

# Modern Slavery Statement

2021-22





# From our Chair and CEO

The Clean Energy Finance Corporation is a corporate Commonwealth entity with a 10-year track record of investing to reduce emissions across the Australian economy.

As a specialist investor our role is to fill market gaps and collaborate with investors, innovators and industry leaders to spur substantial investment where it will have the greatest impact. After a decade of sustained investment activity, our commitment to rigorous investment and financial management remains a defining feature of our overall approach.

Modern Slavery is a risk across the economy including in connection with clean energy technologies. Indirect supply chains involving higher risk sectors and industries such as those associated with raw material extraction and manufacturing processes both in Australia and overseas are relevant to CEFC investment considerations.

We work with project proponents to assess the processes for identification and management of Modern Slavery risks. Through a collaborative approach we are able to raise awareness of Modern Slavery issues and contribute to industry capacity around assessment and management of potential risks. In our third Modern Slavery Statement we describe our ongoing commitment to combating Modern Slavery and the actions we have taken during the 12-month reporting period ending 30 June 2022.

During the reporting year we focused on improving our approach to managing Modern Slavery risks in our procurement processes as well as our investment due diligence processes. We also established the CEFC Modern Slavery Remediation Framework which supports us in our response to actual or potential Modern Slavery impacts identified in our operations and supply chains. Importantly, Modern Slavery risk assessment and monitoring training was provided to our Investment, Portfolio Management and Legal teams to build capability within our organisation.

This work has helped embed Modern Slavery risk considerations within our processes.

This statement was approved by the CEFC Board as the principal governing body of the CEFC on 3 November 2022.

**Steven Skala AO**  
Chair, CEFC

**Ian Learmonth**  
Chief Executive Officer, CEFC

## Acknowledgement of Country

The CEFC acknowledges the Traditional Owners and Custodians of this land, and we pay our respects to all Elders, past and present. We recognise their continuing connections to country, water and culture.



# Clean Energy Finance Corporation

The CEFC is a specialist investor at the centre of efforts to help deliver on Australia's ambitions for a thriving, low emissions future. With a strong investment track record, we are committed to accelerating our transition to net zero emissions by 2050.

Our strategy harnesses the power of public capital to drive private sector investment in our national emissions reduction priorities. Through our work we recognise that combatting climate change is a necessary part of mitigating Modern Slavery risk.<sup>1</sup>

## Purpose

The purpose of the CEFC is to "facilitate increased flows of finance into the clean energy sector"<sup>\*</sup>. Consistent with the object of the Clean Energy Finance Corporation Act 2012 (CEFC Act), the CEFC:

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

As a corporate Commonwealth entity, CEFC activities are governed by the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and its subordinate instruments. The CEFC Board also adopts private sector principles of good corporate governance in providing oversight and direction to the CEFC Executive, including with reference to the CEFC Code of Conduct and Ethics.

<sup>\*</sup>Amended just after the 2021-22 reporting period to "facilitate the achievement of Australia's greenhouse gas emissions reduction targets" under the *Climate Change Act 2022* and the *Climate Change (Consequential Amendments) Act 2022*.

## About this statement

The Clean Energy Finance Corporation (ABN 43 669 904 352) has prepared this Modern Slavery Statement to report on its activities to identify, assess and address Modern Slavery risks in its operations and supply chains for the 12-month reporting period ending 30 June 2022.

This Statement covers the operations and supply chains of the CEFC and its wholly owned subsidiaries CEFC Investments Pty Ltd (ACN 616 070 430) and Clean Energy Investment Management Pty Ltd (ACN 628 443 854).

CEFC Investments Pty Ltd is used as an investment vehicle for certain direct equity investments. Clean Energy Investment Management Pty Ltd is the holder of an Australian Financial Services License to support certain aspects of the CEFC business. Neither subsidiary has any employees and all investment and procurement activities are undertaken subject to CEFC investment guidelines and procurement policies and procedures.

References in this Statement to "we", "us", or "our" refers to the CEFC and its subsidiaries unless stated otherwise.

<sup>1</sup> See article "Climate change and Modern Slavery: a vicious circle" ([antislavery.org](https://antislavery.org))



# Key actions taken

Since the Modern Slavery Act (2018) was introduced, the CEFC has taken meaningful steps to identify, assess and address Modern Slavery including:

## 2019-20

- Established the Global Fair Work (Modern Slavery) Working Group
- Introduced the CEFC Modern Slavery Policy
- Published the first CEFC Modern Slavery Statement
- Published the CEFC Principles for Suppliers to provide a foundation for direct and indirect suppliers
- Mapped our procurement supply chains by identifying tier one suppliers where the supply contracts exceeded a prescribed monetary value, applying open-sourced due diligence
- Added Modern Slavery risk screening to reputational due diligence process for investment key counterparties.

## 2020-21

- Introduced the CEFC Environmental and Social Governance (ESG) Policy
- Engaged external human rights subject matter experts to conduct a review of our Modern Slavery processes and conducted an associated benchmarking exercise
- Introduced an organisation-wide Modern Slavery training program
- Delivered function specific training for the Risk and Compliance, and Legal teams.

