning

High tech manufacturer Carbon Revolution raised almost $75 million in additional capital during the year, receiving strong support from key Australian institutional investors. Carbon Revolution produces the world's only mass produced one-piece carbon fibre car wheel. The unique carbon fibre wheels are typically 40 to 50 per cent lighter than comparable aluminium wheels, reducing vehicle weight and therefore fuel consumption and carbon emissions. The wheels are produced at Carbon Revolution's state-of-the-art purpose-built factory at the Deakin University campus in Geelong. The CEFC invested $10 million in equity in Carbon Revolution in 2016, and was pleased to extend this by a further $2 million in 2018–19.

Investing in the Reef

The Reef Funding Program is a $1 billion investment program financing clean energy investments and businesses that support delivery of the Australian Government Reef 2050 plan. The CEFC finances clean energy opportunities in a broad range of sectors in the Reef Catchment Area, including agriculture, manufacturing and property.

To 30 June 2019, the CEFC had committed more than $370 million to about 410 transactions under the Reef Funding Program, representing total investment commitments of more than $1.22 billion alongside the private sector. New commitments in 2018–19 included almost $15 million to some 80 smaller-scale asset finance projects. These diverse smaller-scale projects included energy and water-efficient irrigations systems; solar PV installations; precision guided on-farm machinery; process and manufacturing equipment upgrades; and the retrofitting of heating, cooling and lighting in buildings. The relatively modest scale of new commitments in 2018–19 reflected a slowdown in large scale investments and projects within the Reef Catchment Area.

Figure 11: Reef Funding Program

Transactions financed

79
2018–19

413
Lifetime

CEFC commitment

~$15M
2018–19

~$370M
Lifetime

Investment value

~$15M
2018–19

~$1.2B
Lifetime

Leverage*

—
2018–19

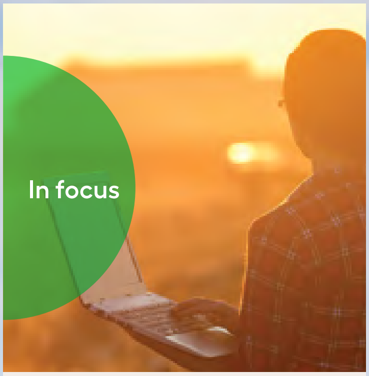
~$2.70:$1
Lifetime

Abatement*

—
2018–19

~23Mt CO_2-e
Lifetime

* *refers to impact of CEFC direct finance only*



Agribusiness

Harvesting clean energy benefits

The CEFC continued our strong association with the agribusiness sector in Australia throughout 2018–19. Through our co-finance programs, we support investment in smaller-scale transactions to enable farmers to benefit from clean energy technologies while lowering their carbon footprint. The agribusiness sector is the largest single user of these co-finance programs, with agricultural technologies accounting for 33 per cent of projects financed to date, drawing on more than $350 million in CEFC finance. Projects financed include updates to energy efficient on-farm equipment; improvements to on-farm buildings; energy and water efficient irrigation equipment; and the installation of small-scale solar generation. The co-finance programs are an efficient and effective way to encourage investment in clean energy technologies, incentivising borrowers to preference best-in-class clean energy assets when considering new equipment purchases.

Agribusiness

Collaboration gets practical

In an Australian first, in 2018–19 the CEFC and the National Farmers' Federation (NFF) collaborated to back ready-made clean energy solutions for Australian farmers, with the twin goals of increasing on-farm efficiency and cutting greenhouse gas emissions. In a practical new guide for Australia's 85,000 farming enterprises, the CEFC and the NFF identified 51 opportunities where farmers can reduce their energy bills by improving energy efficiency and switching to renewables. The investment commitments start at under $10,000, making them cost effective at a time of farm stress and drought. The potential energy efficiency technologies range from variable speed drives and smart controls to best-in-class tractors and refrigeration equipment. Renewable energy solutions include increasingly cost-effective solar PV as well as on-farm microgrids, which are particularly relevant in remote areas.

Sustainable Cities

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

The Sustainable Cities Investment Program has exceeded its $1 billion target, with the CEFC committing almost $2.9 billion to some 5,000 Sustainable Cities opportunities at 30 June 2019. This represents total new investment commitments of almost $8.8 billion alongside the private sector.

Given the emissions opportunities in Australia's cities, the CEFC expects to continue to invest in cities-related opportunities, including those focused on the property sector.

CEFC property investments target large-scale and long-term improvements to the emissions profile of landmark commercial developments. During 2018–19, we saw significant progress across several investments. Investa and Dexus both achieved accreditation for the Science Based Targets (SBT) in their respective real estate portfolios, where they are aiming to achieve net zero emissions. QIC's flagship Australian Shopping Centre Fund successfully trialled a building tuning technology platform, achieving a 15 per cent reduction in energy consumption. And the EG Funds Management High Income Sustainable Office Trust progressed energy efficiency improvements on three refurbished properties – one in Brisbane and two in Canberra, including East Block which is home to the National Archives.

Figure 12: Sustainable Cities Investment Program

Transactions financed

1,770
2018–19

5,098
Lifetime

CEFC commitment

~$971M
2018–19

~$2.9B
Lifetime

Investment value

~$3.7B
2018–19

~$8.8B
Lifetime

Leverage*

~$3.60:$1
2018–19

~$2.70:$1
Lifetime

Abatement*

~12Mt CO_2-e
2018–19

~34Mt CO_2-e
Lifetime

* *refers to impact of CEFC direct finance only*

Iconic assets lock in targets

Household infrastructure names in Australia – including Ausgrid, Melbourne Airport, Brisbane Airport, NSW Ports, the Port of Brisbane, Melbourne's Southern Cross Station and Northern Territory Airports – have adopted their first emissions reduction targets. The targets will see emissions reduced by more than 200,000 tonnes CO_2-e annually by 2030 – preventing millions of tonnes of carbon entering the environment over the life of the assets. IFM Investors owns or co-owns the assets on behalf of its industry super fund owners, other like-minded institutional investors and the millions of beneficiaries they represent. This significant piece of work gained momentum with a $150 million equity commitment from the CEFC.

Infrastructure

In focus

CURTIN UNIVERSITY, PERTH

Built environment

Clean energy at home

CEFC commitments of more than $530 million are targeting the delivery of clean energy solutions to a diverse range of communities, from seniors' living to community housing and student accommodation. All projects are targeting substantial reductions in emissions. In Perth, Curtin University is drawing on CEFC finance to deliver 1,000 new student accommodation beds, a 60-room boutique hotel and 38 apartments. In Canberra, our finance is helping LDK Healthcare transform a disused office park into an energy efficient seniors' living village. In regional NSW, we're helping finance energy efficient homes for 220 low income families. And in South Australia, some 40,000 households can draw on CEFC finance to install home solar and battery storage systems as part of the SA Government Home Battery Scheme.

COLLINS ARCH, MELBOURNE

Built environment

Big city sustainability

Melbourne's distinctive Collins Arch building is set to be a landmark in urban sustainability, targeting industry leading energy efficiency standards in a mixed-use building development.
The twin towers of the 47-level Collins Arch building (linked by an impressive skybridge) are designed to achieve a 5.5 star NABERS Energy rating for its premium commercial office space; a 4.5 star NABERS Energy rating for the W Hotel and a 7 star average NatHERS rating across the residential apartments. The clean energy initiatives, drawing on $100 million in CEFC finance, are expected to deliver a minimum 20 to 25 per cent improvement on the development's carbon footprint. The development will feature high-efficiency air conditioning, façade fabric insulation, real-time energy monitoring and the potential for electric vehicle charging.

In focus

Renewable energy milestones

The CEFC is an active investor in the development of Australia's considerable renewable energy resources, with our maturing portfolio featuring a combined 2.7GW of generating capacity at 30 June 2019.

Working alongside a diverse range of global and Australian investors, we have helped deliver 39 large-scale solar and wind projects Australia-wide since inception. Of these, 30 projects are now generating energy to the grid, reflecting the relatively contained development timeframes of these large and long-dated assets. We are pleased to report that CEFC finance has been repaid on three solar and five wind projects, with this finance now available for reinvestment by the CEFC.

We note AEMO's view that solar and wind energy – complemented by 17GW of storage – offer the lowest cost replacement for retiring fossil fuel capacity. CEFC finance remains central to this evolution.

While large-scale solar and wind opportunities are showing increasing maturity – with the ability to tap a strong market for equity and debt – the investor appetite for projects with material levels of uncontracted power or "merchant risk" remains limited. In addition, projects have met challenges during the construction and connection process, including rapidly-changing marginal loss factors which have adversely impacted project revenues.

Together, these issues are placing a potential brake on continued market growth in the face of an ageing, constrained transmission network and a systems architecture that is due for fundamental change. Similarly, while early progress on potential storage-related investments was welcome in 2018–19, this market is also still evolving, with fully commercial models yet to develop.

At 30 June 2019, the CEFC large-scale solar portfolio (excluding fully repaid investments) included 22 debt-financed solar projects and two equity transactions. Together, these represent $1.1 billion in CEFC investment commitments, in projects with a total value of $3.2 billion and a generating capacity of 1.6GW. These projects, when operating at capacity, would abate some three million tonnes of CO_2-e annually, or 58 million tonnes over their operating lifetime.

At 30 June 2019, the CEFC wind portfolio (excluding fully repaid investments) included seven debt-financed wind farms. Together these represent some $740 million of CEFC investment commitments, in projects with a total value of $2.3 billion and a generating capacity of 1.1GW. These projects, when operating at capacity, would abate some 2.9 million tonnes of CO_2-e annually, or nearly 62 million tonnes over their operating lifetime.

Solar portfolio

CEFC investment
~$1.1B

Generating capacity
~1.6GW

Annual abatement
~3Mt CO_2-e

At 30 June 2019

Wind portfolio

CEFC investment
~$740M

Generating capacity
~1.1GW

Annual abatement
~2.9Mt CO_2-e

At 30 June 2019

Green bonds

New shoots for green bonds

The CEFC has invested almost $520 million in 12 Australian green bonds, supporting many inaugural issuances from banks, universities, property, retail and renewable energy projects. We give potential issuers an early commitment to transactions, acting as a cornerstone investor to build market demand. The Australian market is increasingly considering the benefits and flow-on impacts offered by green bonds. These range from access to a broader pool of investors, the ability of issuers to give additional momentum to business sustainability goals and to bring innovative transactions to the market. This may include developing and acquiring assets to support green bond issuances.

$512M

12 Australian green bonds

Green bonds

Fresh approach from Woolworths

The CEFC secured a $30 million tranche of Woolworths Group's green bond – the first to be issued by a supermarket business and one which sets new standards and expectations for the retail industry. Woolworths Group includes well known Australian and New Zealand brands Woolworths, Countdown, Dan Murphy's, BWS and BIG W. The green bond creates a new asset class for institutional investors who have an increasing appetite for products that meet environmental, social and governance (ESG) requirements.

$30M

Woolworths green bond

> "Visy has pledged to invest $2 billion in Australian manufacturing to create jobs, increase efficiencies and boost sustainability. We are pleased to partner with the CEFC to help us make good on a part of that pledge.
>
> **Anthony Pratt**
> Visy

National footprint

We invest in businesses and projects deploying clean energy technologies which are complying investments, and that are solely or mainly Australian-based, across the various sectors of the economy.

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

In 2018–19 we significantly increased our commitments to investments in Western Australia, with $222 million in CEFC finance contributing to new state-based investments valued at more than $1 billion.

Lifetime national commitments, where CEFC finance has the potential to deliver benefits more broadly, reached $3.2 billion at 30 June 2019, across almost 50 transactions, with a total investment value approaching $9.4 billion.

Figure 13:
New commitments by geographic location 2018–19

	CEFC commitments	Total value
ACT	$66.9m	$258.0m
NSW	$397.7m	$782.8m
QLD	$0.7m	$2.9m
SA	$194.9m	$589.8m
TAS	–	$301.3m
VIC	$250.3m	$1,750.0m
WA	$222.2m	$1,093.4m
National	$330.0m	$1,529.8m
TOTAL 2018–19	**$1,462.8m**	**$6,307.9m**

Technology focus

The CEFC Act requires the CEFC to invest in eligible clean energy technologies, including renewable energy, energy efficiency and low emissions technologies. Further, we are required to ensure that, at any time on or after 1 July 2018, at least half of the CEFC funds are invested in renewable energy technologies.

Figure 14: Commitments by technology

Renewable energy

2018–19

$940M

Portfolio

53.1%

Energy efficiency

2018–19

$494M

Portfolio

44.5%

Low emissions technologies

2018–19

$30M

Portfolio

2.4%

53%

CEFC finance committed to renewable energy technologies at 30 June 2019

In focus

Waste

Red bins find their super power

Australia's first large-scale energy-from-waste project – a 36MW plant at Kwinana in Western Australia – is expected to power up to 50,000 homes using household waste. When built, the $700 million Avertas Energy project will be able to process around 400,000 tonnes of domestic "red bin" and commercial and industrial residual waste per year. By processing household waste from local councils, it will produce cost-competitive baseload renewable energy. It is also expected to reduce CO_2-e emissions by more than 400,000 tonnes per year, the equivalent of taking 85,000 cars off the road. The CEFC has committed up to $90 million in the innovative project.

$90M

CEFC commitment

Waste

Second life for kerbside waste

Melbourne's South Eastern Organics Processing Facility is on track to convert around 12,000 truckloads of household garden and food waste, drawn from council kerbside green waste collections, into up to 50,000 tonnes of high-grade compost each year. By treating the organic waste produced by eight Melbourne councils, the plant is expected to abate more than 65,000 tonnes of carbon emissions annually. The Sacyr Group opened the plant in May 2019, drawing on $38 million in CEFC finance. The fully enclosed in-vessel aerobic composting and maturation plant is expected to operate for 15 years. It will produce compost for use in local parks and gardens, as well as in horticulture, landscaping and agriculture, substantially reducing landfill and emissions.

$38M

CEFC commitment

Investment pipeline

The CEFC has a unique role in the Australian economy, with our investments breaking new ground in introducing clean energy opportunities to new investors, sectors, asset owners and projects.

As a responsible investor, we have a long-term investment horizon, nurturing a portfolio of opportunities that seek to lower emissions as well as have the potential to attract private sector investment interest and deliver a positive return for taxpayers.

At 30 June 2019, the CEFC was considering more than 80 potential investment opportunities. These projects seek a total of almost $4 billion in CEFC finance, representing total investment value in excess of $23 billion. Opportunities range from renewables, bioenergy and energy storage solutions to lowering emissions in the agriculture, infrastructure and property sectors.

While this pipeline indicates that the investment potential of the clean energy sector is robust, it is more modest than a year earlier – reflecting trends in the broader market. As in prior years, we recognise that not all these projects will ultimately be financed by the CEFC, either because they secure sufficient private sector finance, are deferred, or do not meet the investment requirements of the CEFC.

> “We think investors will appreciate not only the potential for positive environmental and investment outcomes, but also the transparent and quantifiable way in which those outcomes are achieved.
>
> **Roy Maslen**
> AllianceBernstein

Figure 15: Investment pipeline

$23B
Potential total investment value

80
Potential investment opportunities

$4B
Potential CEFC commitment

Warada joint venture blossoms

warada

Warada Capital is a new, integrated development and fund management company created as a specialist joint venture between the CEFC and ICA Partners (previously Ironstone Capital Advisory). Drawing on the established experience and networks of its two founders, Warada Capital aims to give the investment community access to a strong pipeline of early-stage or pre-financial close clean energy investment opportunities, particularly those with an appropriate balance between investment returns, innovation and decarbonisation. The CEFC has a 50 per cent equity stake in Warada Capital and will make up to $100 million available for potential investment opportunities. Warada is an Indigenous word for Waratah, the iconic Australian flower.

Investment funds

In focus

Annual performance statement

> “The CEFC’s careful investment over six years... is further supported by its pillars of good governance, responsible client selection and considered risk management, an approach which continues to give confidence to private sector market participants.
>
> **Steven Skala AO**
> Chair, CEFC

Introductory statement

The CEFC Board, as the accountable authority of the Clean Energy Finance Corporation, presents the 2018–19 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 2018–19. A summary of the CEFC’s performance outcomes is included in Figure 16. Performance has been assessed against the performance criteria set out in the 2018–19 CEFC Corporate Plan and the 2018–19 Portfolio Budget Statements.

Figure 16: CEFC performance summary

Criteria	Measure	Outcome 2018–19
Impact		
Operating result*	Financial operating result	$159m against $92m target
Performance against portfolio benchmark return set by the government in the 2018 Investment Mandate	Optimise portfolio returns while recognising the Corporation’s public policy purpose, and taking all reasonable steps to achieve portfolio benchmark return targets#	The core portfolio cumulative return from inception to 30 June 2019 was 5.29 per cent against a benchmark of 5.39 per cent to 6.39 per cent The Innovation Fund cumulative return from its inception to 30 June 2019 was negative 27.05 per cent against a benchmark of 3.22 per cent
	Operating expenditure before concession and impairment < 1.5 per cent of the deployed portfolio balance#	1.0 per cent against a target of < 1.5 per cent
Capital committed	Dollar value of capital committed	$1.5b against $1b target
Capital deployed	Dollar value of capital deployed	$1.3b against $1b target

Criteria	Measure	Outcome 2018–19
Financial leverage	Financial leverage in transactions financed	\$3:\$1 against \$2:\$1 target
Contribution to emissions reduction	Forecast emissions reduction per year from capital committed during the period	2.9Mt CO_2-e against 1.9Mt CO_2-e target
	Expected carbon abatement from committed projects at 'cost' to the Corporation of < \$0#	Expected carbon abatement from committed projects at a cost of negative \$4.70 per tonne against < \$0 target
Innovation		
Develop markets in new sectors, technologies and geographies	The degree to which we contribute to transformation of the clean energy investment market across all States and Territories through investments that are catalytic	The CEFC completed a number of first-of-a-kind investments across different sectors, technologies and geographies; research initiatives also provided insights for stakeholders on opportunities and challenges in various market sectors
Build asset and capital management capability	Build asset and capital management capability to support continued investment in clean energy technologies	The CEFC appointed our first Chief Asset Management Officer and implemented a new asset management framework; obtained a financial services licence and completed our first asset sell down
Organisational effectiveness		
Business systems enhancements and security	Deliver phase one of the Enterprise Information Management Project; achieve a cyber security framework score of 2.5 under the National Institute of Standards and Technology (NIST)	Phase 1 of the Enterprise Information Management Project was delivered in 2018–19; NIST cyber security framework score was independently assessed at 2.5
Design and implement a refreshed People and Culture strategy to strengthen engagement and build an inclusive, high performing workplace culture	Develop a People and Culture Strategy that will address priorities from the 2018 Employee Engagement Survey; implement the strategy to deliver improved 2019 Employee Engagement Survey results	Revised People and Culture Strategy endorsed by the Board People and Culture Committee; 2019 Employee Engagement Survey showed a nine per cent improvement in both employee engagement and alignment
Design and implement a refreshed brand strategy to further our ability to unlock investable opportunities in the clean energy sector	Design a refreshed brand strategy, including confirmation of CEFC purpose and values, refreshed market positioning and messaging and recommendations re the CEFC visual brand	A refreshed brand strategy developed, drawing on the insights of a wide range of external and internal stakeholders; work to strengthen the ability to catalyse private sector investment into low emissions opportunities

* *Calculated as net surplus from continuing operations, excluding concessional loan charges and unwind of concessional interest rate discount and excluding fair value adjustments from loans, bonds and Innovation Fund investments.*

\# *Measure originates from the 2018–19 Portfolio Budget Statements only.*

Analysis of performance criteria

CONSTRUCTION AT SAPPHIRE WIND FARM, NSW

Impact

Operating result: The operating result for 2018–19 was $159 million, strongly ahead of the target of $92 million and an improvement on the prior year. The strong operating result was driven by growth in the overall portfolio, leading to higher revenues, with operating expenditures slightly lower than planned.

Portfolio benchmark return: The core portfolio cumulative return from inception to 30 June 2019 was 5.29 per cent against a benchmark of 5.39 per cent to 6.39 per cent. This was favourably impacted by 0.72 per cent attributable to fair value gains on bonds and loans arising from the fall in market interest rates. Normalising for this, the core portfolio normalised return to 30 June 2019 was 4.57 per cent. The Clean Energy Innovation Fund cumulative return from its inception to 30 June 2019 was negative 27.05 per cent against a benchmark of 3.22 per cent. Returns from investments in early stage ventures in the Clean Energy Innovation Fund are highly volatile in nature and negative returns in the early years are not uncommon. Operating expenditure before concession and impairment as a percentage of the deployed portfolio balance was 1 per cent versus a target of less than 1.5 per cent.

Capital committed: New investment commitments of almost $1.5 billion were made during 2018–19, ahead of the target of $1 billion. Commitments were made across 30 transactions, including new commitments of $940 million in renewable energy and $524 million across a broad range of energy efficiency and low emissions investments and projects.

Capital deployed: Total capital deployed in 2018–19 was $1.3 billion, ahead of the target of $1 billion. As with capital committed, this result was lower than the prior year of $2 billion, which was influenced by record levels of investment sector-wide.

Financial leverage: In order to increase the flows of finance into the clean energy sector, it is important that others also invest in the sector. At the transaction level, we measure this through financial leverage. Actual leverage in CEFC transactions in 2018–19 saw more than $3 in private sector capital invested for every $1 of CEFC finance committed, in advance of the targeted $2:$1.

Contribution to emissions reduction: Our investment commitments in 2018–19 made a positive contribution to Australia's emissions reduction efforts, with new commitments in the year forecast to reduce emissions by 2.9Mt CO_2-e per year, against a target of 1.9Mt CO_2-e per year. As a specialist investor, we expect to achieve positive returns for each tonne of CO_2-e abated by investees, projects and businesses. For investment commitments made in 2018-19 we expect each tonne of CO_2-e abated by investees, projects and businesses to generate a positive return of $4.70 per tonne for the CEFC.

Innovation

Develop markets in new sectors, technologies and geographies: In 2018–19 the CEFC executed a number of first-of-a-kind transactions across a diverse range of investments and projects, reflecting our focus on building investor confidence in new clean energy opportunities. These included finance for the Avertas Energy energy-from-waste facility in Western Australia; deployment of hybrid inverter technologies; finance for Australia's first residential build-to-rent fund; support for household storage and solar in South Australia and our new Warada Capital joint venture with ICA Partners (previously Ironstone Capital Advisory). We contributed to market development through our research and thought leadership activities, delivering these insights alongside leading industry associations, including the Clean Energy Council; Energy Efficiency Council; Australian Industry Group; Property Council of Australia; Climate Bonds Initiative; Bioenergy Australia; Carbon Market Institute; Smart Energy Council; and the National Farmers' Federation.

Build asset and capital management capability: The role of Chief Asset Management Officer was established during the year, and a new Asset

Management Framework introduced to foster closer interaction between the CEFC Investment and Portfolio Management functions. We also progressed our Capital Management Strategy and were pleased to receive ASIC approval for an Australian Financial Services Licence (AFSL), to facilitate our ability to develop a range of debt and equity related products. We also executed our first asset sell down, demonstrating our ability to implement capital recycling.

Organisational effectiveness

Business systems enhancements and security: Phase one of the enterprise information management project was delivered in 2018–19. This included transaction process mapping; the establishment and operation of an Enterprise Information Management working group and the implementation of an Information Governance Strategy and policies. We also further developed the functional requirements for information management systems, including a deep dive systems analysis and the mapping of specific business processes. We were pleased to achieve an uplift in cyber resilience during the year, as reflected in the independent assessment of a targeted score of 2.5 under the National Institute of Standards and Technology (NIST) standard.

Design and implement a refreshed People and Culture strategy to strengthen engagement and build an inclusive, high performing workplace culture: A refreshed People and Culture strategy was endorsed by the Board People and Culture Committee in 2018–19, with several major initiatives implemented during the year. These included the introduction of new organisation-wide Values (see page 57). We automated the KPI management process and were pleased to introduce purchased leave benefits and a staff wellbeing program. The CEFC Variable Compensation Plan was revised during the year, with clearer messaging around risk behaviours and a stronger performance-reward link. Strong employee engagement survey results were achieved in an independent survey of staff, with overall engagement at 83 per cent (+9 per cent) and alignment at 76 per cent (also +9 per cent) on the previous survey results. These scores moved the CEFC into the top engagement decile compared with benchmark organisations.

Design and implement a refreshed brand strategy to further our ability to unlock investable opportunities in the clean energy sector: The CEFC has a specific role in encouraging additional private sector entities into new investments in clean energy technologies across multiple sectors, businesses and projects. The impact of our activities is influenced by market awareness about our role and expertise, and the strength of our reputation in initiating and delivering transactions. After six years of investing, we drew on the insights of a wide range of external and internal stakeholders to assess our external engagement activities in 2018–19. This initiative also informed the refinement of the CEFC Values in 2018–19, to more closely reflect the commercial and emissions ambitions of the organisation and the broader market. These insights have informed our broader branding and market engagement activities, including a heightened focus on delivering market research into clean energy trends. In response to market interest, we are also increasingly working with our counterparties to share practical insights about their emissions and investment achievements, particularly where these have benefited from CEFC finance. See Figure 18.

Infrastructure

Qube marks major milestone

Qube Holdings has completed construction of a 40,000 square metre warehouse, incorporating a 3MW rooftop solar system, in the first stage of the landmark Moorebank Logistics Park in Sydney. Work has also been completed on a rail access link and associated infrastructure to connect a planned import-export terminal to the existing freight line. Construction has included use of an onsite concrete crusher to recycle demolition concrete waste into paving material, reducing demand for new concrete as well as cutting the emissions associated with transporting the waste off-site. The CEFC has committed $150 million in debt finance to the project.

