ASSET VALUATION POLICY

POLICY ADMINISTRATION SCHEDULE

Policy Owner	Chief Operating Officer - Investments
Who the Policy applies to	All Trustee Directors All Investments Team personnel All Cbus Group Executives
Who administers the Policy	Chief Operating Officer - Investments
Person with Policy implementation responsibility	Head of Investment Operations Head of Investment Risk & Compliance
Approval authority	Trustee Board
Minor changes authority*	Investment Committee
Inaugural Approval Date	19 June 2013
Date and brief description of the latest Policy change	2 September 2019 - to clarify the standard approach being applied for valuation of investments, and its application to financial reporting and crediting rate calculations.
Endorsement of <u>material</u> changes required from*	Investment Committee
Persons who must be notified of changes post approval:	Investment Committee Investment Team Chief Executive Officer Group Executive Finance, Risk & Governance
Next Review date by Policy Owner (if applicable)	December 2019
Is the Policy attached to a Prudential Standard?	Yes – SPS 530, Investment Governance
Is the Policy part of a larger framework? Eg. Risk or other	Yes: Investment Governance Framework Risk Management Framework.

* *The definition of minor and material changes is contained in the Cbus Policy Framework.*

ASSET VALUATION POLICY

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1. PURPOSE AND OBJECTIVES OF THE POLICY

The purpose of this Asset Valuation Policy (**the Policy**) is to support the Trustee's Investment Policy Statement and set out the principles, policies and guidelines for valuing Fund assets.

Accurate and timely asset valuations are acutely important in ensuring equity is maintained across new, continuing and exiting members. As such, the principal objective of this Policy is to ensure that reliable and timely valuation information is available to the Fund so that members can be allocated an appropriate and equitable share of Fund assets. A secondary objective of the Policy is to ensure the Trustee can produce financial statements that represent a true and fair view of the Fund.

The Policy is set by the Board and reviewed annually or more frequently if required.

2. DEFINITIONS, AND WHAT IS NOT COVERED BY THE POLICY

2.1 DEFINITIONS

APRA means the Australian Prudential Regulation Authority.

Asset means any item expected to provide future economic benefit.

Investment Manager means a person appointed to invest on behalf of the Fund.

Beneficiary means a person who has a beneficial interest in the Fund.

Board means the trustee board of directors of United Super Pty Ltd.

Cbus Group Executive means the members of the Cbus Executive Committee**.**

Custodian means a person (other than the Trustee) who, under a contract with the Trustee or an investment manager, performs custodial functions in relation to the Fund's assets.

DCF is an acronym for Discounted Cash Flow, which is a method for placing a present value on a stream of future cash flows.

Directors means the directors of the Trustee.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FoF is an acronym for Fund of Funds, which a pooled investment vehicle that in turn invests in other pooled investment vehicles.

Fund is the Construction and Building Unions Superannuation Fund.

IC is the Trustee's Investment Committee.

Investment Manager means a person appointed to invest on behalf of the Fund.

Prudential Standard means a standard determined by APRA under subsection 34C(1) of the Superannuation Industry (Supervision) Act 1993.

RSE licensee means the Trustee.

RSE licensee law means:

- The Superannuation Industry (Supervision) Act 1993 or the Superannuation Industry (Supervision) Regulations 1994;
- Prudential standards;
- the Financial Sector (Collection of Data) Act 2001; and
- the Financial Institutions Supervisory Levies Collection Act 1998; and

- the provisions of the Corporations Act 2001

SIS Act means the Superannuation Industry (Supervision) Act 1993.

Strategic Holdings are equity holdings in entities owned alongside other industry funds.

Trust Deed means the Fund's Trust Deed, as amended from time to time.

Trustee is United Super Pty Ltd.

2.2 WHAT IS NOT COVERED BY THIS POLICY:

This Policy addresses the matter of valuing the assets of the Fund, it does not address the processes for valuing investment options, which is set out in the Fund's Crediting Rate Manual.