## 2021-22

- Implemented the CEFC Modern Slavery Remediation Framework to guide our approach where instances of Modern Slavery are identified in our operations and supply chains
- Implemented the CEFC Modern Slavery Incident Register
- Delivered function specific training to the CEFC Investment and Portfolio Management teams the implementation of the CEFC Modern Slavery Policy and associated practices and procedures
- Conducted a review and update of the CEFC Modern Slavery Policy
- Considered and adopted key recommendations of benchmarking exercise undertaken by external human rights subject matter experts
- Conducted a review and update of our procurement contract processes, to include a mandatory Modern Slavery risk assessment for suppliers with a contract value of \$10,000 or more
- Implemented improved monitoring process by including “do no harm” factors in investment reputational risk screening processes
- Continued to collaborate with industry and Commonwealth agencies on relevant matters.



# Australia's specialist clean energy investor

The CEFC began operating 10 years ago with access to \$10 billion from the Australian Government.

Together with institutional investors, business, industry and cleantech innovators, the CEFC made investment commitments of \$10.76 billion to 30 June 2022, catalysing \$37.15 billion in investment in Australia's low emissions economy in its first 10 years. Expected lifetime emissions from CEFC investment commitments were more than 200 million tonnes of CO<sub>2</sub>-e at 30 June 2022, buoyed by landmark investments in the hard-to-abate manufacturing sector, which together are expected to eliminate some 900,000 tonnes of CO<sub>2</sub>-e annually.

The CEFC operates with a national focus, with our investment commitments stretching across Australia, including national and state-based projects and programs. The 2021-22 reporting year saw sustained investment activity, with commitments of \$1.45 billion to 30 June 2022 touching all areas of the clean energy economy. At 30 June 2022, the CEFC had access to \$4.57 billion in ongoing investment capital, in addition to returns from existing investments, having drawn a net \$5.43 billion from its original \$10 billion funding allocation.

In investing an average of \$1 billion each year into emissions reduction opportunities, the CEFC has earned the trust of co-investors, business, industry and cleantech innovators. Just as CEFC capital and expertise has helped transform Australia's renewable energy sector, the CEFC is forging into new areas, decarbonising even the hardest sectors of the economy, including in industry, transport, infrastructure, resources and natural capital.

Figure 1: CEFC 10-year investment track record to 30 June 2022

## Backing the clean energy system of the future



\$2.65b

**Renewable energy**  
42 transactions



\$580m

**Grid infrastructure**  
3 transactions



\$209m

**Energy storage**  
2 transactions



\$430m

**Waste and bioenergy**  
13 transactions

## Investing across the economic landscape



\$1.92b

**Property**  
37 transactions



\$1.15b

**Infrastructure**  
24 transactions



\$270m

**Natural capital**  
5 transactions<sup>^</sup>



\$266m

**Industry, resources**  
8 transactions

## Tapping into new investment models and opportunities



\$2.66b

**Debt markets**  
52 transactions



\$353m

**Alternatives**  
8 transactions



\$163m

**Cleantech**  
49 transactions



\$23m

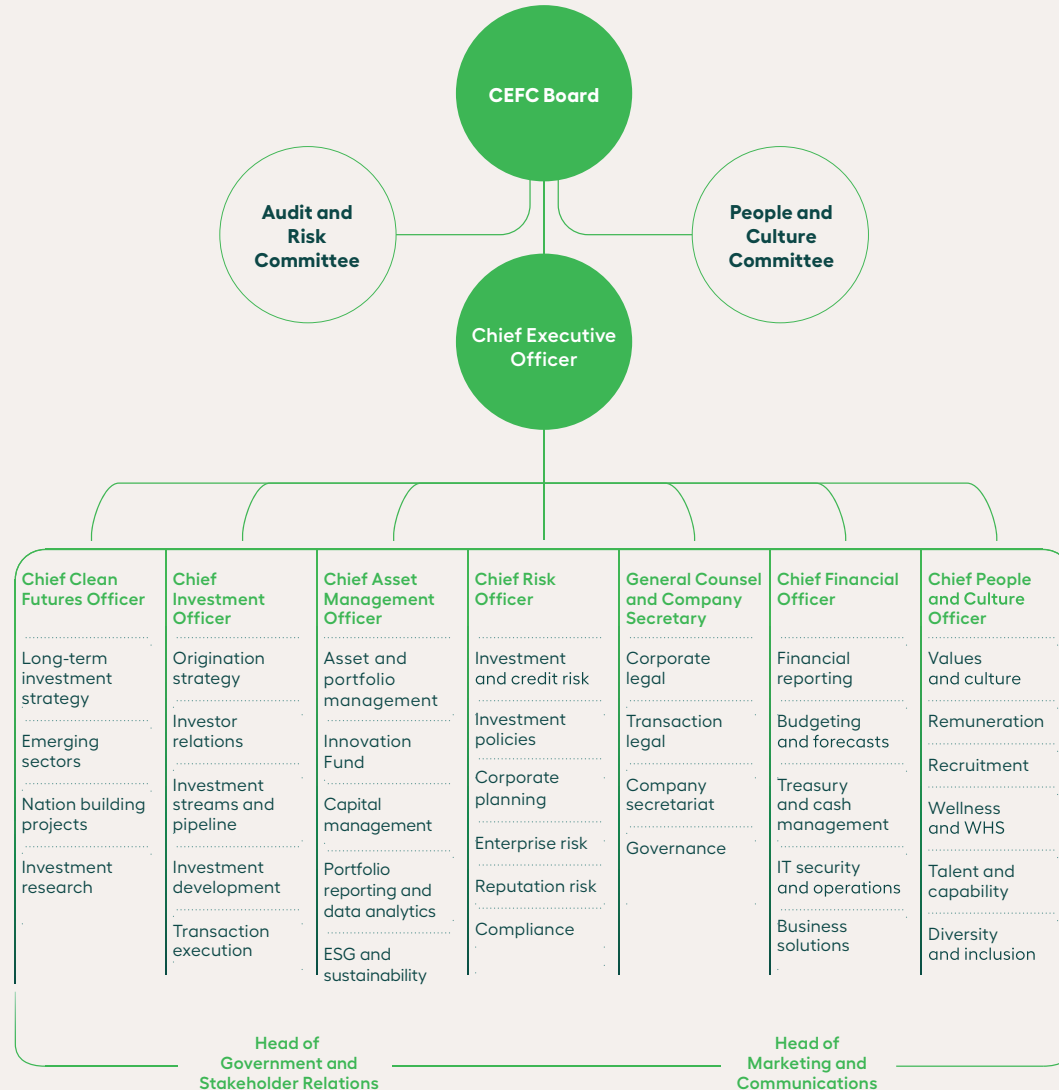
**Hydrogen**  
3 transactions<sup>\*</sup>

