| Date | Question on notice | Answer |
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| 17 Jan | **General Business Practices**<br>3. How much does Cbus spend annually on advertising?<br><br>4. As Chair, what is your perception of the purpose of that advertising? | Super funds such as Cbus Super are required to publicly disclose certain types of expenses to members, including promotion, marketing and sponsorship payments.<br>Detailed information regarding Cbus Super's expenses is available here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/amm-fy24-detailed-website-disclosure.pdf (Annexure 1)<br><br>The purpose of that advertising is to promote or market Cbus Super.<br><br>Promotion, marketing and sponsorship helps to grow the Fund and increase scale, which positions Cbus Super to deliver lower fees for members. |
| 17 Jan | **General Business Practices**<br>8. Can you provide a copy of the Cbus risk register from 2022 through until today? | Cbus Super performs risk assessments to identify, assess and manage material risks that could significantly impact the business and therefore members, if not managed appropriately. The Fund's risk register contains sensitive and confidential information concerning material risks identified by Cbus Super.<br><br>Disclosing the risk register publicly would not align with APRA's prudential standards, including because disclosing information on the management of certain risks would be counter-productive to the risk management objective.<br><br>Disclosing the information contained in the risk register would also expose the Fund and its members to a real risk of serious harm. For example, it may enable bad actors to exploit identified operational or other risks for unlawful purposes such as cybercrime, scams and other fraud.<br><br>Lastly, if risk assessments related to the Fund's investment strategies or operational planning were made public, it could disadvantage Cbus Super in competitive markets, potentially impacting the Fund's ability to deliver strong, sustainable returns for members. |

| Date | Question on notice | Answer |
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| | | Therefore, Cbus Super will not provide a copy of the risk register.<br><br>Pages 34-35 of the Cbus Super Annual Integrated Report 2024 provides detailed information about how the Fund identifies and manages risks. |
| 17 Jan | **General Business Practices**<br>9. Does Cbus have an ESG excluded list of companies that it does not invest in as a rule?<br><br>10. Which defence companies feature on the list of excluded companies that Cbus does not invest in as a rule? | The Fund's approach to responsible investment centres around ESG integration, investment stewardship and advocacy. However, in limited circumstances, we also apply Investment Exclusions, which we set out below. For Australian or International listed shares, when Cbus Super itself (either through its internal or external investment managers) invests directly in those shares, we exclude direct investments in the following two categories (subject to the exceptions set out further below):<br><br>**Controversial Weapons**: companies which have direct involvement in the manufacturing of controversial weapons (specifically, cluster munitions, biological and chemical weapons, anti-personnel mines, depleted uranium, and white phosphorus weapons) or the manufacturing of components or services of the above core weapon systems where those components or services are considered essential for the lethal use of the weapon; and<br><br>**Tobacco**: companies which earn 5% or more of their revenue[1] from the manufacturing and/or production of tobacco products, or the supply of tobacco-related products and services which includes electronic nicotine delivery systems, non-nicotine vaping products and e-liquids (excluding distribution and/or retail).[2] |

[1] Our third-party provider considers 'revenue' as being net revenues/external revenues/net sales/external sales (depending on how the companies report revenues), and does not include intersegmental revenue.

[2] This expansion to the Tobacco exclusion was introduced in July 2024, and managers have been instructed to exit any existing holdings in companies appearing on the annual list provided by our third-party provider

| Date | Question on notice | Answer |
|---|---|---|
| | | For the purposes of the Investment Exclusions, direct investment means investment in Australian or International listed shares where Cbus Super or its custodian (on behalf of Cbus Super) directly owns the relevant shares (and as a result, the Fund can control what shares are and are not held).<br><br>For all other investments (including indirectly held Australian or International shares), the Fund seeks to apply equivalent investment exclusions where possible or relevant. This depends on the nature of the investment or the investment structure, for example:<br>• investments made by investment vehicles where investment decision making sits with a non-Cbus Super entity (such as unit trusts, funds of funds, or other pooled vehicles);<br>• where Cbus Super does not directly own the underlying assets; and<br>• other indirect equity and debt investments, for example through exchange traded funds or derivatives.<br><br>**How Cbus Super applies the Investment Exclusions**<br>Cbus Super obtains a list of companies to which the Investment Exclusions apply through a third-party provider.[3] This list of excluded companies is reviewed and updated annually, and then provided to the Fund's internal and external investment managers who invest directly in Australian or International listed shares for Cbus Super, who must then:<br>• exclude new and existing direct investments in the shares in those companies; and/or<br>• provide investment instructions to external investment managers which are subject to that list (for example, in the case of transition or nondiscretionary investment managers). |

[3] We currently use third-party provider, Morningstar Inc. Sustainalytics®, for identification of relevant listed companies.

| Date | Question on notice | Answer |
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| | | Cbus Super relies on data provided by the third-party provider to implement the Investment Exclusions. Implementation may be affected by the accessibility and accuracy of that data, or any potential error by the third-party provider or investment manager, or operational errors caused by their respective systems or controls.<br><br>**Exceptions to the Investment Exclusions**<br>There may be circumstances which result in holdings in companies which are subject to the Investment Exclusions. For example, this may occur where:<br>• a merger with another fund results in the acquisition of, or exposure to, holdings covered by the Investment Exclusions; or<br>• there is exposure to a newly listed company or an existing company's revenue exposure exceeds the exclusion threshold outside of the annual review cycle undertaken by our third-party provider.<br><br>Where the Fund has holdings in excluded companies, it seeks to exit these holdings if possible and, in a manner consistent with members' best financial interests, taking into account matters such as alternative available options, liquidity, market conditions and investment fund structure.<br><br>Information about Cbus Super's portfolio-wide investment exclusions is contained on page 30 of Cbus Super's Responsible Investment Supplement 2024: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/responsible-investment-supplement-2024.pdf (Annexure 2) |
| Jan 17 | **Insurance**<br>1. When was the board advised about a possible breach relating to the | As the Committee is aware, these matters are the subject of ongoing legal proceedings in the Federal Court of Australia (being FCA File Number VID1226/2024).<br><br>The Committee can refer to Cbus Super's statement regarding the proceedings commenced by ASIC against Cbus Super regarding insurance claim delays here: |

| Date | Question on notice | Answer |
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| | payment of insurance claims?<br>2. When was ASIC informed?<br>3. When did the board know about the administration issues? (Firstly, the Risk Committee, and the full Board)<br>4. Did the board do any planning/analysis in the wake of the pandemic about their reliance on third party providers?<br>5. Has ASIC's investigation triggered a review of the other customer services such as complaints handling? Should this have been brought in house earlier? | https://www.cbussuper.com.au/about-us/news/media-release/asic-proceedings (Annexure 3)<br><br>Cbus Super does not intend to comment further on these matters at this time as doing so may prejudice the proceedings and would not be beneficial to members. |
| 17 Jan | **Deloitte Report**<br>1. When did you receive the Deloitte report?<br>2. When did you read it?<br>3. Did you request the deletion of the first media | Deloitte issued its final independent report to Cbus Super on 27 November 2024, which was subsequently provided to APRA and then publicly released. Any updates to the media release were to ensure clarity. |

