

Modern Slavery Statement

2019-20



Acknowledgement of Country

The CEFC acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters and culture.

We pay our respects to their Elders past, present and emerging.

This Modern Slavery Statement is made on behalf of the Clean Energy Finance Corporation.

This Statement describes our structure, operations and supply chains and the risks of modern slavery practices in our operations and supply chains. It sets out the steps we have taken to assess and address those risks for the financial year ended 30 June 2020. The Statement has been prepared in accordance with the requirements of the *Modern Slavery Act 2018* (Cth).

This Statement has been approved by the CEFC Board.



Steven Skala AO
Chair, CEFC

A message from the CEO



The CEFC is pleased to provide our first Statement under the *Modern Slavery Act 2018 (Cth)*.

As a specialist investor operating on behalf of the Australian Government, we are committed to maintaining the highest standard of ethical behaviour in our operations.

Our Values and the Code of Conduct and Ethics¹ set the standards of behaviour we require of our people, including treating others with respect and fairness and using CEFC resources for proper purposes. The actions we take to comply with the *Modern Slavery Act* are an important part of these endeavours.

As noted by the Australian Government, modern slavery describes situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom. Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and the worst forms of child labour.²

These practices have no place in modern business. In addition to the significant damaging effects these practices have on individuals and communities, allowing these practices to continue unchecked also damages the business integrity and performance of entities later in the supply chain.

As a Commonwealth corporate entity, we are committed to the objectives of the *Modern Slavery Act*. We are working to continually improve our approach to identify, assess and manage modern slavery related risks in our operations and supply chains.

Ian Learmonth
Chief Executive Officer, CEFC

¹ <https://www.cefc.com.au/who-we-are/about-us/>

² <https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx>

Clean Energy Finance Corporation

Business, structure, operations and supply chains

The Clean Energy Finance Corporation (CEFC) is a specialist investor with a deep sense of purpose: to be at the forefront of Australia's successful transition to a low carbon economy.¹

We invest in new and emerging technologies and opportunities on behalf of all Australians, operating with the support of the Australian Government. We invest to lead the market, addressing some of Australia's toughest emissions challenges – in agriculture, energy generation and storage, infrastructure, property, transport and waste.

As a specialist investor we have a clear focus on lowering emissions to deliver benefits for generations to come. Our approach is founded on our shared values: to make a positive impact, to collaborate with others, to champion integrity and to embrace innovation.²

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*.