Lifetime commitments to 30 June 2022. Commitments may be reflected across more than one category. <sup>^</sup>Includes convertible notes.

<sup>^</sup>Includes \$75m commitment, closed after year end 30 June 2022. <sup>\*</sup>Includes \$10m follow-on commitment, closed after 30 June 2022.



Figure 2: CEFC organisation structure 2021-22



## Employees and offices

At the end of the 2021-22 reporting period, the CEFC had 130 employees (127.5 full time equivalent employees) of whom nearly 97 per cent were on permanent contracts. This is an increase of six employees on the prior year. As a specialist investor and financier, the CEFC recruits experienced, senior practitioners within each functional area, which is reflected in the average employee age of 42 years.

The CEFC continues to reflect a diverse cultural profile. The proportion of employees born overseas at 30 June 2022 was 42 per cent, including 55 employees from 24 countries, in addition to those born in Australia. The CEFC had 14 employees (11 per cent) who reported English as their second language.

All non-executive employees are subject to the Australian Government Industry Award 2016.

At 30 June 2022, 57 per cent of the CEFC Board and 25 per cent of the CEFC Executive Team were female and 33 per cent of senior management positions were held by women. Women also made up 11 (48 per cent) of the 23 new recruits in the year. Overall, gender diversity was steady during the reporting year, sitting at 52 per cent male and 48 per cent female as at 30 June 2022.

CEFC employees are located in Brisbane, Canberra, Melbourne, Perth and Sydney.



## Direct procurement

In 2021-22, the CEFC contracted with 331 suppliers of goods and services in the following categories:

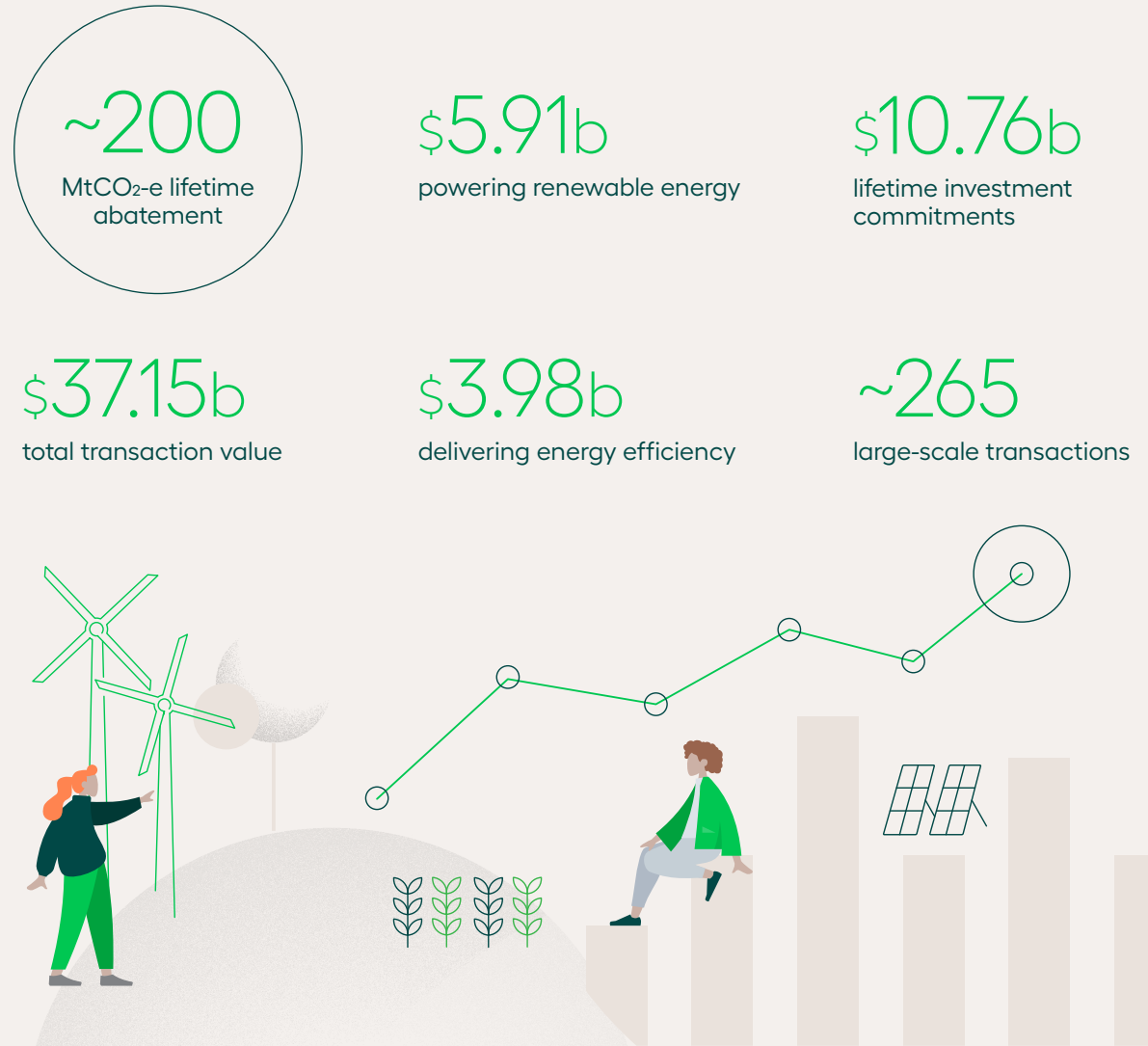
- Professional advisory
- Office services, including fitout, maintenance, telecommunications
- IT hardware
- Printing, copying, office consumables
- Couriers, postal, delivery services
- Accommodation, transport, catering.