| Date | Question on notice | Answer |
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| | release on the Deloitte report?<br>4. Did Deloitte or APRA raise a concern about the initial release? If so, what was their concern?<br>5. 5. Why was it reissued? | |
| 17 Jan | **Partnerships**<br>1. Has Cbus paid the CFMEU for research? | Yes. The Fund engaged the CFMEU on a renewable energy research project. Details of the expenditure are available here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/amm-fy24-detailed-website-disclosure.pdf. (Annexure 1) |
| 17 Jan | **Partnerships**<br>2. Does Cbus hire CFMEU staff or their family members? | There are no CFMEU staff employed by the Trustee.<br><br>Cbus Super employees are directly employed by the Trustee, with no duties carried out on behalf of any sponsoring organisation.<br><br>All employment and contractual arrangements are conducted in line with standard employment practices.<br><br>Under Commonwealth and State legislation, it may be considered unlawful to discriminate against someone based on their union affiliation, so asking about union membership is inappropriate and could be considered discriminatory. Therefore, we do not collect information from prospective employees regarding their union affiliation or the union affiliation of their family members. |

| Date | Question on notice | Answer |
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| 17 Jan | **Partnerships**<br>3. Deloitte's report states there are "no metrics outlined in the Partnership Proposal…" Why did you tell the Senate that the partnerships are *"audited, supervised and made under the BFID framework"*?<br>4. Deloitte's report states: *"Despite this emphasis on partnership benefit, and calculation method, there are no metrics outlined in the Partnership Proposal as to how to assess what member outcome will be achieved for each specific expenditure (such as a reduction in fees). There is also no guidance provided as to how the matter should be monitored on an ongoing basis."* Accordingly, why did you tell the Senate: | Cbus Super is committed to ensuring that all partnerships and expenditure decisions are made in the best financial interests of our members.<br><br>In 2024, Cbus Super appointed Deloitte to conduct an Independent Review into the fitness and propriety of Cbus Super's responsible persons and the Fund's expenditure management as required by APRA to confirm whether it is and has been compliant with the relevant prudential standards and statutory framework. The Independent Review identified certain deficiencies including relating to mechanisms/metrics in the Fund's expenditure management.<br><br>All 26 recommendations in the Deloitte independent review have been accepted in principle by the Cbus Super Board, which fully cooperated with the independent review process.<br><br>Cbus Super has now published its Rectification Plan that addresses the recommendations in the Deloitte review which will assist the Fund to demonstrate how partnership arrangements will be undertaken in the best financial interests of members. The Committee can refer to the Plan here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/cbus-rectification-plan.pdf (Annexure 4)<br><br>Cbus Super acknowledges the seriousness and importance of the work required to strengthen the Fund's systems design, frameworks, policies, processes, governance and reporting as identified in the independent review to become a better, stronger fund for members. Cbus Super has already begun this important work, including to develop improvements in the way the Fund documents the value that industry partnership arrangements generate for the Fund and our members. |

| Date | Question on notice | Answer |
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| | *"all of those arrangements [union partnerships] are subject to BFID assessment"*?<br>5. Deloitte's report stated they were *"unable to identify a complete set of underlying data and assumptions that support the [industry partnership assessment] methodology."* Accordingly, why did you tell the Senate: *"We get very good value from them [union partnerships], and that value is measured, and we're accountable for measuring that"?*<br>6. You told the Senate: *"Those agreements are audited, supervised and made under a BFID framework. They are the subject of review in a number of inquiries at the moment. I believe they will be demonstrated to* | The independent review also notably observed that industry partnership arrangements are "an important mechanism, through which industry superannuation funds achieve brand awareness, retain members and ultimately grow membership." |

| Date | Question on notice | Answer |
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| | *be successful programs which deliver good value for the fund, rather than spending that amount of money in other areas such as advertising." Do you stand by this statement?*<br>7. *How do you as Chairman satisfy yourself that members' money is used in the best financial interest of the members?*<br>8. *The independent expert could not find any justification for the union payments and therefore given that the board has the onus of establishing that these payments are in the best financial interest of members, has this breach been reported to ASIC?*<br>9. *What process of formal BFID assessment have Cbus's union partnerships undergone?* | |

| Date | Question on notice | Answer |
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| | *10. What ongoing assessment have the union partnerships been subject to?*<br>*11. How have you quantified and tested the value of the union partnerships to members?*<br>*12. How are you accountable for those BFID assessments?*<br>*13. Where, and by what metrics, have the union partnerships enhanced member returns?*<br>14. *How do you measure the success of these union partnerships? What is their ROI versus your other forms of advertising?* | |
| 17 Jan | **Partnerships**<br>16. Please provide a list of the current (including suspended) partnership agreements Cbus has signed with a third party. Please provide the date on which the board approved the | Cbus Super is committed to ensuring that all partnerships and expenditure decisions are made in the best financial interests of our members.<br><br>In 2024, Cbus Super appointed Deloitte to conduct an Independent Review into the fitness and propriety of Cbus Super's responsible persons and the Fund's expenditure management as required by APRA to confirm whether it is and has been compliant with the relevant prudential standards and statutory framework. The Independent Review identified |

| Date | Question on notice | Answer |
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| | partnership agreement, the date it was signed, the date a Best Financial Interest test assessment was conducted, and the purpose of the agreement.<br>17. Please provide a list of research projects or arrangements that Cbus has requested from any union, including suspended agreements.<br>18. Please provide the date on which the board approved the research project or arrangement, the date it was signed, the date a Best Financial Interest test assessment was conducted, and the purpose of the agreement. | certain deficiencies including relating to mechanisms/metrics in the Fund's expenditure management.<br><br>All 26 recommendations in the Deloitte independent review have been accepted in principle by the Cbus Super Board, which fully cooperated with the independent review process.<br><br>Cbus Super has now published its Rectification Plan that address the recommendations in the Deloitte review which will assist the Fund to demonstrate how partnership arrangements will be undertaken in the best financial interests of members. The Committee can refer to the Plan here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/cbus-rectification-plan.pdf (Annexure 4)<br><br>Cbus Super acknowledges the seriousness and importance of the work required to strengthen the Fund's systems design, frameworks, policies, processes, governance and reporting as identified in the independent review to become a better, stronger fund for members. Cbus Super has already begun this important work, including to develop improvements in the way the Fund documents the value that industry partnership arrangements generate for the Fund and our members.<br><br>The independent review also notably observed that industry partnership arrangements are "an important mechanism, through which industry superannuation funds achieve brand awareness, retain members and ultimately grow membership."<br><br>Cbus Super discloses a list of expenditure for partnership arrangements as part of its annual reporting requirements. A link to this information has been provided previously: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/amm-fy24-detailed-website-disclosure.pdf (Annexure 1) |

| Date | Question on notice | Answer |
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| | | As these matters may relate to APRA's intention to review expenditure management practices, we are unable to provide further details at this time. |
| 17 Jan | **Trust Deed**<br>5. How much money is held on reserve for future fines?<br><br>6. How much have members paid into the reserve for future fines? | As previously advised, Cbus Super has established reserves to meet legal liabilities imposed on the Trustee.<br><br>Further details of the Fund's reserves are available in Cbus Super's 2024 Annual Financial Report, including on page 11 and in the notes on page 19: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/cbus-annual-financial-report-2024.pdf (Annexure 5) |
| 17 Jan | **Interaction with Government**<br>1. How many meetings have you had with Dr Chalmers since becoming Cbus Chair on 1 January 2022?<br><br>2. What have each of the meetings been about? Please supply agendas and follow up items.<br><br>3. Have you met with the Prime Minister or other Ministers on Cbus matters? If so, when and | Cbus Super (including its directors and management) regularly engages with government and policymakers. These discussions are an important part of ensuring that policy settings support the long-term financial security and retirement outcomes of members. The Fund's engagement on RG 97 was consistent with this approach.<br><br>Cbus Super (including its directors and management) engage with a broad range of stakeholders, including government representatives across different portfolios, to discuss superannuation policy, investment opportunities, and regulatory matters. These discussions are part of normal business operations for a fund of our size.<br><br>Cbus Super has consistently advocated for a strong and sustainable superannuation system, ensuring that legislative and regulatory frameworks support the best outcomes for members. We have also participated in discussions on housing and infrastructure investment, areas where institutional capital can play a role in delivering long-term benefits. |