3. APPLICATION

This Policy applies to all Trustee Directors, all Cbus Executive Managers, all members of the Fund's internal investment team, all officers of the Fund, and its appointed agents, operating under the delegated authority of the Board.

4. RESPONSIBILITIES AND ACCOUNTABILITY

The Trustee is at all times responsible for the Fund's investments, including formulating, reviewing regularly and giving effect to an investment strategy that has regard to, among other things, whether reliable valuation information is available in relation to the investments.

The Trustee is responsible for setting the Fund's valuation policy and procedures and has delegated responsibility for policy oversight to the Investment Committee.

The Chief Operating Officer – Investments (who is functionally segregated from Portfolio teams) is responsible for oversight of the valuation process generally and for the appointment of independent valuers and/or appraisers, commissioned by the Trustee.

5. GOVERNING LEGISLATION AND REGULATORY REQUIREMENTS

In constructing this Policy the Trustee has considered the following legislative and regulatory requirements:

- The SIS Act, and in particular the investment covenants, including:
- Section 52(2)(e & f) - to act fairly in dealing with classes of beneficiaries within the entity & to act fairly in dealing with beneficiaries within a class; and
- Section 52(6)(a)(iv) - having regard to whether reliable valuation information is available in relation to the investments covered by the strategy.
- The Prudential Standard SPS 530 – Investment Governance.

The Trustee has also considered the following guidance materials and industry standards:

- The Prudential Practice Guide SPG 530 – Investment Governance;
- The Prudential Practice Guide SPG 531 – Valuation;
- APRA's letters to trustees dated 16 April 2009 and 4 August 2010;
- CFA Institute Global Investment Performance Standards Handbook;
- AIST Trustee Practice Guide: Valuation of Unlisted Assets; and
- AASB 1056 – Superannuation Entities, and AASB 13 – Fair Value Measurement.

6. VALUATION RISK

Valuation risk is the risk that the values of Fund assets are misstated, giving rise to inequity across the membership and/or incorrect financial statements. The main forms of valuation risk that the Trustee seeks to manage are:

- Cross subsidisation between transacting and non-transacting members;
- Valuation arbitrage opportunities;
- Miscalculated crediting rates; and
- Misstated financial statements.

The overarching aim of the Policy is to ensure the equitable treatment of Fund members by ensuring the timely availability of accurate valuations of Fund assets, noting that for some asset classes there will be a trade-off between accuracy and the cost of conducting valuations.

7. MEMBER EQUITY

Issues in regard to member equity arise due to the time lag between the valuation date of an asset and time at which a member's transaction is processed. The difference in the value of the underlying assets at these two dates results in cross subsidies between transacting and non-transacting members and may also provide valuation arbitrage opportunities.

To ensure equity between cohorts of members, the Trustee ensures that the value of the majority of the Fund's holdings are updated daily, aligned with the frequency of the crediting rate process. Where assets are valued less frequently, the Trustee makes a case by case assessment on the required frequency of valuations based on the potential impact of the valuation on the investment options and the cost of the valuation process.

To minimise the risk of arbitrage the Trustee ensures that assets are valued at pre-determined intervals and that valuations are spread across the year so the impact on members' entitlements is aligned with changes in valuation. Any movement in valuation is factored into the daily crediting rates at the time the valuation is received.

8. VALUATION PRINCIPLES

The Trustee's standard approach to the valuation of Fund investments is to value investments in accordance with approved accounting standard AASB 1056 *Superannuation Entities*, which requires that Fund investments be valued at fair value.

Fair value of investments without any deduction for disposal costs, will be applied to crediting rate calculations. This ensures that a consistent Fund investment valuation approach is applied for crediting rate calculations and within financial statements.

The Trustee acknowledges that it is responsible for understanding the basis of the valuation of all assets held by the Fund and that valuation principles vary across different asset classes and investment structures.

The Trustee reserves the ability to adopt a different valuation approach from the standard fair value approach for certain investments from time to time, which will be decided on a case by case basis. An example of when a different valuation approach may be applied to certain assets may be when a material asset is intended to be sold within a short period of time. In this circumstance a decision may be made to value the asset at fair value net of disposal costs.