CEFC expenditure on the procurement of goods and services was approximately \$9.2 million (excluding investment management fees, salaries and the cost of leasing of commercial offices). Of our suppliers, 32 were based overseas. Most of these overseas suppliers provided information technology, information subscription and software services. Just over 90 per cent of our direct suppliers are based in Australia, however, it is likely that they rely on global supply chains in providing their goods or services to us.

## Collaboration arrangements

The CEFC regularly engages with private and public sector entities as part of its operations, including the Australian Renewable Energy Agency (ARENA), the Clean Energy Regulator (CER), and Australian, State and Territory governments and agencies, for the purposes of facilitating our investment function under the CEFC Act. As part of this, the CEFC enters into collaboration arrangements such as memoranda of understanding, consultancy agreements and joint venture and agency relationships with third parties.

Figure 3: Investment leadership, commercial impact, economic reach



Lifetime figures to 30 June 2022



# Risk assessment and actions

## The CEFC is committed to establishing and maintaining ethical, sustainable, and socially responsible operations and supply chains.

In the 2021-22 reporting period, we completed risk assessments of new suppliers<sup>1</sup> and new investments in accordance with our revised practices and procedures. These assessments have helped us understand Modern Slavery risks in our supply chains and operations, and to identify, mitigate and manage these potential risks.

Our Modern Slavery Policy seeks to:

1. Take a risk-based approach to identify and address Modern Slavery risks across our operations and supply chains (including in our investments)
2. Prioritise actions we can take that are more likely to have a meaningful impact and most effectively mitigate Modern Slavery risks
3. Partner with industry groups to collaborate in higher-risk sectors.

Our approach is supported by a suite of policies and processes to identify and address Modern Slavery across our investment and procurement activities.

Table 1: CEFC approach to Modern Slavery: key documents

Policy or process	Purpose
<b><u>Modern Slavery Policy</u></b>	The CEFC Modern Slavery Policy outlines the CEFC approach to Modern Slavery, including how to identify risks in CEFC operations and supply chains and to raise associated concerns.
<b>Modern Slavery Practices and Procedures</b>	These practices and procedures, together with existing CEFC policies and procedures, support our Modern Slavery Policy by establishing a framework to: <ul style="list-style-type: none"> <li>– Map our operations and supply chains</li> <li>– Assess the level of Modern Slavery risk in relation to a contract or investment</li> <li>– Undertake due diligence on investments and contracts that form part of CEFC operations and supply chains, prioritising those that are identified as having a higher risk of potential Modern Slavery issues</li> <li>– Establish reporting lines to mitigate Modern Slavery risks within our operations and supply chains.</li> </ul>
<b><u>CEFC Principles for Suppliers</u></b>	The CEFC Principles for Suppliers outlines the behaviour and standards the CEFC expects of its suppliers. It includes an expectation that suppliers do not use forced or child labour.
<b><u>CEFC ESG policy</u></b>	The CEFC ESG policy outlines our philosophy to embed our ESG approach in our investment and corporate activities. It requires ESG factors to be actively assessed across the investment lifecycle and the way CEFC conducts its diverse activities. Modern Slavery and human rights forms part of the “social” factor.
<b><u>CEFC Investment policies</u></b>	The CEFC Investment Policies embody the investment strategy, benchmarks and standards for assessing performance and investment risk management for the CEFC.  The CEFC operates under a sound enterprise Risk Management Framework designed to identify and effectively manage risk, including risks associated with ESG factors.
<b>Modern Slavery remediation framework</b>	The Guiding Principles on Business and Human Rights (UNGPs) provide that where enterprises have caused or contributed to adverse human rights impacts, they should provide for or cooperate in their remediation through legitimate processes. The UNGPs also provide that where an entity is directly linked to a human rights impact via business relationships, it should use its leverage to prevent or mitigate the impact.  Developed in 2022, our Modern Slavery remediation framework draws on these UNGPs to inform the strategies available where the CEFC is found to have caused or contributed to Modern Slavery in its operations and supply chains.
<b>CEFC Modern Slavery Incident Register</b>	Developed to record incidents of direct and indirect Modern Slavery identified in our operations and supply chains and to record remediation actions taken in response.