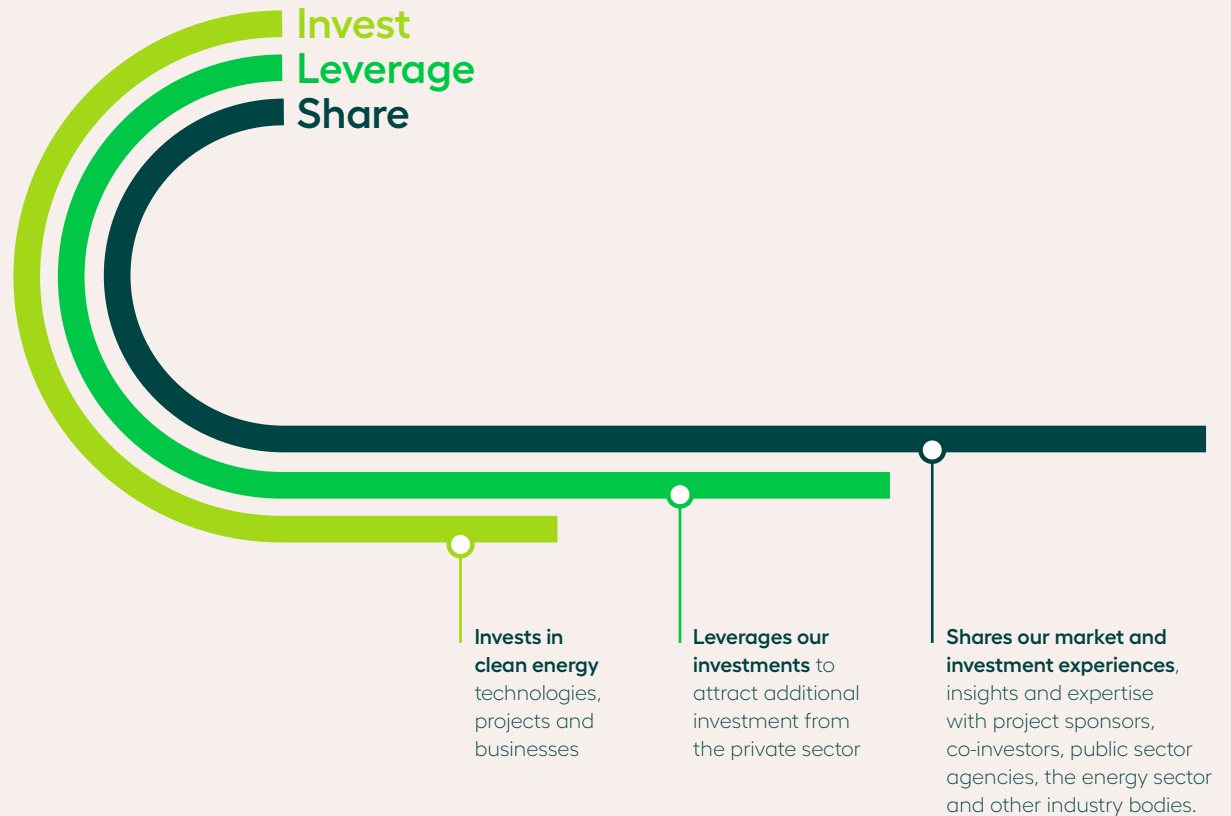
¹ <https://www.cefc.com.au/>

² <https://www.cefc.com.au/annual-report-2020/>

Capital allocation to 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 on behalf of the Australian Government. We are governed by an independent Board that reports to the Australian Parliament through our responsible Ministers.¹

Figure 1:
The object of the CEFC is to facilitate increased flows of finance into the clean energy sector.²
Consistent with this object, the CEFC:



¹ <https://www.cefc.com.au/annual-report-2020/governance/our-purpose/>
² Section 3 of the *Clean Energy Finance Corporation Act 2012* (Cth)

Our structure

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

Our organisational structure is described in Figure 2. Our investment teams include:

Investment team

Focused on accelerating investment in near term emissions reduction opportunities across multiple sectors

Clean Futures team

Focused on longer term investments that will facilitate the firming of intermittent sources of renewable energy generation and to support emerging and innovative clean energy technologies