When applying the Policy and principles, and considering any changes to the standard valuation approach, the Trustee will consider relevant factors. These factors may include an expectation that the Fund will move into a long-term period of net cash outflows, or that certain assets are intended to be sold within a short period of time. Materiality of the investment in terms of total Fund assets will also be considered.

Any asset valuation adopted should be in accordance with this Policy and is to be consistently applied to crediting rates and the financial statements.

The Fund's assets can be grouped into four broad categories (which are broadly comparable to the accounting standard's observable input hierarchy): listed securities, managed funds of listed securities, managed funds of unlisted securities, and unlisted assets.

9. LISTED SECURITIES

9.1 TYPES OF INVESTMENTS

This is the largest of the four categories and typically includes listed equities, government bonds, traded corporate bonds, short term money market instruments, deposits, and exchange traded securities. These securities are traded on recognised exchanges (e.g. ASX, NYSE, FTSE, etc.) that typically provide daily objective and observable prices. The Fund trades these assets (i) through discrete mandates to professional investment managers, and (ii) directly, via the Fund's internally managed mandates.

The Custodian is primarily responsible for providing the Fund with prices for listed securities in accordance with the Custodian Agreement and the Custodian's Pricing Policy. The Fund regularly reviews the Custodian's Pricing Policy to ensure it is aligned with the Trustee's expectations and risk appetite.

Members are able to trade certain securities directly through the Cbus Self-Managed platform. These assets within the Self-Managed platform are valued in accordance with this Policy with reference to investment type.

9.2 VALUATION SOURCES

The valuation process is straight forward for listed securities that are traded frequently in deep and liquid markets. For these securities, the Custodian typically provides the last traded price as at the end of the trading day for the principal market in which the securities are listed. If there is no trading activity for a specific security, but there is active bid/ask activity, the mid-price will be applied except for Australian and New Zealand equities which will use the last traded price.

Overseas assets are converted to their equivalent Australian dollar value using the WM Company/Reuters 4.00pm London close rate.

To ensure the accuracy of the valuations, the Custodian uses multiple independent pricing sources. A composite price is used where trading in a country is conducted across multiple exchanges, unless the composite price is deemed unreliable or there are significant differences in trading volumes across the exchanges. In such cases, the principal market price will be used.

If a price is deemed incorrect or unavailable, the last known accurate price is used. After five days, the asset will be reported as having a stale price. Assets are held at their stale price until a price can be sourced from an independent pricing vendor. Stale prices are reported by the Custodian to the Fund and reviewed quarterly by the investment team.

Where stale prices are deemed material, they are reported to the Chief Operating Officer - Investments for review. Materiality will be judged on a case by case basis including a consideration of the length of time the prices have been stale and the value of the holding.

The Fund's custodian provides the Fund with semi-annual GS007 reports in relation to the independent market prices.

9.3 FREQUENCY

Valuations for listed securities are generally available daily.

10. POOLED INVESTMENT VEHICLES OF LISTED SECURITIES

10.1 TYPES OF INVESTMENTS

This category of investments typically includes holdings in pooled funds, in which the underlying assets are listed securities. In such investments, the Fund does not hold the listed securities directly but rather holds units in the pooled vehicles. As stated in the Investment Policy Statement, the Trustee prefers mandates rather than pooled trusts and, as such, the Fund's exposure to this category will typically be low.

10.2 VALUATION SOURCES

The investment manager or responsible entity is responsible for providing the Fund with a redemption value for the units held. The redemption values are based on the valuations of the underlying securities, which the manager values in accordance with its own valuation policies.

The due diligence of all new pooled vehicles includes an assessment of the valuation processes to ensure they are appropriate for the investment and consistent with the Fund's valuation principles. Further details of the due diligence procedures are set out in the Fund's Operational Due Diligence manual.

The custodian and the internal investment team regularly review the valuations provided by pooled vehicles for reasonableness and consistency with broad asset class returns. Additional oversight and reviews are undertaken in times of heightened market volatility to ensure manager valuation practices are robust and timely.

