

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

CBUS

CBUS79QW: Since 12 March 2020, has your fund provided any liquidity to:

- a. REST?**
- b. Hostplus?**
- c. any other superannuation fund?**

If so, for each fund, can you provide details of the amount, the date and the terms?

Answer: No.

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CBUS

CBUS80QW: **Since 12 March 2020, has your fund loaned any cash to:**
a. REST?
b. Hostplus?
c. any other superannuation fund?

**If so, for each fund, can you provide details of the amount, the date and
the terms?**

Answer: **No.**

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CBUS

- CBUS81QW:** **Regarding any investments you have with IFM Investors, please provide the following:**
- a. The capital invested each year for the past five years.**
 - b. The accumulated valuation of investments for the past five years.**
 - c. The dividends received from those investments for the past five years.**

Answer:

- a. This information is commercial in confidence.
- b. Valuation of investments managed by IFM for Cbus:

Asset Class	30-Jun-15		30-Jun-16		30-Jun-17		30-Jun-18		30-Jun-19	
	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund
Australian equities	2,368.8	7.6%	2,334.2	6.9%	2,640.3	6.6%	3,269.6	7.0%	3,587.8	6.8%
Infrastructure	2,265.1	7.3%	2,499.9	7.3%	2,804.8	7.0%	3,176.8	6.8%	3,764.0	7.2%
Private Equity	224.2	0.7%	196.2	0.6%	163.2	0.4%	132.0	0.3%	128.4	0.2%
Absolute Returns	62.3	0.2%	91.4	0.3%	179.0	0.4%	230.8	0.5%	260.7	0.5%
Alternative Debt	728.0	2.3%	904.9	2.7%	1,068.0	2.7%	989.9	2.1%	1,071.9	2.0%
Cash	247.6	0.8%	254.0	0.7%	259.6	0.6%	265.0	0.6%	2,004.5	3.8%
Total	5,896.0	18.9%	6,280.6	18.5%	7,114.9	17.8%	8,064.1	17.3%	10,817.3	20.6%

- c. This information is commercial in confidence.

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CBUS

- CBUS82QW:** **Regarding any investments you have with ME Bank, please provide the following:**
- a. The capital invested each year for the past five years.**
 - b. The accumulated valuation of investments for the past five years.**
 - c. The dividends received from those investments for the past five years.**

Answer:

- a. This information is commercial in confidence.
- b. Valuation of investments with ME Bank:

Asset Class	30-Jun-15		30-Jun-16		30-Jun-17		30-Jun-18		30-Jun-19	
	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund	\$ (millions)	% of fund
Alternative Debt	188.7	0.6%	156.7	0.5%	61.9	0.2%	35.7	0.1%	30.6	0.1%
Other*	376.1	1.2%	261.5	0.8%	312.0	0.8%	409.3	0.5%	273.3	0.5%
Private Equity**	169.7	0.5%	167.8	0.5%	186.0	0.5%	225.1	0.5%	236.8	0.5%
Total	734.5	2.4%	586.0	1.7%	559.9	1.4%	670.1	1.1%	540.7	1.0%

*Cash: holdings in ME Bank cash instruments (such as NCDs and term deposits), held either directly or through external investment managers

** Reflects Cbus' private equity holding of ME Bank

- c. This information is commercial in confidence.

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CBUS

- CBUS83QW:** **If you are an investor in ME Bank, have you individually (or in collaboration with other funds), ever commissioned reports into its valuation in the past decade?**
- a. And if so, how many reports and in what year?**
 - b. Were any commissioned to be completed by the UK-based group, LEK?**
 - c. And please provide copies.**

Answer: Cbus holds shares in ME Bank. Cbus has not commissioned a valuation report into ME Bank. Any independent valuation reports prepared in relation to ME Bank are commissioned by ME Bank on behalf of shareholders. These reports are commercial in confidence.

The report that the Committee appears to be referring to in Q83(b) was a strategic review of ME Bank. This review is commercial in confidence.

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CBUS

- CBUS84QW:** According to reports in the *Australian Financial Review* superannuation fund, Hostplus, redefined the definition of 'illiquid assets' ('Hostplus warned of liquidity "perfect storm"', *Australian Financial Review*, 18 May 2020). Therefore, can you please advise:
- a. How you define 'illiquid assets' within your fund, including details of holdings and timeframes?
 - b. How you define 'liquid assets' within your fund, including details of holdings and timeframes?
 - c. How long each of these definitions have been used?
 - d. What prompted any switch to these definitions?
 - e. What the prior definitions were before any switch?