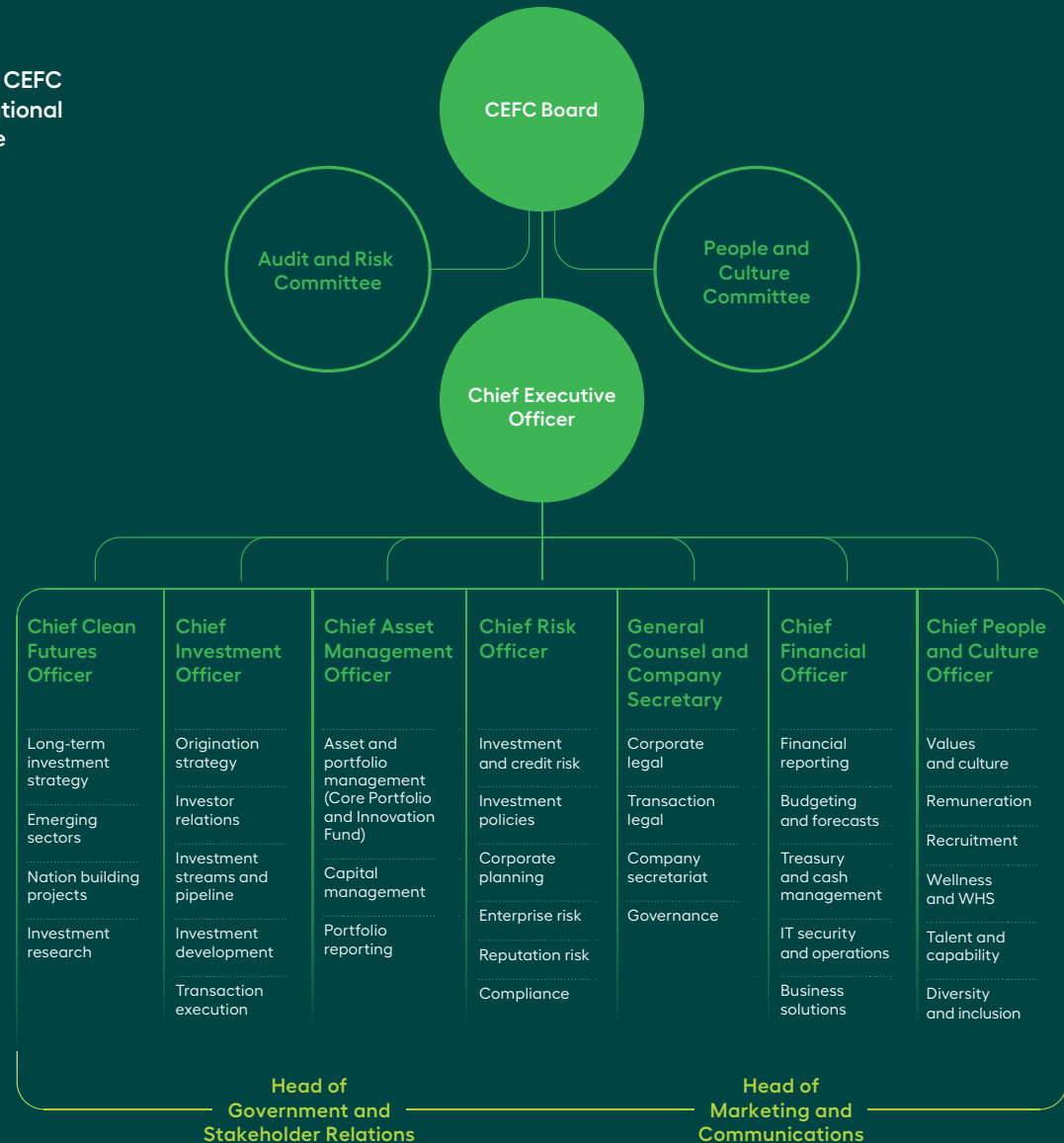
Clean Energy Innovation Fund team

Focused on early stage equity investments in cleantech innovators.

Location

The CEFC operates with a national focus, with our investment commitments stretching across Australia, including national and state-based projects and programs. We have offices in Sydney, Brisbane, Melbourne and Perth.

Figure 2: CEFC organisational structure



How we operate

The CEFC has two wholly-owned subsidiaries: CEFC Investments Pty Ltd (ACN 616 070 430) (CIPL) and Clean Energy Investment Management Pty Ltd (ACN 628 443 854) (CEIM).

CIPL is an investment vehicle for certain direct equity investments. CEIM has been incorporated as part of the CEFC capital management strategy and holds an Australian Financial Services Licence.

The CEFC and its subsidiaries are subject to common procurement processes including our Modern Slavery policy and associated practices and procedures.

Neither CIPL nor CEIM are reporting entities for the purposes of the *Modern Slavery Act 2018* (Cth).

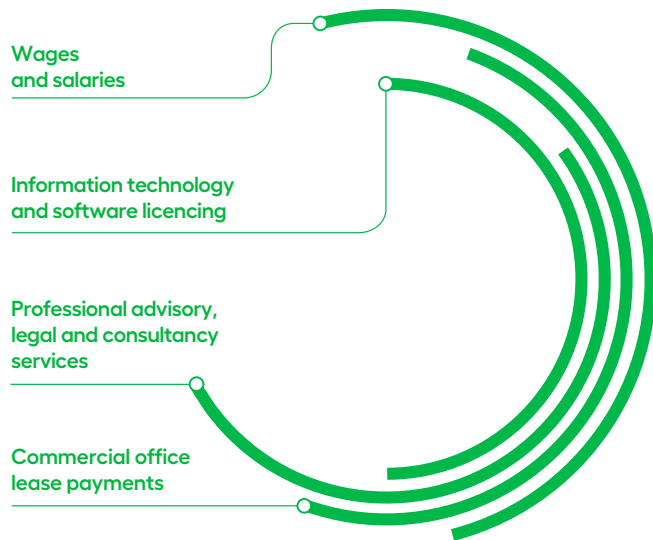
Figure 3: Snapshot for the year ending 30 June 2020



The CEFC operations and supply chains include the following three limbs:

1. Procurement

The CEFC procurement processes are common across the CEFC and its subsidiaries. Key areas of procurement for the CEFC included:



The value of CEFC procurement of goods and services for the year ended 30 June 2020 (excluding wages and salaries and commercial office lease payments) was approximately \$9,800,000.

