Section 2
Governance
# Governance

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Our Purpose

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

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

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

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

The CEFC’s purpose and mission is achieved through:
- Investing in clean energy technologies, projects and businesses
- Leveraging CEFC investment to attract additional investment from the private sector
- Sharing experiences, insights and expertise with project sponsors, co-investors, public sector agencies, the energy sector and other industry bodies.

Investment Approach

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

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

Governance Approach

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

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

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

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

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

1. Executive Investment Committee: reviews all investment proposals (with the exception of those of the Clean Energy Innovation Fund)
2. Joint Investment Committee: operated in conjunction with the Australian Renewable Energy Agency (ARENA), reviews all investment proposals relating to, and the performance of, the Clean Energy Innovation Fund
3. Asset Management Committee: oversees the management and performance of the investment portfolio
4. Executive Risk Committee: oversees performance and risk management for the Corporation’s investments and for the Corporation itself.
Figure 10: CEFC governance approach
Steven Skala AO, Chair

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

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

Leeanne Bond

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

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

Philip Coffey

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

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

Laura Reed

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

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

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

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

Samantha Tough

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

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

Nicola Wakefield Evans

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

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

Farewell to Founding Board Members

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

**Board Committee Membership**

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

**Figure 11: Board committee memberships 2017-18**

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

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

Figure 12: Board member meeting attendance 2017-18

<table>
<thead>
<tr>
<th>BOARD MEMBERS</th>
<th>BOARD</th>
<th>PEOPLE AND CULTURE COMMITTEE</th>
<th>AUDIT AND RISK COMMITTEE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attended</td>
<td>Eligible to attend</td>
<td>Attended</td>
</tr>
<tr>
<td>Steven Skala AO</td>
<td>9</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Leeanne Bond</td>
<td>9</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Philip Coffey</td>
<td>4</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Laura Reed</td>
<td>3</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Andrea Slattery</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Samantha Tough</td>
<td>9</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Nicola Wakefield Evans</td>
<td>8</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Jillian Broadbent AO</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Paul Binsted</td>
<td>7</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Ian Moore</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Anna Skarbek</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Andrew Stock</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Martijn Wilder AM</td>
<td>7</td>
<td>7</td>
<td>-</td>
</tr>
</tbody>
</table>
Our
Board

Board Member Remuneration and Allowances

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

**Figure 13: Remuneration Tribunal Determinations 2017-18**

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

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

**Figure 14: Rates of Board member remuneration 2017-18**

<table>
<thead>
<tr>
<th>Office</th>
<th>Annual Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>$106,540</td>
</tr>
<tr>
<td>Board member</td>
<td>$53,270</td>
</tr>
</tbody>
</table>

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

Conflicts and Related Entity Transactions

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

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

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

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

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

**Comcover and Comcare Insurance**

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

**Travel and Expense Reimbursement**

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

From L-R: Kevin Holmes, Rebecca Cottrell, Paul McCartney, Ian Learmonth, Andrew Powell, Leanne McDonald, Stephen Panizza, Ludovic Theau
Leanne McDonald, Executive Director, People and Culture
Leanne has held senior roles across a diverse range of industries, covering energy and resources, financial services, IT and telecommunications, including responsibility for the Asia Pacific region.

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

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

Ludovic Theau, Chief Investment Officer (Joint)
Ludo has extensive experience in large transactions in the infrastructure, utilities and public-private-partnerships sectors, including a wide range of renewable energy and energy efficiency projects.
Figure 16: CEFC organisation structure

CEFC Board

Audit and Risk Committee

People and Culture Committee

CHIEF EXECUTIVE OFFICER
Ian Learmonth

CHIEF GOVERNANCE AND STRATEGY OFFICER
Kevin Holmes

CHIEF FINANCIAL OFFICER
Andrew Powell

GENERAL COUNSEL AND CORPORATE SECRETARY
Rebecca Cottrell

CHIEF INVESTMENT OFFICER (Joint)
Paul McCartney

CHIEF INVESTMENT RISK OFFICER
Stephen Panizza

EXECUTIVE DIRECTOR PEOPLE AND CULTURE
Leanne McDonald

GOVERNANCE STRATEGIC DEVELOPMENT
INVESTMENT RESEARCH
CORPORATE PLANNING
ENTERPRISE RISK MARKETING AND COMMUNICATION

FINANCIAL REPORTING BUDGETING AND FORECASTS TREASURY AND CASH MANAGEMENT IT OPERATIONS IT SECURITY BUSINESS SOLUTIONS

CORPORATE LEGAL TRANSACTION LEGAL COMPANY SECRETARIAT COMPLIANCE

ORIGINATION STRATEGY INVESTMENT MARKETING INVESTMENT STREAMS AND PIPELINE INVESTMENT DEVELOPMENT TRANSACTION EXECUTION

INVESTMENT AND CREDIT RISK INVESTMENT POLICIES PORTFOLIO GUIDELINES PORTFOLIO MANAGEMENT PORTFOLIO ANALYTICS AND REPORTING