| Date | Question on notice | Answer |
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| | please supply details of each meeting.<br><br>4. Who at Cbus discussed the commitment of $500 million to the HAFF with the Treasurer's office? Cbus CEO Kristian Fok provided evidence to the Senate that: *"the opportunity was with (Mr Swan)…I am not aware of any conversations"*<br><br>5. What was the opportunity Mr Fok says was provided to you as Chair?<br><br>6. When you left Parliament, Dr Chalmers released a media release describing you as a mate and a mentor. Were you Dr Chalmers' mentor?<br><br>7. Four days prior to your $500m announcement with Dr Chalmers, your Cbus staff were lobbying | The Committee can refer to responses provided by Cbus Super in person on 14 November 2024 and 29 November 2024, and in writing on 13 December 2024. |

| Date | Question on notice | Answer |
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| | the Treasurer's office to have stamp duty removed from the regulatory disclosure requirements. What involvement did you have in that lobbying?<br><br>8. What issues changed in the HAFF exposure draft legislation that enabled Cbus to overcome your concerns as institutional investors?<br><br>9. Why did Cbus seek to suppress its lobbying effort on RG97?<br><br>10. Mr Fok says *"I wasn't consulted"* over the Cbus effort to suppress the lobbying effort on RG 97 which was the subject of FOI and orders of the Senate. Who made the decision to ask for the documents relating to Cbus lobbying on RG 97 to be kept private? Dr | |

| Date | Question on notice | Answer |
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| | Chalmers later made a public interest immunity claim for Cbus stating the material was commercial in confidence. Were you consulted on this matter?<br><br>11. Why was this lobbying considered to be "commercial in confidence"? | |
| 17 Jan | **TOPIC: Cbus Board Nomination**<br>1. What was the process of Mr Crumlin's appointment to the Cbus Board? | Mr Crumlin was nominated by the administrator of the CFMEU. After undergoing a comprehensive 'fit and proper' assessment, the board confirmed Mr Crumlin's appointment.<br><br>Nominations and appointments to the Cbus Super Board are made in accordance with Cbus Super's obligations under the *Superannuation Industry (Supervision) Act* 1993 (*SIS Act*), APRA's applicable Prudential Standards (in particular, Prudential Standard SPS 510 Fit and Proper), and Cbus Super's governance framework, which includes Cbus Super's Fit and Proper Policy. The Committee can refer to further information available on Cbus Super's website here: https://www.cbussuper.com.au/about-us/how-were-run/governance (Annexure 6)<br><br>The Deloitte independent review concluded that all current and nominated directors on the Cbus Super Board met the 'fit and proper' test at the date of the report. |
| 17 Jan | 2. Were any Cbus Board nominations rejected? | Nominations and appointments to the Cbus Super Board, including the Chair, are conducted in accordance with the Cbus Super's obligations under the *SIS Act* and APRA's |

| Date | Question on notice | Answer |
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| | 3. Have any Cbus Board nominations historically been rejected? If so, on what grounds?<br>4. Who from the Master Builders Association invited you to be the chair of Cbus? | Prudential Standards, and Fund's governance framework, which includes Cbus Super's Fit and Proper Policy and Director Appointment, Performance and Renewal Policy.<br><br>Further details on our governance framework can be found on the Fund's website: https://www.cbussuper.com.au/about-us/how-were-run/governance. (Annexure 6) |
| 17 Jan | 5. What are Dr Edwards specific risk management skills to chair the Board Risk Committee?<br>6. Who invited Dr Edwards to chair the Risk Committee?<br>7. When did that happen? | Dr Edwards was appointed Chair of the Board Risk Committee in January 2022, drawing on his extensive private and public sector experience, roles as an economist and experience on the Cbus Super Board and other governance roles.<br><br>Dr Edwards is a Senior Fellow at the Lowy Institute, an Adjunct Professor at Curtin University, and is also a board member of Frontier Advisors. He has served on the Reserve Bank of Australia Board and was part of the Commonwealth's review of the Fair Work Act. With deep expertise in financial markets, and economic policy, he has held senior roles including Chief Economist for HSBC, Chief Adviser at the Australian Treasury, and principal economic adviser to an Australian Prime Minister. |
| 17 Jan | **Best Financial Interests Duty**<br>6. Did you approve the budget for the 40th anniversary celebration at the Regent Theatre?<br>7. What was the total cost for the 40th anniversary celebration? | On 1 July 2024, Cbus Super convened an event that incorporated an all staff strategy forum and reception to mark the achievements of the Fund for members over the last 40 years. It was the first all staff in person event Cbus Super had held since 2019. The event involved over 750 attendees, including employees, stakeholders, and industry representatives. The objective of the event was to secure alignment across employees and key stakeholders on strategies to ensure Cbus Super remains one of Australia's largest, fastest-growing, and best-performing super funds for members. The cost of the event was approximately $387,000 and was met using pre allocated budget for professional development of staff. The cost comprises of delivery of strategic planning content, venue hire, food and drink, audio visual and production delivery costs. |

| Date | Question on notice | Answer |
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| | 8. What was the Cbus Board approval process for the 40th anniversary celebration budget?<br>9. What was the 40th anniversary celebration budget approval process against its best financial interests duties?<br>10. How many Cbus members attended the 40th anniversary celebration?<br>11. Which CFMEU officials were invited to the 40th anniversary celebration?<br>12. Were the investment team encouraged to attract fund managers as sponsors of the 40th anniversary celebration?<br>[Additional questions received via email, 19 December 2024]<br>13. What state or federal parliamentarians were invited?<br>14. Who of these attended? | Invitations to the reception were extended to officials from sponsoring organisations and no parliamentarians attended the event.<br><br>As these matters may relate to APRA's intention to review expenditure management practices, we are unable to provide further details at this time. |

| Date | Question on notice | Answer |
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| 17 Jan | **Cbus Staffing**<br>10. Please provide on notice a list of union officials, or their immediate family members, who have been employed by Cbus Super. Please provide the date they were engaged, if the engagement was advertised publicly, and the purpose of their engagement. | There are no CFMEU staff employed by the Trustee.<br><br>Cbus Super employees are directly employed by the Trustee, with no duties carried out on behalf of any sponsoring organisation.<br><br>All employment and contractual arrangements are conducted in line with standard employment practices. Reference checks, police checks, and background checks are conducted as part of the recruitment process. Under Commonwealth and State legislation, it may be considered unlawful to discriminate against someone based on their union affiliation, so asking about union membership is inappropriate and could be considered discriminatory. Therefore, we do not collect information from prospective employees regarding their union affiliation or the union affiliation of their family members. |
| 17 Jan | **TOPIC: Investment Presentations**<br>1. Does the Cbus Super investment team make presentations to shareholder unions to show that they are managing members' money correctly?<br>2. How often are these presentations conducted?<br>3. When was the last presentation made and to who?<br>4. Has the investment team ever made presentations | Cbus Super's investment team periodically engages with employer and union stakeholders to provide insights into the Fund's investment approach and performance. As part of this, the investment team makes presentations across various forums, ensuring stakeholders and members remain informed about investment strategy and outcomes. The frequency and audience of these engagements vary, reflecting the diverse interests in the Fund's long-term investment approach. Presentations will typically be given by either the Head – Investment Specialist, Chief Investment Officer, or Head of Portfolio Strategies. Cbus Super is not aware of any presentations to non-shareholder unions. The basis of undertaking periodic presentations is that it is important to update stakeholders and members on the Fund's strategy and performance. Performance data used in presentations is also available via the Fund's website, should stakeholders or members prefer to access through that channel. |