<sup>1</sup>New suppliers with a cumulative value of more than \$10,000 (exclusive of GST).





## Modern Slavery governance

### We established our Global Fair Work (Modern Slavery) Working Group in 2018.

This working group has representatives from across our business including the Legal, Investment, Risk and Compliance, Finance, People and Culture, and Sustainability functions.

The purpose of this Working Group is to oversee the implementation and development of our Modern Slavery policies and processes. This extends to:

- Further developing our response to Modern Slavery and associated risk management deliverables
- Sharing information and increasing awareness within the CEFC
- Representing the CEFC at industry working groups.

This group meets regularly, with Modern Slavery activities and developments are reported quarterly to the Executive Risk Committee and the Audit and Risk Committee.

## Risks in our operations

There is an overall low risk that CEFC operations have caused or contributed to instances of Modern Slavery, taking into account our employee profile, business model and the investment and financial services industry in which we operate.

This view of risk is further supported by the remuneration processes for our employees which involves benchmarking, compliance with applicable laws and annual reviews.

We launched the CEFC mandatory online Modern Slavery training for all employees as part of our Compliance program in September 2021. This training is designed to assist our employees to understand Modern Slavery, identify how it can manifest in supply chains, and help employees to understand the CEFC Modern Slavery compliance framework and their role in combating Modern Slavery.

New employees complete this training as part of their induction program. Continuing employees complete refresher training annually.



## Risks in our supply chains

There is an overall low risk that CEFC supply chains have caused or contributed to instances of Modern Slavery, taking into account the profile of our supply chains.

However, there is a risk that we may be indirectly linked to Modern Slavery via the supply chains of our direct suppliers.

Sectors relevant to our direct procurement that have been identified as having higher risk of Modern Slavery include:

- *Information Technology*: Due to complex supply chains associated with products including raw materials and low-cost componentry manufacturing in higher risk jurisdictions
- *Hospitality and catering*: Due to the reliance on a low skilled workforce often with opaque labour hire practices
- *Property management*: Due to the reliance on a low skilled workforce often with opaque labour hire structures

### Refining procurement practices

In 2021-22, we reviewed our procurement processes. This resulted in us establishing an onboarding process for all new suppliers with a contract value of \$10,000 or more. The new process involves a mandatory Modern Slavery risk assessment including the creation of a Modern Slavery risk profile and a Modern Slavery due diligence process, as outlined below.

We also enhanced internal assessment processes by:

- Developing and implementing a non-investment contract execution request process
- Incorporating a Modern Slavery risk assessment into the non-investment contract execution request process.

Prior to the execution of any direct procurement contract, a Modern Slavery risk assessment and rating is allocated to proposed new suppliers meeting the expenditure threshold. Our internal Modern Slavery risk register records:

- Supplier adverse media findings
- Politically Exposed Persons (PEP) and sanctions matches
- Supplier Modern Slavery due diligence and other processes (including their Modern Slavery Statement and other Modern Slavery mitigants they apply as evidenced by open-source information)
- The Modern Slavery risk rating allocated to that supplier by Risk and Compliance
- CEFC recommended actions and responses received from the supplier in connection with those recommended actions.

### Assessing procurement risk

Risk and Compliance is responsible for conducting each risk assessment and communicating the applicable risk rating to the procurement officer.

For moderate and high-risk contracts, Risk and Compliance will recommend further steps to help identify and manage Modern Slavery risk. Additional due diligence measures may include:

- Requesting documented evidence of the suppliers' understanding and actions to address and manage Modern Slavery risks in their operations and supply chains
- Requesting the completion of our Modern Slavery questionnaire
- Providing the CEFC Modern Slavery Policy and the CEFC Principles for Suppliers to the supplier and seeking confirmation that they have received and read these documents
- Seeking to contractually oblige suppliers to have in place adequate procedures to manage Modern Slavery risks.



## Assessing new suppliers

In 2021-22, the CEFC completed 86 assessments of new suppliers. Of these, 78 were assessed as low risk and 8 were assessed as moderate risk. Following the application of due diligence measures explained above the 8 moderate risk suppliers were onboarded.

We seek opportunities to work with our suppliers to establish and maintain sustainable and socially responsible operations and supply chains. We published our CEFC Modern Slavery Policy and CEFC Principles for Suppliers on our website and share them with suppliers in accordance with our Modern Slavery practices and procedures. This communicates to our suppliers the behaviour and standards we expect and increases awareness of Modern Slavery issues.

### Case study: Procurement of commercial office space

In 2022 the CEFC commenced the process of relocating two of our commercial offices to new premises. The commercial office sector is an area identified by the CEFC as having a heightened risk of Modern Slavery. One of the relocations involved new suppliers to the CEFC, namely the property owner (also the building manager) and the commercial office fit-out company.

Each supplier was screened for Modern Slavery risk pursuant to our “onboarding” process for new suppliers.

Emphasis was placed on indirect supply chains connected with building management, security, cleaning, and fit-out services, being sectors that the CEFC considers could have a heightened risk of Modern Slavery.