ORGANISATIONAL DEVELOPMENT RESOURCING AND RECRUITMENT PERFORMANCE MANAGEMENT REMUNERATION AND BENEFITS DIVERSITY AND INCLUSION ENGAGEMENT AND PERFORMANCE CULTURE

GOVERNMENT AND STAKEHOLDER RELATIONS
- COMMONWEALTH, STATE AND TERRITORY GOVERNMENT RELATIONS
- INDUSTRY STAKEHOLDER RELATIONS
Working with the CEFC

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

- **EXPERT**: We have a breadth of expertise across our target sectors, working closely with project partners to deliver clean energy outcomes which make economic and commercial sense while lowering carbon emissions.

- **COMMERCIAL**: We take a commercial approach to our activities, delivering a positive financial return on our investments, while also delivering on our public policy purpose to increase available finance for Australia’s clean energy transformation.

- **TRANSFORMATIVE**: We operate at the forefront of the finance and clean energy sectors, helping businesses meet sustainability and economic goals and benefit from rapid advances in clean energy technologies.

- **INNOVATIVE**: We provide tailored debt and equity finance to businesses and projects which develop and commercialise clean energy technologies at early and later stages of development.

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

Our gender diversity remained steady in 2017-18, at 57 per cent male and 43 per cent female. At the CEFC, women make up 35 per cent of all senior management positions, which represents an eight per cent improvement over the previous 12 months. This compares favourably to the broader financial services industry, where 33 per cent of senior manager positions are held by women.

The proportion of employees born overseas has also remained steady at 40 per cent, including 37 employees from 16 countries, in addition to those born in Australia.

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

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

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

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

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

- CEFC staff participate in site visits from time to time, to learn first-hand about the role of CEFC finance from investors and businesses adopting clean energy technologies.

- Frequent lunch and learn sessions on market developments and emerging technologies are well attended, with external speakers a regular feature. These sessions provide an important opportunity for CEFC staff to increase their understanding of relevant developments in the clean energy sector, as well as to share our own insights and knowledge with others.

- In addition, a self-service learning tool, iLearn, gives CEFC employees access to a wide range of online learning modules, with content ranging from induction and compliance to leadership, emotional intelligence, and environmental and sustainability awareness.
Women in Sustainable Finance
The CEFC has maintained a leadership role in the successful development of the Women in Sustainable Finance (WISF) networking group. In 2017-18, some 580 people attended six WISF functions, reaching people in investment funds, banks and environment and sustainable development organisations, as well as corporates, energy and renewable energy companies. Such events have featured women speakers and are increasingly attracting male attendees. Topics covered included sustainable transport, distributed energy trends, and start-ups in sustainability and bioenergy. Notable achievements included launching the WISF Melbourne and WISF Brisbane chapters and partnering with the Carbon Market Institute’s Women in Climate for a panel discussion on improving diversity in the sustainable finance sector.

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

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

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

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

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

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

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

Approach to Risk

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

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

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

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

Investment Risk

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

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

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

Analysing and Mitigating Investment Risk

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

- Investment proposals must be commercially viable, with an acceptable risk/return profile.
- Standard techniques are employed in risk identification, analysis and mitigation, as part of any investment analysis.
- Where unfamiliar or unique risks are identified, the progression of the investment may be paused while additional due diligence or market-specific research is undertaken.
- The CEFC typically seeks the lowest possible risk position in the capital structure, particularly where the investment itself involves heightened levels of risk, as a protection of the CEFC investment against underperformance.
- If the CEFC lends to projects that sell power on an uncontracted or ‘merchant’ basis, the loans are sized and structured in a prudent manner. Overall merchant risk exposure is also capped at the portfolio level.
- The CEFC applies a range of conditions to an investment to mitigate an identified risk, including accelerated repayments of capital in certain events.
- The CEFC has a strong preference for investing alongside private sector capital providers, enabling investment risks to be shared.
- For debt investments, the CEFC typically holds first ranking security against the borrowing entity, the project, or the equipment finance.
- The CEFC spends considerable effort analysing the creditworthiness of borrowers, the technology, the business case of the proposal, the security on offer, and the CEFC’s potential exposure in the event that an investment may not achieve expectations.
- The CEFC seeks portfolio diversification to avoid excessive exposure and concentration of risk, including: specific technologies; higher risk financing structures; single entities; merchant energy price risk; individual markets and geographical areas.
- The CEFC has a portfolio management function, with systems and process to ensure continuous monitoring of investments and early detection of underperformance and enable remedial action.
- Inevitably a proportion of investments will underperform and the CEFC will experience a loss. For example, in a debt default situation, the level of loss incurred by the CEFC will be determined by a number of factors, including the level of seniority that the CEFC holds in the capital structure and the value of the underlying security.
Clean Energy Finance Corporation Act, 2012