| Date | Question on notice | Answer |
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| | to non-shareholder unions?<br>5. Which unions have they presented to?<br>6. When did these presentations take place?<br>7. Who attended these presentations?<br>8. What is the basis of making investment presentations and justifying your investment strategy to unrelated third parties? | |
| 17 Jan | **Software and Tech Services**<br>1. What software has Cbus used to process death and TPD insurance claims since 2019?<br>2. What tech service providers has Cbus partnered with since 2019, that help process death and TPD insurance claims?<br>3. Have there been any issues with either software or tech services providers that may have | As the Committee is aware, these matters are the subject of ongoing legal proceedings in the Federal Court of Australia (being FCA File Number VID1226/2024.<br><br>The Committee can refer to Cbus Super's statement regarding ASIC proceedings against Cbus Super regarding insurance claim delays here: https://www.cbussuper.com.au/about-us/news/media-release/asic-proceedings (Annexure 3)<br><br>Cbus Super does not intend to comment further on these matters at this time, as doing so may prejudice the proceedings and would not be in members' interests. |

| Date | Question on notice | Answer |
|---|---|---|
| | caused delays to processing death and TPD insurance claims?<br>4. If so, what actions did the Cbus Board take to address these problems causing delay? | |
| 17 Jan | **TOPIC: Financial Advice**<br>1. On 28th November 2024, Cbus announced it would provide financial advice services to members and their spouses for $990 including GST. Does Cbus expect Advice Essentials Plus to be a profitable line of business?<br>2. Are the financial advice services designed to be cheaper that external financial planners?<br>3. What has the Advice Essentials financial performance been each year? Is it a loss-making or profitable part of Cbus? | Cbus Super provides a range of financial advice options, including general advice over the phone. Most phone-based advice is covered by the administration fee, in line with section 99F of the Superannuation Industry (Supervision) Act 1993 . Members also have the option to consider additional personal advice through two avenues: Advice Essentials Plus (see below) or a referral to an external financial planner for more comprehensive advice outside of Cbus Super's scope.<br><br>To better support members approaching retirement, Cbus Super has introduced Advice Essentials Plus—a financial advice service for members and their spouse/partner. For $990 (including GST), members can access strategic retirement advice tailored to the member and their spouse/partner.<br><br>The fee for Advice Essentials Plus is set at a level designed to cover the costs of providing the service. The program is not designed to generate profit. The Trustee has carefully considered the costs involved to ensure that members' interests are at the forefront of the program.<br><br>This new service recognises that many members retire as a couple and need support navigating their retirement savings alongside the Age Pension. |

| Date | Question on notice | Answer |
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| | 4. Are these services funded using members' money? | |
| | **Question taken at public hearing on 29 November** | |
| 29 Nov (public hearing) | CHAIR: Can you provide your risk register on notice?<br>Mr Swan: I'll take that on notice. | See response to Question 8 of General Business Practices provided above. |

# Additional details about expenses

## for the year ended 30 June 2024

Super funds are required to publicly disclose certain types of expenses to members, so they can access meaningful information about their super fund. Below are further details about the expense categories:

- Promotion, marketing and sponsorship payments
- Payments to industrial bodies
- Related party payments

Keep in mind that adding these expenses together would total more than what was actually paid. That's because under the super regulations some payments must be counted in more than one category.

## Promotion, marketing and sponsorship payments

Promotion, marketing and sponsorship includes expenses where a purpose of each payment was to promote or market Cbus Super or relates to our sponsorship and partnership arrangements. This helps to grow our Fund and increase scale, which positions us to deliver lower fees for members.

| Entity | 2023-24 payments ($) | Term of the contract | Total contract payments ($) |
|---|---|---|---|
| Air Conditioning & Mechanical Contractors' Association of Victoria Limited | 27,170 | 24 months | 37,620 |
| Artist Relief Fund WA | 1,306 | 2 months | 1,306 |
| Atomic Signs Pty Ltd | 3,260 | Ad hoc – invoices only | - |
| Aust Construction Achievement Award | 13,063 | 12 months | 26,125 |
| Australia Post | 121,784 | Ad hoc – invoices only | – |
| Australian Administration Services Pty Ltd | 88,106 | Ad hoc – invoices only | – |
| Australian Cartoonists' Association Inc | 2,090 | 12 months | 2,090 |
| Australian Football League | 15,675 | 24 months | 22,000 |
| Australian Publishers Association | 15,675 | 12 months | 15,675 |
| Australian Writers Guild Ltd | 10,450 | 12 months | 10,450 |
| Benedictus Media Buying and Planning Pty Ltd | 5,225 | Ad hoc – invoices only | – |
| Big DATR Pty Ltd | 26,125 | Ad hoc – invoices only | – |
| Blue Gum Clothing Co Pty Ltd | 19,328 | Ad hoc – invoices only | – |
| Cameron Laird | 1,568 | Ad hoc – invoices only | – |
| Canstar Pty Limited | 31,350 | Ad hoc – invoices only | – |
| Care Pharmaceuticals Pty Ltd | 4,653 | Ad hoc – invoices only | – |
| Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Victorian Divisional Branch | 73,150 | 24 months | 146,300 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia Electrical Division Queensland & Northern Territory Divisional Branch | 47,025 | 24 months | 188,100 |
| CEPU Electrical Division SA Branch | 15,675 | 24 months | 31,350 |
| Electrical Trades Union WA | 45,980 | 24 months | 91,960 |
| Electrical Trades Union of Australia National Council | 99,275 | 36 months | 297,825 |
| CEPU of Australia (Plumbing Division) | 19,000 | 24 months | 38,000 |
| CEPU Plumbing Division WA Branch | 14,630 | 24 months | 14,630 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia | 1,000 | Ad hoc invoice | – |
| Construction Forestry Maritime Mining and Energy Union-the Construction and General Division Australian Capital Territory Divisional Branch | 142,174 | 24 months | 113,906 |