10.3 FREQUENCY

Pooled vehicles of listed securities are expected to provide valuations in accordance with offer documents, but generally daily. Products priced less frequently are not excluded from the Fund but the risks introduced by the infrequent pricing and its potential impact on the Fund must be explicitly considered in the due diligence.

11. POOLED INVESTMENT VEHICLES OF UNLISTED SECURITIES

The Trustee recognises that valuation risk is predominantly concentrated in its exposure to unlisted securities, where objective and observable valuations are less readily available. As such, the Trustee has established the controls and procedures set out in sections 11 and 12 below to manage this risk.

11.1 TYPES OF INVESTMENTS

Similar to section 10.1 above, this category of investments typically includes holdings in pooled funds, however, in this case the underlying assets are private assets that are not listed on exchanges (such as high yield debt, property, infrastructure and private equity). Again, the Fund does not hold the securities directly but rather holds units in the pooled vehicles.

In addition, and particularly for private equity investments, the Fund may have investments in Fund of Fund ('**FoF**') arrangements, where there is an additional pooled fund layer between the Fund and the underlying securities.

11.2 VALUATION SOURCES

The investment manager or responsible entity is responsible for providing the Fund with a valuation for the units held. The unit valuation is based on the valuations of the underlying securities, which the manager values in accordance with its own valuation policies, which typically follow accepted accounting standards and/or industry guidelines. For example, the Fund expects private equity managers to consider the valuation guidelines adopted by the Australian Private Equity and Venture Capital Association and its international counterparts.

The due diligence of all new pooled vehicles includes an assessment of the valuation policies and methodologies to ensure they are appropriate for the investment and consistent with the Fund's valuation principles. Further details of the Fund's due diligence procedures are set out in the Fund's Due Diligence Policy.

11.3 METHODOLOGY

The managers of unlisted assets typically appoint an independent valuer to value the underlying assets at least once a year. The independent valuations are supplemented in the interim periods by more regular manager valuations. The valuer is responsible for choosing the methodology used to value the assets and the unlisted fund asset valuations are audited annually.

The Trustee acknowledges that in some asset classes, and for private equity in particular, independent valuations are not normally conducted. In such cases, the Trustee expects the manager valuations to be audited by the pooled fund's external auditor each year and that the reward structures between the Fund and the investment manager to be aligned.

Unlisted assets are typically valued using Discounted Cash Flow (**'DCF'**) models combined with an assessment of actual sales of comparable assets (where available) and price indicators from listed markets.

11.4 FREQUENCY

There are two key aspects to the frequency of the valuations of pooled vehicles of unlisted assets – the frequency of prices for the units of the pooled vehicle, and the frequency of the valuations of the underlying assets. The Trustee recognises that not only are the units of pooled vehicles of unlisted assets likely to be valued infrequently but also that there is likely to be an additional lag between the unit values and the valuations of the underlying unlisted assets. As a result, the value used for member transactions will not fully incorporate the latest market conditions. This is an important aspect of valuation risk and the equitable treatment of Fund members.

Managers of pooled vehicles of unlisted securities provide unit valuations to the Fund periodically. Further, the unit values for international exposures are updated daily for currency movements.

The underlying unlisted securities are expected to be valued by the manager at least semi-annually and preferably quarterly, taking into account the relative size of the underlying asset.

The Fund expects the frequency of valuations (both unit valuations and the underlying assets) to reflect market conditions, with flexibility for more frequent valuations in times of heightened market uncertainty.

11.5 PROCESS FOR ACCEPTING OR REJECTING A VALUATION

An important aspect of the Fund's role in accepting a valuation is the receipt and review of the annual audited financial statements of the pooled vehicle. If a financial statement includes a qualified opinion, this will be discussed with the manager and highlighted to the Fund's auditor for review.