Sustainable on-farm management

Together with the CSIRO and Macquarie Infrastructure and Real Assets (MIRA), we were pleased to progress our work in identifying sustainable on-farm management practices in 2018–19. The joint Energy, Emissions and Efficiency Advisory Committee (3EAC) was established as part of the CEFC's equity investment in one of MIRA's agricultural portfolios.

During 2018–19, the 3EAC focused on projects to lower emissions and improve on-farm performance through three priority pathways. See Figure 17.

This work is designed to be applicable across multiple climatic zones, production regions and end markets. As these activities are further developed, they will be shared with the broader farming community – including through field days, trials and information sessions. The work will also deliver a benchmarking tool which will enable farmers throughout Australia to develop a baseline for the energy efficiency of the output from their farms and track improvements on a yearly basis.

Figure 17: Agriculture emissions pathways: 3EAC

1 **Measures to reduce the emissions intensity of on-farm practices.**

2 **Approaches to improve the national resource base, including soil, water and biodiversity.**

3 **Initiatives to capture the benefits of low emissions agricultural production in domestic and international markets.**

Viridis Ag, one of MIRA's specialist cropping businesses, is trialling multiple low emissions farming approaches on its properties, including The Grange in WA. Farm practices trialled on The Grange are shared with the local Mingenew Irwin Group, which brings together around 200 businesses across some 320,000 hectares of farmland to support locally-driven research and development activities. MIRA has also committed to trialling innovative technology developments to improve on-farm efficiencies, such as analytics and robotics.

In focus

Our market impact

The CEFC was created to catalyse increased investment in lowering emissions. In our first six years this has required a clear focus on establishing and subsequently deepening effective relationships with investors, developers, business, regulators and the community. We see this as a critical and ongoing endeavour, made all the more important because of the scale of the challenge of Australia's transition to lower emissions.

In December 2018, an independent statutory review of the CEFC Act found that the CEFC had succeeded in its statutory objective of facilitating the flows of finance into the clean energy sector, with the CEFC's investments successfully enabling transactions and projects that would not have otherwise proceeded, attracting substantial private co-investment. The statutory review was conducted by Deloitte and tabled in Parliament on 14 December 2018.

During the year, we took market soundings to assess stakeholder perceptions about the organisation and the effectiveness of CEFC external engagement activities. We also looked to identify areas that might benefit from a stronger focus as we seek to tackle new areas of investment which have yet to achieve support from mainstream investors.

We were heartened by the market response to our activities, including market perceptions that the CEFC is well regarded as a specialist investor and is seen to be playing an important market development role alongside other investors.

We also appreciated market interest in the CEFC looking more broadly beyond individual transactions to increase the market impact of our activities, including through stronger market engagement, our continued contribution to research and thought leadership, and the provision of practical insights about the emissions impacts of our investments. We are increasing our efforts in this area. See Figure 18.

> "The knowledge, expertise and experience of the CEFC provides benefit to the market, in that it builds market capability with respect to financing clean energy projects.
>
> **Statutory Review of the CEFC**
> October 2018

Figure 18: Shaping the clean energy market: CEFC investment insights

Investment	Content
CEFC Investment Insights: **Clean energy and agriculture**	Practical insights for agribusinesses, drawing on the work of the CEFC, Macquarie Infrastructure and Real Assets and the CSIRO.
CEFC Investment Insights: **Clean energy and the retail sector**	A report from the Queensland Investment Corporation and the CEFC on the role of clean energy in lowering emissions from retail precincts.
CEFC Investment Insights: **Clean energy and commercial property**	Developed with Quintessential Equity, a report into the clean energy transformation of Geelong's iconic 1 Malop Street development.

Building market strength

In the rapidly evolving clean energy market, where there is considerable complexity, expert information is of critical importance to investors, project developers, financiers and regulators as they consider large-scale and long-term investments.

During 2018–19 we stepped up our efforts to assist market participants to better understand the emissions and financing benefits of clean energy investments. See Figure 19.

In a joint initiative with the Energy Efficiency Council and the Australian Industry Group, we were pleased to develop a comprehensive resource to assist manufacturers implement practical and proven strategies to deliver energy and cost savings. In the majority of technologies and solutions featured in the *Australian Manufacturing: Gas Efficiency Guide*, up-front investment costs were $50,000 or less, with the costs recovered within just five years.

Distributed energy in the property sector – today's opportunities provides property investors, owners and managers with guidance on how to benefit from on-site solar, batteries and metering technologies as part of the long-term management of their energy needs.

Biogas opportunities for Australia, provides comprehensive information on how Australia can benefit from biogas, a secure, continuous and dispatchable source of energy that can contribute to national energy supply.

Figure 19: Shaping the clean energy market: CEFC research

Report	Purpose
Transforming Australian Agriculture with Clean Energy	Guide for agribusiness on best practice on-farm energy efficiency and clean energy technologies, developed in partnership with the National Farmers' Federation.
How much rooftop solar can be installed in Australia?	An expert report for the CEFC and the Property Council of Australia, produced by the UTS Institute of Sustainable Futures, the University of NSW School of Photovoltaic and Renewable Energy Engineering and the Australian Photovoltaic Institute.
Biogas opportunities for Australia	Produced by Bioenergy Australia with support from the CEFC, this report looks at the actions that can be taken to grow the biogas industry.
Distributed energy in the property sector: unlocking the potential	Renewable energy opportunities for the property industry, developed by Seed Advisory for the CEFC and the Property Council of Australia.
Distributed energy in the property sector: today's opportunities	Up-to-date information on clean energy technology options for different building types, locations and loads, produced by Energetics for the CEFC and the Property Council of Australia.
Australian Manufacturing: Gas Efficiency Guide	A joint initiative of the CEFC, the Energy Efficiency Council and the Australian Industry Group outlining practical and proven strategies to lower emissions and lower energy costs for Australian manufacturers.
Green Infrastructure Investment Opportunities: Australia and New Zealand	Developed by the Climate Bonds Initiative with the support of the CEFC, discussing a pipeline of potential infrastructure opportunities that can be financed through green bonds.
Clean Energy in Infrastructure: Airports	A report considering the potential for energy efficiency and clean energy technologies at energy-intensive Australian airports.
Model Business Case for Street Lighting and Smart Controls Upgrade: Institute of Public Works Engineering Australia	A guide for local governments, main road agencies and utility staff looking to put forward a robust case for upgrading to LED street lighting, produced with support from the CEFC and the Australian Department of the Environment and Energy.

In focus

Manufacturing

Welding on productivity

In Queensland, CSF Steel has cut its energy costs, improved its productivity and reduced its carbon footprint after installing a new welding system at its Cairns workshop. CSF Steel's business handles steel fabrication, detailing, processing, blasting and painting and installation. It estimates the new welders will improve productivity by around 30 per cent and deliver energy savings of around 21 per cent. CSF Steel drew on CEFC finance through the Westpac Energy Efficient Finance program.

30%

improved productivity

21%

energy savings

Manufacturing

Mobile crane lifts performance

In Western Australia, WA Universal Rigging & Cranes is capturing significant fuel and emissions savings thanks to its investment in a new energy efficient mobile crane. The new crane matches the load capacity and power of the existing unit while consuming 17 per cent less fuel, which also means it is producing fewer emissions. The third-generation family business drew on CEFC finance delivered through the ANZ Energy Efficient Asset Finance program.

17%

less fuel consumption

Smaller projects deliver big impact

The CEFC maintained our strong focus on driving investment in smaller-scale clean energy projects in 2018–19, working with banks, specialised lenders and funds to extend our finance to households, farmers, small businesses, manufacturers, building owners and community facilities.

We are proud to have delivered almost $1.1 billion in finance for more than 11,300 smaller-scale projects since we began investing, with projects ranging from $10,000 to $5 million. This includes $400 million in asset finance in 2018–19, for some 5,800 smaller-scale projects, with an average investment of $95,000.

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

These programs are an efficient, effective and timely mechanism to enable CEFC finance to be delivered to small and medium enterprises Australia-wide, leveraging the established and extensive customer networks of the co-financiers. At the same time, they encourage increased investment in clean energy technologies, by incentivising their customers to choose best-in-class clean energy assets.

Green vehicles

All aboard for electric buses

In Victoria, family-owned Latrobe Valley Bus Lines is on track to include 11 hybrid electric buses in its fleet by 2020, drawing on CEFC finance delivered through the ANZ Energy Efficient Asset Finance program. The new hybrid buses are expected to deliver a 35 per cent saving on fuel, a 30-40 per cent fall in carbon emissions and up to 50 per cent less nitrogen oxide and particulate emissions. Maintenance costs on the new buses are also expected to be lower.

>30%

fall in carbon emissions

$1.1B

CEFC finance for smaller-scale projects

11,300

projects financed since inception

Governance

02

Our purpose

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

Capital allocation to the CEFC

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

The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector.

Consistent with the object as set out in the CEFC Act, the CEFC:

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

Our Board

> “The CEFC Board thanks our CEO Ian Learmonth, the Executive, and all the staff who are dedicated to helping the CEFC invest in Australia’s clean energy transition. They know how important their work is and this is reflected in everything they do.
>
> **Steven Skala AO**
> Chair, CEFC

Steven Skala AO, Chair

Mr Skala has a distinguished career of service on the boards of public, private, not-for-profit and government organisations, with more than 35 years’ experience in the law, business and banking.

Mr Skala is Vice Chairman, Australia of Deutsche Bank and served as a partner focusing on corporate, banking and commercial law in two leading Australian law firms for more than 20 years. A former Chairman of Film Australia Ltd, Hexima Ltd, Island Food Company Ltd and Wilson Group Ltd, Mr Skala is also a former Director of the ABC, the Channel Ten Group and Max Capital Group Ltd. Mr Skala currently Chairs the Heide Museum of Modern Art, is Deputy Chair of the General Sir John Monash Foundation, a Director of The Centre for Independent Studies, and a Member of the International Council of the Museum of Modern Art NYC. Mr Skala was appointed an Officer of the Order of Australia in 2010 in recognition of his service to the arts, business and commerce, and to the community.

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

Leeanne Bond

Ms Bond is one of Australia’s leading engineers and has extensive experience in the water and energy sectors in Queensland and the Northern Territory.

Ms Bond is Chair of Synertec Corporation and serves on the boards of Snowy Hydro, Liquefied Natural Gas Ltd and JKTech Pty Ltd. She was previously Chair of Brisbane Water, has served on the board of Coffey International Limited and held board positions on a number of water and energy businesses.

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

Our Board
continued

Philip Coffey

Mr Coffey has extensive experience across the financial services sector, with a distinguished career in senior roles in banking, including funds management, balance sheet management and risk management.

Mr Coffey is a non-executive Director of Macquarie Group Limited and Macquarie Bank Limited, and a non-executive Director of Lend Lease Corporation Limited. Mr Coffey served as an Executive of Westpac Banking Corporation for over 15 years, as Group Executive Westpac institutional bank, CFO and Deputy CEO. As Deputy CEO he was responsible for the Mergers and Acquisitions function, as well as Westpac relationships with industry groups, regulators, customers and government. Mr Coffey began his career at the Reserve Bank of Australia and also held executive positions at Citibank.

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

Laura Reed

Ms Reed has more than 20 years' experience in the energy infrastructure sector, including as Chief Executive Officer/Managing Director of Spark Infrastructure.

Ms Reed is Chair of ERIC Alpha Holdings Pty Ltd and its subsidiaries, which owns the NSW government's 49 per cent stake in Ausgrid. In addition, she is a Director and a member of the Remuneration and Nomination Committee and the Safety, Risk and Compliance Committee of Ausgrid.

Ms Reed is also Chair of Epic Energy, which owns the Moomba to Adelaide gas transmission pipeline in South Australia, as well as a director of Canadian Utilities, Plus ES Partnership, ATCO Australia Pty Ltd and ATCO Gas Australia GP Pty Ltd.

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

Andrea Slattery

Mrs Slattery is a recognised leader in Australia's financial services, superannuation, investment and retirement sectors, having led the growth of the Self-Managed Super Fund (SMSF) sector as founder and former Managing Director/CEO of the SMSF Association.

An experienced director, she has served on boards and advisory committees in the publicly scrutinised, high-profile and highly regulated environments of the ASX, commercial, government and not-for-profit sectors. Mrs Slattery has been involved in the infrastructure, government relations, energy and innovation sectors and has more than 25 years experience as a non-executive director, managing director, advisor and business owner.

She currently serves on the Board of AMP Limited and is Chair of its Audit Committee. Mrs Slattery is also on the board of Argo Global Listed Infrastructure and is Vice Chairman of the Woomera Prohibited Area Advisory Board. Previously, she was a Director of ASX-listed Centrepoint Alliance Limited. Mrs Slattery was named Australian Woman of the Year in the Australian Women in Financial Services Awards in 2014.

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

Samantha Tough

Ms Tough has had a distinguished and varied career in the energy and resources industries in Western Australia, as both a director and senior executive.

Ms Tough currently serves on the boards of Synergy, Saracen Mineral Holdings Ltd and Ox Mountain Pty Ltd. Ms Tough was previously Chair of Retail Energy Market Company Ltd, Structerre Pty Ltd, Molopo Energy Ltd, Aerison Pty Ltd and Southern Cross Goldfields Ltd.

Ms Tough has held a variety of senior executive roles at Woodside Energy, Hardman Resources, the Commonwealth Bank and the Pilbara Power Project.

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

Nicola Wakefield Evans

Ms Wakefield Evans is a non-executive director of Macquarie Group Ltd, Lend Lease Corporation Ltd and the national board of the Australian Institute of Company Directors. She is also a member of the Takeovers Panel and is on the boards of the University of New South Wales Foundation and Chief Executive Women.

Ms Wakefield Evans has almost 30 years legal experience, including as a senior partner at King & Wood Mallesons where she held a variety of part-time and full-time management positions. Ms Wakefield Evans' key areas of industry expertise include resources and energy, infrastructure, airports, financial services, technology and media and communication.

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

Governance

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

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

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

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

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

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

Board operations

Committee membership

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

Figure 20: Board committee memberships 2018–19

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

Meeting attendance

In 2018–19 there were nine Board meetings and a further (five plus three) eight Board Committee meetings.

Figure 21: Board member meeting attendance 2018–19

Board members	Board		Audit and Risk Committee		People and Culture Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Steven Skala AO	9	9	5	5*	3	3*
Leeanne Bond	9	9	3	5*	3	3
Philip Coffey	9	9	5	5	1	3*
Laura Reed	8	9	5	5	0	3*
Andrea Slattery	9	9	4	5*	3	3
Samantha Tough	9	9	4	5*	3	3
Nicola Wakefield Evans	9	9	4	5	0	3*

* *Attendance optional for non-committee members.*

Board operations
continued

Remuneration and allowances

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

Figure 22: Remuneration tribunal determinations 2018–19

Determinations: Remuneration and allowances	Date of effect	Ceased	Notes
Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2018 (as amended from time to time)	1 July 2018	30 June 2019	No change to Board member remuneration during the period
Remuneration Tribunal Determination 2017/15: Official Travel by Office Holders (as amended from time to time)	27 August 2017	26 August 2018	
Remuneration Tribunal (Official Travel) Determination 2018 (as amended from time to time)	26 August 2018	(still in force)	

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

Figure 23: Remuneration rates 2018–19

Office	Annual remuneration
Chair	$108,680
Board member	$54,340

In addition, superannuation is payable on these amounts at the rate of 9.5 per cent in accordance with the *Superannuation Guarantee Charge Act 1992*. Actual amounts paid to Board members during the reporting period are disclosed in Note 5.2 in the Financial Statements.

Related entity transactions

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

The Audit and Risk Committee reviews all related entity transactions disclosed in accordance with the relevant accounting standards at Note 5.3 within the Financial Statements.

Indemnities and insurance premiums for Officers

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

Figure 24: Indemnities and insurance premiums for Officers 2018–19

Indemnity/insurance	Officers included	Period of coverage	Premium/ fees paid
Comcover indemnity for Directors and Officers	All Board members and Officers	1 July 2018 to 30 June 2019	$168,644
Deed of Access, Indemnity and Insurance	All Board members, the CEFC Executive and staff appointed by the CEFC to an external board	Date of execution until seven years after ceasing to be either: – Director or Officer of the CEFC or – appointed by the CEFC to an external board.	Nil: indemnity only
Supplementary Directors' and Officers' non-indemnifiable loss insurance	All Board members and Officers	14 June 2013 to 14 June 2021	$590,665
Comcare Workers' Compensation Insurance	All Board members and Officers	1 July 2018 to 30 June 2019	$47,228
Indemnification for reasonable travel and expenses	All Directors, Officers and staff	Ongoing	Nil: indemnity only

Comcover and Comcare insurance

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

Travel and expense reimbursement

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

Our Values

CEFC staff are largely drawn from the finance and energy sectors, reflecting our specialist investment focus. We have a breadth of expertise across our target sectors, working closely with investment and project partners to deliver clean energy outcomes which make economic and commercial sense while lowering carbon emissions.

Our Values

Impact
Catalysts leading change.

We're driven to make a positive impact.

We're clear about the difference our investments make and the benefits they bring.

Our decisions and the way we influence others today have a positive and sustainable impact for generations to come.

We're more than advocates for decarbonisation: we're catalysts for change. We share our experience and insights to encourage others to follow our lead.

Collaboration
We're in this together.

We harness the power of many to forge a new path.

Powered by collective endeavour, we value diverse ideas, backgrounds, deep experience and expert delivery.

We are open to different perspectives, embracing new solutions and clean energy technologies that transform lives and behaviour.

We bring together people committed to making a positive impact. Collaborating for a better tomorrow, today.

Integrity
Trusted investor.

We work openly and honestly.

We earn trust through our integrity, transparency, accountability, performance and respect for others.

As caretakers of the funds entrusted to us, we have a clear agenda for change which we deliver without compromise.

Our commercial rigour, insights and expertise provide the foundation for our risk appetite.

Innovation
The courage to go first.

We're explorers of new frontiers.

We're 'can do' people.

It's about finding a way to get it done, by being curious, bold and outcomes-focused. We face challenges and opportunities with confidence.

This philosophy inspires us to lead with courage and enthusiasm in the search for solutions, drawing on new clean energy technologies and embracing innovation.

In regular conversations with our internal and external stakeholders, it is clear that the expertise, professionalism, collaboration and passion for a common purpose define the CEFC team. We welcome this market recognition of our role as a specialist investor, a critical factor in our continuing ability to positively influence the markets in which we operate.

Together with CEFC staff, in 2018–19 we identified four distinct values to reflect the attributes that drive CEFC people and define the way we work with our stakeholders. Staff also participated in values forums to deepen their understanding about the values and how they can be a key lever in our business success.

"I work with an engaged, intelligent group of people who bring different skill sets to each matter, issue and problem. It allows for a robust approach to problem solving and delivery of solutions.

Staff survey

Our Executives

Ian Learmonth

Chief Executive Officer

Ian has more than 30 years' experience as a financier and investor, working internationally across clean energy and major infrastructure projects, as well as social impact investments.

Rebecca Cottrell

General Counsel, Company Sec

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

Michael Johnston

Chief Risk Officer

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

Sara Leong

Chief Asset Management Officer

Sara has extensive experience in infrastructure, project finance and investment management in both Australia and the UK.

Paul McCartney

Chief Clean Futures Officer

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

Leanne McDonald

Exec Dir, People and Culture

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

Andrew Powell

Chief Financial Officer

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

Ludovic Theau

Chief Investment Officer

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

Our structure

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

In December 2018, the CEFC received a new Ministerial direction under the *Clean Energy Finance Corporation Investment Mandate Direction 2018* "to include in its investment activities a focus on technologies and financial products as part of the development of a market for firming intermittent sources of renewable energy generation, as well as supporting emerging and innovative clean energy technologies".

The new direction builds on the work of the CEFC in bringing low emissions energy to the grid, while encouraging the CEFC to prioritise investments that support reliability and security of electricity supply, alongside our continuing investments in solar, wind, bioenergy and other technologies in the renewable energy sector.

We subsequently refreshed our organisational structure, with the creation of a dedicated Clean Futures Team to focus on identifying and shaping longer-term investable opportunities reflected in the revised Investment Mandate. These include the electricity grid and renewable energy zones; emerging technologies such as storage and hydrogen; non-energy emissions; and nation building projects such as interconnectors.

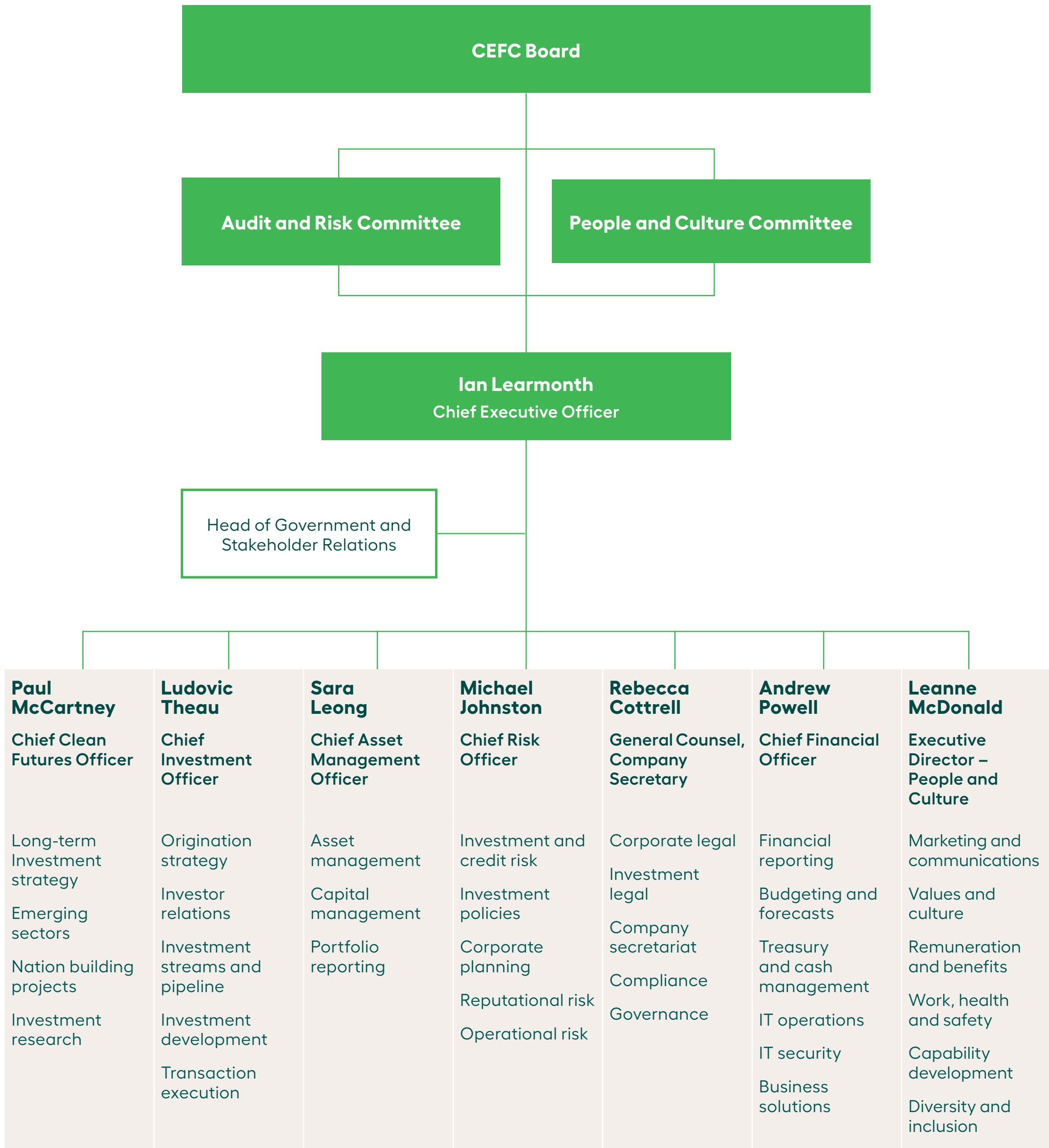
This team works alongside our Investment Team, which has a continuing focus on accelerating investment in near-term opportunities across multiple sectors of the economy, as well as the Clean Energy Innovation Fund.

During the year the organisational structure was further adjusted, reflecting our commitment to operating with organisational effectiveness. A Chief Asset Management role was created; the investment and operational risk functions came together under a Chief Risk Officer; the Compliance and Corporate Secretariat functions moved to General Counsel/ Company Secretary; and the Marketing and Communications and Human Resources teams moved to People and Culture. See Figure 25.

The CEFC has two subsidiaries, with 100 per cent of the issued share capital held by the CEFC:

- CEFC Investments Pty Limited (ACN 616 070 430)
- Clean Energy Investment Management Pty Limited (ACN 628 443 854).

Figure 25: CEFC organisational structure



How we work

The CEFC has a unique role in the Australian economy, with numerous investment commitments breaking new ground in introducing clean energy technologies to new sectors, businesses and projects. As our organisation matures, we are also managing an increasingly large and complex portfolio of investments.

We take a commercial approach to our activities, while also delivering on our public policy purpose to increase available finance for Australia's clean energy transformation. Across our portfolio, we invest to deliver a positive return for taxpayers. We operate at the forefront of the finance and clean energy sectors, influencing businesses to set ambitious sustainability and economic goals and benefit from rapid advances in clean energy technologies. We provide tailored debt and equity finance to businesses and projects which develop and commercialise clean energy technologies at early and later stages of development.