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| Entity | 2023-24 payments ($) | Term of the contract | Total contract payments ($) |
|---|---|---|---|
| CFMEU Construction & General Division National Office | 104,500 | 24 months | 209,000 |
| CFMEU Construction & General Division National Office | 142,500 | 3 months | 142,500 |
| Construction Charitable Works Limited | 20,900 | 24 months | 44,175 |
| Construction Forestry Maritime Mining & Energy Union Construction & General Division NSW Divisional Branch | 135,850 | 12 months | 135,850 |
| Construction Forestry Mining and Energy Union Construction and General Division Victorian Branch | 245,575 | 12 months | 245,575 |
| Construction Forestry Mining Energy Union – Construction & General Division | 77,330 | 24 months | 154,660 |
| Construction Forestry Mining & Energy Union Construction & General Division | 60,610 | 12 months | 60,610 |
| Chill N Grill BBQ Trailers | 1,848 | Ad hoc – invoices only | – |
| Civil Contractors Federation NSW Ltd | 19,477 | 24 months | 38,954 |
| Civil Contractors Federation NSW Ltd | 196 | Ad hoc – invoices only | – |
| Civil Contractors Federation South Australia Ltd | 23,513 | 12 months | 15,675 |
| Civil Contractors Federation Victoria Ltd | 15,675 | 12 months | 15,675 |
| Civil Contractors Federation Victoria Ltd | 1,055 | Ad hoc – invoices only | – |
| Civil Contractors Federation Western Australia Ltd | 10,450 | 12 months | 10,450 |
| Civil Contractors Federation Western Australia Ltd | 769 | Ad hoc – invoices only | – |
| Construction Industry Training Council | 3,135 | 1 month | 3,135 |
| Creativa Pty Ltd | 102,764 | 36 months | 91,791 |
| DCL Embroidery World Pty Ltd | 37 | Ad hoc – invoices only | – |
| Dowd Publications Pty Ltd | 1,045 | Ad hoc – invoices only | – |
| Empirica Research Pty Ltd | 84,436 | Ad hoc – invoices only | – |
| Exbo Signage & Print Pty Ltd | 150 | Ad hoc – invoices only | – |
| Financial Advice Association of Australia Limited | 20,900 | 2 months | 20,900 |
| Financial Advice Association of Australia Limited | 1,093 | Ad hoc – invoices only | – |
| Geelong Trades Hall Council General Account | 181 | Ad hoc – invoices only | – |
| Geoffrey Lemon | 65,000 | Ad hoc – invoice only | – |
| Goulburn Valley Trades & Labour Council | 390 | Ad hoc – invoice only | – |
| Gippsland Trades & Labour Council Inc | 4,318 | 24 months | 8,636 |
| Golden Bucket Allied Earthmovers Association | 1,043 | Ad hoc – invoices only | – |
| Google Australia Pty Ltd | 2,291,761 | Ad hoc – invoices only | – |
| Green Scribble | 1,416 | Ad hoc – invoices only | – |
| Hero Shot Photography | 666 | Ad hoc – invoices only | – |
| Housing Industry Association Limited | 10,973 | 10 months | 10,973 |
| Igodirect Group Pty Ltd | 3,433 | Ad hoc – invoice only | – |
| Industry Super Australia Pty Ltd | 3,367,356 | 12 months | 3,367,356 |
| Initiative Media Australia Pty Ltd | 8,175,415 | Ad hoc – invoices only | – |
| Instaco Pty Ltd | 71 | Ad hoc – invoices only | – |
| Intelligencebank Pty Ltd | 26,613 | Ad hoc – invoices only | – |
| J.P.Taylor Films | 15,215 | Ad hoc – invoices only | – |
| Journalism Education & Research Association of Australia | 2,000 | 12 months | 2,000 |
| Kantar Insights Australia Pty Ltd | 176,605 | Ad hoc – invoices only | – |
| Kikarse Workwear Pty Limited | 15,675 | Ad hoc – invoices only | – |
| Lauderdale Football and Sportsclub Inc | 3,325 | Ad hoc invoice | – |
| Litmus Software Inc | 32,516 | 12 months | 32,516 |

| Entity | 2023-24 payments ($) | Term of the contract | Total contract payments ($) |
|---|---|---|---|
| Lonsec Research Pty Ltd | 48,906 | Ad hoc – invoices only | – |
| Louder Digital Pty Ltd | 4,898,452 | Ad hoc – invoice only | – |
| Macarthur Group Training Ltd T/A MG My Gateway | 1,045 | Ad hoc – invoices only | – |
| Master Builders Association of the ACT | 39,010 | 24 months | 81,907 |
| Master Builders Association of the ACT | 352 | Ad hoc – invoices only | – |
| Master Builders Northern Territory Limited | 20,900 | 13 months | 20,900 |
| The Master Builders Association of New South Wales | 87,780 | 24 months | 175,560 |
| Master Builders Association of Victoria | 104,500 | 24 months | 209,000 |
| Master Builders Association of WA | 25,864 | 24 months | 103,456 |
| Master Builders Australia Limited | 148,913 | 24 months | 198,550 |
| Master Plumbers Association of South Australia Incorporated | 70,538 | 24 months | 90,050 |
| Master Painters Australia | 7,733 | 12 months | 7,733 |
| Master Plumbers & Gasfitters Assoc of WA | 722 | 12 months | 722 |
| The Master Plumbers & Mechanical Services Association of Australia | 17,765 | 24 months | 35,530 |
| Master Plumbers Association of SA In | 10,450 | 24 months | 20,900 |
| Master Plumbers Drainers & Gasfitters Association of ACT | 5,434 | 24 months | 10,868 |
| Master Plumbers Drainers & Gasfitters Association of ACT | 209 | Ad hoc – invoice only | – |
| Mates In Construction (Aust) Limited | 156,750 | 12 months | 156,750 |
| Mates In Construction SA Ltd | 28,500 | 4 months | 28,500 |
| Mates In Construction WA Limited | 20,378 | 9 months | 40,775 |
| Master Builders Assoc of Tasmania Inc | 28,215 | 24 months | 56,430 |
| Media Entertainment & Arts Alliance | 177,650 | 12 months | 177,650 |
| Meta Platforms Ireland Limited | 540,305 | Ad hoc – invoice only | – |
| Microsoft Ireland Operations Limited | 145,388 | Ad hoc – invoice only | – |
| Morningstar Australasia Pty Ltd | 23,945 | Ad hoc – invoice only | – |
| National Electrical & Communications Association Victoria Branch | 18,810 | 24 months | 37,620 |
| National Electrical & Communications Association Victoria Branch | 528 | Ad hoc invoices | – |
| Nature Pty Ltd | 29,260 | Ad hoc – invoice only | – |
| National Electrical & Communications Association SA/NT Branch | 17,509 | 12 months | 20,900 |
| Neca Education and Careers Ltd | 14,108 | 24 months | 29,260 |
| Nielsen Sports Pty Ltd | 48,718 | 12 months | 48,718 |
| Northern Rivers Screenworks Inc | 3,135 | 18 months | 9,405 |
| NT Trades & Labor Council | 2,090 | 3 months | 2,090 |
| Plumbing & Painting Training Co. T/As MPA Skills | 157 | Ad hoc – invoice only | – |
| Plumbing Industry Climate Action Centre | 7,315 | 12 months | 7,315 |
| Plumbing Industry Climate Action Centre | 3,658 | Ad hoc invoice | – |
| Populares Agency Pty Ltd | 649,060 | 36 months | 2,125,925 |
| Print & Visual Communication Association | 94,050 | 12 months | 94,050 |
| Qualitops Pty Ltd | 52,503 | Ad hoc – invoices only | – |
| Queensland Council of Unions | 5,985 | 2 months | 5,985 |
| Queensland Council of Unions – Townsville | 5,000 | 3 months | 5,000 |
| Queensland Government Accommodation Offi Department of Housing and Public Works | 374,146 | 15 years | 5,612,190 |
| Queensland Major Contractors Association | 26,125 | 12 months | 26,125 |
| Queensland Major Contractors Association | 324 | Ad hoc invoice | – |