Open-source searches of the building owner (and building manager) evidenced what the CEFC regarded as adequate Modern Slavery risk management, including information in their Modern Slavery Statement, their Supplier Code of Conduct, and their Cleaning Accountability Framework (CAF) membership. However, there was a lack of open-source information in connection with the proposed fit-out service provider.

This prompted the CEFC to request additional due diligence from the fit-out service provider including the completion of the CEFC Modern Slavery questionnaire and copies of supporting documentation around Modern Slavery risk management.

The CEFC satisfied itself with the responses from the fit-out service provider. Responses indicated the supplier was aware of Modern Slavery risks associated with its supply chains including certain materials being sourced from, and indirect



suppliers manufacture in, higher risk jurisdictions. The supplier demonstrated to us that they have implemented processes to address and manage the potential for Modern Slavery risk in their operations and supply chains and that their processes are subject to ongoing review and development. As part of our ongoing due diligence, we also included this service provider in our regular media monitoring, reviewed and managed by the Risk and Compliance team for procurement contracts.

The CEFC Modern Slavery Policy and CEFC Principles for Suppliers were shared with each new supplier in accordance with CEFC Modern Slavery practices and procedures to communicate the behaviour and standards the CEFC expects of our suppliers.



# Approach to investment commitments

## The CEFC is committed to identifying, assessing and addressing Modern Slavery risks that may exist within our operations and supply chains, including those related to investment commitments.

Our ability to influence behaviour of investees depends on the nature of each individual investment. While there may be limited circumstances where the CEFC is able to influence the procurement decisions of investees, every investment provides the CEFC with opportunities to collaborate with our investment counterparties and to build awareness of Modern Slavery risks. In turn, this provides more opportunities to identify Modern Slavery risks and to address those risks.

Consistent with our values as a responsible investor, the CEFC assesses at an overarching, thematic level whether we may be indirectly linked to Modern Slavery risks through our investment arrangements and lending practices. We have a role to play in raising awareness of Modern Slavery and seek opportunities where we might be able to influence or address potential risks of Modern Slavery through our investment and financial lending arrangements. Collaborating with investment counterparties, embedding appropriate and effective due diligence processes and communicating and addressing the outcomes of those processes is a key consideration for investments made by the CEFC.

## “Do no harm” assessment

The CEFC applies the “do no harm” ESG factors outlined in our ESG Policy in our preliminary reputational risk screening of proposed investments. Modern Slavery is one of the “do no harm” factors. This enables us to better understand the potential risks associated with an investment and to engage with project counterparties at an early stage to assess and, if required, build their awareness and management of associated risks.

As well as at the screening stage, the “do no harm” factors assessment are conducted throughout the lifecycle of an investment.

The CEFC Modern Slavery component of reputational risk screening commences with a desktop assessment, including consideration of:

- Counterparty Modern Slavery statements and associated policies
- If not a reporting entity, investee documentation about their Modern Slavery risk management processes
- Adverse media screening
- Manufacturing sites
- Supply chain risks
- Responses and steps taken to date where applicable
- Global Fair Work Ratings
- Corruption Index ratings
- Corporate Human Rights Benchmark.

## Key actions in 2021-22

In 2021-22, having regard to associated risk factors and our capacity to influence behaviours, the CEFC engaged directly with 15 entities specifically on Modern Slavery matters with the aim of better understanding the adequacy of their assessment, management and mitigation of Modern Slavery risks. Working toward continuous improvement, where adequate measures did not appear to be taken by an investee, we completed additional due diligence and promoted more effective action, which in some cases resulted in the implementation of policies and procedures by the investee to further address their supply chain risks.

The CEFC has also developed a “clause bank” of Modern Slavery provisions to be considered for inclusion in new investment contracts. These provisions are designed to help counterparties and the CEFC:

- Comply with any applicable requirements under the Modern Slavery Act 2018
- Take reasonable steps to identify, assess and address risks of Modern Slavery practices in its operations and supply chains
- Take all reasonable action to address or remove these practices, including, where relevant, by addressing any practices of other entities in its supply chains.

Where included in investment documents, and so communicated to investees, these provisions are also shared with other members of the syndicate lending groups the CEFC is a party to. It is another way the CEFC is able to collaborate and to raise awareness concerning how Modern Slavery may impact an investment.



## Case study: Modern Slavery assessment of potential investment commitment

The CEFC may be indirectly exposed to Modern Slavery via its investments in solar and battery developments by virtue of the Modern Slavery risks associated with the raw materials and manufacturing of componentry.

We have established that the solar and battery supply chains pose a high risk of Modern Slavery. We completed an assessment of the key suppliers in all proposed investment projects to increase our awareness of the indirect link to the risk. We considered relevant open-source information and conducted an assessment of each key supplier. We considered their response to and management of Modern Slavery risks. We engaged with our direct counterparties to understand the due diligence they had completed and requested additional due diligence where existing information did not satisfy our understanding and/or expectation of the identification and management of the risk.

Our experience has been that where a CEFC Modern Slavery risk assessment identifies a heightened risk of Modern Slavery due to sector and proposed indirect counterparties, sponsors are receptive to engaging in a meaningful way to outline and refine their approach to assessing, mitigating, and managing risks associated with Modern Slavery.

Collaborating with counterparties in this constructive manner results in an increased awareness of Modern Slavery issues, and demonstrates sponsors are willing to take into account potential positive Modern Slavery outcomes in their procurement processes.