The Fund regularly reviews the valuations provided by pooled vehicles to ensure they have been carried out in accordance with the relevant standards, the pooled fund's own policies, and are consistent with broad asset class returns. Additional oversight and reviews are undertaken in times of heightened market volatility and uncertainty to ensure manager valuation practices are robust and timely.

Where the Fund considers that the valuation of a particular investment is overly optimistic or conservative, the Fund will discuss the valuation of that particular investment with the manager/valuer with a view to better understanding the valuation, including the key drivers of the outcome.

In instances where a fundamental difference remains between the Fund's and the manager's/valuer's view on the most appropriate valuation, the Fund will require the manager to obtain a valuation of the investment from an independent third party appraiser, agreed by the Fund and the manager.

12. UNLISTED ASSETS

12.1 TYPES OF INVESTMENTS

This category typically includes direct and indirect ownership in assets that are not actively traded through recognised exchanges, such as: private equity, property, infrastructure, high yield debt and thinly traded corporate debt.

The Fund typically gains exposure to indirectly owned unlisted securities through pooled investment vehicles managed by third party professional investment managers. Directly owned investments in unlisted assets may be internally managed by the internal infrastructure team or externally managed by a third party professional investment manager under an investment management agreement.

Directly owned investments includes exposures that are not via third party investment managers, such as the Fund's Strategic Holdings, Cbus Property, the Art portfolio and some directly held debt securities.

12.2 VALUATION SOURCES

There are no observable markets to provide regular objective pricing for unlisted securities, therefore, the Fund uses single purpose valuations for establishing valuations for these assets.

The majority of the directly held investments are valued at least annually by an independent professionally designated, certified, or licenced valuer/appraiser. Where the direct investments are managed by an external investment manager, the manager may also provide manager valuations throughout the year.

For internally managed debt investments, where possible, investments are valued by the Custodian using observable, independent market prices. Where that is not possible and directly comparable assets can be identified, that are independently priced, this data will be used as guidance for valuing the assets. If there are not directly comparable assets, nor independent pricing, no analytically rigorous mark to model approach and Cbus has assessed the asset to be performing, then Cbus' approach is to value the asset at its par value plus accrued interest. Properties within the Cbus Property mandate are valued in accordance with the valuation policy of Cbus Property, and those valuations (including any updates to valuations and sale prices) are notified to the Trustee on a regular basis. In relation to asset sales, Cbus Property typically notifies the sale price upon entering into an unconditional contract for sale. However, it may delay notification of the sale price in the event that Cbus Property considers there is a risk of settlement not going ahead.

12.3 METHODOLOGY

For directly owned investments, independent valuers are used, appointed by the Trustee, external investment manager or the investee company, they are typically rotated after three years. The level of influence the Trustee is able to exert over the selection of a valuer for an investment varies depending on the ownership structure of the asset.

Valuers use a variety of techniques and checks to arrive at a valuation for an asset. In doing so they are expected to follow international and local best practice valuation methodologies for the asset class in which they are practicing, including those issued by accounting standard boards and respected professional bodies.

These methods may include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows, recent third-party transactions, and other factors that influence the value of an investment. The valuation method should be kept consistent over time.

Internally managed direct debt investments are valued in accordance with Australian and global accounting and investment bodies' approach to determining Fair Value. This is consistent with the approach adopted by the Fund's external investment managers.

For the thinly traded debt exposures, valuations are sought from various providers such as Interactive Data Corp., Markit and Bloomberg. Where a price provider cannot be found in the market for a particular security, the price is kept static or at cost until a vendor can be found. These static prices are reported to the Fund via the custodian's stale price report.

12.4 USE OF VALUATION MODELS

The Fund does not develop in-house models for the purposes of valuing any of its securities. However, independent valuers and/or investment managers may, and are likely to, use DCF models in their appraisal process for unlisted securities. The models project cash flows for each asset and then discount them at an appropriate risk adjusted rate. The models have a variety of inputs and are likely to use a combination of observable and unobservable assumptions, with greater emphasis placed on the relevant observable inputs and assumptions.

Where comparable observable prices are available, these will be taken into consideration before settling on an asset's valuation.