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

The increased breadth and depth of our organisation, from new transactions to our growing portfolio, saw a substantial increase in our market engagement activities in 2018–19. We set new highs in the number and diversity of external engagements, with 111 speaking engagements, up from 87 in 2017–18, and 13 targeted sponsorships, up from nine in the previous year. We also saw an increase in CEFC-hosted events, including the Innovation Fund CleanTech Showcase in Melbourne, the Victorian and New South Wales Electric Vehicle Drive Days and four well-attended Board-hosted stakeholder events.

Building professionalism

With the growth of our organisation and our investment portfolio, we continued to deepen our skills base, as well as prioritise cross-skilling to enhance career opportunities and minimise key person risk. The CEFC actively promotes and encourages individual professional development as a core contributor to our market impact, as well as broadening and deepening the skills of our people:

- CEFC staff participate in site visits to our investment projects, to learn first-hand about the role of CEFC finance from investors and businesses adopting clean energy technologies.
- Participation in industry conferences and speaking events play a dual role in ensuring our staff stay abreast of emerging clean energy technologies and have the chance to influence business readiness to adopt clean energy strategies.
- Frequent "lunch and learn" sessions on market developments and emerging technologies are well attended, with external speakers a regular feature. These sessions provide an important opportunity for CEFC staff to increase their understanding of relevant developments in the clean energy sector, as well as share our own insights and knowledge with others, creating collaborative relationships across our market.
- Formal training in specific technical expertise is offered to ensure the CEFC team has the know-how, technical skills and impact required to fulfil our mission.
- An online learning tool, iLEARN, gives CEFC employees access to a wide range of online learning modules, with content ranging from induction and compliance to leadership, emotional intelligence, and environmental and sustainability awareness.

> "Working at the CEFC gives employees the opportunity to make a real difference in our environment. It provides me with a great sense of purpose for my work.
>
> **Staff survey**

Diversity and inclusion

At 30 June 2019, the CEFC had 101 employees, an increase of eight on the prior year. As a specialised financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 41.5 years. We offer flexible work arrangements to all employees, as well as paid parental leave and purchased leave, reflecting the diverse needs and preferences of our people.

The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas has slightly increased to 44 per cent, including 44 employees from 20 countries, in addition to those born in Australia.

Gender equity

We saw a 13 per cent increase in the representation of women at the CEFC Executive Level in 2018–19, to 38 per cent. In addition, 35 per cent of senior management positions were held by women, slightly above the financial services industry average of 33 per cent. Overall, CEFC gender diversity remained steady in 2018–19, at 53 per cent male and 47 per cent female.

We were pleased to deliver a 10 per cent reduction in the total gender pay gap in the year, which contracted to 19.4 per cent (excluding CEO data). This level was considerably ahead of that for similar-sized organisations in the financial services sector, which was reported at 48.7 per cent by the Workplace Gender Equality Agency (WGEA). Further, on a like-for-like basis across six comparable career levels, the CEFC has achieved at least 92 per cent gender pay parity. We continue to focus on improving gender equity, with a particular emphasis on increasing female representation at senior leadership levels and supporting initiatives which assist in the attraction and retention of female talent.

CEFC PROFESSIONAL DEVELOPMENT DAY

International Women's Day

CEFC staff came together to mark International Women's Day for the first time in 2018–19. In a well-attended event in our offices, we were pleased to hear from Rebecca Pinkstone, who is General Manager Operations at Bridge Housing. Ms Pinkstone spoke about how the community housing sector has contributed to "a better world with better balance" by supporting older women, survivors of family violence and single mothers.

In focus

Reconciliation Action Plan

The CEFC formed a Reconciliation Working Group in 2018–19, in response to interest from staff in encouraging relationships with Aboriginal and Torres Strait Islander peoples, communities and organisations. We recognise that lowering emissions for sustainable communities will benefit from an inclusive society that recognises the rich history, culture and contribution of Indigenous Australians.

Although we are at the beginning of our Reconciliation journey, the Reconciliation Working Group has launched several initiatives including: the celebration of Reconciliation Week and NAIDOC Week; the introduction of protocols for the Acknowledgement of Country and Welcome to Country at CEFC events; and the creation of an online portal to provide staff with resources about Aboriginal and Torres Strait Islander history, culture and achievements.

Women in Sustainable Finance

The CEFC continued to play a major role in the Women in Sustainable Finance (WISF) forums in 2018–19, with six events held in Sydney, Melbourne and Brisbane. WISF is an important diversity initiative led by the CEFC alongside industry peers including HESTA, ANZ, Westpac, Sustainalytics, the Adara Group and Baker Mackenzie. This initiative has created almost 900 new connections and continues to draw strong participation from leaders and participants across the sector, with the events open to women and men.

In 2018–19 WISF hosts included Sustainability Victoria, KPMG, Herbert Smith Freehills, Baker McKenzie, NAB and Macquarie. Topics spanned the circular economy, the gender lens in investing, renewables investment, the Paris Agreement and innovative technologies.

~900

new connections created from the WISF initiative

Terms of employment

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

Employee remuneration is determined with reference to market benchmarking data to support the recruitment and retention of employees with the requisite skills to manage the CEFC's diverse functional areas. Remuneration data is provided by the Financial Industry Remuneration Group (FIRG), across large, medium and smaller organisations, in both the private and public sectors.

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

Executive remuneration and allowances

In accordance with the *Public Governance, Performance and Accountability Rule 2014*, the CEFC has set out the remuneration approach for Key Management Personnel (KMP), including the CEFC non-executive Board and senior executive team, and Other Highly Paid Staff (OHPS) in Appendix G.

Executive travel and expenses claims are dealt with on an indemnity and reimbursement basis. See Figure 24, Indemnities and insurance premiums for Officers 2018–19.

Risk approach

The CEFC Board is ultimately responsible for the overall performance of the business, including oversight of risk management. To assist in risk oversight, the Board has established an Audit and Risk Committee which is in turn assisted by an Executive Risk Committee, an Executive Investment Committee, a Joint Investment Committee (with ARENA) for the Clean Energy Innovation Fund and an Asset Management Committee.

The Board has established an enterprise-wide Risk Management Framework to monitor and manage all areas of risk that our business faces, including strategic, investment and financial risks, operational risks and regulatory risks.

We employ a "three lines of defence model" where the front line is responsible for risk, supported and challenged by the (second line) independent risk function and the (third line) internal audit function.

Consistent with section 68 of the CEFC Act, the Risk Management Framework sets out the manner in which risk is managed for the CEFC's investments and for the Corporation itself. Further, the Board has articulated its appetite for risk through the Risk Appetite Statement that guides the organisation's risk-taking activities.

The CEFC does not accept risks that compromise the integrity of the organisation and we require our people to behave ethically. We have appropriate tolerance for the risks necessary to deliver on our statutory and strategic objectives.

Risk culture

Establishing and maintain a culture where risk management is valued and promoted throughout the organisation is a critical enabler of effective risk management.

Our Values and the Code of Conduct and Ethics set the standards of behaviour we require of our people. We promote a risk aware culture where:

- our people are required to conduct themselves in a manner consistent with the highest professional and ethical standards
- we consistently consider "should we" do things and not just "can we" do things
- our incentive and reward systems are structured to encourage behaviour consistent with our risk appetite and do not reward excessive risk taking
- we empower our people to the full extent of their abilities and we hold them accountable for their actions
- we seek to apply leading practices in identifying, assessing, managing and pricing risk
- we invest in our risk management capabilities, including implementing cost-effective controls.

Investment risk

With respect to investment risk, we have a Credit Risk team that reviews and assesses credit and other risks associated with each proposed investment, independent of the investment origination team.

The Credit Risk team provides advice to the Executive Investment Committee, the Joint Investment Committee and the Board on transaction level risks, as well as to the Asset Management Committee and the Audit and Risk Committee on investment portfolio matters.

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

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

We invest in our risk management capabilities, including implementing cost-effective controls.

Legislative and government information

Clean Energy Finance Corporation Act 2012 (CEFC Act)

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

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

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

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

During 2018–19 there were no substantial amendments to the CEFC's enabling legislation. Prior to the reporting period (on 31 May 2017), the Australian Government introduced the *Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017* into the Parliament to amend the CEFC Act to remove the prohibition on investing in carbon capture and storage. Following the dissolution of the 45th Parliament, the Bill lapsed.

Responsible Ministers

Under the CEFC Act, the CEFC has two responsible Ministers. At the beginning of the 2018–19 reporting period, they were:

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

On 28 August 2018, the responsible Ministers became:

- The Hon Angus Taylor MP, Minister for Energy (until 29 May 2019) and Minister for Energy and Emissions Reduction (from 29 May 2019); and
- Senator the Hon Mathias Cormann, Minister for Finance.

For the period 2018–19 the CEFC was located within the Environment and Energy portfolio.

Nominated Minister

The nominated Minister is one of the responsible Ministers and exercises additional powers and functions under the CEFC Act.

The CEFC Act provides that the responsible Ministers must determine between them which is to be the nominated Minister. For the period 2018–19 the nominated Minister was the Hon Josh Frydenberg MP, the Minister for the Environment and Energy until 28 August 2018 and then the Hon Angus Taylor MP, Minister for Energy and Emissions Reduction.

Ministerial powers of direction

CEFC Act

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

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

Figure 26: Ministerial directions

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

Investment Mandate

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

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

Figure 27: Investment Mandates in effect 2018–19

Name	Date issued	Date registered	Date of effect
Clean Energy Finance Corporation Investment Mandate Direction 2018	14 Dec 2018	14 Dec 2018	17 Dec 2018
Clean Energy Finance Corporation Investment Mandate Direction 2016 (No. 2)	13 Dec 2016	10 Jan 2017	11 Jan 2017

These are available at www.legislation.gov.au.

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 2018–19.

Statement of compliance

The CEFC had no instances of non-compliance with Ministerial Directions (including the Investment Mandate) or GPOs in the 2018–19 year.

Legislative and government information

continued

Procurement

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

Figure 28: Procurement contracts 2018–19

Contract date	Value $	Expensed $	Contracting party	Purpose
June 2013	590,665	73,783	Marsh Pty Ltd	D&O Insurance for period 14 June 2013 to 14 June 2021
June 2015	555,591	265,208	Technology One Ltd	5-year License Fees, 3-year minimum maintenance and support, initial implementation costs, ongoing development costs and fees for TechnologyOne software and cloud services
March 2016	4,331,218	766,244	Dexus Property Group	Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021
May 2017	4,046,431	752,824	Riverside Development Pty Ltd	Lease of premises at Level 25, 71 Eagle Street, Brisbane from 18 May 2017 to 30 September 2022
July 2017	568,836	89,044	Knight Frank Australia Pty Ltd	Lease of premises at Level 13, 222 Exhibition Street, Melbourne from 1 July 2017 to 30 June 2022
January 2018	218,763	75,952	Reval.com Inc	3-year License Fees renewal, maintenance and support for Loan Management System
April 2018	98,993	84,327	Gerard Daniels Australia Pty Ltd	Recruitment services
July 2018	239,800	239,800	Price-waterhouse-Coopers	Internal Audit engagement and Cyber Security review for 1 July 2018 to 30 June 2019
July 2018	168,644	168,644	Australian Government Comcover	General, professional indemnity, D&O, property including business interruption and travel insurance for the period 1 July 2018 to 30 June 2019
July 2018	212,314	212,314	Bloomberg Australia Pty Ltd	Bloomberg terminal and NEF All Insight Package Level III
July 2018	433,096	433,096	Datacom Systems Pty Ltd	IT support, applications and hardware for the period 1 July 2018 to 30 June 2019 including provision of an onsite resource for part of the year

Contract date	Value $	Expensed $	Contracting party	Purpose
July 2018	175,000	175,000	Department of the Environment and Energy	Statutory review of the operation of the CEFC conducted by Deloitte on behalf of the Department of the Environment and Energy
July 2018	599,743	599,743	Herbert Smith Freehills	Legal fees incurred for various investment projects and corporate matters for the period 1 July 2018 to 30 June 2019
July 2018	241,577	241,577	King & Wood Mallesons	Legal fees incurred for various investment projects and corporate matters for the period 1 July 2018 to 30 June 2019
July 2018	106,637	106,637	Macquarie Telecom Pty Ltd	Provision of telecommunications, data and hosting for the period 1 July 2018 to 30 June 2019
July 2018	414,813	414,813	National Australia Bank	Bond custody fees for the period 1 July 2018 to 30 June 2019
July 2018	112,282	112,282	Charterhouse Recruitment Pty Ltd	Temporary staff under contract
July 2018	652,281	652,281	Glass and Co Pty Ltd	Provision of technical consulting services towards Enterprise Information Management project in accordance with individual statements of work
July 2018	866,435	866,435	QBT Pty Ltd	Work travel and incidental costs for period 1 July 2018 to 30 June 2019 under the whole of government travel procurement program
July 2018	112,310	112,310	Intalock Technologies Pty Ltd	Information technology security monitoring services
August 2018	238,262	238,262	Designate Group Pty Ltd	Production and printing of CEFC Annual Report and brand positioning and values projects
September 2018	150,150	150,150	Korn Ferry International Pty Ltd	Recruitment services
January 2019	122,892	122,892	Intelligent Technology Solutions t/a Sharing Minds	Consulting and development of workflow solutions using Nintex workflow automation software
June 2019	248,000	226,000	Australian National Audit Office	Audit of financial statements for year ended 30 June 2019
TOTAL	**$15,504,733**	**$7,179,618**		

Other legislation, government policies and governance events

PGPA Act 2013 and compliance with finance law

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

There were no significant issues of non-compliance with finance law identified and reported to the responsible Ministers in 2018–19.

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

Independent Statutory review of the CEFC

Under section 81 of the CEFC Act, an independent statutory review of the operation of the Act was required to have been arranged to occur as soon as practicable after 1 July 2016. This Review was conducted by Deloitte. The resulting report was tabled in Parliament on 14 December 2018 and is available on the CEFC website.

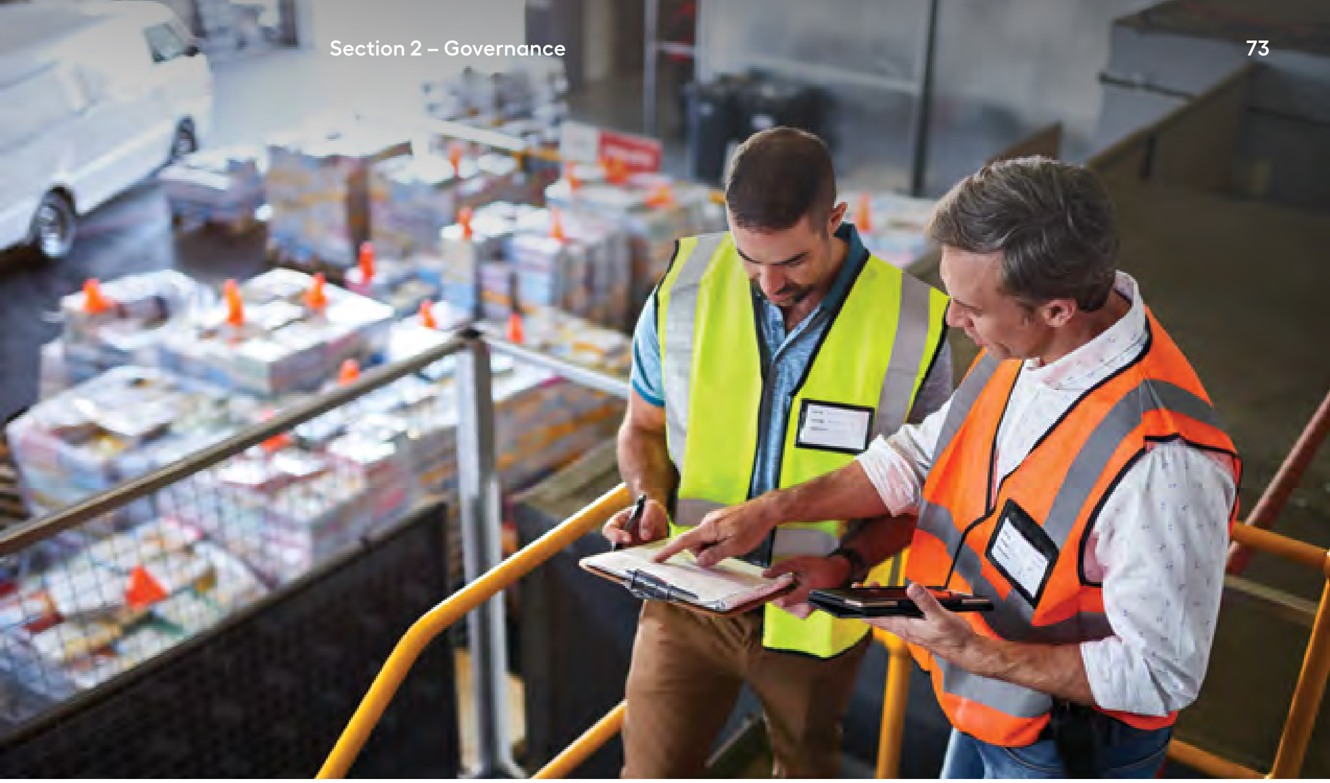
Notably, the Review found that, since inception in 2012, the CEFC has been effective in facilitating increased flows of finance into a range of clean energy projects across a number of sectors, using different financial products, and consistent with its legislated objective. It also found there is evidence to support a finding that in the absence of the CEFC, a range of projects the Corporation supported may not have proceeded and that the CEFC plays a leading role in developing debt and equity markets for clean energy investments in Australia.

Australian Government energy and environmental policies

Broadly speaking, the intersection of energy and environment policy again took centre stage in national policy development and debate in 2018–19 culminating in the development of the proposed National Energy Guarantee, the implementation of the Reliability Guarantee component of that proposal, and the 2019 Federal election.

With the return of the Morrison Government at that election, the main election policies that are expected to impact the CEFC include:

- Energy portfolio: the Australian Government Underwriting New Generation Investments (UNGI) program, where the CEFC has provided assistance to Government re implementation.
- Environment portfolio: a proposed $100 million Australian Recycling Investment Fund through the CEFC, to support the manufacturing of lower emissions and energy-efficient recycled content products, such as recycled content, plastics, paper and pulp.



Other statutory requirements affecting the CEFC

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

Judicial decisions and parliamentary committees

The CEFC is not aware of any judicial decisions or decisions of administrative tribunals in 2018–19 that have had, or may have, a significant effect on the operations of the CEFC. There were also no particular reports about the CEFC made by the Commonwealth Ombudsman or the Office of the Australian Information Commissioner.

There were no reports about the CEFC from the Auditor-General other than the Independent Auditor's Report accompanying the financial statements, as reproduced in the CEFC 2017–18 Annual Report.

As far as the CEFC is aware, the only Parliamentary Committee reports which substantially involved the CEFC during 2018–19 were as follows:

- Senate Environment and Communications Legislation Committee Reports on *Additional Estimates 2018–19:* February 2019
- Senate Environment and Communications Legislation Committee Reports on *Budget Estimates 2019–20:* April 2019
- Senate Environment and Communications References Committee report on *Current and Future Impacts of Climate Change on Housing, Buildings and Infrastructure:* 13 August 2018
- Select Committee Report into *Fair Dinkum Power:* 28 June 2019.

Financial Information

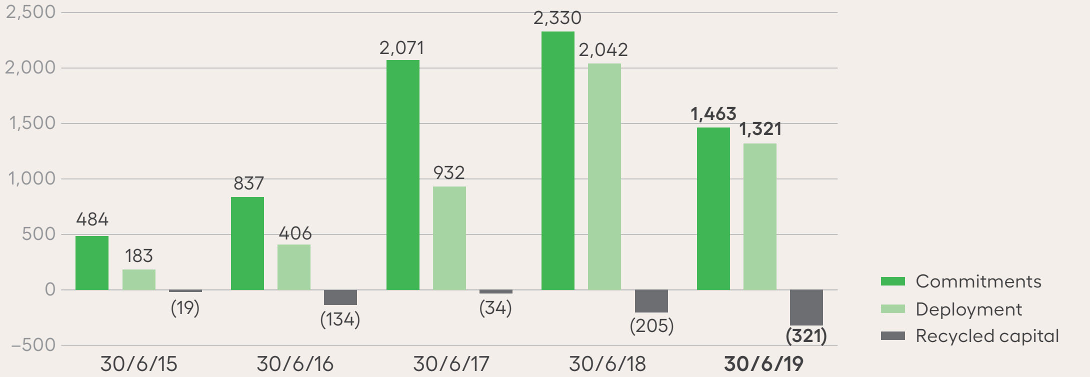
Section

03

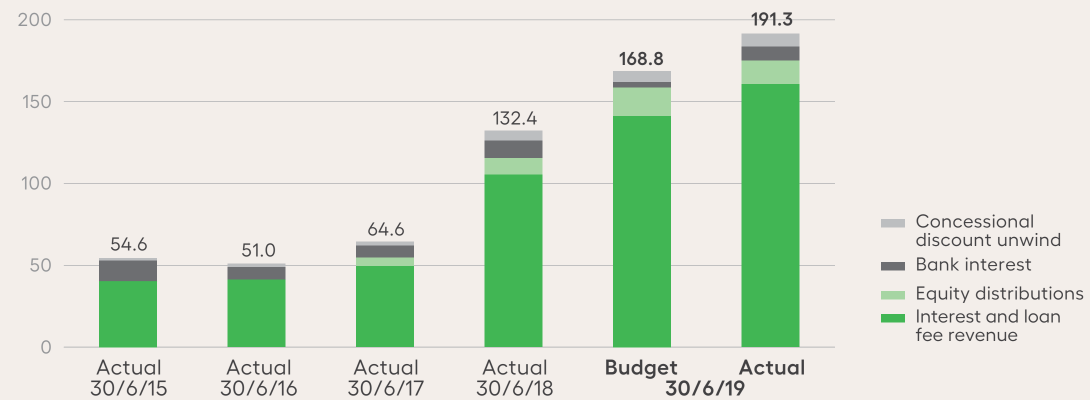
Summary financial data

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

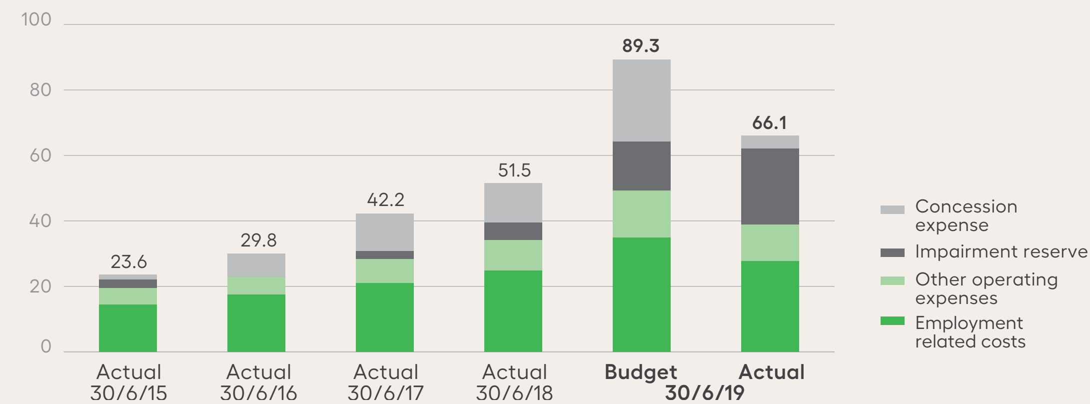
New commitments/deployment/recycled capital ($'m)



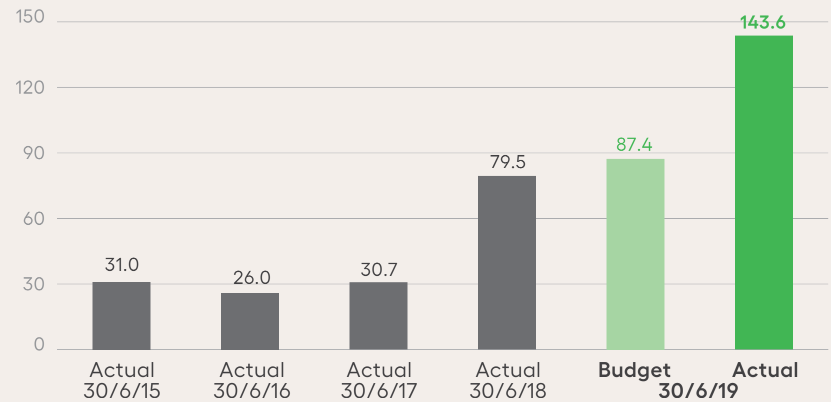
Revenue ($'m)



Operating expenses/impairment/concession ($'m)



Normalised surplus from operations ($'m)



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

	Actual 30/6/15	Actual 30/6/16	Actual 30/6/17	Actual 30/6/18	Budget 30/6/19	**Actual 30/6/19**
Reported surplus from operations	31.2	21.1	21.7	73.7	69.0	218.8
Less: FV Gains from loans and bonds at FVTPL	–	–	–	–	–	(71.5)
Less: Concessional Discount Unwind	(1.5)	(2.0)	(2.4)	(6.1)	(6.6)	(7.7)
Add: Concession expense	1.4	6.9	11.4	12.0	25.0	3.9
Normalised surplus from operations	**31.0**	**26.0**	**30.7**	**79.5**	**87.4**	**143.6**

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

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

b. The impact of fair value gains/losses arising from the mark-to-market of loans and bonds, since these movements are largely a function of changes in market interest rates and not a good indicator of the underlying financial performance of the Corporation.