Regulatory developments targeting the import of goods from high-risk jurisdictions and the import of goods that include componentry and raw materials sourced from high-risk jurisdictions have seen increasing focus on affected sectors both in Australia and overseas. We monitor these developments and the impacts they are having.

The CEFC keeps itself apprised of supply chain transition and associated risk and is aware of the conclusions reached in reports such as Sheffield Hallam University's 2021 report "In Broad Daylight: Uyghur Forced Labour and Global Solar Supply chains", University of Nottingham's 2022 report "The Energy of Freedom? Solar energy, Modern Slavery and the Just Transition" and "Making Xinjiang Sanctions Work". This awareness is factored into our due diligence and investment assessment.

## External fund managers

### The CEFC works with external investment and fund managers in whose funds we have invested.

As well as considering Modern Slavery risks inherent in the underlying investments, it is necessary to consider Modern Slavery risks associated with individual managers.

As a condition to our investment with a fund manager, we conduct a preliminary reputational screening process on proposed investment managers. As a general observation, our investment managers are primarily Australian based, and our due diligence in 2021-22 demonstrated selected investment managers proactively assess the level of risk of Modern Slavery in their operations and supply chains.

In 2022-23 the CEFC will complete additional due diligence to better understand each manager's onboarding process, systems and controls to identify and control Modern Slavery risks. We will seek opportunities to collaborate with our investment managers and to incorporate enhanced reporting requirements on ESG matters (including Modern Slavery matters).



## Relevant practices and procedures

### The CEFC provides designated services as defined under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.

The CEFC anti-money laundering and counter-terrorism (AML/CTF) compliance program is managed by our Risk and Compliance team.

Modern Slavery can be a predicate offence to money laundering. The Risk and Compliance team completes ongoing customer due diligence, including transaction monitoring in collaboration with the Finance team. In the event that ongoing monitoring for AML/CTF purposes reveals instances of Modern Slavery, reporting lines exist within the CEFC for relevant matters to be escalated appropriately.

### Assessing collaboration arrangements

The CEFC regards the risk of Modern Slavery in its collaboration arrangements as low because these arrangements relate predominantly to information sharing and promoting clean energy technology awareness with entities that operate under Australian law.

Our collaboration arrangements provide an opportunity for us to better understand how others assess and address Modern Slavery risks in their own operations and supply chains.

We work collaboratively to contribute to developing insights and ensuring our ongoing continuous improvement in identifying and addressing Modern Slavery issues. The importance of this is emphasised in the context of the ongoing investments in the clean energy sector where it has become apparent that continued investment is likely to require the importation of manufactured goods, and the use of raw minerals and componentry that are at higher risk of involving Modern Slavery.

Continuing collaboration between business, government, law enforcement and civil society is necessary to help define actions that are most effective in addressing Modern Slavery risks while mitigating the risk of supply chain and investment disruption.

The CEFC is a member of the following industry groups:

- Clean Energy Council (CEC) Modern Slavery Group
- Responsible Investment Association of Australasia (RIAA).

### Improving organisational awareness

CEFC representatives improve awareness of associated issues through participating in discussion panels and forums including participating in:

- KPMG launch of two new publications on Modern Slavery due diligence in Australia, by the International Justice Mission, an international human rights non-government organisation, and the Australian Banking Association
- Women in Sustainable Finance webinar (CEFC hosted): *Shining a Light on Modern Slavery*
- CENTRL webinar: *Past, Present and Future of MSA Compliance: Business' Journey and Key Learnings from Practitioners*
- Informed 365 webinar: Modern Slavery – trends and challenges.



# Strengthening our approach

In our 2020-21 Modern Slavery Statement, we committed to strengthen the CEFC approach to Modern Slavery across our business. See Table 2 for summary of actions for 2021-22 and goals for 2022-23.

Table 2: Summary of 2021-22 actions and 2022-23 goals

**Commitments: 2021-22**

**Goals: 2022-23**

**Due diligence processes**

Enhance due diligence processes to capture more detailed information on potential Modern Slavery risks.



These processes were updated in 2022, and they will continue to be refined in 2023 including the rollout and embedding of the Portfolio Management Modern Slavery risk management process. This process was developed by CEFC Portfolio Managers in consultation with Global Fair Work (Modern Slavery) Working Group representatives.

**Management systems**

Formalise Modern Slavery risk tolerances and escalation guidelines to complement existing processes to inform future actions to be taken by the CEFC and to aid in monitoring and reporting.



We will look to develop a more sophisticated risk tolerance management system to reflect inherent Modern Slavery risks in our operations and supply chains.

**Benchmarking exercise**

Consider and report on actions taken in response to the recommendations made as part of the Benchmarking report from external matter expert.



Continue to embed the recommendations and insights as assessed by the Global Fair Work (Modern Slavery) Working Group and implemented as appropriate.

**Market awareness**

Continue to work with Australian and State and Territory government agencies and industry bodies to benchmark and improve our Modern Slavery practices and procedures.



Continue to identify and collaborate with existing Commonwealth and State government departments and agencies including ARENA, and the CER and industry bodies generally.

**Training**

Mandatory annual compliance training for all employees will include Modern Slavery awareness training and training for specific groups with responsibility for associated processes and procedures.



Ongoing delivery of compliance training.

**Procurement and contract management processes**



Continue to conduct Modern Slavery risks assessment and record supplier assessment and actions.