12.5 FREQUENCY

SPG 531 - Valuation, indicates that unlisted assets should be valued at least quarterly, and where valuations are conducted periodically they should be staggered to reduce the likelihood of fluctuations in the value of an investment option at any one time.

The Trustee accepts these objectives in principle and is committed to regular valuations of Fund assets. However, the Trustee also acknowledges that the timing of valuations is generally governed by the ownership structure of the asset, in which it may have only limited influence.

Furthermore, the Trustee must balance the trade-off between the benefits of frequent valuations with the costs of conducting those valuations. The Trustee assesses these trade-offs on a case by case basis considering the size, characteristics and volatility of an asset.

Where the Trustee is able to exercise a material influence over the timing of the valuation process it will do so. The Trustee will have regard to not only the individual characteristics of the asset but also the asset's role in the portfolio and the cost of the valuation.

Unlisted assets typically have annual independent valuations with quarterly roll forward valuations (roll forward valuations are not as complete as full valuations but involve updating the model inputs for any material new information since the previous valuation).

Direct infrastructure investments are generally held at cost until the first independent valuation unless there is a material change in circumstances that requires a new valuation. Independent valuations are undertaken on at least an annual basis for these assets. Provided the most recent full independent valuation continues to be valid, interim valuations are conducted at least quarterly. Interim valuations are a roll-forward of the previous independent valuation, incorporating any updates to valuation parameters to account for any material new information since the previous valuation.

For internally managed debt investments, independently priced securities are valued daily. Where the security is valued at par plus accrued interest, the value is also determined on a daily basis.

The majority of the Strategic Holdings are valued annually. Smaller exposures, such as Frontier Advisors and the Art portfolio, are valued less frequently but at least triennially. The materiality of the risks posed to the Fund from less frequent valuations of these assets has been assessed by the IC, which has determined that the risks are minimal due to the small scale of the holdings, the stability of the valuations and relatively large costs of valuing these assets more regularly.

Wherever possible the Trustee aims to ensure valuations are appropriately staggered to reduce the risk of concentration of valuations at any one point throughout the year. The Fund may conduct more frequent valuations in times of heightened market volatility or uncertainty and/or if it has reason to believe that prices may have moved significantly since the last valuation. Further details of the revaluation process are set out in Section 12.9. Furthermore, the Trustee aims to have fresh valuations available for all assets at the end of the financial year, when the final crediting rate is calculated and financial statements are produced.

The Fund’s largest directly owned exposure to unlisted assets is through its mandate with Cbus Property. Cbus Property maintains its own valuation policy, which the Fund regularly reviews to ensure the policy is aligned to the needs of the Fund.

12.6 ADJUSTMENTS

The Trustee aims to ensure valuations are adjusted to account for any expected transaction costs and material characteristics, or restrictions of sale, that may impact on the likely price achieved on a transaction, for example a minority interest discount.

The Fund instructs its valuers and managers to include these considerations when carrying out valuations, and where adjustments are made they must be explicitly set out and explained in the valuation report.

12.7 PROCESS FOR ACCEPTING OR REJECTING A VALUATION

It is usual for an independent valuer to provide a valuation range and a point estimate. For directly owned investments, under most circumstances the Trustee will accept the point estimation.

If the Fund (or its auditor or financier) considers the point estimate valuation overly optimistic or conservative it will discuss the valuation of that particular investment with the investment manager and/or valuer with a view to better understanding the valuation, including the key drivers of the outcome.

In extreme circumstances, where a material fundamental difference remains between the Fund and the valuer on the most appropriate valuation, the Fund may:

- Recommend the IC adopt an alternate valuation other than the point estimate from within the valuation range; or
- Seek a second valuation.

Where the IC adopts a valuation other than the recommended point estimate, it will represent the value the Trustee believes in good faith and care to represent a true and fair estimation of the realisation value of the investment. The Trustee acknowledges that this valuation is a Trustee valuation and ensures the reasons for adopting the Trustee valuation are documented and recorded, and that the external auditor is made aware that a Trustee valuation has been used.