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

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

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

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

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

Responsible Ministers

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

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

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

Nominated Minister

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

Ministerial Powers of Direction

CEFC Act

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

The CEFC can be directed by Ministers to pay surplus funds to the CEFC Special Account, since the CEFC was not conceived as having a large cash management function. Such a direction has been made in the past and was in effect throughout the reporting period.
**Figure 17: Ministerial directions**

<table>
<thead>
<tr>
<th>Operative Dates</th>
<th>Nominated Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughout the period</td>
<td>Ministerial Direction to repay surplus monies to the CEFC Special Account, signed 5 May 2016 by the Hon Greg Hunt MP, Minister for the Environment, and Senator the Hon Mathias Cormann, Minister for Finance.</td>
</tr>
</tbody>
</table>

**Investment Mandate**

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

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

**Figure 18: Investment Mandates in effect 2017-18**

<table>
<thead>
<tr>
<th>Name</th>
<th>Date Issued</th>
<th>Date Registered</th>
<th>Date of Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Energy Finance Corporation Investment Mandate Direction 2016 (No.2)*</td>
<td>13 December 2016</td>
<td>10 January 2017</td>
<td>11 January 2017</td>
</tr>
</tbody>
</table>

**Government Policy Orders**

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

**Statement of Compliance**

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

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

Figure 19: Procurement contracts 2017-18

<table>
<thead>
<tr>
<th>Contract Date</th>
<th>Contract Value: $</th>
<th>FY18 Value Expensed: $</th>
<th>Contracting Party</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2013</td>
<td>590,665</td>
<td>73,783</td>
<td>Marsh Pty Ltd</td>
<td>D&amp;O Insurance for period 14 June 2013 to 14 June 2021</td>
</tr>
<tr>
<td>June 2015</td>
<td>555,591</td>
<td>213,983</td>
<td>Technology One Ltd</td>
<td>5-year License Fees, 3-year minimum maintenance and support, initial implementation costs and cloud service fee for TechnologyOne software</td>
</tr>
<tr>
<td>July 2015</td>
<td>723,377</td>
<td>(51,994)</td>
<td>The Uniting Church in Australia Property Trust (Q.)</td>
<td>Lease of premises at Level 8, 140 Ann Street, Brisbane from 15 July 2015 to 14 July 2018: surrendered in May 2018 resulting in a refund of two months’ rental</td>
</tr>
<tr>
<td>March 2016</td>
<td>4,331,218</td>
<td>766,244</td>
<td>Dexus Property Group</td>
<td>Lease of premises at Level 17, 1 Bligh Street, Sydney from 1 March 2016 to 28 February 2021</td>
</tr>
<tr>
<td>May 2017</td>
<td>102,534</td>
<td>85,209</td>
<td>Deloitte Touche Tohmatsu</td>
<td>Information security strategy, policies and awareness</td>
</tr>
<tr>
<td>May 2017</td>
<td>168,300</td>
<td>155,639</td>
<td>Price–waterhouse–Coopers</td>
<td>Internal Audit engagement for 1 July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>May 2017</td>
<td>4,046,431</td>
<td>752,824</td>
<td>Riverside Development Pty Ltd</td>
<td>Lease of premises at Level 25, 71 Eagle Street, Brisbane for 18 May 2017 to 30 September 2022</td>
</tr>
<tr>
<td>July 2017</td>
<td>91,345</td>
<td>91,345</td>
<td>Australian Government Comcover</td>
<td>General, professional indemnity, D&amp;O, property including business interruption and travel insurance for 1 July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>July 2017</td>
<td>402,644</td>
<td>64,855</td>
<td>Axiom Workplaces Pty Ltd</td>
<td>Fit-out of premises at Level 13, 222 Exhibition Street, Melbourne</td>
</tr>
<tr>
<td>July 2017</td>
<td>194,585</td>
<td>194,585</td>
<td>Bloomberg Australia Pty Ltd</td>
<td>Bloomberg terminal and NEF All Insight Package Level III</td>
</tr>
<tr>
<td>July 2017</td>
<td>357,370</td>
<td>357,370</td>
<td>Datacom Systems Pty Ltd</td>
<td>IT support, applications and hardware for 1 July 2017 to 30 June 2018 along with an Enterprise Information Review Report and system health check</td>
</tr>
<tr>
<td>July 2017</td>
<td>596,011</td>
<td>596,011</td>
<td>Herbert Smith Freehills</td>
<td>Legal fees incurred for various investment projects for 1 July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>Contract Date</td>
<td>Contract Value: $</td>
<td>FY18 Value Expensed: $</td>