2. Investments

We invest in renewable energy, energy efficiency and low emissions technologies. Our investments include businesses and projects that develop, commercialise or use renewable energy, low emissions or energy efficiency technologies, as well as businesses that supply associated goods or services for these technologies. The CEFC Act requires our investments to be solely or mainly Australian-based. Our investments include:

- a. **Direct minority equity investments:** such as providing capital, alongside other equity investors, to early stage clean energy technology innovators. The degree of our influence over procurement arrangements of investees will vary depending on numerous factors including the proportion of the CEFC investment relative to other investors and CEFC representation on the investee's board.
- b. **Investments in funds:** such as minority unit holdings in unlisted commercial real estate trusts that are managed by external fund managers with a focus on capital investment in emission reduction and energy efficiency outcomes. Our ability to influence the fund manager's procurement decisions will vary across investments depending on the proportion of the CEFC investment in the fund relative to other investors.
- c. **Debt financing:** such as providing senior secured loans to finance the construction and operation of large scale renewable energy projects such as wind, solar and energy storage. Contracting decisions are made by the individual project sponsors subject to due diligence by the CEFC and undertakings from the borrower relating to compliance with applicable laws. CEFC due diligence processes may provide an opportunity to identify and assess modern slavery risks and influence procurement decisions in ways that most appropriately address the risk of modern slavery in CEFC investments.

- d. **Co-financing programs:** we have a strong focus on driving investment in smaller-scale clean energy projects. Through our co-financing programs with banks, specialised lenders and funds, we provide wholesale debt facilities to co-financiers, who use that capital to provide low cost finance to borrowers investing in smaller scale clean energy assets around the country. The finance can cover up to 100 per cent of the cost of equipment, with projects typically valued at up to \$5 million.

3. Collaboration arrangements

We regularly liaise and engage with private and public sector entities, including the Australian Renewable Energy Agency (ARENA), the Clean Energy Regulator (CER), other Commonwealth, State and Territory governments and agencies, for the purposes of facilitating our investment function under the CEFC Act. Part of this involves the CEFC entering into collaboration arrangements such as:

- memorandums of understanding
- joint venture arrangements and agency relationships with third parties
- consultancy agreements.

While the CEFC Act requires our investments to be solely or mainly Australian based, and our staff and offices are all located within Australia, our operations (including our investments) and supply chains may include procurement arrangements that involve the supply of goods and services sourced from locations outside Australia.

Further, even though we have a comparatively small number of suppliers and investments, our broader indirect supply chain is a complex structure. We are continuing to build our knowledge and understanding of the extent of our indirect supply chains both domestically and abroad.

Operation and supply chain risks

Risks of modern slavery practices in the operations and supply chains of the CEFC

We recognise that modern slavery risks may exist within our operations and supply chains. This includes our investments. We are committed to identifying, assessing and mitigating these risks.

Assessing where modern slavery is more likely to be found in our operations and supply chains, including our investments, requires consideration of several factors, including but not limited to:

Industry

Certain industries have an inherently higher risk of being exposed to modern slavery practices. For example, textiles, construction, labour hire, and technology manufacturing are industries where people may be more vulnerable to modern slavery, including those domiciled in offshore jurisdictions.

Location

Where modern slavery exists in Australia, it is more likely to be present where suppliers (including suppliers to investees) are located in, or goods are manufactured in, offshore jurisdictions that have a higher prevalence of modern slavery or human rights violations. This may include conflict-affected zones, or countries where there is a weak rule of law and high risk of corruption and bribery.

Business models and contracting arrangements

Third party labour arrangements, the outsourcing of significant labour needs and overly complex contracting structures increase complexity in a company's supply chain, potentially increasing the risk of exposure to modern slavery.

Counterparty history

Counterparties and sub-contractors with a demonstrated history of modern slavery breaches are indicative of higher risk.

Impact of COVID-19 on modern slavery risks

COVID-19 has dramatically impacted economic conditions generally and global labour conditions since February 2020. As a result of the pandemic, there may be increased risk of businesses in supply chains exposing workers to forced labour conditions and exploitation.