Core Portfolio PBR[1] (%)

	30/06/19 Actual	30/06/19 Normalised
Cumulative return[2]	5.29[3]	4.57
PBR (5 year bond rate + 3-4%)	5.39–6.39	5.39–6.39
Annualised return	6.52[4]	4.71
Annualised PBR (5 year bond rate + 3-4%)	*5.19–6.19*	*5.19–6.19*

1. *The Portfolio Benchmark Return (PBR) rates are established as targets in the Clean Energy Finance Corporation Investment Mandate Direction 2018.*
2. *Since inception.*
3. *Includes 0.72% FV Gains on Bonds and Loans at FVTPL.*
4. *Includes 1.81% FV Gains on Bonds and Loans at FVTPL.*

Clean Energy Innovation Fund PBR[1] (%)

	30/06/2019 Actual
Cumulative return[2]	(27.05)
PBR (5 year bond rate + 1%)	3.22

1. *The Portfolio Benchmark Return (PBR) rates are established as targets in the Clean Energy Finance Corporation Investment Mandate Direction 2018.*
2. *Returns since its inception includes impact of fair value adjustments on early-stage equity commitments, where negative returns may be anticipated in the early years of investment.*

Independent Auditor's Report

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Energy and Emissions Reduction

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation and its subsidiary (together the 'Consolidated Entity') for the year ended 30 June 2019:

(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 2019 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 2019 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive and Chief Financial Officers;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement; and
- Notes to the Consolidated Financial Statements.

Basis for opinion

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

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Accountable Authority's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial Statements

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

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

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

Independent Auditor's Report
continued

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

Australian National Audit Office

Brandon Jarrett

Senior Executive Director

Delegate of the Auditor-General

Canberra

22 August 2019

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

In our opinion, the attached financial statements for the year ended 30 June 2019 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

22 August 2019

Laura Reed
Board member

22 August 2019

Ian Learmonth
Chief Executive Officer

22 August 2019

Andrew Powell
Chief Financial Officer

22 August 2019

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019[1] $'000	2018 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	27,827	24,854
Suppliers	2.1B	10,215	8,431
Depreciation and amortisation	3.2A	1,031	892
Concessional loan charges	2.1C	3,922	11,972
Impairment loss allowance on financial instruments	2.1D	23,099	2,683
Provision for irrevocable loan commitments	2.1F	–	2,625
Loss from sale of assets		–	12
Total expenses		**66,094**	**51,469**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	2.2A	177,141	122,269
Distributions from trusts and equity investments	2.2B	14,162	10,090
Total own-source revenue		**191,303**	**132,359**
Gains and losses			
Fair value losses on financial instruments	2.1E	(15,427)	(5,000)
Fair value gains on financial instruments	2.2C	95,775	–
Profit from sale of assets	2.2D	11,230	–
Total net gains/(losses)		**91,578**	**(5,000)**
Total own-source income		**282,881**	**127,359**
Net contribution by services		**216,787**	**75,890**
Share of associates and joint ventures	3.1F	2,051	(2,235)
Surplus from continuing operations		**218,838**	**73,655**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains on available-for-sale financial assets	2.3A	–	27,854
Net fair value gain/(loss) taken to equity on cash flow hedge	2.3B	(162)	282
Total other comprehensive income		**(162)**	**28,136**
Total comprehensive income		**218,676**	**101,791**

1. *The 2019 financial results reflect the adoption of AASB 9 – Financial Instruments on 1 July 2018. As permitted by AASB 9, the Group has not restated previously reported financial periods. Refer to Note 1 for the impact, on the Group's results, of the adoption of AASB 9.*

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

Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	2019[1] $'000	2018 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	350,761	487,754
Trade and other receivables	3.1B	18,479	12,463
Loans and advances	3.1C	2,569,117	1,936,704
Other debt securities	3.1D	1,308,708	1,042,797
Equities and units in trusts	3.1E	487,264	353,772
Equity accounted investments	3.1F	153,631	87,495
Other financial assets	6.2A	–	163,507
Total financial assets		**4,887,960**	**4,084,492**
Non-financial assets			
Property, plant and equipment	3.2A	1,039	1,392
Computer software	3.2A	450	418
Prepayments		552	500
Total non-financial assets		**2,041**	**2,310**
Assets held for sale	3.1G	1,374	–
Total assets		**4,891,375**	**4,086,802**
LIABILITIES			
Payables and deferred revenue			
Suppliers	3.3A	3,660	2,974
Deferred revenue	3.3B	43,686	32,202
Other payables	3.3C	8,293	6,792
Derivative financial liabilities	3.3D	1,514	241
Total payables and deferred revenue		**57,153**	**42,209**
Provisions			
Employee provisions	5.1	2,546	2,172
Other provisions	3.4	11,607	12,196
Total provisions		**14,153**	**14,368**
Total liabilities		**71,306**	**56,577**
Net assets		**4,820,069**	**4,030,225**
EQUITY			
Contributed equity	4.1	4,408,363	3,808,363
Reserves	2.3B	78	42,791
Retained surplus		411,628	179,071
Total equity		**4,820,069**	**4,030,225**

1. *The 2019 financial results reflect the adoption of AASB 9 – Financial Instruments on 1 July 2018. As permitted by AASB 9, the Group has not restated previously reported financial periods. Refer to Note 1 for the impact, on the Group's results, of the adoption of AASB 9.*

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Opening balance								
Balance carried forward from previous year	179,071	105,416	42,791	14,655	3,808,363	2,108,363	4,030,225	2,228,434
Adjustment on initial application of AASB 9	13,719	–	(42,551)	–	–	–	(28,832)	–
Adjusted opening balance	**192,790**	**105,416**	**240**	**14,655**	**3,808,363**	**2,108,363**	**4,001,393**	**2,228,434**
Comprehensive income								
Surplus for the year	218,838	73,655	–	–	–	–	218,838	73,655
Other comprehensive income	–	–	(162)	28,136	–	–	(162)	28,136
Total comprehensive income	**218,838**	**73,655**	**(162)**	**28,136**	**–**	**–**	**218,676**	**101,791**
Transactions with owners								
Contributions by owners								
Equity injection from CEFC Special Account	–	–	–	–	600,000	1,700,000	600,000	1,700,000
Total transactions with owners	**–**	**–**	**–**	**–**	**600,000**	**1,700,000**	**600,000**	**1,700,000**
Closing balance as at 30 June	**411,628**	**179,071**	**78**	**42,791**	**4,408,363**	**3,808,363**	**4,820,069**	**4,030,225**

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

Consolidated Cash Flow Statement

for the year ended 30 June 2019

	Notes	2019[1] $'000	2018 $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees		147,288	113,691
Income distributions from trusts and equity investments		14,748	10,144
Total cash received		**162,036**	**123,835**
Cash used			
Employees		25,834	22,896
Suppliers		9,806	7,102
Total cash used		**35,640**	**29,998**
Net cash from operating activities		**126,396**	**93,837**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		196,818	184,084
Sale of other debt securities		83,711	20,177
Sale of equities and units in trusts		24,213	70
Sale of investment in associate		40,667	–
Redemption of other financial assets		–	266,308
Distributions from associates and joint ventures		4,199	506
Total cash received		**349,608**	**471,145**
Cash used			
Loans made to other parties		682,591	1,340,992
Purchase of other debt securities		278,937	504,331
Purchase of equities and units in trusts		79,751	96,207
Acquisition of other financial assets		–	154,550
Investment in associates and joint ventures		171,007	81,835
Purchase of property, plant and equipment		193	959
Purchase of computer software		518	328
Total cash used		**1,212,997**	**2,179,202**
Net cash used by investing activities		**(863,389)**	**(1,708,057)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		600,000	1,700,000
Total cash received		**600,000**	**1,700,000**
Net cash from financing activities		**600,000**	**1,700,000**
Net (decrease)/increase in cash held		**(136,993)**	**85,780**
Cash and cash equivalents at the beginning of the reporting period		487,754	401,974
Cash and cash equivalents at the end of the reporting period	**3.1A**	**350,761**	**487,754**

1. *The 2019 financial results reflect the adoption of AASB 9 – Financial Instruments on 1 July 2018. As permitted by AASB 9, the Group has not restated previously reported financial periods. Refer to Note 1 for the impact, on the Group's results, of the adoption of AASB 9.*

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

Table of Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1: Overview

1.1: Objectives of the Corporation

The Clean Energy Finance Corporation (CEFC or the Corporation) was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* (Cth) ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit Australian Government controlled entity with medium to long-term portfolio benchmark return targets (before operating expenses).

Working with co-financiers, its object is to facilitate increased flows of finance into the clean energy sector, by:

1. Applying commercial rigour, invest, directly and indirectly, in solely or mainly Australian-based clean energy technologies and projects, which can be any one or more of the following:
   - Renewable energy technologies and projects, which include hybrid technologies that integrate renewable energy technologies and technologies (including enabling technologies) that are related to renewable energy technologies;
   - Energy efficiency technologies and projects, including technologies that are related to energy conservation technologies or demand management technologies (including enabling technologies); and
   - Low emissions technologies and projects.
2. Liaising with relevant persons and bodies, including the Australian Renewable Energy Agency ('ARENA'), the Clean Energy Regulator, other Commonwealth agencies and State and Territory governments, for the purposes of facilitating its investment function;
3. Working with industry, banks and other financiers, and project proponents, to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in the clean energy sector; and
4. Doing anything incidental or conducive to the performance of the above functions.

Effective 17 December 2018, the Corporation was issued with the Clean Energy Finance Corporation Investment Mandate Direction 2018 ('Investment Mandate 2018'), and prior to that date the Corporation operated under the Clean Energy Finance Corporation Investment Mandate Direction 2016 (No. 2) ('Investment Mandate 2016 (No. 2)') issued on 10 January 2017. Among other things, the Investment Mandate 2018 requires the Corporation to:

- Make available up to:
  - $1 billion of investment finance over 10 years for a Reef Funding Program in support of The Reef 2050 Plan.
  - $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.
- Include in its investment activities a focus on technologies and financial products as part of the development of a market for firming intermittent sources of renewable energy generation, as well as supporting emerging and innovative clean energy technologies. In supporting clean energy technologies, the Corporation is strongly encouraged to prioritise investments that support reliability and security of electricity supply.
- Take into consideration the potential effect on reliability and security of supply when evaluating renewable energy generation investment proposals, and if commercially feasible, consider investment in proposals that support reliability or security of supply.

1.2: Basis of Preparation of the Financial Statements

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

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

The consolidated financial statements have been prepared in accordance with:

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

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

The accounting policies adopted in the preparation of these Financial Statements are consistent with the prior year's Financial Statements except for the changes in accounting policies required following the adoption of new Accounting Standards effective from 1 July 2018, discussed further under New Accounting Standards below.

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

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

1.3: Events after the Reporting Period

There have been no significant events subsequent to balance date.

1.4: Taxation

The Corporation is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Corporation's wholly owned subsidiaries, CEFC Investments Pty Limited and Clean Energy Investment Management Pty Ltd, are not exempt from income tax; however, they have accumulated income tax losses at 30 June 2019, and there is no certainty as to whether any benefit from those losses would ever be realised as they have incurred losses for the year ended 30 June 2019.

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

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

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

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

1.5: New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The new/revised/amending standards and/or interpretations applicable to the current reporting period include AASB 9 *Financial Instruments*.

AASB 9 *Financial Instruments*

AASB 9 replaced AASB 139 effective 1 July 2018 and includes revised classification and measurement criteria, a single forward-looking 'expected loss' impairment model, and a substantially reformed approach to hedge accounting.

a) Classification and Measurement

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

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

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

- The Business Model test; and
- The Cash Flows test.

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

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

These tests have been applied for each of the Group's financial assets. Note 6.2A to these financial statements provides an overview of the classification of the Corporation's financial instruments and financial liabilities together with a summary of the reclassifications required on adoption of this standard effective 1 July 2018.

Notes to Consolidated Financial Statements

Note 1: Overview continued

The impact of the reclassifications on the Consolidated Statement of Financial Position is summarised in the following table:

	Net assets $'000	Reserves $'000	Retained surplus $'000
30 June 2018 (AASB 139)	4,030,225	42,791	179,071
Reclassification from Available for Sale to Amortised Cost	(4,561)	(4,561)	–
Reclassification from Available for Sale to FVTPL	–	(37,990)	37,990
Reclassification from Amortised Cost to FVTPL	2,106	–	2,106
1 July 2018 before impact of impairment change	4,027,770	240	219,167
Impact of change in impairment provision (described below)	(26,377)	–	(26,377)
1 July 2018 (AASB 9)	**4,001,393**	**240**	**192,790**

The ongoing revaluation of assets classified as FVTPL has increased earnings volatility following the adoption of AASB 9.

b) Provision for Impairment

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

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

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

The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of an investment.

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

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

The development of forward looking scenarios requires that:

- Risks to the portfolio are understood and can be measured;
- The portfolio is segmented appropriately to enable specific forward settings to be applied;
- Multiple scenarios are developed and probability weighted; and
- Quantitative and qualitative approaches are used, including expert judgement.

CEFC's total impairment provision under AASB 9 is $59.7 million at 30 June 2019 ($36.7 million as at 1 July 2018) compared to the AASB 139 impairment provisions against loans of $7.0 million and irrevocable commitments of $3.2 million reported at 30 June 2018.

Adoption of the AASB 9 impairment methodology has increased earnings volatility, principally due to the impact of individual loans moving into or out of provisioning Stage 2 given the relatively small number of loans in CEFC's Amortised Cost portfolio. Cash flows and any cash losses that may arise on underperforming loans are unaffected by the adoption of AASB 9.

c) Hedge Accounting

The Group has only entered into one hedging arrangement, which was previously deemed a highly effective hedge under AASB 139. This has been assessed and continues to be an effective hedge relationship, so the adoption of AASB 9 hedge accounting provisions has not had a material impact on the Group's financial statements.

d) Prior period comparatives

As permitted by AASB 9, the Group has not restated its comparative financial statements and has recorded a transition adjustment to the opening balance sheet as at 1 July 2018 for the impact of the adoption of AASB 9's classification and measurement, impairment and hedge accounting requirements.

Future Australian Accounting Standard Requirements

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

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

All other new/revised/amending standards and/or interpretations that 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.

AASB 15 *Revenue from Contracts with Customers*

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

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

a) leases (AASB 16);

b) insurance contracts (AASB 4); and

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

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

AASB 16 *Leases*

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

Based on the operating leases that the Group has entered into as of the date of this report, when AASB 16 comes into effect on 1 July 2019, we expect to disclose a right-to-use asset of $3.9 million and an increase in the lease liability of $3.9 million. The maximum net impact to the income statement in a given year is expected to be approximately $0.3 million.

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

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

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

Notes to Consolidated Financial Statements

Note 2: Financial Performance

This section analyses the financial performance of the Group for the year ended 30 June 2019.

2.1: Expenses

	2019 $'000	2018 $'000
2.1A: Employee benefits		
Wages and salaries	25,299	22,929
Superannuation		
Defined contribution plans	1,520	1,413
Leave and other entitlements	375	512
Separation and redundancies	633	–
Total employee benefits	**27,827**	**24,854**

Accounting Policy

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

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

Leave

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

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

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

Separation and redundancy

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

Superannuation

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

	2019 $'000	2018 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	139	117
Consultants and contractors	2,228	1,561
Custody and facility fees	603	396
Data feeds and other subscriptions	538	419
Facility services and outgoings	338	261
Financial statement audit services	252	175
Information technology services	417	355
Insurance	242	165
Internal audit services	240	168
Legal fees	674	749
Marketing and communications	571	331
Recruitment services	452	478
Staff training and development	186	192
Telecommunications	145	118
Travel and incidentals	1,240	924
Other	280	414
Total goods and services supplied or rendered	**8,545**	**6,823**
Goods supplied	273	228
Services rendered	8,272	6,595
Total goods and services supplied or rendered	**8,545**	**6,823**
Other suppliers		
Operating lease rentals in connection with: Minimum lease payments for office premises – external parties	1,621	1,577
Workers compensation expenses	49	31
Total other suppliers	**1,670**	**1,608**
Total suppliers	**10,215**	**8,431**

Leasing commitments

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

Notes to Consolidated Financial Statements

Note 2: Financial Performance continued

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

	2019 $'000	2018 $'000
Within 1 year	1,835	1,746
Between 1 to 5 years	2,823	4,657
After 5 years	–	–
Total operating lease commitments	**4,658**	**6,403**

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.

	2019 $'000	2018 $'000
2.1C: Concessional loan charges		
Concessional loan charges	3,922	11,972
Total concessional loan charges	**3,922**	**11,972**

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, credit worthiness, security, etc. Further judgement is also required to be exercised in relation to the anticipated pattern under which loans will be drawn down, as well as the rate at which they are expected to amortise, so the extent of concessionality being offered in the transactions can be estimated.

	2019 $'000	2018 $'000
2.1D: Impairment loss allowance on financial instruments		
Impairment charge on loans carried at Amortised Cost	23,050	2,683
Impairment charge on other debt securities carried at Amortised Cost	49	–
Total impairment on financial instruments	**23,099**	**2,683**

Accounting Judgements and Estimates

Impairment charge on loans and debt securities carried at Amortised Cost

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

Loans and other debt securities at Amortised Cost that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. The calculation of the impairment provision under AASB 9 includes judgements about:

- Shadow Credit Ratings (SCR) and Forward-looking macro-economic indicators, from which the Probability of Default (PD) is derived;
- Loss given default (LGD);
- Future cash flows, used to determine Exposure at Default (EAD);
- Performance rating and indicators of a Significant Increase in Credit Risk (SICR), which determines whether an asset is moved to provisioning Stage 2;
- Portfolio segmentation; and
- Scenarios and their relative weighting.

The Group has selected a combination of Performance Rating (PR) and change in Shadow Credit Rating (SCR), beyond predetermined thresholds, as indicators of SICR.

Loans and other debt securities with the following performance ratings are deemed to have a SICR for the purpose of calculating AASB 9 statistical impairment provision:

- PR3 or worse for loans with current SCR BB+ and below
- PR4 or worse for loans with current SCR AAA to BBB–

The current SCR of each debt instrument is compared with the SCR at origination and the following notch downgrades are taken as indicators of SICR:

- Three notch downgrade in loans with origination SCRs of AAA to A+
- Two notch downgrade in loans with origination SCRs of A to BBB+
- One notch downgrade in loans with origination SCR of BBB and below

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

Notes to Consolidated Financial Statements

Note 2: Financial Performance continued

	2019 $'000	2018 $'000
2.1E: Fair value losses on financial instruments		
Fair value losses on loans carried at FVTPL	107	–
Fair value losses on equities and units in trusts carried at FVTPL	15,320	5,000
Total fair value losses on financial instruments	**15,427**	**5,000**

Accounting Judgements and Estimates

Fair value losses on loans and financial investments carried at FVTPL

Loans and Financial Investments carried at FVTPL are individually revalued (marked-to-market) each period-end with any decrease in value recorded as a Fair value loss.

Further information on the valuation methodology can be found at Note 2.2C: Fair value gains on Financial Instruments.

	2019 $'000	2018 $'000
2.1F: Provision for irrevocable loan commitments		
Provision for irrevocable loan commitments	–	2,625
Total provision for irrevocable loan commitments	**–**	**2,625**

Accounting Judgements and Estimates

Provision for irrevocable loan commitments

In prior periods, the Group calculated a loan loss provision for the undrawn component of loans that were not yet fully drawn and where future drawdowns were unconditional. In the current year this forms part of the Impairment loss allowance calculation under AASB 9.

2.2: Own-Source Revenue and Gains

	2019 $'000	2018 $'000
2.2A: Interest and loan fee revenue		
Interest and fees from loans and advances	123,587	80,217
Interest from other debt securities	37,370	25,498
Interest from cash and short-term investments	8,511	10,440
Unwind of concessional interest rate discount	7,673	6,114
Total interest and loan fee revenue	**177,141**	**122,269**

Note: 2018 comparatives in this note have been reclassified to conform with current year presentation where appropriate.

Accounting Policy

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

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method as set out in AASB 9 *Financial Instruments*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Deferred income received in cash at the start of a loan is brought to income on an effective yield basis over the life of the loan by reducing the carrying amount. Interest revenue on assets held at FVTPL is calculated with reference to the amortised cost of the asset, ignoring the impact of fair value gains and losses on the asset's carrying value.

Establishment fees

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

Commitment fees

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

	2019 $'000	2018 $'000
2.2B: Distributions from trusts and equity investments		
Distributions from trusts and equity instruments	14,162	10,090
Total distributions from trusts and equity investments	**14,162**	**10,090**

Accounting Policy

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

	2019 $'000	2018 $'000
2.2C: Fair value gains on financial instruments		
Fair value gains on Loans carried at FVTPL	432	–
Fair value gains on other debt securities carried at FVTPL	71,194	–
Fair value gains on equities and units in trusts carried at FVTPL	24,149	–
Total fair value gains on financial instruments	**95,775**	**–**

Accounting Judgements and Estimates

Loans, Other Debt Securities (comprising Bank and other bonds) and Equities and Units in Trusts carried at FVTPL are individually revalued to their fair value each period-end with any increase in value recorded as a Fair value gain.

In revaluing these assets, the Group uses publicly-quoted prices (for example from Bloomberg in the case of Bank and other publicly traded bonds) at the period end wherever possible.

Where quoted prices are not available for a particular asset the Group adopts an internally generated valuation. Judgement is applied in selecting some of the variables applied in arriving at a valuation.

For non-publicly traded bonds and loans, the valuation is determined by applying the most appropriate market interest rate curve to the predicted future cash flows from the instrument.

Notes to Consolidated Financial Statements

Note 2: Financial Performance continued

For unquoted equities valuations are undertaken consistent with the APRA Prudential Practice Guide SPG 531 – Valuation and the International Private Equity and Venture Capital Valuation Guidelines recommended by the Australian Investment Council (formerly Australian Private Equity and Venture Capital (AVCAL)).

	2019 $'000	2018 $'000
2.2D: Profit from sale of assets		
Realised gains on sale of Financial investments carried at FVTPL		
Investments in trusts and equity instruments	4,722	–
Investments in debt securities	3,556	
Realised profit on sale of interest in Associate	2,952	–
Total profit on sale of investments	**11,230**	**–**

Accounting Policy

Upon adoption of AASB 9 on 1 July 2018, financial assets carried at FVTPL are measured at fair value with unrealised gains or losses recognised as fair value gains/(losses) on financial instruments until the asset is derecognised, at which time the cumulative gain or loss is recognised as a profit/(loss) on disposal of assets.

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

	2019 $'000	2018 $'000
2.3A: Gains on available-for-sale financial assets		
Unrealised gains on investments in trusts and equity instruments	–	23,542
Unrealised gains/(losses) on investments in debt securities	–	4,312
Total gains on available-for-sale financial assets, net	**–**	**27,854**

Accounting Policy

Prior to the adoption of AASB 9 on 1 July 2018, after initial measurement, AFS financial assets were subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the reserves until the investment was derecognised, at which time the cumulative gain or loss was recognised in other gains in the statement of comprehensive income, or the investment was determined to be impaired when the cumulative loss was reclassified from the reserves to the statement of comprehensive income as a write-down and impairment of assets.

2.3B: Reconciliation of unrealised gains/(losses) in reserves at 30 June 2019

	Debt Securities $'000	Trust and Equity Instruments $'000	Cash Flow Hedge $'000	Total $'000
Unrealised gains/(losses) included in reserves, 1 July 2018	4,248	38,303	240	42,791
Change on initial application of AASB 9	(4,248)	(38,303)	–	(42,551)
Unrealised gains/(losses) recorded in other comprehensive income during 2019	–	–	(162)	(162)
Unrealised gains/(losses) included in reserves, 30 June 2019	**–**	**–**	**78**	**78**

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 Note 5.

3.1: Financial Assets

Accounting Policy for Financial Assets

Classification

Following the adoption of AASB 9, the Group classifies its Financial Assets into the following categories:

a) Amortised Cost;

b) Fair value through profit or loss ('FVTPL'); and

c) Fair value through other comprehensive income ('FVOCI').

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. The two principal tests applied in determining which of the above categories a financial asset falls into are:

- The Business Model test; and
- The Cash Flows test.

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

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

Financial assets that meet both the Business Model and the Cash Flows test are classified as Amortised Cost. The Group has classified financial assets which do not meet these tests as FVTPL. The Group does not currently have any financial assets recognised at fair value through other comprehensive income.

Recognition and measurement

Financial assets at amortised cost are initially recognised at their fair value after taking into account any concessionality. After initial recognition, they are measured at amortised cost using the effective interest method less any impairment recorded. Interest is recognised by applying the effective interest rate.

Financial assets at FVTPL are carried at fair value with any gains or losses resulting from a change in fair value recorded as a gain/(loss) in the Statement of Income.

Purchases of Financial Assets are accounted for at settlement date.

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

Derecognition

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

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

Gains or losses on the disposal of a financial asset are recorded in the Statement of Comprehensive Income.

Impairment of financial assets held at amortised cost

Following the adoption of AASB 9, the Group has introduced a three-stage approach to impairment provisioning as follows:

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

Refer to Note 2.1D for further information on the impairment provisioning stages.

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Judgements and Estimates

The Group is required to ascertain the extent to which its loans and other debt securities held at amortised cost are likely to be recoverable. Given the risk position that may be assumed by the Group in its various loans (e.g. senior debt, unsecured debt, subordinated or mezzanine debt, longer terms, policy risk in relation to the Renewable Energy Target, electricity price volatility, etc) it is considered possible that the Group will not fully recover 100% of the principal relating to all the loans it makes, although the Group has not identified any individual loans that are not expected to be recoverable at the reporting date (2018: nil).