| Entity | 2023-24 payments ($) | Term of the contract | Total contract payments ($) |
|---|---|---|---|
| Rainmaker Information | 12,018 | Ad hoc – invoice only | – |
| Rathbone Pty Ltd | 4,138 | Ad hoc | 4,138 |
| Rent A Sign Pty Ltd | 45,144 | Ad hoc – invoice only | – |
| RL & WJ Bliesner Pty Ltd | 3,125 | Ad hoc – invoice only | – |
| Rothfield Print & Image Management | 708,820 | 36 months | 1,513,351 |
| Salt Marketing | 403,869 | Ad hoc – invoice only | – |
| Screen Producers Association of Australia | 78,114 | 24 months | 146,039 |
| SMSGlobal Pty Ltd | 627 | Ad hoc – invoice only | – |
| South West Trades & Labour Council Inc | 333 | Ad hoc – invoice only | – |
| Stadiums Queensland Cbus Super Stadium | 407,550 | 36 months | 1,170,000 |
| Superratings P/L | 194,590 | 12 months | 194,590 |
| Swift Digital | 17,335 | 12 months | 17,335 |
| TAFE Queensland | 9,405 | 24 months | 18,810 |
| TAFE Queensland | 5,225 | 1 month | 5,225 |
| The Antler Society | 8,638 | Ad hoc – invoice only | – |
| Australian Workers Union | 172,425 | 24 months | 329,698 |
| The Bureau Advertising Agency Pty Ltd | 133,943 | Ad hoc – invoice only | – |
| The Centre for Workers' Capital Pty Ltd | 67,925 | 36 months | 203,775 |
| The Chamber of Arts and Culture WA Incorporated | 8,621 | 12 months | 17,243 |
| The Construction Industry Drug and Alcohol Foundation | 71,788 | 7 months | 71,788 |
| The Electrical Trades Union of Australia | 114,950 | 12 months | 114,950 |
| The Master Painters' Association of Victoria Limited | 6,270 | 12 months | 12,540 |
| The Master Painters' Association of Victoria Limited | 542 | Ad hoc invoices | 542 |
| The Trustee for Redundancy Payment Central Fund | 195,938 | 24 months | 261,252 |
| The Shannon Company | 1,216,702 | Ad hoc – invoice only | – |
| The Trustee for Mother's Day Classic Foundation | 42,500 | 5 months | 42,500 |
| The Walkley Foundation Limited | 251 | Ad hoc – invoice only | – |
| Trades and Labour Council of Ballarat | 190 | Ad hoc – invoice only | – |
| Ververis, Anthoula | 282 | Ad hoc invoice | – |
| Victorian Trades Hall Council | 73,150 | 3 months | 73,150 |
| Visual Domain Australia Pty Ltd | 44,725 | Ad hoc – invoice only | – |
| Women in Print Australia Inc | 10,032 | 12 months | 10,032 |
| Whyalla Football League Inc | 3,240 | Ad hoc invoice | – |
| Wimdoi Limited | 5,000 | 1 month | 5,000 |
| Zenith CW Pty Ltd T/A Chant West | 255,335 | 12 months | 255,335 |

## Payments to industrial bodies

Payments to industrial bodies include payments under partnership arrangements – which may include advertising, marketing and education services – to help grow our fund.

| Entity | Nature of transaction | 2023-24 payments ($) |
|---|---|---|
| Australian Workers Union | Director fees | 80,033 |
| Australian Workers Union | Sponsorship | 172,425 |
| Automotive Food Metals Engineering Printing & Kindred Industries Union | Director fees | 98,844 |
| CEPU Electrical Division SA Branch | Sponsorship | 15,675 |
| CEPU of Australia (Plumbing Division) | Sponsorship | 19,000 |
| CEPU Plumbing Division WA Branch | Sponsorship | 14,630 |
| CFMEU Construction & General Division National Office | Sponsorship | 247,000 |
| Civil Contractors Federation South Australia Ltd | Sponsorship | 23,513 |
| Civil Contractors Federation Victoria Ltd | Sponsorship | 16,730 |
| Civil Contractors Federation Western Australia Ltd | Sponsorship | 11,219 |
| Civil Contractors Federation NSW Ltd | Sponsorship | 19,672 |
| Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Victorian Divisional Branch | Director fees | 97,894 |
| Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Victorian Divisional Branch | Sponsorship | 73,150 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia | Campaigns | 1,000 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia Electrical Division Queensland & Northern Territory Divisional Branch | Sponsorship | 47,025 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia Electrical Division Queensland & Northern Territory Divisional Branch | Premises | 12,000 |
| Construction Forestry and Maritime Employees Union Construction & General Division NSW Divisional Branch | Sponsorship | 135,850 |
| Construction Forestry and Maritime Employees Union Construction & General Division NSW Divisional Branch | Director fees | 107,844 |
| Construction Forestry Maritime Employees Union – Construction and General Division Victoria-Tasmania Divisional Branch | Sponsorship | 245,575 |
| Construction Forestry Maritime Mining & Energy Union | Professional consulting fees | 125,400 |
| Construction Forestry Mining & Energy Union Construction & General Division | Sponsorship | 60,610 |
| Construction Forestry Mining Energy Union – Construction & General Division | Sponsorship | 77,330 |
| Construction, Forestry and Maritime Employees Union Construction & General Division Australian Capital Territory Divisional Branch | Director fees | 119,834 |
| Construction, Forestry and Maritime Employees Union Construction & General Division Australian Capital Territory Divisional Branch | Sponsorship | 142,174 |
| Electrical Trades Union WA | Sponsorship | 45,980 |
| Electrical Trades Union of Australia National Council | Sponsorship | 99,275 |
| The Electrical Trades Union of Australia | Sponsorship | 114,950 |
| Master Builders Assn of SA Inc | Sponsorship | 70,538 |
| Master Builders Assoc of Tasmania Inc | Sponsorship | 28,215 |
| Master Builders Association of the ACT | Sponsorship | 39,362 |
| The Master Builders Association of New South Wales | Sponsorship | 87,780 |
| The Master Builders Association of Victoria | Sponsorship | 104,500 |

| Entity | Nature of transaction | 2023-24 payments ($) |
|---|---|---|
| The Master Plumbers & Mechanical Services Association of Australia | Sponsorship | 17,765 |
| Media Entertainment and Arts Alliance | Sponsorship | 177,650 |
| Media Entertainment and Arts Alliance | Professional consulting fees | 2,090 |
| National Electrical & Communications Association SA/NT Branch | Sponsorship | 19,338 |
| National Electrical & Communications Association Victoria Branch | Sponsorship | 17,509 |
| Screen Producers Association of Australia | Sponsorship | 78,114 |

## Payments to related parties

Payments to related parties includes payments made to related entities for business operations, or for services from an organisation in which we also invest, or when a director is an employee or a director of an organisation which provides services to us. Payments also include promotional and marketing services, directors' fees and board committee fees.