Answer:

- a. Cbus defines an illiquid asset as an investment that cannot be converted to cash within, or reasonably close to, 30 days or where conversion to cash over that period, by itself, would have significant adverse impact on its realisable value.
- b. Cbus generally considers liquid assets to be those assets that are not illiquid, with illiquidity defined according to the definition in (a) above.
- c. This liquidity definition was first adopted in December 2013.
- d. The change in 2013 was made primarily to allow greater flexibility to invest in assets that were generally considered liquid, but with a term very slightly outside of 30 days, for example 31-day cash notice accounts.
- e. Before the definition was amended in 2013 an illiquid asset was defined as an investment that cannot be converted to cash within 30 days or where conversion to cash over that period, by itself, would have significant adverse impact on its realisable value.

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CBUS

- CBUS85QW:** **Have you completed a skills audit in the past five years of the following:**
- a. Your board of directors?**
 - b. Your investment committee?**
 - c. And if not, why not?**
 - d. And if so, presently what gaps are identified?**

Answer: Skills audits have been completed for the Board and Committees, including the Investment Committee, in the past five years. The latest audit is currently underway.

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CBUS

CBUS86QW: **Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?**
a. And if not, why not?
b. And if not prior to appointment, have they following appointment?
And if so, on what timeframe?

Answer: Cbus undertakes appropriate due diligence prior to the appointment of employees.

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CBUS

CBUS87QW: Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread:

Answer:

Country/Region	Share of fund asset value	
	\$m	%
North America (inc USA)	2,176	4.1%
- United States specifically	2,075	3.9%
South America	369	0.7%
Asia (inc China)	185	0.4%
- China specifically	19	0.0%
Africa	20	0.0%
Europe (not inc UK)	489	0.9%
Europe (inc UK)	1,560	3.0%
- United Kingdom specifically	1,072	2.0%
Australasia (inc Aus)	10,874	20.7%
- Australia specifically	10,812	20.6%

Unlisted assets include Property, Infrastructure, Private Equity, and Alternative Debt.

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CBUS

CBUS88QW: Please provide a copy of your Constitution.

Answer: Cbus' constitution can be accessed via the link below:
<https://www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Articles-Association.pdf>

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CBUS

CBUS89QW: Please provide details, including the event name, organising entity, ticket price and attendee(s) for the past decade of the tickets purchased for events and/or fundraisers for political parties or related entities, individual MPs and individual candidates for political office or the associated fundraising entities of political parties, individual MPs and individual candidates for political office.

Answer: Cbus has not purchased tickets to any political fundraisers.

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CBUS

- CBUS90QW:**
- Do you currently have an art collection?**
 - a. If so, can you advise its current valuation?**
 - b. If so, can you advise where it is stored and/or exhibited?**

- Answer:**
- Cbus has an art collection, known as the Cbus Collection of Australian Art.
- a. At 30 June 2019 it was valued at \$8.3 million, representing less than 0.02% of the fund's assets.
 - b. The Cbus Collection of Australian Art is curated by Latrobe Regional Gallery in Victoria, and is stored/displayed at several regional galleries in Victoria.

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CBUS

CBUS91QW:

Do you engage proxy advisers?

- a. What are the terms of engagement for proxy advisers?**
- b. To what extent are they empowered to act on behalf of the entity?**
- c. Does their advice get provided to the board?**
- d. How often is advice submitted to the board?**
- e. Is their advice formally adopted by the board?**
- f. Are their positions publicly stated?**
- g. How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?**

Answer:

Cbus engages proxy advisors whose recommendations form part of the range of sources used to make voting decisions. They also provide vote execution in accordance with Cbus vote instructions and record-keeping for public disclosure.

The Cbus Investment Committee has delegated proxy voting decision-making to Management. The Board and Investment Committee are informed of key proxy voting outcomes.

Cbus' votes at company AGMs and individual resolutions are publicly available 7 days after voting.

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CBUS

- CBUS92QW:** **Are you currently, or have you previously been, a member or subscriber of the ACTU Members Connect Program?**
- a. If so, what is the timeframe of your membership?**
 - b. What has been the annual fee year-on-year?**
 - c. How have you assessed its value to your members?**

Answer: Cbus is not and has not previously been a member of or subscriber to the ACTU's Member Connect program.