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is in default and impaired and, therefore, falls under Stage 3 of the AASB 9 impairment provisioning methodology. A financial asset or a group of financial assets is impaired (and impairment charges are recognised) if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The expected credit loss (ECL) of assets at provisioning Stage 3 is measured as the difference between the contractual and expected future cash flows from the individual exposure, discounted using the effective interest rate for that exposure.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. These assets are classified as being in either:

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

For loans at Stage 1, ECL is measured as the product of the 12-month Probability of Default (PD), the Loss Given Default (LGD) and Exposure at Default (EAD), adjusted for forward looking information.

For loans at Stage 2, ECL is measured as the product of lifetime PD, LGD and EAD, adjusted for forward looking information.

Loans that are in Stage 3 and, therefore, individually assessed for impairment are not included in a collective assessment of impairment.

The statistically calculated impairment provision for each financial asset is determined with reference to the EAD net of any concessionality balance at the period end. Prior to the adoption of AASB 9, the statistically calculated impairment provision for each financial asset was reduced by the concessionality booked against that asset.

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The Group has further stratified its Amortised Cost portfolio into Corporate Loans and Project Finance and into Electricity, Financial Services, Infrastructure, Property and Other sectors for impairment provisioning purposes.

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

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

The Group's impairment provisioning model uses four scenarios, with a probability assigned to each of them, in calculating the impairment provision, namely: Base Case, Upside Scenario, Downside Scenario and an Electricity price collapse scenario. The impairment provision adopted is based on the weighted average of the provisions calculated under each of these scenarios.

In addition to the statistically modelled output, two Management adjustment overlays have been applied. These are a model overlay and a sector-specific risk overlay.

The purpose of these overlays is to compensate for the unique risks of the Group's portfolio as well as specific model and data limitations. The sector specific risk overlay relates to financial risks specific to electricity generation projects (such as changes to Marginal Loss Factors in the 2018–19 financial year that seem to have not been anticipated by the industry) that impact multiple loans but have not resulted in a SICR for any specific loan and was calculated with reference to a number of modelled scenarios. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of comprehensive income.

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

	2019 $'000	2018 $'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	350,761	487,754
Total cash and cash equivalents	**350,761**	**487,754**

Accounting Policy

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

a) cash on hand; and

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

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

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

	2019 $'000	2018 $'000
3.1B: Trade and other receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	–	–
Other receivables		
Interest and fees	16,795	10,249
Dividends and distributions	1,211	1,803
Accrued revenue	**18,006**	**12,052**
Unbilled receivables	323	199
Other receivables	150	212
Total other receivables	**18,479**	**12,463**
Total trade and other receivables (gross)	**18,479**	**12,463**
Less: Impairment allowance	**–**	**–**
Total trade and other receivables (net)	**18,479**	**12,463**

Credit terms for goods and services were within 30 days (2018: 30 days).

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

3.1C: Loans and advances

	2019 Amortised Cost $'000	2019 FVTPL $'000	**2019 Total $'000**	2018 Total $'000
Gross funded loans and advances	2,549,688	86,453	**2,636,141**	1,958,750
Concessional loan discount on drawn loans	(9,436)	(531)	**(9,967)**	(15,010)
Cumulative fair value adjustments	–	2,431	**2,431**	–
Funded loans, net of concessionality discount	2,540,252	88,353	**2,628,605**	1,943,740
Less impairment allowance	(59,488)	–	**(59,488)**	(7,036)
Net loans and advances	2,480,764	88,353	**2,569,117**	1,936,704

Maturity analysis loans and advances, net of concessionality:

	2019 $'000	2018 $'000
Overdue or impaired	–	–
Due in 1 year	194,460	65,396
Due in 1 year to 5 years	596,213	848,367
Due after 5 years	1,837,932	1,029,977
Funded loans, net of concessionality discount	**2,628,605**	**1,943,740**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2019 was for an amount of $196.7 million (2018: $196.3 million). The following table shows the diversification of investments in the loan portfolio at 30 June:

	2019			2018		
	No. of Loans	**Loan Value $'000**	**%**	No. of Loans	Loan Value $'000	%
< $10 million	40	48,304	2%	53	75,130	4%
$10 – $50 million	32	851,697	32%	24	562,744	29%
$50 – $100 million	12	820,212	31%	12	840,653	43%
> $100 million	6	908,392	35%	3	465,213	24%
Funded loans, net of concessionality discount	**90**	**2,628,605**	**100%**	**92**	**1,943,740**	**100%**

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

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

	2019		2018	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's shadow credit rating				
AAA	7,595	0%	13,770	1%
AA+ to AA–	146,856	6%	145,359	7%
A+ to A–	296,273	11%	197,098	10%
BBB+ to BBB–	723,883	28%	652,710	34%
BB+ to BB–	1,397,899	53%	872,060	45%
B+ to B–	56,099	2%	62,743	3%
Total loans and advances, net of concessionality discount	**2,628,605**	**100%**	**1,943,740**	**100%**

Risk factors are discussed further in Note 6.2.

Impairment allowance

Reconciliation of the impairment allowance:

Movements in relation to loans and advances	2019 Stage 1 (12-month ECL)	2019 Stage 2 (lifetime ECL)	2019 Total $'000	2018 Total $'000
As at 1 July			**7,036**	5,048
Adjustment on adoption of AASB 9			**29,402**	–
Revised opening balance	**13,852**	**22,586**	**36,438**	**5,048**
Increase recognised in impairment loss allowance on financial instruments	24,993	(1,943)	**23,050**	2,683
Change from Stage 1 to Stage 2	(11,443)	11,443	**–**	–
Change from Stage 2 to Stage 1	18,262	(18,262)	**–**	–
Utilised for loan written off	–	–	**–**	(695)
Closing balance at 30 June	45,664	13,824	**59,488**	7,036

The Group did not have any amounts past due but not impaired and no loans in provisioning Stage 3 at 30 June 2019 or 30 June 2018.

Changes from Stage 1 to Stage 2 relate to project finance loans that are identified as having a SICR due to circumstances arising during the current year.

Changes from Stage 2 to Stage 1 relate to loans that had been identified as having a SICR at 1 July 2018 being cured during the current financial year.

3.1D: Other debt securities

	2019 Amortised Cost $'000	2019 FVTPL $'000	**2019 Total $'000**	2018 Total $'000
Gross funded debt securities	343,160	905,964	**1,249,124**	1,053,457
Concessional loan discount	–	(12,026)	**(12,026)**	(13,380)
Cumulative amortisation of bond discount/(premium)	496	(1,561)	**(1,065)**	(1,528)
Cumulative fair value adjustments	–	72,936	**72,936**	4,248
Debt securities before impairment allowance	343,656	965,313	**1,308,969**	1,042,797
Impairment allowance	(261)	–	**(261)**	–
Net other debt securities	343,395	965,313	**1,308,708**	1,042,797

Maturity analysis of debt securities:

	2019 $'000	2018 $'000
Overdue or impaired	–	–
Due in 1 year	2,908	68,951
Due in 1 year to 5 years	437,942	327,263
Due after 5 years	868,119	646,583
Other debt securities	**1,308,969**	**1,042,797**

Concentration of risk – Other debt securities

Other debt securities are primarily investments in bank and corporate bonds. During the financial year, the Group recorded an impairment charge of $0.049 million (2018: $Nil) in respect of its holding of other debt securities.

The largest single exposure in the other debt securities at 30 June 2019 was for an amount of $110.2 million. (2018: $102.7 million).

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

	2019			2018		
	No. of Securities	**Investment Value $'000**	%	No. of Securities	Investment Value $'000	%
< $10 million	1	2,908	1%	2	11,583	1%
$10 – $50 million	12	332,674	25%	12	451,214	43%
$50 – $100 million	13	863,148	66%	5	378,173	36%
> $100 million	1	110,239	8%	2	201,827	20%
Total other debt securities	**27**	**1,308,969**	**100%**	**21**	**1,042,797**	**100%**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

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

	2019		2018	
	Value $'000	%	Value $'000	%
Corporation's shadow credit rating				
AAA	20,040	2%	33,994	3%
AA+ to AA–	1,125,435	86%	920,313	88%
A+ to A–	133,504	10%	68,413	7%
BBB+ to BBB–	29,990	2%	20,077	2%
Total other debt securities	**1,308,969**	**100%**	**1,042,797**	**100%**

Risk factors are discussed further in Note 6.2.

Impairment allowance – Other debt securities

	2019 $'000	2018 $'000
Reconciliation of the Impairment Allowance:		
Movements in relation to other debt securities		
As at 1 July	–	–
Adjustment on adoption of AASB 9	212	–
Revised opening balance	212	–
Increase recognised in impairment loss allowance on financial instruments	49	–
Utilised for loan written off	–	–
Closing balance at 30 June	**261**	**–**

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

3.1E: Equities and units in trusts

	2019 $'000	2018 $'000
Gross funded Equities and units in trusts	445,133	315,469
Cumulative fair value adjustments	42,131	38,303
Equities and units in trusts	**487,264**	**353,772**

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

Concentration of risk and impairment – Equities and units in trusts

Equity investments are amounts held by way of shares in publicly-listed entities, units in unincorporated unit trust structures or direct holdings in unlisted companies where the Group is not deemed to have significant influence.

The largest single exposure in the equities and units in trusts portfolio at 30 June 2019 was for an amount of $120.6 million (2018: $133.8 million).

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

	2019			2018		
	No. of Securities	Investment Value $'000	%	No. of Securities	Investment Value $'000	%
< $10 million	13	29,385	6%	7	16,209	5%
$10 – $50 million	2	33,543	7%	3	40,002	11%
$50 – $100 million	1	75,523	15%	1	52,177	15%
> $100 million	3	348,813	72%	2	245,384	69%
Total equities and units in trusts	**19**	**487,264**	**100%**	**13**	**353,772**	**100%**

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

3.1F: Equity accounted investments

	2019 $'000	2018 $'000
Balance at 1 July	87,495	8,401
Investments made during the year	171,007	81,835
Distributions received during the year	(4,349)	(506)
Share of income/(loss) of Associates and Joint Ventures	2,051	(2,235)
Disposals made during the year	(37,715)	–
Reclassifications from FVTPL	752	–
Reclassifications to FVTPL	(65,610)	–
Balance at 30 June	**153,631**	**87,495**

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

	2019		2018	
	Investment $'000	Ownership %	Investment $'000	Ownership %
Equity accounted investments				
Artesian Clean Energy Seed Fund	2,083	38.1%	2,420	38.1%
Granville Harbour Wind Farm*	–	–	4,127	25.0%
High Income Sustainable Office Trust	22,951	42.2%	10,774	48.8%
Kiamal Solar Farm	49,835	42.5%	–	–
Macquarie Agriculture Fund*	–	–	59,178	34.4%
Mirvac Australian BTR Club	31,282	30.0%	–	–
Morrison Growth Infrastructure Fund	19,266	47.6%	–	–
Ross River Solar Farm	24,307	25.0%	10,996	25.0%
Stony Gap Wind Farm	–	15.4%	–	15.4%
Relectrify	3,195	22.2%	–	–
Warada Capital	712	50.0%	–	–
Total investments accounted for using the equity method	**153,631**		**87,495**	

* The Group disposed of its interest in Granville Harbour Wind Farm in November 2018 and the Macquarie Agriculture Fund investment was reclassified to FVTPL during the year upon dilution of the Group's interest in that fund.

The Group has not made any loans to Associates and Joint Ventures at 30 June 2019 (2018: $Nil). The Group had previously procured a bank guarantee on behalf of Ross River Solar Farm which expired during the year ended 30 June 2019 (2018: $12.5 million) The Group has no other contingent liabilities in relation to investments in Associates and Joint Ventures at 30 June 2019 (2018: $Nil).

At 30 June 2019 the Group had committed to invest up to a further $389 million (2018: $282 million) in the above equity accounted investments.

Accounting Policy

Investments in Associates

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

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

Jointly Controlled Entities

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

3.1G: Assets held for sale

	2019 $'000	2018 $'000
Equities and units in trusts for which the Group has issued instruction to sell	1,374	–
Assets held for sale	**1,374**	**–**

Accounting Policy

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

3.2: Non-Financial Assets

3.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2019

	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2018			
Gross book value	2,504	1,055	3,559
Accumulated depreciation and amortisation	(1,112)	(637)	(1,749)
Total as at 1 July 2018	**1,392**	**418**	**1,810**
Additions:			
By purchase or internally developed	192	518	710
Depreciation and amortisation expense	(545)	(486)	(1,031)
Disposals:			
Gross book value	(151)	(469)	(620)
Accumulated depreciation and amortisation	151	469	620
Total as at 30 June 2019	**1,039**	**450**	**1,489**
Total as at 30 June 2019 represented by:			
Gross book value	2,545	1,104	3,649
Accumulated depreciation and amortisation	(1,506)	(654)	(2,160)
Total as at 30 June 2019	**1,039**	**450**	**1,489**

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

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

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

Accounting Policy

Asset Recognition Threshold

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

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

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. The valuation is based on internal assessment by Management to ensure that the carrying amounts of the assets do not differ materially from their fair values. As at 30 June 2019, 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
Computer software	straight-line basis over anticipated useful lives (typically 2 to 3 years)

Derecognition

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

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

3.3: Payables and Deferred Revenue

	2019 $'000	2018 $'000
3.3A: Suppliers		
Trade creditors and accruals	3,660	2,974
Total suppliers	**3,660**	**2,974**

Settlement of supplier balances was usually made within 30 days.

	2019 $'000	2018 $'000
3.3B: Deferred revenue		
Deferred establishment fees income	43,686	32,202
Deferred revenue expected to be recognised:		
No more than 12 months	5,901	4,392
More than 12 months	37,785	27,810
Total deferred revenue	**43,686**	**32,202**

	2019 $'000	2018 $'000
3.3C: Other payables		
Wages and salaries	7,463	5,843
Superannuation	139	126
FBT liability	11	7
Lease liability	667	804
Other	13	12
Total other payables	**8,293**	**6,792**

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 FVTPL

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).

Notes to Consolidated Financial Statements

Note 3: Financial Position continued

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.

	2019 $'000	2018 $'000
3.3D: Derivative financial liabilities		
Cross Currency swaps	1,514	241
Total derivative financial (liabilities)/assets	**1,514**	**241**
Maturity analysis of derivative financial (liabilities)/assets:		
Due within 1 year	1,514	–
Due in 1 year to 5 years	–	241
Total derivative financial (liabilities)/assets	**1,514**	**241**

Accounting Policy

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

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

3.4: Other Provisions

	Provision for concessional investments $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
As at 1 July 2018	**8,609**	**350**	**3,237**	**12,196**
Change on initial application of AASB 9	–	–	(3,237)	(3,237)
Total at 1 July 2018	**8,609**	**350**	**–**	**8,959**
Additional provisions made	6,511	–	–	6,511
Amount reversed upon cancellation of an existing loan facility	(2,588)	–	–	(2,588)
Offset to loans and advances	(1,126)	–	–	(1,126)
Unwind of concessional interest rate discount	(149)	–	–	(149)
Total at 30 June 2019	**11,257**	**350**	**–**	**11,607**

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.

	2019 $'000	2018 $'000
Appropriations credited during the year to the CEFC Special Account maintained by the Department of the Environment and Energy	–	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	600,000	1,700,000

Accounting Policy

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

Equity Injections

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

Other Distributions to Owners

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

Restructuring of Administrative Arrangements

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

	2019 $'000	2018 $'000
Summary of contributed equity		
Opening balance – 1 July	3,808,363	2,108,363
Return of equity to CEFC Special Account	–	–
Equity injection from CEFC Special Account	600,000	1,700,000
Closing contributed equity balance – 30 June	**4,408,363**	**3,808,363**

Notes to Consolidated Financial Statements

Note 5: People and Relationships

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

5.1: Employee Provisions

	2019 $'000	2018 $'000
Annual and long service leave	2,546	2,172
Total employee provisions	**2,546**	**2,172**

5.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group has determined the key management personnel to be the seven non-executive Board members, and the Executive team comprising the Chief Executive Officer, Chief Financial Officer, Chief Governance and Strategy Officer (until 30 November 2018), General Counsel, Chief Investment Officers, the Chief Investment Risk Officer (until 21 September 2018), the Chief Risk Officer (from 24 September 2018), the Chief Asset Management Officer (from 29 January 2019) and the Executive Director People and Culture.

	2019 $	2018 $
Short-term employee benefits		
Non-executive Board member fees	434,720	394,813
Executive base salaries	3,165,851	3,038,488
Performance based compensation	1,015,151	975,000
Annual leave (paid)/accrued, net	(2,598)	77,264
Total short-term employee benefits	**4,613,124**	**4,485,565**
Post-employment benefits		
Superannuation contributions on behalf of Board members and executives	205,696	187,428
Total post-employment benefits	**205,696**	**187,428**
Other long-term employee benefits		
Performance based compensation	338,384	325,000
Long service leave (paid)/accrued, net	69,931	46,304
Total other long-term employee benefits	**408,315**	**371,304**
Termination benefits		
Separation and redundancy payments	232,634	–
Total termination benefits	**232,634**	**–**
Total key management personnel remuneration expenses	**5,459,769**	**5,044,297**

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

	2019 No.	2018 No.
Summary of key management personnel		
Non-executive Directors	7	13
Executives	10	8
Total key management personnel	**17**	**21**

During the 2018 financial year, there was a complete change in the composition of the Board members of the Corporation. There were never more than seven Board members at any one time; however, the 2018 financial year included partial service periods for each of the previous six and current seven Board Members.

5.3: Related Party Disclosures

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

The Responsible Ministers

The Hon Josh Frydenberg MP (to 28 August 2018)

The Hon Angus Taylor MP (from 28 August 2018)

The Hon Melissa Price MP (from 28 August 2018 to 29 May 2019)

Senator the Hon Mathias Cormann

Board Members

Mr Steven Skala AO

Ms Leeanne Bond

Mr Philip Coffey

Ms Laura Reed

Ms Andrea Slattery

Ms Samantha Tough

Ms Nicola Wakefield Evans

Key management personnel

Mr Ian Learmonth, CEO

Ms Rebecca Cottrell

Mr Kevin Holmes (until 30 November 2018)

Mr Michael Johnston (since 24 September 2018)

Mr Paul McCartney

Ms Leanne McDonald

Ms Sara Leong (since 29 January 2019)

Mr Stephen Panizza (until 21 September 2018)

Mr Andrew Powell

Mr Ludovic Theau

Other federal government agencies

Investments that are classified as Associates and Joint Ventures as disclosed in Note 3.1F: Equity Accounted Investments.

Notes to Consolidated Financial Statements

Note 5: People and Relationships continued

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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

Transactions with Director-Related Entities

Mr Philip Coffey and Ms Nicola Wakefield Evans are independent non-executive directors of Lendlease Corporation Limited, where the CEFC has a $109 million equity investment at 30 June 2019 (2018: $52 million) in Lend Lease Real Estate Investments Limited managed Australian Prime Property Fund Commercial.

Mr Philip Coffey and Ms Nicola Wakefield Evans are also independent voting directors of Macquarie Group Limited. The CEFC has $100 million invested in fixed rate bonds with Macquarie Bank Limited as at 30 June 2019 (2018: $50 million), and through its wholly owned subsidiary, CEFC Investments Pty Ltd, has invested $75.5 million at 30 June 2019 (2018: $60 million) in Macquarie Agricultural Fund – Crop Australia managed by Macquarie Agricultural Funds Management Limited.

Ms Andrea Slattery is an independent non-executive director of AMP Limited. CEFC has a $121 million equity investment at 30 June 2019 (2018: $112 million) in the AMP Capital Wholesale Office Fund, for which the trustee is AMP Capital Investors Limited, a controlled entity of AMP Limited.

Ms Nicola Wakefield Evans' husband was appointed as a director of Blue Sky Alternatives Access Fund Limited on 29 November 2018. The CEFC has previously provided a loan facility to Waymouth Street Property Trust (a related entity) which has a balance outstanding of $28 million at 30 June 2019 (2018: $31 million).

Ms Andrea Slattery's son is in-house Counsel at Cleanaway Waste Management Limited. The CEFC has provided a loan facility to Cleanaway Waste Management Limited with an outstanding balance of $90 million at 30 June 2019 (2018: $90 million). In addition, the CEFC has previously provided a loan to Cleanaway ResourceCo RRF with a balance outstanding of $10 million at 30 June 2019 (2018: $10 million).

Ms Leeanne Bond is a director of Snowy Hydro Limited which has provided Power Purchase Agreements (PPAs) to a number of projects that the CEFC has either invested in through equity or debt or that the CEFC is currently in discussions with regarding potential future investment transactions.

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

The CEFC is not aware of any trading transactions entered into with director-related parties during the financial year ended 30 June 2019 (2018: Nil).

Transactions with Other Related Entities

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

Under the CEFC Act, the Corporation has a number of transactions with the Commonwealth. The principal transactions are those related to the amounts drawn from or repaid into the CEFC Special Account 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 2019:

Related party	Purpose	2019 $	2018 $
Comcover	General insurance premiums	168,644	91,345
Comcare	Workers compensation insurance premiums	47,228	34,992
Department of Defence	Vetting of executives	3,675	869
Department of the Environment and Energy	Certification fee for the Carbon Neutral Program	5,000	–

During the financial year ended 30 June 2018 a review of the operation of the CEFC Act under Section 81 was commissioned by the Department of the Environment and Energy. The CEFC agreed to reimburse the Department the first $100,000 towards the cost of the review, with amounts above $100,000 to be shared 50:50 between the CEFC and the Department. The total cost of the review was $250,000, with the CEFC contributing $175,000 of this cost. These costs were paid to the Department of the Environment and Energy during the year ended 30 June 2019 after being accrued as an expense at 30 June 2018.

During the financial years ended 30 June 2019 and 30 June 2018 the CEFC incurred costs for several market research studies and subscriptions that were entered into jointly with the Australian Renewable Energy Agency ('ARENA'). The CEFC incurred the full cost relating to these purchases from the suppliers and recovered the appropriate share of these costs directly from ARENA.

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 2019 or 2018 that are not disclosed elsewhere in these accounts.

Unquantifiable Contingencies

At 30 June 2019 and 2018 the Group had no significant unquantifiable contingencies.

Accounting Policy

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

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

Financial guarantee contracts are accounted for in accordance with AASB 9 *Financial Instruments*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2: Financial Instruments

6.2A: Categories of financial instruments

Financial Assets

Financial Assets 30 June 2019	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2019 $'000
Cash and cash equivalents	350,761	–	–	350,761
Trade and other receivables	18,479	–	–	18,479
Financial Investments under AASB 9				
Loans and advances	2,480,764	88,353	–	2,569,117
Other debt securities	343,395	965,313	–	1,308,708
Equities and units in trusts	–	487,264	–	487,264
Total financial investments	**2,824,159**	**1,540,930**	**–**	**4,365,089**
Carrying amount of financial assets	**3,193,399**	**1,540,930**	**–**	**4,734,329**

Financial Assets 30 June 2018	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2018 $'000
Cash and cash equivalents	487,754	–	–	487,754
Trade and other receivables	12,463	–	–	12,463
Financial Investments under AASB 139				
Loans and advances	1,936,704	–	–	1,936,704
Other financial assets	163,507	–	–	163,507
Other debt securities	–	–	1,042,797	1,042,797
Equities and units in trusts	–	–	353,772	353,772
Total financial investments	2,100,211	–	1,396,569	3,496,780
Carrying amount of financial assets	2,600,428	–	1,396,569	3,996,997

Reclassifications of financial assets as a result of the adoption of AASB 9 are shown in the table below. There were no reclassifications of financial liabilities during the year.

Classification	30 June 2018 $'000	Remeasurement Fair value $'000	Remeasurement Impairment $'000	Reclass-ification $'000	1 July 2018 $'000
Cash and cash equivalents	487,754				487,754
Trade and other receivables	12,463				12,463
Loans and advances – Amortised Cost	1,936,704	2,106	(29,401)	(1,909,409)	–
Available-for-sale financial assets – FVOCI					
Other debt securities	1,042,797	(4,561)	(212)	(1,038,024)	–
Equities and units in trusts	353,772			(353,772)	–
Other Financial Assets					
Restricted deposit accounts	163,507			(163,507)	–
Amortised Cost					
Loans and advances				1,984,628	1,984,628
Other debt securities				337,322	337,322
Fair Value through Profit and Loss					
Loans and advances				88,288	88,288
Other debt securities				700,702	700,702
Equities and units in trusts				353,772	353,772
	3,996,997	**(2,455)**	**(29,613)**	**–**	**3,964,929**

Financial Liabilities

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

Financial Liabilities 30 June 2018	Amortised Cost $'000	FVTPL $'000	FVOCI $'000	Total 2018 $'000
Trade creditors and accruals	2,974	–	–	2,974
Provision for concessional investments	–	8,609	–	8,609
Derivative financial instruments	–	241	–	241
Carrying amount of financial liabilities	2,974	8,850	–	11,824

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2B: Net gains or losses on financial assets

	2019 Amortised Cost $'000	2019 FVTPL $'000	**2019 Total $'000**	2018 Total $'000
Cash and cash equivalents				
Interest from cash and short-term investments	8,511	–	8,511	10,440
Interest from other financial assets	–	–	–	4,994
Net gains on cash and cash equivalents	**8,511**	**–**	**8,511**	**15,434**
Loans and advances				
Interest income and fees	120,637	2,950	123,587	75,223
Unwind of concessional interest rate discount	3,032	511	3,543	4,111
Fair value gains	–	433	433	–
Fair value losses	–	(107)	(107)	–
Net gains on loans and advances	**123,669**	**3,787**	**127,456**	**79,334**
Other debt securities				
Interest income from debt securities	11,334	26,036	37,370	25,498
Unwind of concessional interest rate discount	–	4,130	4,130	2,003
Profit on sale		3,556	3,556	–
Fair value gains	–	71,194	71,194	–
Net gains on other debt securities	**11,334**	**104,916**	**116,250**	**27,501**
Equities and units in trusts				
Income distributions from equities and units in trusts	–	14,162	14,162	10,090
Profit on sale		7,674	7,674	–
Fair value gains	–	24,149	24,149	–
Fair value losses	–	(15,320)	(15,320)	–
Net gains on equities and units in trusts	**–**	**30,665**	**30,665**	**10,090**
Net gains on financial assets	**143,514**	**139,368**	**282,882**	**132,359**

The total income from financial assets not at fair value through profit or loss was $143,514,000 (2018: $132,359,000).