<td>Contracting Party</td>
<td>Purpose</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------------</td>
<td>------------------------</td>
<td>------------------</td>
<td>---------</td>
</tr>
<tr>
<td>July 2017</td>
<td>113,978</td>
<td>113,978</td>
<td>King &amp; Wood Mallesons</td>
<td>Legal fees incurred for various investment projects for 1 July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>July 2017</td>
<td>568,836</td>
<td>89,044</td>
<td>Knight Frank Australia Pty Ltd</td>
<td>Lease of premises at Level 13, 222 Exhibition Street, Melbourne for 1 July 2017 to 30 June 2022</td>
</tr>
<tr>
<td>July 2017</td>
<td>135,112</td>
<td>135,112</td>
<td>Macquarie Telecom Pty Ltd</td>
<td>Provision of telecommunications, data and hosting for July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>July 2017</td>
<td>274,310</td>
<td>274,310</td>
<td>National Australia Bank</td>
<td>Bond custody fees for 1 July 2017 to 30 June 2018</td>
</tr>
<tr>
<td>July 2017</td>
<td>632,104</td>
<td>632,104</td>
<td>QBT Pty Ltd</td>
<td>Work travel and incidental costs for 1 July 2017 to 30 June 2018 under the whole of government travel procurement program</td>
</tr>
<tr>
<td>July 2017</td>
<td>80,908</td>
<td>80,908</td>
<td>Screentide Pty Ltd</td>
<td>Video case studies providing insights into CEFC finance in action</td>
</tr>
<tr>
<td>August 2017</td>
<td>151,959</td>
<td>151,959</td>
<td>Johnson Advisory Pty Ltd</td>
<td>Recruitment services</td>
</tr>
<tr>
<td>October 2017</td>
<td>87,106</td>
<td>87,106</td>
<td>Noble Brands Worldwide</td>
<td>Annual Report design, production and printing, plus other smaller-scale design and print projects</td>
</tr>
<tr>
<td>November 2017</td>
<td>81,436</td>
<td>81,436</td>
<td>Gerard Daniels Australia Pty Ltd</td>
<td>Recruitment services</td>
</tr>
<tr>
<td>January 2018</td>
<td>180,735</td>
<td>90,368</td>
<td>Energeia Pty Ltd</td>
<td>Electric vehicle market study: 50 per cent of cost shared with ARENA</td>
</tr>
<tr>
<td>January 2018</td>
<td>218,763</td>
<td>76,232</td>
<td>Reval.com Inc</td>
<td>3-year License Fees renewal, maintenance and support for Loan Management System</td>
</tr>
<tr>
<td>January 2018</td>
<td>83,732</td>
<td>83,732</td>
<td>The Specialist Recruitment Group Pty Ltd - Taylor Root</td>
<td>Temporary staff and recruitment services</td>
</tr>
<tr>
<td>March 2018</td>
<td>84,700</td>
<td>42,350</td>
<td>GHD Pty Ltd</td>
<td>Biofuels research project: 50 per cent of cost shared with ARENA</td>
</tr>
<tr>
<td>March 2018</td>
<td>216,095</td>
<td>216,095</td>
<td>Glass and Co Pty Ltd</td>
<td>Enterprise Information Management project costs based on individual statements of work</td>
</tr>
<tr>
<td>March 2018</td>
<td>90,465</td>
<td>90,465</td>
<td>Price-waterhouse-Coopers</td>
<td>AASB 9 “financial instruments” diagnostic workshop, provision for impairment modelling and preparation of documentation to support CEFC adoption of AASB 9</td>
</tr>
<tr>
<td>June 2018</td>
<td>202,950</td>
<td>175,450</td>
<td>Australian National Audit Office</td>
<td>Audit of financial statements for year ended 30 June 2018</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,363,260</strong></td>
<td><strong>5,720,503</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other Legislation, Australian Government Policies and Key Governance Events

PGPA Act 2013 and Compliance with Finance Law
As a corporate Commonwealth entity, the CEFC’s activities are governed by the PGPA Act and its subordinate instruments. The PGPA Act imposes various duties, responsibilities and accountabilities on the CEFC Board (both as a collective and as individuals) and on CEFC’s Executive and staff members.

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

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

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

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

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

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

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

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

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

Judicial Decisions and Parliamentary Committees

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

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

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

- Senate Environment and Communications Legislation Committee Reports on Additional estimates 2017-18 (May 2018) and on Budget estimates 2018-19 (June 2018)
- Senate Environment and Communications References Committee reports on Never waste a crisis: the waste and recycling industry in Australia (26 June 2018), and Current and future impacts of climate change on housing, buildings and infrastructure (13 August 2018)