| Entity | Nature of transaction | 2023-24 payments ($) |
|---|---|---|
| Australian Council of Superannuation Investors Limited | Conferences | 24,035 |
| Australian Council of Superannuation Investors Limited | Memberships | 410,920 |
| Australian Council of Superannuation Investors Limited | Other services | 95,804 |
| Australian Council of Superannuation Investors Limited | Travel | 44,550 |
| Australian Sustainable Finance Institute Limited | Memberships | 73,150 |
| Australian Workers Union | Sponsorship | 172,425 |
| Australian Workers Union | Director fees | 80,033 |
| Automotive Food Metals Engineering Printing & Kindred Industries Union | Director fees | 98,844 |
| CBRE (V) Pty Limited | Premises | 30,499 |
| CBRE (V) Pty Limited | Premises | 95,495 |
| CBRE (V) Pty Limited | Premises | 11,297 |
| CEPU Electrical Division SA Branch | Sponsorships | 15,675 |
| CEPU Plumbing Division WA Branch | Sponsorships | 14,630 |
| CEPU of Australia (Plumbing Division) | Sponsorships | 19,000 |
| CFMEU Construction & General Division National Office | Sponsorship | 247,000 |
| Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Victorian Divisional Branch | Sponsorship | 73,150 |
| Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Victorian Divisional Branch | Director fees | 97,894 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia Electrical Division Queensland & Northern Territory Divisional Branch | Sponsorships | 47,025 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia Electrical Division Queensland & Northern Territory Divisional Branch | Premises | 12,000 |
| Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia | Campaigns | 1,000 |
| Conexus Financial Pty Limited | Conferences | 5,612 |
| Construction Forestry Maritime Mining and Energy Union-the Construction and General Division Australian Capital Territory Divisional Branch | Sponsorship | 142,174 |
| Construction Forestry Maritime Mining and Energy Union-the Construction and General Division Australian Capital Territory Divisional Branch | Director fees | 119,834 |
| Construction Forestry and Maritime Employees Union Construction & General Division NSW Divisional Branch | Sponsorship | 135,850 |

| Entity | Nature of transaction | 2023-24 payments ($) |
|---|---|---|
| Construction Forestry and Maritime Employees Union Construction & General Division NSW Divisional Branch | Director fees | 107,844 |
| Construction Forestry Mining Energy Union – Construction & General Division | Sponsorships | 77,330 |
| Construction Forestry Maritime Mining & Energy Union | Professional consulting fees | 125,400 |
| Construction Forestry Mining & Energy Union Construction & General Division | Sponsorships | 60,610 |
| Construction Forestry Maritime Employees Union – Construction and General Division Victoria-Tasmania Divisional Branch | Sponsorships | 245,575 |
| Sutherland Farrelly Unit Trust | Premises | 13,755 |
| Electrical Trades Union WA | Sponsorship | 45,980 |
| Electrical Trades Union of Australia National Council | Sponsorship | 99,275 |
| Frontier Advisors Pty Ltd | Investment consulting fees | 2,701,686 |
| Frontier Advisors Pty Ltd | Travel | 16,456 |
| Frontier Advisors Pty Ltd | Professional consultancy fees | 77,330 |
| IFM Investors Pty Ltd | Professional consultancy fees | 41,800 |
| Industry Super Australia Pty Ltd | Advertising-Fund Promotion | 3,367,356 |
| Industry Fund Services Limited | Financial planning, arrears collection and other member services | 4,094,433 |
| Investor Group on Climate Change | Professional consultancy fees | 10,450 |
| Investor Group on Climate Change | Memberships | 62,700 |
| Lowy Institute for International Policy | Memberships | 41,800 |
| Master Builders Assn of SA Inc | Sponsorship | 70,538 |
| Master Builders Association of the ACT | Sponsorship | 39,362 |
| Master Builders' Association of Western Australia (Union of Employers) Perth | Sponsorship | 25,864 |
| Master Builders Australia Limited | Sponsorship | 148,913 |
| Master Builders Australia Limited | Director fees | 97,004 |
| Master Builders Northern Territory Limited | Sponsorship | 20,900 |
| The Master Builders Association of New South Wales | Sponsorship | 87,780 |
| The Master Builders Association of Victoria | Sponsorship | 104,500 |
| Plumbing Industry Climate Action Centre (PICAC) Ltd | Sponsorship | 10,973 |
| Super Members Council of Australia Limited | Memberships | 471,072 |
| The Association of Superannuation Funds of Australia Limited | Conferences | 31,336 |
| The Association of Superannuation Funds of Australia Limited | Professional consultancy fees | 59,833 |
| The Association of Superannuation Funds of Australia Limited | Staff training and development | 20,980 |
| The Association of Superannuation Funds of Australia Limited | Memberships | 201,779 |
| The Trustee for Mark Hay Trust | Premises | 237,047 |
| The Trustee for Redundancy Payment Central Fund | Sponsorship | 195,938 |

Annexure 2

RESPONSIBLE INVESTMENT SUPPLEMENT 2024

# 40 years of making hard work pay off

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# Contents

# Responsible investment reporting

**The Responsible Investment Supplement reports on the activities that the Trustee undertakes to integrate the consideration of material[1] Environmental, Social and Governance (ESG) risks and opportunities into investment decision making processes, to actively steward investments, and to contribute to shaping the systems in which it operates and invests.**

Our responsible investment approach is central in supporting sustainable long-term returns.

We aim to apply our responsible investment approach across our portfolio, incorporating the consideration of material ESG risks and opportunities across investment decisions rather than only applying them to a stand-alone ethical or socially responsible investment option. Our members, our key stakeholders and our governing bodies including the Australian Prudential Regulation Authority (APRA), expect us to invest, protect and grow our members' retirement savings and we believe a total portfolio approach is in our members' best financial interests.

As part of our commitment to clear and concise reporting, and transparency around our responsible investment approach, we have prepared this Responsible Investment Supplement with reference to the Task Force on Climate-related Financial Disclosures (TCFD) 2021 framework, and considered the Australian Securities & Investments Commission's Greenwashing Information Sheet (INFO 271).

We use the Principles for Responsible Investment (PRI), the Responsible Investment Association Australasia (RIAA) Scorecard and the Global Real Estate and Infrastructure Benchmarks (GRESB) to assess and inform our ESG practices and evaluate their robustness as well as consider the Australian Prudential Regulatory Authority (APRA) Prudential Practice Guides CPG 229 Climate Change Financial Risks and SPG 530 Investment Governance.

This Responsible Investment Supplement is a component of our reporting suite, expanding on our Annual Integrated Report and is subject to assurance.

The assurance report is presented on pages 88 to 89.

[1] Material ESG risks and opportunities are those that are likely to affect business or investment performance.

# Online supplements

**This report forms part of our reporting suite, that addresses the needs of our diverse stakeholders. The information we have provided reflects our commitment to operating with integrity and transparency. Our online supplements provide more detailed information on Responsible Investment, Governance, Stakeholder Engagement, and Financial Performance, and can be found here:**

cbussuper.com.au/about-us/annual-report

## Responsible Investment

Provides information about how we integrate the consideration of material Environmental, Social and Governance (ESG) risks and opportunities into investment decision making processes, actively steward investments and contribute to shaping the systems in which we operate and invest. Prepared with reference to the Task Force on Climate-related Financial Disclosures (TCFD) 2021 framework, and consideration of the Australian Securities & Investments Commission's Greenwashing information sheet (INFO 271).

## Annual Financial Report

The Annual Financial Report is prepared in accordance with relevant legislative requirements, Australian Accounting Standards, and provisions of the Trust Deed.

## Governance

Provides additional information about the governance framework at Cbus and Cbus Property.

## Cbus Property Sustainability Report

This report prepared by Cbus Property provides information on Cbus Property's approach to sustainability performance.

## Stakeholder Engagement and Materiality

Provides detail on our approach to engagement and how we determine what matters most to our stakeholders. The result of this engagement informs our value creation and assists in identifying the Fund's material issues.