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

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

The Group monitors exposures to counterparties and has set exposure limits for each counterparty.

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

	Note	**Not past due nor impaired 2019 $'000**	Not past due nor impaired 2018 $'000	**Past due or impaired 2019 $'000**	Past due or impaired 2018 $'000	**Total 2019 $'000**	Total 2018 $'000
Cash and cash equivalents	3.1A	350,761	487,754	–	–	350,761	487,754
Trade and other receivables	3.1B	18,479	12,463	–	–	18,479	12,463
AASB 139 Financial Assets:							
Loans and advances	3.1C	–	1,943,740	–	–	–	1,943,740
Financial investments	3.1D	–	1,396,569	–	–	–	1,396,569
Other financial assets	3.1E	–	163,507	–	–	–	163,507
AASB 9 Financial Assets:							
Amortised Cost:							
Loans and advances	3.1C	2,480,764	–	–	–	2,480,764	–
Other debt securities	3.1D	343,395	–	–	–	343,395	–
FVTPL:							
Loans and advances	3.1C	88,353	–	–	–	88,353	–
Other debt securities	3.1D	965,313	–	–	–	965,313	–
Equities and units in trusts	3.1E	487,264	–	–	–	487,264	–
Total financial assets		**4,734,329**	**4,004,033**	**–**	**–**	**4,734,329**	**4,004,033**
Committed loans and advances	6.5	1,014,178	796,791	–	–	1,014,178	796,791
Committed Other debt securities	6.5	51,633	–	–	–	51,633	–
Committed trust and equity investments	6.6	475,129	354,912	–	–	475,129	354,912
Total Commitments		**1,540,940**	**1,151,703**	**–**	**–**	**1,540,940**	**1,151,703**
Total credit risk exposure		**6,275,269**	**5,155,736**	**–**	**–**	**6,275,269**	**5,155,736**

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

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

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

6.2D: Liquidity risk

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

Maturities for financial liabilities 2019	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	–	3,660	–	–	–	3,660
Provision for concessional loans	–	3,202	–	999	7,056	11,257
Derivative financial instruments	–	1,514	–	–	–	1,514
Total	**–**	**8,376**	**–**	**999**	**7,056**	**16,431**

Maturities for financial liabilities 2018	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	–	2,974	–	–	–	2,974
Provision for concessional loans	–	2,315	2,106	4,188	–	8,609
Derivative financial instruments	–	–	241	–	–	241
Total	**–**	**5,289**	**2,347**	**4,188**	**–**	**11,824**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC Special Account that was to be funded in an amount of $2 billion per annum for each of the five years from 1 July 2013 to 1 July 2018. The Corporation has drawn amounts totalling $ 4,762.8 million (2018: $4,162.8 million) from this Special Account to fund its investments and has returned amounts totalling $441.8 million (2018: $441.8 million) in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $4,321 million at 30 June 2019 (2018: $3,721 million).

6.2E: Market risk

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

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

Derivative transactions may include:

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

a) Interest rate risk

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

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

	2019 $'000	2018 $'000
Interest Bearing Financial Assets		
Classified as floating rate		
Cash and cash equivalents	350,761	487,754
Other financial assets	–	163,507
Loans and advances	216,999	141,413
Other debt securities	30,040	33,993
Total classified as floating rate	**597,800**	**826,667**
Classified as fixed rate		
Loans and advances	2,411,606	1,802,328
Other debt securities	1,278,929	1,008,803
Total classified as fixed rate	**3,690,535**	**2,811,131**
Interest Bearing Financial Liabilities		
Classified as floating rate		
Provision for concessional loans	1,072	1,088
Total classified as floating rate	**1,072**	**1,088**
Classified as fixed rate		
Provision for concessional loans	10,185	7,521
Total classified as fixed rate	**10,185**	**7,521**

The cash and cash equivalents and other financial assets are expected to be invested in loans and advances and other debt securities in the short term, and the majority of these financial assets are expected to be classified as fixed rate. A +/–50bp change in the interest rate on floating rate financial assets would have approximately a $3.0 million (2018: $3.9 million) impact on the reported revenue and surplus.

For the Group's financial assets carried at amortised cost, any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss unless an investment is sold prior to maturity and crystallises a previously unrealised gain or loss.

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

For the Group's financial assets carried at FVTPL, a +/–100bp change in the yield of the debt securities would have approximately a $58 million (2018: $56 million) impact on the fair value at which the instruments are recorded in the statement of financial position and fair value gains/losses in the Consolidated Statement of Comprehensive Income. As the coupon on the bonds is fixed, a change in prevailing interest rates would have no impact on the reported revenue.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

b) Electricity prices

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

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 credit worthiness of the equity counterparties, and monitoring the exposure to individual electricity retailers and other parties who are providing power purchase off-take agreements for the renewable projects.

c) Property values

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

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

d) Foreign exchange risk

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

	2019 $'000	2018 $'000
Cash flow hedge reserve		
Opening balance cash flow hedge reserve	240	(42)
Increase in value of derivative financial liability	(1,273)	(466)
Net unrealised gain on hedged asset	1,111	748
Closing balance cash flow hedge reserve	**78**	**240**

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	
	2019 USD A$'000	2018 USD A$'000
Financial assets exposures in foreign currencies at 30 June		
Loans and advances	23,473	23,833
Derivative financial asset	–	–
Total financial assets exposures in foreign currencies	**23,473**	**23,833**
Financial liabilities exposures in foreign currencies at 30 June		
Derivative financial instrument payable	21,959	23,592
Derivative financial liability	1,514	241
Total financial liabilities exposures in foreign currencies	**23,473**	**23,833**
Net foreign exchange exposures in foreign currencies	**–**	**–**

As shown by the above table, the net foreign exchange exposure as at 30 June 2019 is minimal. Any imbalance in this currency will arise largely due to movements in credit risk.

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

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

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

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

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.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

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

There was no transfer between levels.

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

There 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 interests.

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.

Notes to Consolidated Financial Statements

Note 6: Managing Uncertainties continued

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

Loans and advances

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

Financial investments

- Fair value of quoted debt securities is derived from quoted market prices in active markets;
- Fair value of unquoted debt securities is derived in the same way as Loans and advances;
- Fair value of quoted equities is derived from quoted market prices in active markets; and
- Fair value of unquoted equities has been estimated in accordance with the valuation methodologies outlined in the International Private Equity and Venture Capital Valuation Guidelines.

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

	2019 $'000	2018 $'000
Loan Portfolio		
Nominal value	942,952	991,897
Less principal repayment	(51,223)	(39,010)
Less unexpired discount	(9,967)	(15,010)
Less impairment allowance	(3,427)	(29)
Carrying value of concessional loans	**878,335**	**937,848**

6.5: Committed Credit Facilities

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

At 30 June 2019 the Group is irrevocably committed to fund loan facilities totalling $1,014 million (2018: $797 million) and to purchase bonds totalling $52 million (2018: $Nil).

At 30 June 2019 the Group had also entered into agreements to provide loan advances totalling $80.0 million (2018: $Nil) and purchase corporate bonds totalling $50.0 million (2018: $250 million) subject to the occurrence of future uncertain events. Due to the uncertainty around the occurrence of the future events, these amounts have been excluded from Committed Credit Facilities disclosed in Note 6.2C.

At 30 June 2019 there was approximately $1.2 million (2018: $7.4 million) of possible future concessional interest rate charges to be recorded in relation to the above contingent credit facilities. The actual amount of concessionality cannot be determined until such time as the commitments become non-contingent.

6.6: Committed Equity Investments

At 30 June 2019 the Group had entered into agreements to make future equity investments totalling $865 million (2018: $355 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.

Notes to Consolidated Financial Statements

Note 7: Parent Entity Information continued

7.2: Parent Entity Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019[1] $'000	2018 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits		27,827	24,854
Suppliers		9,769	8,084
Depreciation and amortisation		1,031	892
Concessional loan charges		3,922	11,972
Impairment loss allowance on financial instruments		23,099	7,683
Provision for irrevocable loan commitments		–	2,625
Losses from sale of assets		–	12
Total expenses		**65,648**	**56,122**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue		177,134	122,267
Interest on loans to subsidiaries	7.4B	7,087	2,350
Distributions from equity investments		14,093	10,090
Total own-source revenue		**198,314**	**134,707**
Gains and losses			
Fair value losses on financial instruments		(15,427)	–
Fair value gains on financial instruments		94,682	–
Profit from sale of assets		8,278	–
Total net gains/(losses)		**87,533**	**–**
Total own-source income		**285,847**	**134,707**
Net contribution by services		**220,199**	**78,585**
Share of associates and joint ventures		(682)	(1,257)
Surplus from continuing operations		**219,517**	**77,328**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets		–	27,854
Net fair value loss taken to equity on cash flow hedge		(162)	282
Total other comprehensive income		**(162)**	**28,136**
Total comprehensive income		**219,355**	**105,464**

1. *The 2019 financial results reflect the adoption of AASB 9 – Financial Instruments on 1 July 2018. As permitted by AASB 9, the Corporation has not restated previously reported financial periods. Refer to Note 1 for the impact, on the Group's results, of the adoption of AASB 9.*

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

7.3: Parent Entity Statement of Financial Position

as at 30 June 2019

	Notes	2019[1] $'000	2018 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		350,497	487,273
Trade and other receivables	7.4C	22,350	14,559
Loans and advances		2,569,117	1,936,704
Loans to subsidiaries	7.4B	200,679	76,162
Other debt securities		1,233,185	1,042,797
Equities and units in trusts		487,264	353,772
Equity accounted investments		28,941	13,194
Other financial assets		–	163,507
Investment in subsidiaries	7.4A	350	250
Total financial assets		**4,892,383**	**4,088,218**
Non-financial assets			
Property, plant and equipment		1,039	1,392
Computer software		450	418
Prepayments		552	500
Total non-financial assets		**2,041**	**2,310**
Assets held for sale		**1,374**	**–**
Total assets		**4,895,798**	**4,090,528**
LIABILITIES			
Payables and deferred revenue			
Suppliers		3,543	2,839
Deferred revenue		43,686	32,202
Other payables		8,293	6,792
Derivative financial liability		1,514	241
Total payables and deferred revenue		**57,036**	**42,074**
Provisions			
Employee provisions		2,546	2,172
Other provisions		11,607	12,196
Total provisions		**14,153**	**14,368**
Total liabilities		**71,189**	**56,442**
Net assets		**4,824,609**	**4,034,086**
EQUITY			
Contributed equity		4,408,363	3,808,363
Reserves		78	42,791
Retained surplus		416,168	182,932
Total equity		**4,824,609**	**4,034,086**

1. *The 2019 financial results reflect the adoption of AASB 9 – Financial Instruments on 1 July 2018. As permitted by AASB 9, the Corporation has not restated previously reported financial periods. Refer to Note 1 for the impact, on the Group's results, of the adoption of AASB 9.*

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

Notes to Consolidated Financial Statements

Note 7: Parent Entity Information continued

7.4: Notes to Parent Entity Financial Statements

7.4A: Investment in subsidiaries

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

On 5 September 2018 the Corporation incorporated a new subsidiary, Clean Energy Investment Management Pty Ltd, and subscribed for 100,000 shares of $1 each, being 100% of the issued share capital.

7.4B: Loans to subsidiaries

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

- Weighted average interest rate at 30 June 2019: 7.10% (2018: 6.16%)
- Interest payment dates: 15 January and 15 July each year
- Maturity dates: ranging from 15 June 2026 to 17 November 2028

The balance outstanding at 30 June 2019 was $200.7 million (2018: $76.1 million) and interest receivable for the year amounted to $7.1 million (2018: $2.4 million).

7.4C: Trade and other receivables

	2019 $'000	2018 $'000
Accrued interest on loan to CEFC Investments Pty Ltd	3,844	2,096
Reimbursement owed by Clean Energy Investment Management Pty Ltd	27	–
Others	18,479	12,463
	22,350	14,559

Note 8: Other Information

8.1: Aggregate Assets and Liabilities

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

	2019 $'000	2018 $'000
Assets expected to be recovered in:		
No more than 12 months	1,220,672	924,705
More than 12 months	3,670,703	3,162,097
Total Assets	**4,891,375**	**4,086,802**
Liabilities expected to be settled in:		
No more than 12 months	29,442	26,078
More than 12 months	41,864	30,499
Total Liabilities	**71,306**	**56,577**

8.2: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original Budget for the Group, as presented in the 2018–19 Portfolio Budget Statements (PBS) for the Environment and Energy Portfolio, to the Actual 2018–19 outcome as presented in accordance with AAS for the Group. The Budget is not audited.

8.2A: Budgetary reports

Clean Energy Finance Corporation

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	27,827	34,966	(7,139)
Suppliers	10,215	13,355	(3,140)
Depreciation and amortisation	1,031	969	62
Concessional loan charges	3,922	25,000	(21,078)
Impairment loss allowance on financial instruments	23,099	25,000	(1,901)
Total expenses	**66,094**	**99,290**	**(33,196)**
OWN-SOURCE INCOME			
Own-source revenue			
Interest and loan fee revenue	177,141	151,413	25,728
Distributions from trusts and equity investments	14,162	17,377	(3,215)
Total own-source revenue	**191,303**	**168,790**	**22,513**
Gains and losses			
Fair value losses on financial instruments	(15,427)	(15,000)	(427)
Fair value gains on financial instruments	95,775	15,000	80,775
Profit on sale of assets	11,230	–	11,230
Total gains	**91,578**	**–**	**91,578**
Total own-source income	**282,881**	**168,790**	**114,091**
Net contribution by/(cost of) services	**216,787**	**69,500**	**147,287**
Share of associates and joint ventures	2,051	(500)	2,551
Surplus/(deficit) from continuing operations	**218,838**	**69,000**	**149,838**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Net fair value gain taken to equity on cash flow hedge	(162)	–	(162)
Total other comprehensive income	**(162)**	**–**	**(162)**
Total comprehensive income	**218,676**	**69,000**	**149,676**

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 2018–19 PBS for the Environment and Energy Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.*
2. *Difference between the actual and original budgeted amounts for 2018–19. Explanations of major variances are provided further below.*

Notes to Consolidated Financial Statements

Note 8: Other Information continued

Clean Energy Finance Corporation

Consolidated Statement of Financial Position
as at 30 June 2019

	Actual $'000	Budget [1] $'000	Variance [2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	350,761	237,780	112,981
Trade and other receivables	18,479	7,082	11,397
Loans and advances	2,569,117	2,523,005	46,112
Other debt securities	1,308,708	1,164,847	143,861
Equities and units in trusts	487,264	685,550	(198,286)
Equity accounted investments	153,631	326,943	(173,312)
Total financial assets	**4,887,960**	**4,945,207**	**(57,247)**
Non-financial Assets			
Property, plant and equipment	1,039	1,130	(91)
Computer software	450	874	(424)
Prepayments	552	646	(94)
Total non-financial assets	**2,041**	**2,650**	**(609)**
Assets held for sale	**1,374**	**–**	**1,374**
Total assets	**4,891,375**	**4,947,857**	**(56,482)**
LIABILITIES			
Payables and deferred revenue			
Suppliers	3,660	2,185	1,475
Deferred revenue	43,686	31,920	11,766
Other payables	8,293	6,000	2,293
Derivative financial liabilities	1,514	–	1,514
Total payables and deferred revenue	**57,153**	**40,105**	**17,048**
Provisions			
Employee provisions	2,546	1,981	565
Other provisions	11,607	11,129	478
Total provisions	**14,153**	**13,110**	**1,043**
Total liabilities	**71,306**	**53,215**	**18,091**
Net assets	**4,820,069**	**4,894,642**	**(74,573)**
EQUITY			
Contributed equity	4,408,363	4,638,363	(230,000)
Reserves	78	29,363	(29,285)
Retained surplus	411,628	226,916	184,712
Total equity	**4,820,069**	**4,894,642**	**(74,573)**

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 2018–19 PBS for the Environment and Energy Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.*
2. *Difference between the actual and original budgeted amounts for 2018–19. Explanations of major variances are provided further below.*

Clean Energy Finance Corporation

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Retained Surplus			Reserves			Contributed Equity			Total Equity		
	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000
Opening balance												
Balance carried forward from previous year	179,071	157,916	21,155	42,791	29,363	13,428	3,808,363	4,108,363	(300,000)	4,030,225	4,295,642	(265,417)
Change on initial application of AASB 9	13,719	–	13,719	(42,551)	–	(42,551)	–	–	–	(28,832)	–	(28,832)
	192,790	**157,916**	**34,874**	**240**	**29,363**	**(29,123)**	**3,808,363**	**4,108,363**	**(300,000)**	**4,001,393**	**4,295,642**	**(294,249)**
Comprehensive income												
Surplus for the year	218,838	69,000	149,838	–	–	–	–	–	–	218,838	69,000	149,838
Other comprehensive income	–	–	–	(162)	–	(162)	–	–	–	(162)	–	(162)
Total comprehensive income	**218,838**	**69,000**	**149,838**	**(162)**	**–**	**(162)**	**–**	**–**	**–**	**218,676**	**69,000**	**149,676**
Transactions with owners												
Contributions by owners												
Equity injection from Special Account	–	–	–	–	–	–	600,000	530,000	70,000	600,000	530,000	70,000
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**600,000**	**530,000**	**70,000**	**600,000**	**530,000**	**70,000**
Closing balance as at 30 June	**411,628**	**226,916**	**184,712**	**78**	**29,363**	**(29,285)**	**4,408,363**	**4,638,363**	**(230,000)**	**4,820,069**	**4,894,642**	**(74,573)**

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 2018–19 PBS for the Environment and Energy Portfolio).*
2. *Difference between the actual and original budgeted amounts for 2018–19. Explanations of major variances are provided further below.*

Notes to Consolidated Financial Statements

Note 8: Other Information continued

Clean Energy Finance Corporation

Consolidated Cash Flow Statement
for the year ended 30 June 2019

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	147,288	144,308	2,980
Distributions from trusts and equity investments	14,748	17,377	(2,629)
Total cash received	**162,036**	**161,685**	**351**
Cash used			
Employees	25,834	34,080	8,246
Suppliers	9,806	13,320	3,514
Total cash used	**35,640**	**47,400**	**11,760**
Net cash from operating activities	**126,396**	**114,285**	**12,111**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	196,818	381,571	(184,753)
Sale of other debt securities	83,711	9,534	74,177
Sale of equities and units in trusts	24,213	–	24,213
Sale of investment in associates and joint ventures	40,667	–	40,667
Distributions from associates and joint ventures	4,199	–	4,199
Total cash received	**349,608**	**391,105**	**(41,497)**
Cash used			
Loans made to other parties	682,591	519,286	(163,305)
Purchase of other debt securities	278,937	110,000	(168,937)
Purchase of equities and units in trusts	79,751	243,307	163,556
Investment in associates and joint ventures	171,007	147,250	(23,757)
Purchase of property, plant, equipment and computer software	711	1,250	539
Total cash used	**1,212,997**	**1,021,093**	**(191,904)**
Net cash from/(used by) investing activities	**(863,389)**	**(629,988)**	**(233,401)**
FINANCING ACTIVITIES			
Cash received			
Contributed equity	600,000	530,000	70,000
Total cash received	**600,000**	**530,000**	**70,000**
Net cash from financing activities	**600,000**	**530,000**	**70,000**
Net increase/(decrease) in cash held	**(136,993)**	**14,297**	**(151,290)**
Cash and cash equivalents at the beginning of the reporting period	487,754	223,483	264,271
Cash and cash equivalents at the end of the reporting period	**350,761**	**237,780**	**112,981**

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 2018–19 PBS for the Environment and Energy Portfolio). Some line items that were netted in the published budget have been grossed-up in this presentation to better align with the actual disclosures under Australian Accounting Standards.*
2. *Difference between the actual and original budgeted amounts for 2018–19. Explanations of major variances are provided further below.*

8.2B: Major budget variance for 2018–19

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Comprehensive Income:	
Employee benefits	The Group has spent $7.1 million less than budget on employee benefits. This is largely a result of hiring fewer new staff than budgeted as well as timing differences with new hires being made and targeted salary increases being awarded later in the financial year than budgeted.
Concessional loan charges	Concessional loan charges of $3.9 million are $21.1 million lower than budget notwithstanding the actual loans made and debt securities purchased during the year are higher than budgeted. The mix of transactions undertaken this year, the compression in market margins and lower overall interest rate environment generally, have reduced the need for and benefit from providing as much concessionality as was anticipated. In most instances, the Group has been able to be appropriately compensated for the longer tenor or fixed rate aspects of the loans written, without jeopardising the project economics of the transactions. Previously recorded concessional charges were also reversed upon the early repayment/refinance or lower-than-anticipated utilisation of concessional loans and debt securities contracted in prior years.
Interest and loan fee revenue	Interest and loan fee revenue has a $25.7 million favourable variance to budget principally as a result of above-budget volume of loans made and debt securities purchased in the year. The budget had also assumed that the Group would be refinanced out of two large loans early in the financial year; due to the borrower's then-stated intentions to list on the stock exchange, which did not occur.
Fair value gains on financial instruments	The positive variance of $80.8 million relates primarily to mark-to-market valuation of the Group's investment in fixed interest bonds, included in Other debt instruments, held at FVTPL which have increased in value as a result of declining market interest rates. The budget did not contemplate any mark-to-market changes in the value of Other debt instruments as these are a function of external market factors.
Profit on sale of assets	The positive variance of $11.2 million relates primarily to the opportunistic sale of an equity interest in the Granville Harbour wind farm, a partial sell down of an interest in a property trust and the earlier than forecast sale of a bank bond.

Notes to Consolidated Financial Statements

Note 8: Other Information continued

Affected Line Items	Explanations of Major Variances
Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity:	
Cash and cash equivalents	Cash and cash equivalents are $113 million higher than budget, largely as a result of the Group's committed equity investment into an infrastructure fund not yet being drawn.
Trade and other receivables	Trade and other receivables, mainly accrued interest and fees, are $11.4 million higher than budget due to timing differences in when interest payments are due under loan agreements and bond facilities compared with the budget assumptions. While most loans have contractual interest payment dates coinciding with calendar quarters, three large loans, including two which the budget had assumed would refinance early, have their interest payment date in July.
Loans and advances	Loans and advances are $46.1 million higher than budget due to the budgeted repayment of two large loans early in the year; due to the borrower's then-stated intentions to list on the stock exchange, not occurring.
Other debt securities	Other debt securities are $143.9 million higher than budget due to fair value gains of $71.2 million on bonds held at FVTPL as a result of the lower market interest rates; purchase of the first green bond issued by a major retail group; and the earlier than budgeted purchase of bank bonds as a result of the bank aggregation partners' originating green loans to SME borrowers faster than originally anticipated. These were partly offset by the sale of a green bond, following a corporate restructure by the issuer group, and a bank bond in connection with amortisation of that bank's on-lending to SME borrowers under their aggregation programme.
Equities and units in trusts	Equities and units in trusts are $198.3 million lower than budget primarily as a result of the Group's committed $150 million equity investment into an infrastructure fund not yet being drawn.
Equity accounted investments	Equity accounted investments are $173.3 million lower than budget due to committed investments, classified as Associates and Joint Ventures, calling for funds at a slower rate than anticipated in the budget.
Deferred revenue	Deferred revenue is $11.8 million higher than budget as a greater number of new loans than was forecast reached financial close in the financial year, which triggered the payment of establishment fees to the CEFC by the borrowers, and two deals that were budgeted to refinance (which would have resulted in the deferred revenue being recognised) did not. Since the establishment fees are deferred and recognised using the effective interest rate method over the loan tenor which spans a number of years, the majority of the fees received remain in deferred revenue at 30 June 2019.
Contributed equity	The Corporation drew $70 million more than was budgeted from the CEFC Special Account in the current year but $300 million less than had been anticipated in the 2017–18 financial year (due to investment delays described in that year's variance comments), resulting in a net variance of $230 million.
Reserves	Reserves are $29.3 million lower than budget due to the fair value gains booked to 30 June 2018 being reclassified to Retained Surplus upon adoption of the new accounting standard AASB 9.
Retained Surplus	The retained surplus at 30 June 2019 is $184.7 million higher than budget with: $149.8 million due to the higher than budgeted surplus generated in the year, discussed under Consolidated Statement of Financial Income above; $13.7 million due to the opening balance impact of adopting AASB 9; and $21.1 million due to the higher than budgeted opening balance.
Total equity	Total Equity at 30 June 2019 is $74.6 million lower than budget due to: Contributed equity $230.0 million and Reserves $29.3 million lower than budget partly offset by Retained surplus exceeding budget by $184.7 million.