We take this into account in allocating risk ratings as part of our investment and procurement processes and in applying our Modern Slavery Policy and associated practices and procedures. We also have regard to these factors in assessing where, and the extent to which, modern slavery could exist in each of the three limbs of our operations and supply chains.

Approach to risk assessment

1. Procurement

We assessed the inherent risk of modern slavery in our procurement operations and tier one supply chain, taking into consideration a range of factors, including industry, location, structure of contractual arrangements and counterparty history.

The risk of modern slavery, based on this assessment and the CEFC supply chain profile, is considered to be low to moderate. Refer Figure 4.

Figure 4: Risk assessment of procurement operations

Goods or services supplied to CEFC	Features	CEFC risk rating
Employment of staff	Staff are employed directly by the CEFC on a permanent basis through our Australian offices and subject to Australian employment law.	Low
Leasing of commercial office space	CEFC offices are all leased commercial office space located in Australia and managed by reputable property agents. There may be a higher risk of modern slavery to the extent service providers engage low-skilled, contract, and/or migrant labour in connection with cleaning and building maintenance services.	Low to moderate
Professional advisory and consultancy services	Service providers are typically professional advisory firms predominantly, but not exclusively, Australian based.	Low
Telecommunications equipment and data hosting services	Suppliers are predominantly Australian based with indirect supply chains that may include manufacturing and sourcing of raw materials from higher risk jurisdictions. There are also risks associated with suppliers' support services and maintenance processes, including the use of offshore call centres.	Moderate
Office equipment, stationery and office supplies	Suppliers are predominantly Australian based but with indirect supply chains that may include manufacturing and sourcing of materials from higher risk jurisdictions.	Low to moderate

Approach to risk assessment

2. Investments

Our internal investment and financing approval processes and AML/CTF compliance procedures¹ assist us to identify and manage potential and actual modern slavery risks.

These processes ensure an assessment of modern slavery risk is conducted as a condition to us entering into contractual arrangements and enable associated modern slavery risk to be identified and mitigated as appropriate. These processes include:

- a. Reputational due diligence assessment of investment and financing opportunities, including of borrowers, sponsors, sponsor's shareholders and major contractors
- b. Risk categorisation of investment and financing opportunities to guide our due diligence requirements to identify, assess and address modern slavery risk
- c. Know Your Customer procedures carried out in accordance with the CEFC AML/CTF Compliance Program to assist in identifying money laundering predicated offences linked to modern slavery
- d. Review of reputational due diligence assessments by the CEFC Chief Risk Officer to determine the extent of any additional due diligence that may be required in relation to investment opportunities categorised as involving moderate to high risk of modern slavery.

- e. Additional due diligence by the CEFC Risk and Compliance team and the Investment team, who complete additional due diligence on a case-by-case basis where a potential or actual modern slavery risk is identified. This may include:
 - additional open source investigation
 - stakeholder engagement and assurance discussions between a counterparty's management and the CEFC Chief Risk Officer to better understand and address any actual or suspected modern slavery issues
 - request for the completion of a modern slavery risk questionnaire by the relevant stakeholders
 - additional contractual protections.
- f. Communication and escalation of risks, where the Chief Risk Officer may notify and consult with the CEFC Executive Investment Committee and Board on material modern slavery risks
- g. Ongoing monitoring of counterparties.

Areas of potential risk

The CEFC has identified the following areas as key modern slavery risks in our investment portfolio: solar panel manufacturing, solar panel installations, manufacturing of wind turbines, construction of wind farms, technology manufacturing, manufacturing of batteries and raw materials extraction. Over the next reporting period, we will expand our understanding of these risks through more in-depth analysis and consultation with relevant industry stakeholders and counterparties.

3. Collaboration arrangements

By their nature, collaboration arrangements provide us with a limited ability to exert material influence over counterparties.

As such, we do not purport to monitor or report on the operations and supply chains of our collaboration counterparties. Rather, our Risk and Compliance team is responsible for considering the nature of each collaboration arrangement and assessing the level of risk of modern slavery in associated operations and supply chains as being either low, moderate or high.

¹ Refers to Anti-Money Laundering and Counter-Terrorism Financing considerations

Addressing modern slavery risks

Actions taken by the CEFC to assess and address modern slavery risks, including due diligence and remediation processes

The 2019-20 year is the first reporting period for the CEFC with respect to the Modern Slavery Act. The actions we have taken have been focused on establishing a strong foundation for future action to identify and address modern slavery risks in our operations and supply chains.