12.8 INTERIM VALUATIONS AND INDEXING

The Fund does not generally seek to use proxies to value unlisted assets in the periods between valuations. However, the Fund reserves the right to do so if markets experience significant volatility and/or it is assessed to be in members' best interests. This would represent a significant deviation from current practice and would require Board approval.

12.9 REVALUATIONS AND TRIGGER EVENTS

The Trustee may, from time to time, determine that it is in members' best interests to delay, bring forward, or seek additional valuations outside the normal valuation cycle.

The likely trigger events for such events include but are not limited to:

- Change in ownership of an asset;
- Unusual or unexpected values achieved on the actual sales of comparable assets;
- Significant change in the value of similar assets in listed markets;
- Major change in the outlook for the asset (i.e. loss or award of a material contract);
- A re-estimation of the key assumptions used in the valuation model, i.e. macro-economic factors or sale estimations;
- Increased sovereign risk in the asset's locality;
- Force majeure events (i.e. loss of physical infrastructure through natural events);
- Changes to the regulatory environment or operational conditions affecting an asset; or
- Changes to the debt structure or loan covenants of an asset.

13. ROLE OF THE AUDITOR

The Fund's external auditor provides an opinion on the fairness and reasonableness of the Fund's annual financial statements. In forming its opinion, the auditor is likely to test and review the Fund's valuation methodologies and processes.

The Fund's internal auditor has full and unfettered access to the Fund's investment policies and processes and may, from time to time, test the accuracy and continued appropriateness of the valuation processes.

If either the external or internal auditor identifies a material issue with any investment valuations or the methodologies used, the Fund will work with the auditor and the valuer to understand the nature and materiality of the finding. The Trustee's response will depend on the issue and the outcome of the discussions but may include requesting an updated valuation or seeking a second opinion from a different independent valuer.

It is worth noting that many of the firms that provide audit services also provide independent valuation services, which allows for the potential for conflicts of interests to arise. To help manage this risk, where the Fund is involved in appointing a valuer and where practical the Fund's external auditor will be excluded from providing valuation services.

14. EXCEPTIONS PROCESS

The Chief Operating Officer – Investments is responsible for ensuring that all deviations from compliance with this policy are reported in a timely manner to the Group Executive, Finance, Risk & Governance.

Any decision to change an asset's valuation cycle requires the written approval of the Group Executive, Finance, Risk & Governance and the Chief Operating Officer – Investments. Any requests for an exemption from complying with this policy must be supported in writing by both the Group Executive, Finance, Risk & Governance and the Chief Operating Officer – Investments. The Board is also to be notified if the exception is deemed material.

15. RELATED POLICIES AND MATERIALS

The Trustee maintains a suite of investment related policies to assist in the prudent management of the Fund's investments.

The Asset Valuation Policy is a key component of the Trustee's Investment Governance Framework. Where applicable, it should be read in conjunction with the following policy documents:

- Cbus Crediting Rate Manual; and
- Cbus Risk Management Strategy and Risk Appetite Statement.

16. VERSION CONTROL

This policy is updated as required and at least annually. The table below sets out the policy's history.

Version	Prepared By	Comments	Approved By	Date Approved
1	Trish Donohue	Updated to reflect the new legislation and revised investment framework.	Trustee Board	19/06/2013
2	Trish Donohue	Annual review – no major changes	Trustee Board	25/06/2014
3	Michael Guilday	Annual review – no major changes	Trustee Board	22/06/2015
4	Michael Guilday	Annual review – no major changes	Investment Committee (minor changes only)	09/06/2016
5	Michael Guilday	Annual review – no major changes	Investment Committee (minor changes only)	13/06/2017
6	Elizabeth Weston	Annual review – no major changes. Updated to include direct (debt and infrastructure) investments.	Investment Committee (minor changes only)	3/12/2018
7	Nancy Day	Updated to clarify the standard approach being applied for valuation of investments, and its application to financial reporting and crediting rate calculations.	Investment Committee (minor changes only)	2/09/2019