Affected Line Items	Explanations of Major Variances
Consolidated Cash Flow Statement:	
Net cash from operating activities	The $12.1 million positive variance to budget is largely a reflection of the lower than budgeted employment related costs in the financial year.
Principal loan repayments received	The $184.8 million shortfall to budget is principally a result of the budget assuming that the Group would be refinanced out of two large loans early in the year, due to the borrower's then-stated intentions to list on the stock exchange which did not occur.
Sale of other debt securities	The $74.2 million increase, compared to budget, includes the sale of a green bond, following a corporate restructure by the issuer group, and a bank bond no longer required to support one bank's on-lending to SME borrowers under its aggregation program due to amortisation of the underlying loans.
Sale of equities and units in trusts	The $24.2 million variance relates to the sale of units in a property trust, under a liquidity window announced by the issuer, in order to realise some of the valuation gains.
Sale of investment in associates and joint ventures	The $40.7 million includes the proceeds on sale of the Group's interest in a wind farm development and equalisation payments received from an agriculture fund, where the Group was a cornerstone investor, upon that fund attracting additional investors.
Loans made to other parties	Cash used to fund loans made to other parties is $163.3 million ahead of budget largely due to loans which had been budgeted to draw down in the financial year ended 30 June 2018 being delayed into the financial year ended 30 June 2019.
Purchase of other debt securities	The amount invested in other debt securities during the year exceeds budget by $168.9 million largely as a result of the purchase of the first green bond issued by a major retail group and timing differences on the purchase of bank bonds, as a result of bank aggregation partners originating green loans to SME borrowers faster than originally anticipated.
Purchase of equities and units in trusts	The amount invested is $163.6 million lower than budget largely as a result of the Group's committed $150 million equity investment into an infrastructure fund not yet being drawn.
Contributed equity	The Corporation drew $70.0 million less than budgeted from the CEFC Special Account as a result of the higher than budgeted cash balance at 1 July 2018 and the higher than budget cash inflow from operating activities exceeding the higher than budgeted net cash outflow for investing activities.
Cash and cash equivalents at the beginning of the reporting period	Cash and cash equivalents at 1 July were $264.3 million higher than budget as investments that were expected to reach financial close and draw down in June 2018 were delayed.
Cash and cash equivalents at the end of the reporting period	Cash and cash equivalents at 30 June 2019 are $113 million higher than budget, largely as a result of the Group's committed equity investment into an infrastructure fund not yet being drawn.

Appendices

04

Appendix A: Index of Annual Reporting requirements

Figure 29: Index of CEFC Annual Reporting requirements

Statutory requirement	Legislation reference	Section	Page
Index of *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) Annual Reporting Requirements			
Provision of Annual Report (including financial statements and performance report) to responsible Minister by 15 October each year	PGPA Act, section 46	Letter of Transmittal	iii
Board statement of approval of Annual Report with section 46 of the PGPA Act	PGPA Act, section 46 PGPA Rule, section 17BB	Letter of Transmittal	iii
Annual performance statements	PGPA Act, section 39 PGPA Rule, section 16F and 17BE(g)	1	
Board statement of compliance of performance report with section 39 of the PGPA Act	PGPA Act, section 39 PGPA Rule, section 16F	1	
Annual financial statements for Commonwealth entities	PGPA Act, sections 42 and 43(4) PGPA (Financial Reporting) Rule 2015, Australian Accounting Standards	3	
Board statement of compliance of the financial statements with section 42(2) of the PGPA Act	PGPA Act, section 42, PGPA (Financial Reporting) Rule 2015	3	
Parliamentary standards of presentation	PGPA Rule, section 17BC	Full report	All
Publication on *transparency.gov.au*	PGPA Rule, section 17BCA	Full report	All
Plain English and clear design, including glossary	PGPA Rule, section 17BD	Full report	All
Details of the legislation establishing the 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	
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)	No incidents reported	N/A

Statutory requirement	Legislation reference	Section	Page
Statement of any significant issue reported to the responsible Minister under section 19(1)(e) of the PGPA Act that relates to non-compliance with the finance law and an outline of the action that has been taken to remedy the non-compliance	PGPA Rule, sections 17BE(h) and (i)	No incidents reported	N/A
Information on the Board and Board members	PGPA Rule, section 17BE(j)	2, 3	
Outline of the organisational structure (including subsidiaries)	PGPA Rule, section 17BE(k)	2	
Statistics on employees	PGPA Rule, section 17BE(ka)	Appendix E	
Outline of the location of major activities or facilities	PGPA Rule, section 17BE(l)	Inside front cover	Inside front cover
Main corporate governance practices used	PGPA Rule, section 17BE(m)	2	
Related entities, transactions and decision-making process	PGPA Rule, sections 17BE(n) and (o)	2, 3	
Any significant activities and changes that affected the operations or structure	PGPA Rule, section 17BE(p)	2	
Particulars of judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the operations	PGPA Rule, section 17BE(q)	2	
Particulars of any report on the entity given during the period by: – the Auditor General, other than a report under section 43 of the PGPA Act; or – the Commonwealth Ombudsman; or – the Office of the Australian Information Commissioner	PGPA Rule, section 17BE(r)	2	
Explanation where required information is unable to be obtained from subsidiaries	PGPA Rule, section 17BE(s)	Not applicable	N/A
Details of any indemnity that applied to the Board, Board members or Officers	PGPA Rule, section 17BE(t)	2	
Information about executive remuneration	PGPA Rule, Section 17BE(ta)	Appendix G	
The list of requirements as set out in Schedule 2A of the PGPA Rule that references where those requirements are to be found in the Annual Report	PGPA Rule, section 17BE(u)	Appendix A	
Publish report on entity website	PGPA Rule, section 30A	Full report	All

Appendix A: Index of Annual Reporting requirements

continued

Statutory requirement	Legislation reference	Section	Page
Index of *Clean Energy Finance Corporation Act 2012* (CEFC Act) requirements			
Total value of section 63 investments, by reference to the class of clean energy technologies	CEFC Act, section 74(1)(a)	1	
Realisation of any section 63 investments	CEFC Act, section 74(1)(b)	Appendix B	
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, Appendix G	
Operating costs and expenses	CEFC Act, section 74(1)(g)	3, Appendix C	
Benchmark report of operating costs and expenses of other comparable entities	CEFC Act, section 74(1)(h)	Appendix C	
Procurement contracts of more than $80,000	CEFC Act, section 74(1)(i)	2	
Credits and debits to the CEFC Special Account	CEFC Act, section 74(1)(j)	2, 3	
Reporting on each of the things referred to in sections 74(1)(d) to (i) of the CEFC Act for subsidiaries	CEFC Act, section 74(2)	2, 3	
Index of Clean Energy Finance Corporation Investment Mandate Direction 2018 requirements			
Reporting on non-financial investment outcomes, Clean Energy Innovation Fund, Sustainable Cities Investment Program and Reef Funding Program	Investment Mandate, section 15	1	
Other statutory Annual Reporting requirements			
Equal Employment Opportunity Report	Equal Employment Opportunity (Commonwealth Authorities) Act 1987, section 9	Appendix E	
Work Health and Safety Report	Work Health and Safety Act 2011, Schedule 2, Part 4, section 4	Appendix F	
Environmental Performance and Ecologically Sustainable Development Report	Environment Protection and Biodiversity Conservation Act 1999, section 516A	Appendix D	

Appendix B: Realised investments

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

- most investments are repaid or realised in the ordinary course of events, but some of these are repaid or sold earlier than expected; and
- some investment commitments are never drawn, for example because the borrower fails to meet conditions precedent. They are reported here for the sake of completeness.

Figure 30: Investments realised through repayment in 2018–19

Borrower/project	Investment	Commitment	Repayment	Outcome
Ottoway Fabrication, SA	Finance for wind tower manufacturer in Whyalla	2017–18	$4,160,244	Debt fully repaid at maturity; project fully implemented
Flexi ABS Trust 2016-1	Participation in green bond issuance backed by residential rooftop solar	2016–17	$20,000,000	Green bond fully repaid
SEA Automotive Pty Ltd, Victoria	Working capital financing structure to support orders for electric truck range	2016–17	$1,231,476	Debt refinanced prior to maturity
Great Lakes Council, NSW	Finance for energy efficiency upgrades to council building and aquatic centre	2012–13	$122,649	Debt fully repaid at maturity; project fully implemented
Uterne Power Plant Pty Ltd, NT	Finance for 5MW solar portfolio in remote areas and Alice Springs	2013–14	$13,000,000	Debt refinanced prior to maturity; underlying project fully implemented
Yulara Solar Pty Ltd, NT	Finance for 1.8MW solar system at Voyages Resort	2014–15	$4,599,083	Debt refinanced prior to maturity; underlying project fully implemented
Palisade Investment Partners	Construction of the 112MW Granville Harbour Wind Farm, Tasmania	2017–18	$25,410,000	Sale of underlying asset stake; equity investment fully repaid
Investa Office Fund (IOF)	Participation in inaugural Green Medium Term Note	2016–17	$20,000,000	Sale of green bond
Warrnambool City Council, Victoria	Finance for 2,200 energy efficient residential streetlights	2012–13	$597,318	Debt fully repaid at maturity; project fully implemented
RES, Victoria	Construction of 240MW Ararat Wind Farm	2015–16	$67,000,000	Debt refinanced prior to maturity; project fully implemented
Australian Agricultural Company (AACo)	Co-financing for solar PV across 15 beef producing sites, Queensland	2012–13	$442,972	Debt fully repaid at maturity; project fully implemented

Appendix B: Realised investments
continued

Borrower/project	Investment	Commitment	Repayment	Outcome
Baw Baw Shire Council, Victoria	Finance for 2,660 energy efficient residential streetlights	2013–14	$546,982	Debt fully repaid at maturity; project fully implemented
Neoen Australia	Construction of 35.9MWdc (30MWac) Griffith Solar Farm, NSW	2016–17	$40,849,372	Debt refinanced prior to maturity; project fully implemented*
Neoen Australia	Construction of 28MWdc (23.7MWac) Dubbo Solar Hub, NSW	2016–17	$30,621,218	Debt refinanced prior to maturity; project fully implemented*
Neoen Australia	Construction of 65.8MWdc (55MWac) Parkes Solar Farm, NSW	2016–17	$79,526,789	Debt refinanced prior to maturity; project fully implemented*
Windlab Ltd	Working capital to finance asset management and retained interests in operating wind farms	2015–16	$6,000,000	Debt refinanced prior to maturity*
Mount Alexander Shire Council, Victoria	Finance for energy efficient building upgrade, including lighting	2012–13	$105,679	Debt fully repaid at maturity; project fully implemented

* The CEFC remains involved as financier in the re-financed facility.

Figure 31: Investments partially realised, contractually cancelled, allowed to expire or reduced in 2018–19

Borrower/project	Investment	Commitment	Change	Explanation
Palisade Investment Partners	Ross River Solar Farm (142 MWdc, 116 MWac) Queensland	2016–17	$540,000	Reduced financial close requirements
ResourceCo Pty Ltd	Construction of Process Engineered Fuel manufacturing facilities	2016–17	$20,000,000	Reduced, due to sale of business
Westpac	Energy efficient finance program for Westpac customers	2015–16	$10,000,000	Reduced, as agreed with Westpac
Kwinana WtE Finance Co Pty Ltd, WA	Financing of Avertas Energy energy from waste facility	2018–19	$541,305	Reduced – debt sizing at financial close
Housing Plus, NSW	Construction of energy efficient community housing in regional cities	2018–19	$164,068	Reduced – debt sizing at financial close
EG Funds Management	Equity fund to acquire and upgrade commercial office buildings	2014–15	$25,000,000	Reduced, as agreed with EG
Ratch-Australia Corporation Ltd	226.8MW Collector Wind Farm, NSW	2018–19	$5,381,580	Reduced debt sizing at financial close
Ratch-Australia Corporation Ltd	50MWdc (42MWac) Collinsville solar farm, Queensland	2016–17	$4,426,353	Reduced at term conversion; undrawn funds not required
CBA	CBA Energy Efficient Equipment Finance Program	2016–17	$49,692,150[1]	Sale of bond under the CBA Energy Efficient Equipment Finance Program
Investa Commercial Property Fund	Equity investment in energy efficient commercial property portfolio	2016–17	$23,300,729[2]	Sale of units in Investa Commercial Property Fund

1. *Proceeds received (original cost was $49,252,050).*
2. *Proceeds received (original cost was $18,578,375).*

Appendix C: Summary of operating costs and expenses and benchmark

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

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

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

About the CEFC structure

The CEFC is a corporate Commonwealth entity with an independent Board that makes investment decisions to invest in renewable energy, energy efficient and low emissions technologies according to the CEFC Act and ministerial directions supplied by an Investment Mandate. The CEFC'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 2019, the CEFC had 101 employees (99.59 full-time equivalent), based in Sydney (headquarters), Brisbane, Melbourne and Perth. The CEFC has drawing rights against the Clean Energy Finance Corporation Special Account maintained by the Department of the Environment and Energy.

Note on comparisons

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

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

Entities chosen for the purposes of comparison

In order to provide some meaningful comparison as required under section 74 of the CEFC Act, the CEFC has compared its consolidated 2018–19 operating costs and expenses against the latest publicly available information for three Government owned entities which were formed for public purpose with a commercial mode of operation:

1. Future Fund Board of Guardians as supported by the Future Fund Management Agency: Future Fund
2. Export Finance and Insurance Corporation, trading as Export Finance Australia from 1 July 2019: Efic
3. Northern Australia Infrastructure Fund: NAIF

Future Fund Management Agency (Future Fund) – structure

The Future Fund was established under Division 2 of Part 5 of the *Future Fund Act 2006* and is governed by an independent Board, which makes investment decisions according to ministerial directions supplied by an Investment Mandate.

The Future Fund is neither geographically nor sector limited to renewable and low carbon technology in the same way as the CEFC, and pursues a broad sectoral spread in a range of investments. At 31 March 2019 these were: Australian equities (6.5 per cent), global equities (26.4 per cent), private equity (15.4 per cent), property (7.0 per cent), infrastructure and timberland (8.2 per cent), alternative assets (14.0 per cent), debt securities (9.3 per cent) and cash (13.2 per cent). The Future Fund had circa AUD$154 billion funds under management, invested in Australia and overseas, as at 31 March 2019.

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

Export Finance and Insurance Corporation (Efic) – structure

Like the CEFC, Efic is a corporate Commonwealth entity governed by an independent Board. Efic operates on a commercial basis and partners but does not compete with banks. From 1 July 2019, Efic's trading name changed to Export Finance Australia. The organisation has four key functions under its enabling legislation:

1. To facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade.
2. To encourage banks and other financial institutions in Australia to finance or assist in financing exports.
3. To manage the Australian Government'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 totalling $194 million during 2017–18 and had exposures of some $2.61 billion at 30 June 2018 (made up of circa $2.0 billion on the Commercial Account and $0.61 billion on the National Interest Account).

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

Northern Australia Infrastructure Facility (NAIF) – structure

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

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

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

Appendix C: Summary of operating costs and expenses and benchmark
continued

Figure 32: Operating costs and expenses benchmark – Comparison with Annual Reports

	CEFC 2018–19		Future Fund 2017–18 (c)		EFIC 2017–18 (c), (d)		NAIF 2017–18 (c)	
	$'000	%	$'000	%	$'000	%	$'000	%
Employee Benefit Expenses								
Wages and salaries	24,864		46,987		17,200		3,905	
Superannuation	1,479		2,673		1,700		311	
Leave and other entitlements	375		1,062		200			
Other expenses	633		–		900		441	
Total Employee Benefit Expenses	**27,351**	**41**	**50,722**	**21**	**20,000**	**11**	**4,657**	**53**
Board remuneration								
Wages and salaries	435		784					
Superannuation	41		81					
Total Board Remuneration	**476**	**1**	**865**	**0**	**–**	**0**	**0**	**0**
Total Employee and Board Remuneration and Benefits	**27,827**	**42**	**51,587**	**21**	**20,000**	**11**	**4,657**	**53**
Other costs								
Interest expense	–	0			144,800	82		
Provision for impairment and irrevocable loan commitments (h)	23,099	35			(200)	0		
Concessional loan discount (b)	3,922	6						
Professional fees and expenses	3,142	5	141,499	57	1,160	1	1,191	13
Other investment portfolio expenses	1,141	2	20,469	8	800	0	4	0
Travel and incidentals	1,240	2			600	0	597	7
Office facility costs	2,104	3			1,500	1	292	3
Insurance	291	0					20	0
Marketing and Communications	710	1			1,200	1	57	1
Depreciation and amortisation	1,031	2	2,668	1	5,000	3		
Auditors' remuneration	252	0	205	0	240	0		
Administrative, IT and other expenses	1,335	2	30,721	13	1,100	1	2,029	23
Total Expenses	**66,094**	**100**	**247,149**	**100**	**176,200**	**100**	**8,847**	**100**

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 2017–18 Annual Report since 2018–19 Information is not available at the time of preparing this report.*
d. *Costs are shown gross before National Interest Account allocation.*
e. *From Portfolio Budget Statements 2019–20 for the Finance Portfolio.*
f. *From Portfolio Budget Statements 2019–20 for the Industry, Innovation and Science Portfolio.*
g. *Efic does not appear separately in the 2019–20 Portfolio Budget Statements and its 2018–19 Corporate Plan does not provide this level of detail.*
h. *The new accounting standard AASB 9 changed the methodology for calculating impairment provisions with effect from 1 July 2018 for entities with a 30 June financial year end.*

Figure 33: Operating costs and expenses benchmark – Comparison with Portfolio Budget Statements

	CEFC 2018–19 (actual)		Future Fund 2018–19 (estimate) [(e)]		NAIF 2018–19 (estimate) [(f)]	
	$'000	%	$'000	%	$'000	%
Employee benefits	27,827	42	49,691	10	7,608	65
Supplier costs	10,215	15	453,269	89	4,046	35
Depreciation and amortisation	1,031	2	4,772	1		
Concessional loan discount [(b)]	3,922	6				
Allowance for impairment of assets and irrevocable loan commitments	23,099	35				
Total Expenses	**66,094**	**100**	**507,732**	**100**	**11,654**	**100**

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 2017–18 Annual Report since 2018–19 Information is not available at the time of preparing this report.*
d. *Costs are shown gross before National Interest Account allocation.*
e. *From Portfolio Budget Statements 2019–20 for the Finance Portfolio.*
f. *From Portfolio Budget Statements 2019–20 for the Industry, Innovation and Science Portfolio.*
g. *Efic does not appear separately in the 2019–20 Portfolio Budget Statements and its 2018–19 Corporate Plan does not provide this level of detail.*
h. *The new accounting standard AASB 9 changed the methodology for calculating impairment provisions with effect from 1 July 2018 for entities with a 30 June financial year end.*

Appendix D: Environmental Performance and Ecologically Sustainable Development Report

In 2018–19, the CEFC made new investment commitments of almost $1.5 billion, across a range of transactions designed to deliver lower emissions. These commitments enable the CEFC to directly apply the principles of Ecologically Sustainable Development (ESD) to our activities, in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Figure 34: ESD activities 2018–19

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

Figure 35: Environmental performance reporting

Theme	Steps taken to improve CEFC ESD performance	Further measures to improve CEFC ESD outcomes
Energy efficiency and emissions reduction	The CEFC has a range of measures in place to increase its own energy efficiency and emissions reduction, including: – open plan offices, allowing for increased occupant density and enhanced control of air conditioning systems – energy efficient laptops and monitors, which employees are encouraged to turn off at the end of each day – efficiency lighting and controls in our Sydney, Melbourne, Perth and Brisbane offices – centralised printing facilities, allowing for fewer high capacity multi-function devices, which have energy saving modes when not in use	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. As well as our investments, which seek to make a positive contribution to ESD principles, we are also committed to reducing our own carbon footprint, including adopting opportunities for increased energy efficiency where possible. We undertake an annual assessment of our organisational footprint in accordance with the Australian Government National Carbon Offset Standard (NOCS) and offset our carbon emissions through an accredited scheme.

Theme	Steps taken to improve CEFC ESD performance	Further measures to improve CEFC ESD outcomes
Energy efficiency and emissions reduction continued	– reduction in inter-office business travel through each office having sophisticated video conferencing facilities – electricity consumption and flight use communicated to staff on a quarterly basis to encourage behavioural change – Brisbane, Perth and Sydney office leases each have a 5 Star NABERS Energy Rating for the base building – Melbourne office lease is targeting 5 Star NABERS Energy Rating for the base building post refurbishment and is currently tracking at 4 Stars – end-of-trip facilities are provided in each of Brisbane, Melbourne, Perth and Sydney offices, with employees encouraged to walk, run, cycle or use public transport to and from work – no corporate car parking spaces or corporate vehicles provided to employees.	The CEFC's organisational carbon footprint was independently assessed and audited at 1,184 tCO_2-e for 2017–18, the latest available data. Our emissions have been fully offset via accredited carbon offset units. The CEFC was pleased to obtain NCOS certification for both 2016–17 and 2017–18. We will continue to maintain NCOS accreditation. The CEFC NCOS reports are available on the CEFC website.
Waste	The CEFC has a range of measures in place to reduce waste, including: – CEFC office furniture has been selected for its high recycled/recyclable content – as part of the relocation of the Brisbane office, furniture from the previous tenant was reused – all offices have waste recycling schemes and staff are encouraged to use the appropriate waste stream to reduce landfill waste – in Sydney and Brisbane, organic waste is put into a specific waste stream provided by the building manager – staff are given the opportunity to dispose of e-waste through specialised collection systems offered from time to time.	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. The CEFC strongly supports the internationally recognised waste hierarchy and actively promotes this with clients, co-investors and staff. Opportunities to improve waste outcomes are taken where available.
Water	The Sydney office has a black water system in operation. Our office leases also have the following NABERS Water ratings: – Melbourne 3 Stars – Perth 4.5 Stars – Sydney 4 Stars	The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. Opportunities to improve water outcomes are taken where available.

Appendix D: Environmental Performance and Ecologically Sustainable Development Report

continued

Environmental performance

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

Environmental performance indicators

The CEFC is a growing organisation, reflecting the increasing scale and breadth of new investment commitments and the investment portfolio under management. At 30 June 2019, the CEFC had 101 employees, including 99.59 full-time equivalents and the CEO, who is a full-time statutory officer under the CEFC Act. The CEFC continues to work to identify further ways to reduce its environmental impact per employee.

National Carbon Offset Accreditation

The CEFC operates with a commitment to minimise our impact on the environment. We seek to demonstrate a strong commitment to reducing the emissions associated with our own business activities, as well as the investments we make. In 2017–18, and for the second year, we engaged Pangolin Associates to undertake our carbon footprint assessment in accordance with the Australian Government National Carbon Offset Standard (NCOS).

The NCOS for Organisations provides best-practice guidance on how to measure, reduce, offset, report and audit emissions that occur as a result of the operations of an organisation. NCOS certification is undertaken annually and is based on carbon emissions borne from an organisation's operational activities such as work travel, electricity, staff commute, catering, cleaning, stationary, etc. Certification allows an Organisation to use the NCOS brand to publicly promote their carbon neutrality.

To offset its remaining emissions, the CEFC directly purchased carbon credit units from Landfill Gas Industries (LGI), a business that CEFC had previously provided finance to for clean energy projects. We purchased 2,000 Australian Carbon Credit Units (ACCUs) to offset against our carbon footprint for two consecutive years. The NCOS program requires the CEFC to publish a Public Disclosure Summary of its footprint, the efforts being undertaken to reduce its footprint and the amount and source of carbon offsets required to achieve neutrality.

Figure 36: Environmental performance indicators

Theme	ESD indicators	ESD performance: 2018–19
Energy efficiency	Total consumption of energy: includes energy consumed in CEFC office tenancies in the performance of CEFC operations.	Tenancy electricity consumed for CEFC operations (excluding travel in electric vehicles, trains, base building energy consumption and electricity consumed by staff working offsite): – Tenancy: 155,525kWh (a seven per cent increase on 2017–18, largely attributable to organisational growth in employees and the establishment of a Perth office) Total gas purchased/consumed for CEFC operations (excluding gas-powered travel and gas consumed by employees working offsite): – NIL Total cost for tenancy energy purchased per employee: – $426.22 (a 1.6 per cent increase from 2017–18)
	Total consumption of green energy: includes the purchase of energy from sustainable sources.	Green Power consumed/purchased: – $67,447kWh (a 24.7 per cent increase on 2017–18 owing to updates to green power procurement contracts) The balance of emissions produced by electricity is offset via carbon offsets.
	Total consumption of energy: includes transportation cost and distance travelled for vehicle and air transport respectively for the function of the agency to perform its duty.	Vehicle expenditure (including taxis, car rentals and train fares for staff when working offsite; the CEFC does not provide corporate vehicles): – $214,411 (a 27 per cent increase from 2017–18) Distance travelled by air for CEFC work-related purposes: – 2,529,960 kilometres (a 40 per cent increase from 2017–18 largely attributable to an increase in employee and business activity and establishment of a Perth office)
Water	Total consumption of water: includes all water consumed when undertaking the functions of the agency.	Water purchased/consumed ($/litre): – Unknown*
Waste	Total waste production: includes all waste (i.e. unwanted by-products) produced when undertaking the functions of the agency.	Waste produced (tonnes): – Unknown*
Greenhouse gas emissions	Total carbon emissions of agency under operational control and quantity offset.	Greenhouse gases produced (all emissions produced by the CEFC are to be offset via carbon offsets): – NIL

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

Appendix E: Equal Employment Opportunity Report

Reporting period

The CEFC reports its obligations under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (EEO Act) annually. This EEO report covers the period 1 July 2018 to 30 June 2019 inclusive.