Our approach has involved:

- Raising awareness of modern slavery risks within the CEFC through working groups and training
- Developing and implementing an organisation wide framework that broadens existing due diligence and reputational checks practices and procedures
- Embedding modern slavery considerations within existing investment, procurement and contracting processes.

Key actions taken:

1. Global Fair Work (Modern Slavery) working group

Prior to commencement of the Modern Slavery Act, we established and maintained a working group dedicated to modern slavery matters. The working group includes the Chief Risk Officer who is part of the CEFC Executive Team and who reports directly to the CEFC Chief Executive Officer, as well as representatives of the Risk and Compliance team, the Legal team, the Finance team, the People and Culture team and the Investment team. This has enabled effective and consistent dissemination of information relating to modern slavery across the CEFC.

2. Modern Slavery Policy

During 2019-20 the CEFC Board approved the CEFC Modern Slavery policy in response to the Modern Slavery Act. This Modern Slavery policy, and the associated practices and procedures:

- Informs staff about modern slavery risks
- Establishes a framework for mapping the activities of the CEFC that could involve modern slavery
- Describes elements to take into account in assessing levels of risk
- Describes the due diligence to be undertaken, ongoing monitoring arrangements and other mitigants to be applied depending on internal risk assessments and our ability to influence behaviours
- Allocates responsibility for implementing, and the ongoing review of, the CEFC Modern Slavery policy.

3. Principles for Suppliers

The CEFC – Principles for Suppliers¹ document was published in 2019-20. These principles provide a solid foundation for the CEFC to engage in discussions with our suppliers and to communicate the behaviour and standards that we expect of both our direct and indirect suppliers.

4. Initial mapping of CEFC supply chains and operations

We mapped our procurement supply chains by identifying all our current tier one suppliers where the supply contract exceeded a prescribed monetary value within the reporting period. Mapping our operations included listing all our existing investments.

The mapping process included conducting a media scan of key counterparties via open source searching and interrogating the WorldCheck database, noting any records of breaches relating to modern slavery for the key counterparties.

1 <https://www.cefc.com.au/media/gwhfgwd3/cefc-principles-for-suppliers.pdf>

5. Risk assessments of suppliers

Following the mapping of our supply chain, risk assessments were conducted in connection with the relevant procurement and collaboration arrangements. This included allocating each tier one supplier of goods and services to the CEFC with a modern slavery risk rating, of either low, moderate or high.

Risk assessments took into account certain factors, including the sector and geographical location suppliers operate in, or are likely to source goods and services from. During 2019-20, the CEFC began conducting formal reputational reviews on existing and potential suppliers for contracts in excess of \$10,000.

Most supply contracts did not involve high risk sectors, complex contracting structures or manufacturing or supply chains sourced from higher risk geographical locations. Contracts that did involve higher risk sectors, such as offshore manufacturing of computer hardware or support services with no Australian call centres, were contracted through established and well known suppliers.

The risk ratings had regard to the results of our open source searches, the jurisdiction and sectors suppliers operated in and the fact that the majority of suppliers identified as potentially having a moderate risk had, based on open source searches, adopted their own identifiable modern slavery risk measures.

Most tier one suppliers were allocated a low modern slavery risk rating. Suppliers rated as having a moderate risk rating were subject to a more detailed risk assessment in accordance with our practices and procedures. No suppliers were assessed as having a high risk rating.

6. Risk assessment for investments

Our internal investment and financing approval processes and AML/CTF Compliance Program assist us in identifying and assessing potential and actual modern slavery risks. This includes the due diligence processes for Investments outlined above. Since January 2019, our reputational due diligence process has included a review of modern slavery risk for the key counterparties of each investment opportunity.

7. Reputational Reports

We undertake a reputational review for certain procurement arrangements and all proposed investments. These reviews are documented and incorporate a modern slavery risk assessment. The Chief Risk Officer has regard to the risk assessment included in the resultant Reputational Report in determining what, if any, additional modern slavery risk mitigants should be applied. Such additional mitigants could include:

- additional contractual requirements
- further and more detailed due diligence focussed on modern slavery matters
- discussions between appropriate levels of counterparty management and the Chief Risk Officer to better understand and, if required, address any actual or suspected modern slavery issues.