**Investment activities**



Continue to conduct preliminary screening for each proposed investment which included screening for Modern Slavery risks.

**Collaboration**



Continue collaboration with industry and government agencies.



# Benchmarking exercise: Outcomes



## The CEFC commissioned a review of our Modern Slavery policies, practices and procedures in the 2021-22 reporting year. The scope of the review included:

- A detailed review of our Modern Slavery policies, practices and procedures
- Consideration of relevant CEFC policies and procedures including the CEFC Code of Conduct and Ethics and External complaints Handling Policy
- Interviews across our business divisions including the Chief Risk Officer and personnel of varying levels across Risk and Compliance, Investments, Legal and Sustainability
- The assessment report included a high-level Modern Slavery peer practice analysis of five organisations nominated by the CEFC as a bench-marking exercise based on publicly available information including Modern Slavery statements and, where not available, human rights or Modern Slavery related policies.

## Review findings

The review found that the CEFC Modern Slavery framework includes most of the foundational elements required to develop a good practice response to Modern Slavery matters.

While due diligence processes have been developed for CEFC investment-related supply chains, procurement processes and business relationships, these processes are focussed on identification of risks at a pre investment prescreening stage. The review identified the monitoring of risk over the lifetime of a business relationship as an area for improvement. This finding formed the basis of our Modern Slavery focus for training, education and process improvement for 2021-22.

Accountabilities and reporting structures were identified as being well established and understood across the organisation, with clearly delineated responsibilities and reporting lines. Grievance and remediation processes were identified as further area for improvement. Although in-line with industry generally, grievance procedures were noted as an area the CEFC could focus on, in conjunction with the development of other emerging policies or processes.





# Continuous improvement and future focus

The CEFC approach is informed by the United Nation Guiding Principles (UNGPs), the globally recognised standard for preventing and addressing business-related human rights harm.

In line with the UNGPs, the CEFC acknowledges the importance of prioritising actions to address potential Modern Slavery risks in our non-investment contracts, counterparty supply chains and operations through our investment contracts.

The CEFC will focus on short, medium and long-term goals to strengthen our approach to Modern Slavery. This focus will be developed in conjunction with the outcomes of the Australian Government's statutory review of the *Modern Slavery Act* taking place in 2022.

## Short-term goals

- Operationalise internal capabilities for the “do no harm” factors in our ESG policy and embed the process into our internal monitoring data base to enable our Portfolio Managers to undertake periodic reviews of counterparties as necessary
- Improve staff awareness:
  - o External facilitators to provide training to our Board and Executive team on the risks of Modern Slavery in our operations and supply chains
  - o Create an internal Modern Slavery resource for staff to keep up to date with current approaches in relation to Modern Slavery, its risks, and legislative changes
- Seek opportunities to collaborate with our portfolio of investment managers to better understand each manager's onboarding process, systems, and controls in relation to Modern Slavery
- Continue to develop our approach to increase impact where the CEFC influence is greatest
- Continue to monitor regulatory developments and Commonwealth and State and Territory emerging guidelines
- Continue to engage with industry bodies and participate in relevant working groups
- Review the existing Modern Slavery policy and practices as part of Modern Slavery legislation updates.

## Medium-term goals

- Engage with suppliers beyond Tier 1 to influence, monitor and assess supply chains:
  - o Review our CEFC Modern Slavery Questionnaire and add specific questions regarding steps that our counterparties have taken to provide a grievance mechanism in respect of relevant associated supply chains
  - o Collaborate with counterparties seeking to include Modern Slavery clauses in each investment and procurement contract
- As part of revising our ESG policy, consider formalising a commitment to human rights, aligning to recognised international principles
- Review our remediation policy against Commonwealth Guidance, once available.

## Long-term goals

- Continue risk reviews as business as usual for all investments and moderate and high risk rated non-investment contracts
- Continue to improve the way we assess and document our effectiveness in identifying and managing Modern Slavery risk.



# Mandatory reporting criteria

**Table 3: Mandatory criteria of the *Modern Slavery Act 2018***

Mandatory criteria	Section	Page number
16(1)(a) Identify reporting entity	Clean Energy Finance Corporation	3
16(1)(b) Describe the reporting entity's structure, operations, and supply chains	Australia's specialist clean energy investor	5 – 7
16(1)(c) Describe the risks of Modern Slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Risk assessment and actions	8
16(1)(d) Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes	Key actions taken	4
	Risk assessment and actions	8 – 11
	Approach to investment commitments	12 – 13
	Relevant practices and procedures	14
16(1)(e) Describe how the reporting entity assesses the effectiveness of these actions	Strengthening our approach	15
	Benchmarking exercise: Outcomes	16
16(1)(f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement)	Clean Energy Finance Corporation	3
16(1)(g) Any other information that the reporting entity, or the entity giving the statement, considers relevant	Continuous improvement and future focus	17



## About the CEFC

The CEFC is a specialist investor at the centre of efforts to help deliver on Australia's ambitions for a thriving, low emissions future. With a strong investment track record, we are committed to accelerating our transition to net zero emissions by 2050. In addressing some of our toughest emissions challenges, we are filling market gaps and collaborating with investors, innovators and industry leaders to spur substantial new investment where it will have the greatest impact. The CEFC invests on behalf of the Australian Government, with a strong commitment to deliver a positive return for taxpayers across our portfolio.

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