EEO policy

The CEFC seeks to reflect the diverse nature of the Australian community and is committed to developing and supporting positive working relationships and a healthy and safe workplace. The CEFC Equal Employment Opportunity Policy sets out guidelines to help ensure individuals are employed, trained and promoted fairly, on merit, without discrimination and harassment.

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:

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

EEO monitoring and evaluation

The effectiveness of the EEO Policy is reviewed on a regular basis, and employee feedback is sought in relation to ongoing improvements. Since implementation, the CEFC has not identified any policies or practices that discriminate against, or any patterns of lack of equality of opportunity, in respect of women and designated groups.

Paid parental leave

The CEFC paid parental leave scheme includes enhanced payments to employees taking parental leave. During the reporting period, no employees used the CEFC's paid parental leave scheme and one employee used the CEFC's paid 'dad and partner' leave scheme. At 30 June 2019, four employees had applied for either future paid parental leave or future paid 'dad and partner' leave.

Flexible work arrangements

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

Of the CEFC's 101 employees, 21 (21.8 per cent) use formal, approved FWAs, including part-time hours, flexible work hours, compressed working week and/or working from home. This is a slight decrease from 24 employees in the previous reporting period. Of the employees with approved FWAs, five (25 per cent) are male.

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

Employee engagement survey

Employee feedback in relation to the CEFC's culture and practices was sought via the CEFC's staff engagement survey, held in May 2019. The engagement survey recorded a strong overall engagement score of 83 per cent, up from 73 per cent in 2018.

Employee promotions

During the reporting period, the CEFC promoted five employees.

Employee training and policies

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

Particulars of directions by responsible Ministers under S12

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

Diversity profile: CEFC employee statistics

At 30 June 2019, the CEFC had 101 employees, including 99.59 full-time equivalents and the CEO, who is a full-time statutory officer under the CEFC Act (excluding Board members).

The CEFC has 47 per cent female employees and 54 per cent male employees. This is a four per cent increase in female representation from the previous reporting period. The Executive team includes three women, representing 38 per cent the Executive team, which represents a 13 per cent increase compared to the previous reporting period.

Of the 14 new hires since the previous reporting period, nine were female (64 per cent) and five were male (36 per cent).

The proportion of employees born overseas has remained stable at 44 per cent. The CEFC's workforce is culturally diverse, with 44 employees from 20 countries, in addition to those born in Australia. The CEFC has 16 employees (16 per cent) who report that English is their second language.

During the reporting period, the average age of the workforce remained stable at 41.5 years.

To date, no employees have disclosed to the CEFC that they identify as being Indigenous, or have a disability, which is unchanged since the previous reporting period.

Appendix E: Equal Employment Opportunity Report
continued

Figure 37: CEFC employee diversity profile 30 June 2019

	Total	Male	Female	Born overseas	English 2nd language
Executive*	8	5	3	2	1
Executive Director	5	5	0	3	0
Head of Function	4	3	1	1	0
Director Platform	8	4	5	2	0
Director	15	10	5	7	2
Associate Director	20	11	9	11	2
Senior Associate	12	9	3	7	4
Associate	7	2	5	2	1
Manager/Specialist	17	6	11	7	5
Administration	5	0	5	2	1
TOTAL	101	54	47	44	16

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

Figure 38: CEFC EEO reporting comparison

	30 June 2018		30 June 2019	
EEO designated group	Staff	%	**Staff**	%
Female	40	43	47	47
Born overseas	38	41	44	44
English as a second language	11	12	16	16

Appendix F: Workplace Health and Safety Report

Reporting period

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

Health, safety and wellbeing initiatives

The CEFC is committed to the safety and health of its 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 wellbeing.

A respectful workplace

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

Employee training

New employees are provided with the CEFC Employee Handbook, which includes links to all CEFC policies, including the CEFC Code of Conduct and Ethics, and the policies for each of workplace bullying, discrimination and harassment; equal employment opportunity; and workplace health and safety. Mandatory online induction training in these policies is also provided and new employees are required to acknowledge their understanding of these policies and confirm they will behave in accordance with the expectations contained in them.

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

Public Interest Disclosure

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

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

Appendix F: Workplace Health and Safety Report
continued

Workplace safety

The CEFC Board has a legal duty to implement and monitor systems which ensure safe working conditions at the CEFC as far as reasonably practicable. The Board framework for managing this includes:

- operating within the CEFC risk appetite and maintaining a Risk Management Framework;
- maintaining Corporate Policies and Procedures; and
- monitoring any WHS incidents and/or near misses.

During 2018–19, the CEFC had up to seven emergency wardens in the Sydney, Brisbane and Melbourne offices. These emergency wardens have conducted emergency response and evacuation training in accordance with requirements under New South Wales, Queensland and Victorian law.

The CEFC also has eight certified First Aid Officers, who complete annual certification. 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

In December 2018 the CEFC introduced a staff Wellness Program. A number of initiatives have been introduced, including a corporate partnership which provide employees with access to competitive rates for fitness programs.

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

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

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

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

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

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

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

Health and safety outcomes

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

Notifiable incidents

There were no notifiable incidents (i.e. deaths, serious injuries or illnesses 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 G: Executive remuneration reporting

In accordance with the *Public Governance, Performance and Accountability Rule 2014*, the CEFC has set out below the remuneration approach for Key Management Personnel (KMP), including the CEFC non-executive Board and senior executive team, and Other Highly Paid Staff (OHPS).

CEFC remuneration is calculated and disclosed in accordance with AASB 119 *Employee Benefits*. All amounts are calculated and disclosed on an accruals basis.

Governance arrangements

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

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

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

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

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

Executive remuneration policies and practices

Executives are employed on individual contracts, with terms and conditions based on the National Employment Standards contained in the *Fair Work Act 2009*. KMPs are not covered by the *Australian Government Industry Award 2016*, which applies to other CEFC employees, including any OHPS, whose remuneration is shown in Figure 40.

During 2018–19, the total reward for Executives included fixed remuneration (base salary plus superannuation), in addition to variable compensation.

Fixed remuneration is determined with reference to market benchmarking data to support the recruitment and retention of Executives with the required skills to manage the CEFC's diverse functional areas. Remuneration data is provided by the Financial Industry Remuneration Group (FIRG), across large, medium and smaller organisations, both in the private and public sectors.

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

Variable compensation plan

After a qualifying period, Executives are invited to participate in the CEFC Variable Compensation Plan which covers performance-based remuneration. In developing the Variable Compensation Plan, consideration was given to the CEFC Act; Investment Mandate; requirements of the charters of both the CEFC Board and Board People and Culture Committee; the Prudential Standards of Australian Prudential Regulation Authority (APRA); and other relevant legislation. The CEFC Board reserves the absolute right to suspend or alter the Variable Compensation Plan at any time.

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

“On target” variable compensation is 50 per cent of fixed remuneration for the CEO and 30 per cent of fixed remuneration for other Executives included within KMP and OHPS at senior levels. “On target” variable compensation for OHPS ranges between 15 and 30 per cent, depending on career level. Higher percentage “outperformance” awards are available for all staff, excluding the CEO.

Variable compensation payments to the CEO, other Executives included within KMP and OHPS at senior levels reflect a “split weighting” between corporate and individual components, of 75 per cent and 25 per cent respectively. Payments to OHPS at lower career levels are based on a 100 per cent individual component.

All recommendations in relation to payments to the CEO and other Executives included within KMP may be adjusted by the Board People and Culture Committee, with recommendations made to the Board for approval prior to payment. All payments under the Variable Compensation Plan are made at the Board’s absolute discretion.

In line with industry practice, payments to the CEO, other Executives included within KMP and OHPS at senior levels are subject to a deferral, with 25 per cent of the annual variable compensation payment retained by the CEFC. The retained amount is paid in three equal instalments over three years, provided there are no adverse matters arising in relation to transactions, breaches of practice, reputational damage, acts of malice or fraud committed by the individual.

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

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

Key Management Personnel

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

In the 2018–19 year, the senior executive team included the Chief Executive Officer; Chief Financial Officer; Chief Governance and Strategy Officer (until 30 November 2018); General Counsel/Company Secretary; two Chief Investment Officers; the Chief Investment Risk Officer (until 21 September 2018); the Chief Risk Officer (from 24 September 2018); the Chief Asset Management Officer (from 29 January 2019); and the Executive Director, People and Culture.

Appendix G: Executive remuneration reporting
continued

Figure 39: KMP Remuneration 2018–19

		Short-term benefits				
Name	Position title	Annual fees ($)	Base salary[1] ($)	Performance based compensation ($)	Movement in leave provisions[2] ($)	Other benefits and allowances[7] ($)
Non-Executive Board Members:						
Steven Skala	Chair	108,680	–	–	–	–
Leeanne Bond	Director	54,340	–	–	–	–
Samantha Tough	Director	54,340	–	–	–	–
Nicola Wakefield Evans	Director	54,340	–	–	–	–
Philip Coffey	Director	54,340	–	–	–	–
Laura Reed	Director	54,340	–	–	–	–
Andrea Slattery	Director	54,340	–	–	–	–
CEO and Senior Executive Team:						
Ian Learmonth	Chief Executive Officer	–	549,450	210,000	(9,107)	–
Andrew Powell	Chief Financial Officer	–	396,389	138,750	13,809	–
Leanne McDonald	Executive Director People and Culture	–	319,313	101,250	1,773	–
Stephen Panizza[3]	Chief Investment Risk Officer	–	97,664	–	3,746	–
Kevin Holmes[4]	Chief Governance and Strategy Officer	–	179,059	–	(3,567)	–
Rebecca Cottrell	General Counsel	–	349,450	120,000	(22,168)	–
Ludovic Theau	Chief Investment Officer	–	422,450	150,000	12,386	–
Paul McCartney	Chief Investment Officer	–	395,989	150,000	(530)	–
Michael Johnston[5]	Chief Risk Officer	–	288,626	92,055	(13,005)	–
Sara Leong[6]	Chief Asset Management Officer	–	167,461	53,096	14,066	–
Total		**434,720**	**3,165,851**	**1,015,151**	**(2,598)**	**–**

Notes:

1. *Base Salary is "grossed-up" for any amounts sacrificed by a KMP for the purchase of additional leave (maximum two weeks).*
2. *Movement in annual leave provisions is shown separately from Base Salary. KMPs accrue a maximum of four weeks annual leave per year. A positive movement means more leave was accrued than was taken in the year.*
3. *Remuneration for Mr Stephen Panizza is shown for the period to 21 September 2018, following his resignation as Chief Investment Risk Officer.*
4. *The role of Chief Governance and Strategy Officer was made redundant during the year. Accordingly, remuneration for Mr Kevin Holmes is shown for the period to 30 November 2018.*
5. *The role of Chief Risk Officer came into effect from 24 September 2018. Accordingly, remuneration for Mr Michael Johnston is from that period. Prior remuneration for Mr Johnston is reported as part of Figure 40 relating to OHPS.*
6. *Remuneration for the Chief Asset Management Officer is for the period from 29 January 2019, when Ms Sara Leong was appointed to the CEFC.*
7. *The CEFC does not provide benefits or allowances (such as car parking and motor vehicle benefits, housing benefits, and health benefits and the associated fringe benefits tax), resulting in $Nil consideration for the reporting period.*

Post-employment benefits	Other long-term benefits			Termination benefits	Total remuneration
Superannuation contributions ($)	Performance based compensation ($)	Long service leave ($)	Other long-term benefits ($)	Termination benefits ($)	Total remuneration ($)
10,325	–	–	–	–	119,005
5,162	–	–	–	–	59,502
5,162	–	–	–	–	59,502
5,162	–	–	–	–	59,502
5,162	–	–	–	–	59,502
5,162	–	–	–	–	59,502
5,162	–	–	–	–	59,502
20,550	70,000	11,561	–	–	852,454
20,550	46,250	10,889	–	–	626,637
20,550	33,750	4,067	–	–	480,703
4,747	–	(7,488)	–	–	98,669
9,880	–	8,071	–	232,634	426,077
20,550	40,000	7,995	–	–	515,827
20,550	50,000	11,838	–	–	667,224
20,550	50,000	11,172	–	–	627,180
15,802	30,685	10,449	–	–	424,612
10,670	17,699	1,378	–	–	264,368
205,696	**338,384**	**69,931**	**–**	**232,634**	**5,459,769**

Appendix G: Executive remuneration reporting
continued

Senior executives

The CEFC does not have any senior executives other than those already included within the KMP disclosures in Figure 39.

Other Highly Paid Staff

Other Highly Paid Staff (OHPS) are CEFC employees (excluding KPMs and senior executives) whose total remuneration exceeds the $220,000 threshold for the 2018–19 year.

Figure 40: Remuneration of OHPS

		Short-term benefits			
Remuneration band	Number of OHPS[3]	Average base salary[1] ($)	Average performance based compensation ($)	Average movement in leave provisions[2] ($)	Average other benefits and allowances[4] ($)
$0 to $220,000	1	88,131	37,260	9,294	–
$220,001 to $245,000	8	147,352	50,336	1,646	–
$245,001 to $270,000	6	180,673	55,826	2,102	–
$270,001 to $295,000	4	187,764	70,934	7,074	–
$295,001 to $320,000	3	176,289	48,333	(2,785)	–
$320,001 to $345,000	6	210,071	87,500	3,302	–
$345,001 to $370,000	4	238,613	84,250	1,819	–
$370,001 to $395,000	3	251,053	101,667	7,153	–
$395,001 to $420,000	2	264,787	122,500	2,228	–
$420,001 to $445,000	3	304,303	108,333	754	–
$445,001 to $470,000	1	275,123	145,000	4,791	–
$520,001 to $545,000	1	398,234	75,000	(3,408)	–
$545,001 to $570,000	2	365,653	116,250	4,088	–
$570,001 to $595,000	1	389,450	108,750	15,012	–

Notes:
1. *Base Salary is "grossed-up" for any amounts sacrificed by an individual for the purchase of additional leave (maximum two weeks).*
2. *Movement in annual leave provisions is shown separately from Base Salary. Individuals accrue a maximum of four weeks annual leave per year. A positive movement means more leave was accrued than was taken in the year.*
3. *Includes remuneration for Mr Michael Johnston to 24 September 2018, at which time he was appointed Chief Risk Officer.*
4. *The CEFC does not provide benefits or allowances (such as car parking and motor vehicle benefits, housing benefits, and health benefits and the associated fringe benefits tax), resulting in $Nil consideration for the reporting period.*

Post-employment benefits	Other long-term benefits			Termination benefits	Total remuneration
Average superannuation contributions ($)	Average performance based compensation ($)	Average long service leave ($)	Average other long-term benefits ($)	Average termination benefits ($)	Average total remuneration ($)
5,133	–	1,289	–	–	141,107
14,452	–	3,549	–	18,827	236,163
17,933	–	4,554	–	–	261,088
16,634	–	3,801	–	–	286,207
16,232	–	(458)	–	71,744	309,354
19,524	–	5,067	–	–	325,465
20,448	–	6,322	–	–	351,452
20,550	–	7,119	–	–	387,541
20,550	–	6,938	–	–	417,003
20,550	–	7,637	–	–	441,578
20,550	–	9,344	–	–	454,808
20,550	25,000	11,248	–	–	526,625
20,550	38,750	10,307	–	–	555,597
20,550	36,250	5,002	–	–	575,014

Glossary

Term	Description
Abatement	Refers to reductions in CO_2-e emissions.
Aggregation finance	The provision of CEFC finance via co-finance intermediary partners, to aggregate customer demand that would otherwise be too expensive to be serviced directly by the CEFC.
Appropriations	The means by which money from the Treasury is made available to the Australian Government by the Parliament.
Clean Energy Finance Corporation Act 2012 (CEFC Act)	The enabling legislation which creates and empowers the CEFC.
Clean Energy Innovation Fund	The Clean Energy Innovation Fund is a specialist financier focused on early-stage clean energy companies. It draws on CEFC finance to provide primarily equity finance to innovative clean energy projects and businesses which involve renewable, energy efficiency and low emissions technologies. The Innovation Fund operates with the assistance of ARENA.
Clean energy and clean energy technology	The types of technology the CEFC is permitted to invest in, which includes 'renewable energy technologies', 'energy efficiency technologies' and 'low emissions technologies' as defined in the CEFC Act.
Climate (or green) bonds	A specific type of green bond issued by the Climate Bond Standards and Certification initiative.
CO_2-e	Carbon dioxide equivalent is a standard measure that takes account of the different global warming potential of greenhouse gases and expresses the cumulative effect in a common unit, as defined in the Australian National Carbon Offset Standard.
Co-finance partner, co-financed products	CEFC finance is indirectly provided to end users via a third party, such as a bank or financial institution. The CEFC develops products with co-financiers to leverage their capital and customer networks. These products can be distinguished from a direct CEFC loan where the finance moves directly from the CEFC to the project owner.
Committed investment	Where the CEFC has made a commitment to invest funds if all necessary pre-conditions are fulfilled by the counterparties.
Concessionality	Concessionality is defined by the Investment Mandate and reflects the mark-to-market valuation of loans committed that financial year. It is measured as the difference between the net present value of each loan's future cash flows, discounted at market rates, and the net present value of each loan's future cash flows, discounted at the given concessional rate.
Cornerstone investor	Cornerstone investors are usually large institutional investors, or reputable individuals of substance, whose early stage involvement in an investment signals to the market that an opportunity may be worthwhile for other investors to also consider.
Corporate facility or corporate loan	Typically, a loan to a company (rather than a specific project) for smaller-scale projects, or a bundle of projects, often secured against the assets or operations of the corporate entity.
Dollars ($)	All references to dollars are Australian dollars unless otherwise specified.
Ecologically Sustainable Development (ESD)	A set of principles that corporations and government entities must report against under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).
Energy efficiency technologies	Energy efficiency technologies, as defined in the CEFC Act, include technologies (including enabling technologies) that are related to energy conservation and demand management technologies.

Term	Description
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	The Australian Government's central piece of environmental legislation, which provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places.
External benefits	Benefits that are enjoyed by parties outside a transaction e.g. emissions reduction that benefits the environment.
Forecast lifetime yield	The annualised weighted average of forecast income on outstanding principal balance over the life of the investment.
Government Policy Order	An instrument to direct government entities made under the PGPA Act.
Greenhouse gases	The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO_2-e), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Hybrid technology	A combination of technologies that integrate a renewable energy generation technology with other technologies into a combined system.
Investment Mandate	A formal Ministerial Direction made under the CEFC Act which specifies conditions under which the CEFC may perform its investment function.
Key management personnel	Key Management Personnel (KMPs) are Board Members and staff who have the authority and responsibility for planning, directing and controlling the activities of the CEFC, directly or indirectly, including non-executive Board members, the CEO and other members of the senior executive team reporting to the CEO.
Large-scale	In reference to renewables, a power station large enough to earn certificates under the LRET (i.e. above 100kW for solar PV).
Large-scale generation certificates	Tradeable certificates created under Section 17 of the *Renewable Energy (Electricity) Act 2000*. One LGC is equivalent to 1MWh (megawatt hour) of eligible renewable electricity produced by an accredited renewable power station above its baseline.
Large-scale Renewable Energy Target	The LRET creates a financial incentive for the establishment or expansion of renewable energy power stations, such as wind, solar farms and hydro-electric power stations. It does this by legislating demand for Large-scale Generation Certificates (LGCs). One LGC can be created for each megawatt hour of eligible renewable electricity produced by an accredited renewable power station.
Lifetime abatement	The estimated amount of abated emissions over a project's useful life.
Low emissions technology	The CEFC Board considers low emissions technologies on a case-by-case basis. See the Investment Guidelines on the CEFC website: www.cefc.com.au.
Marginal loss factors	Marginal Loss Factors (MLFs) modify the revenue received by electricity generators to reflect electricity 'lost' along the transmission and distribution networks. MLFs are calculated by AEMO annually under the National Electricity Rules.
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.

Glossary
continued

Term	Description
Nationwide House Energy Rating Scheme: NatHERS	A national star rating system that rates the energy efficiency of a home, based on its design.
National Electricity Market: NEM	A regulated electricity trading market that interconnects the electricity grids of the States and Territories of New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT.
National Energy Productivity Plan: NEPP	A COAG Energy Council agreed package of measures to improve Australia's energy productivity by 40 per cent between 2015 and 2030.
Off-grid	Not connected to the electricity grid, such as in remote areas.
Offtake agreement	An agreement between a producer (of energy or crops) and a purchaser to purchase production output for a defined period at a defined price.
Other Highly Paid Staff	Other Highly Paid Staff (OHPS) are CEFC employees (excluding KPMs and senior executives) whose total remuneration exceeds the $220,000 threshold for the 2018–19 year.
Photovoltaic	A type of technology that converts energy from the sun into electricity, as in solar PV.
Portfolio Benchmark Return	A long-term target rate of return established by the CEFC Investment Mandate, against which the performance of the portfolio invested by the Corporation is measured.
Positive externalities	Benefits which are not exclusive to parties to a contract, such as an investment contract. May include reduced carbon emissions which benefit society as a whole. It is a requirement of the CEFC Investment Mandate that positive externalities be considered when the CEFC makes investment decisions.
Power Purchase Agreement	A type of offtake agreement where a purchaser agrees to purchase and a supplier agrees to supply future generated electricity, usually at a specified price for a defined period.
Project finance	Long-term financing of infrastructure and industrial projects (such as a utility-scale generator or an onsite generation facility) which will be repaid from the projected cash flows of the project without recourse to the balance sheets of the sponsors.
Project proponents	The 'proposers' or owners of a given project, as distinct from the project financiers.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.
Reef Funding Program	The Reef Funding Program is financing clean energy projects in the Great Barrier Reef Catchment Area, supporting delivery of the Reef 2050 plan and the long-term health of the Great Barrier Reef. CEFC finance is directed to eligible projects across renewable energy, energy efficiency and low emissions technologies.
Refinancing	Repayment of an existing loan with a new loan.
Renewable Energy Target	A target for the production of electricity from renewable energy sources under the *Renewable Energy (Electricity) Act 2000*. Made up of the small-scale renewables scheme (SRES) and the large-scale target (LRET).
Renewable energy technologies	Clean energy technologies that are defined as 'renewable energy technologies' under the CEFC Act, and include hybrids that integrate renewable energy technologies, and technologies that are related to renewable technologies, including enabling technologies.

Term	Description
Renewable Energy Zones	Areas in the NEM where clusters of large-scale renewable energy can be efficiently developed, promoting economies of scale in high-resource areas, capturing important benefits from geographic and technological diversity in renewable resources, and recognising the critical physical must-have requirements for power system security.
Roll-off	Investment amounts that exit the portfolio (e.g. by sale, repayment, cancellation of all or part of the facility, reduction in quantum borrowed etc).
Senior debt	Debt that takes priority in repayment over other unsecured or more junior debt.
South West Interconnected System	The largest interconnected power system in Western Australia, the South West Interconnected System (SWIS) incorporates over 7,800 Kilometres of transmission lines, 5,798MW of registered generation capacity (including 513MW of non-scheduled generation), providing 18 terawatt hours of electricity supply each year to serve more than one million customers.
Special Account	A type of Australian Government account in which funds are held for a specified purpose. The CEFC Act creates a Special Account in order to fund the CEFC.
Subordinated debt	Where two or more financiers are involved in offering finance, one may take a 'subordinated' or 'junior debt' position relevant to the other ('senior debt') in the event of a loss (i.e. one financier may rank after the other financier in priority for recovery in the event the finance recipient becomes insolvent and cannot repay the loan).
Sustainable Cities Investment Program	Through the Sustainable Cities Investment Program, the CEFC invests to accelerate the development and deployment of a broad range of clean energy projects in Australia's 50 largest cities, from Alice Springs with 25,000 people; to Sydney, Australia's largest city, at some 5.1 million people.
tCO_2-e	Tonnes of carbon dioxide equivalent greenhouse gas.
Tenor	Length or term of a loan.
Total Annual Remuneration Package	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
AEMO	Australian Energy Market Operator
AMEC	Australian Energy Market Commission
AIPP	Australian Industry Participation Plans
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
ANAO	Australian National Audit Office
ARENA	Australian Renewable Energy Agency
ASX	Australian Securities Exchange
BNEF	Bloomberg New Energy Finance
CEFC	Clean Energy Finance Corporation
CEFC Act	*Clean Energy Finance Corporation Act 2012*
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
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
GIG	Green Investment Group
GPO	Government Policy Order
GST	Goods and Services Tax
GW	Gigawatt
GWh	Gigawatt hour
HTM	Held to maturity
IPS	Information Publication Scheme
JCPAA	Joint Committee of Public Accounts and Audit
KMP	Key Management Personnel

Abbreviation	Full Name
KPI	Key performance indicators
kW	Kilowatt
kWh	Kilowatt hour
LED	Light emitting diode
MLF	Marginal Loss Factors
MP	Member of Parliament
MW	Megawatt
MWh	Megawatt hour
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Fund
NEM	National Electricity Market
NEPP	National Energy Productivity Plan
NGO	Non-Governmental Organisation
OHPS	Other highly paid staff
PBO	Parliamentary Budget Office
PBR	Portfolio Benchmark Return
PBS	Portfolio Budget Statement
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PID Act	*Public Interest Disclosure Act 2013*
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PV	Photovoltaic
RET	Renewable Energy Target
REZ	Renewable Energy Zone
SWIS	South West Interconnected System
TARP	Total Annual Remuneration Package
WHS Act	*Work, Health and Safety Act 2011*

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