8. Training

Modern slavery awareness training and seminars were provided to CEFC staff in 2019-20, including those with responsibility for the procurement of goods and services on behalf of the CEFC, as well as the CEFC Investment and Portfolio Management teams.

Assessing effectiveness

Effectiveness of actions taken to assess and address modern slavery risks

The CEFC recognises that assessing the effectiveness of our actions to identify, assess and address modern slavery risks to our operations and supply chains is complex and challenging. However, it is vital to ensuring our practices and procedures are fit for the intended purpose of accurately identifying modern slavery risks and to respond appropriately to risks identified.

We are continuing to develop our approach to assessing and managing modern slavery issues, including the following measures to assess the effectiveness of our modern slavery practices and procedures:

1. Review of policies and procedures

The CEFC Modern Slavery policy and associated practices and procedures are subject to annual review by the CEFC Chief Risk Officer. This will provide us with a regular opportunity to assess how effective that policy, and more generally, our approach to modern slavery, has been.

2. Legal review

The CEFC Legal team reviews procurement and investment contracts entered into by the CEFC, or connected with investments made by the CEFC. This provides a consistency of approach and enables us to benchmark our approach with that of our peers and the market generally.

3. Survey of suppliers

The CEFC Risk and Compliance team is surveying key CEFC suppliers (including both Modern Slavery Act reporting entities and non-reporting entities) to assess their modern slavery risks and the degree to which suppliers that form part of our operations and supply chains are aware of, and are taking steps to assess and address, modern slavery in their respective operations and supply chains. It will also enable us to better understand what measures other entities are taking, and how we can improve our operations and procedures, due diligence and contracting arrangements.

4. Outcomes from mapping exercise and reputational assessments

The actions taken to map our operations and supply chain, including investments, and to assess modern slavery risk, has led to the establishment and implementation of a process of ongoing assessment of new procurement contracts and proposed investments. We recognise that it is important that the initial mapping exercise including modern slavery risk allocations is not limited to a single activity at a point in time, but that it becomes an integral part of our procurement processes. For investments, ongoing monitoring of counterparties from public sources to identify negative media coverage that could have modern slavery implications helps us understand how appropriate and effective our modern slavery risk allocations and processes are.

Consultation process

Consultation process with entities owned or controlled

At 30 June 2020, CIPL and CEIM, being CEFC wholly owned subsidiaries, are the only entities the CEFC owns or controls. We recognise that each CEFC subsidiary has a role to play in addressing modern slavery risks.

The directors of CIPL and CEIM were consulted with and involved in the development of the CEFC Modern Slavery policy and associated practices and procedures. These policies and procedures are common to the CEFC and its subsidiaries. In this way, we have established a comprehensive, group wide response to modern slavery, led by the CEFC Chief Risk Officer.



Future action



We recognise that an increased focus on modern slavery across the public sector and industry generally will provide opportunities for collaboration between the CEFC and other Commonwealth entities and industry bodies.

We will develop an understanding of the level of awareness of modern slavery in our supply chain by issuing a modern slavery questionnaire to certain suppliers. We will also review Modern Slavery Statements published by other entities to help identify baseline actions and risk mitigation measures.

We will have regard to materials developed by the Australian Government, including any set of standard contract clauses, that may be suitable for CEFC operations and procurement processes. We expect there will be opportunities to collaborate with other Commonwealth corporate entities to develop our modern slavery practices and procedures.

We will invest time in further training of our staff, particularly those involved in procurement and investment risk assessments, in identifying, addressing and reporting on modern slavery practices.

We aim to continually improve the operational effectiveness of our Modern Slavery policy, including the associated practices and procedures, including through promoting the CEFC Principles for Suppliers.

About the CEFC

The CEFC has a unique role to increase investment in Australia's transition to lower emissions. With the backing of the Australian Government, we invest to lead the market, operating with commercial rigour to address some of Australia's toughest emissions challenges – in agriculture, energy generation and storage, infrastructure, property, transport and waste. We're also proud to back Australia's cleantech entrepreneurs through the Clean Energy Innovation Fund, and invest in the development of Australia's hydrogen potential through the Advancing Hydrogen Fund. With \$10 billion to invest on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.

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