## KPMG

KPMG were engaged to provide limited assurance over the Responsible Investment Supplement in accordance with relevant internal policies and procedures developed by Cbus and the Task Force for Climate-related Financial Disclosures. The assurance report is presented on pages 88 to 89.

# Executive summary

## Cbus has a long history of leadership, recognition and continual improvement in responsible investment.

We were there when responsible investment began to emerge in Australia, leading the way as a founding member of the Australian Council of Superannuation Investors (ACSI) in 2001. As we increased resources, we took our listed equity voting rights in house and put them to the test in 2004 when we pursued and won litigation to enforce an agreement on various corporate governance issues with News Corp, along with ACSI and other Australian and international trustees of superannuation/pensions funds[2].

We were one of the first Australian super funds to acknowledge the UN Sustainable Development Goals (SDGs). We've partnered with others to share learnings, combine resources and be more effective in protecting our members' retirement savings. We have actively supported the industry through the establishment of ACSI, ASFI, IGCC, PRI[3] , holding board, committee and working group positions and supporting the development of thought leadership papers. Our stewardship program of company engagement, both directly and collaboratively through industry organisations, has been successful in helping to improve corporate governance and transparency.

We were early to announce our climate change policy, initially making climate commitments for our property and infrastructure portfolios and later extending to a portfolio wide goal. We developed climate roadmaps to guide our work programs, increased climate change investments and have been transparent about our progress. We also took an innovative approach to climate risk management within our quantitative equity strategies.

We have a long history of advocating for and investing in social and affordable housing and are currently one of the largest individual supporters of Housing Australia's bond issuances, having acquired just over $160m of the $2.6b of bonds issued since 2018[4] .

Our leadership role in transparency and disclosure includes being early adopters of Annual Integrated Reporting and our voluntarily reporting on climate change progress against the Taskforce for Climate-related Financial Disclosures (TCFD) since 2018. Our annual climate disclosures have been externally assured since 2020.


Veja Mate, Germany
Image supplied by Copenhagen Infrastructure Partners who is a partner in the Star of the South project

Responsible investing has come a long way since 2001 and is still developing, as systemic risks become more significant, science and data evolve and community expectations rise. Against this backdrop, we are constantly learning about our operating environment, growing and investing in our team, our capability and the tools required to meet the challenges ahead. We conduct in-depth research, advocate for change, support our partner organisations and strive to effectively use our stewardship and shareholder rights to improve corporate practices. Our activities continue to increase in sophistication and we seek to apply our portfolio wide responsible investment principles across the Fund.

While it is not possible to list all achievements and everyone (partner organisations included) involved in Cbus' responsible investment journey, our evolution would not have been possible without the foresight of current and past board members, CEOs, CIOs, Responsible Investment Team and broader Investment Team members.

[2] Unisuper Ltd vs News Corp, 2006 WL 207505 (Del.Ch.Jan.19, 2006).
[3] Australian Council of Superannuation Investors, Australian Sustainable Finance Institute, Investor Group on Climate Change, Principles for Responsible Investment.
[4] As at November 2023 when Housing Australia issued its most recent bond.

# FY24 highlights

**With our guiding principles of continuous improvement and leadership, we are proud to have made meaningful progress across a range of key responsible investment areas during FY24.**

These achievements took place within an environment of increasing global economic and political uncertainty, and a rapid rate of domestic policy development and consultation across sustainable finance, climate change and transparency. Regulators are maintaining their focus on greenwashing and have been successful in bringing cases against several super funds and investment managers regarding the accuracy of their ESG ambitions and disclosures. 2023 also confirmed the energy transition continues to move too slowly[5] and marked the hottest year on record globally, with extreme weather events occurring across the world, including Australia.

Following on from FY23, our achievements again include a rise in the level of advocacy work we have undertaken or supported. A significant part of our advocacy work centres around climate change, with key initiatives including attending four roundtables with government to discuss barriers and possible solutions to investing in the net zero transition, and our submissions to government in support of forthcoming mandatory climate-related financial disclosures and associated standards.

We have developed an updated set of stewardship thematic focus areas for FY25 that seek to prioritise real world outcomes aimed at protecting and enhancing the value of our members' retirement savings. These include continuing to focus on climate change, modern slavery, workers' rights and workplace health and safety, along with two new priorities – human rights and nature and biodiversity loss.

Within our climate change work, we have closed out our third climate change roadmap and commenced work on a new Climate Action Plan. We enhanced our climate scenario analysis and reporting, and started working on nature and biodiversity as a new key focus area.

We have improved our monitoring of modern slavery across our external investment managers and rolled out fund-wide modern slavery training.

17 Spring St and 35 Spring St, Melbourne
Photo credit: Tom Roe. Cbus Property residential developments

[5] As per the Carbon Action Tracker Thermometer, the world is currently on track for 2.7˚C of warming - The CAT Thermometer | Climate Action Tracker.

# History of responsible investing at Cbus

By financial year

**Commenced our focus on ESG risks and opportunities by joining national and global initiatives relevant to long-term investing**

- **2001** Founding member of Australian Council of Superannuation Investors (ACSI)
- **2002** Began incorporating Environmental, Social and Governance (ESG) provisions in Investment Manager Agreements
- **2003** Subscribed to ACSI's ASX100 voting alert service
- **2005** ACSI and a group of Australian and international super funds (including Cbus) won a landmark shareholder-led corporate governance litigation case against News Corp
- **2006** Signatory to the Principles for Responsible Investment (PRI)
  Began focusing on environmental standards in building design since inception of Cbus Property
- **2008** Became a member of the Investor Group on Climate Change (IGCC)
- **2009** ESG manager appointed to the Investment Team

**Increased focus on ESG risks and opportunities and introduced limited exclusions**

- **2010** Issued first stand-alone ESG Policy
- **2011** Started using ACSI's international voting service
  First exclusions applied to the portfolio

# History of responsible investing at Cbus

By financial year

Developed our approach to climate change and acknowledged the SDGs

**2015**

First climate scenario analysis

**2016**

Issued our Climate Change Position Statement

Measured the carbon exposure in our equities portfolio

Acknowledged SDGs

Articulated climate activities and enhanced climate disclosure and leadership positions with partner organisations

**2017**

Commenced strategy development for targeting net zero carbon emissions at Cbus Property

**2018**

Committed to reporting against the TCFD framework and launched our first Climate Change Roadmap

Invested with DIF Capital Partners and Synergy to create Bright Energy Investments to build, own and operate utility scale renewable energy projects in WA

**2019**

Initial focus on net zero carbon emissions in our property portfolio by 2030 and net zero carbon emissions in infrastructure portfolio

1% of portfolio available for dedicated climate change investments

Subscribed to EOS at Federated Hermes Limited global engagement services

Cbus Director appointed Chair of the IGCC

Cbus CIO appointed to steering committee of the Australian Sustainability Finance Initiative (ASFI)

Started investing in National Housing Financing and Investment Corporation (NHFIC)[6] bonds via the inaugural issue

[6] NHFIC changed its name to Housing Australia in October 2023.

# History of responsible investing at Cbus

By financial year

**Policy execution and further enhanced our focus on ESG integration**

**2020**

- Released our second Climate Change Roadmap
- Set climate goals targeting net zero by 2050 and 45% reduction in real world emissions by 2030
- Conducted member and employer research about responsible investment
- Cbus representatives co-chair an ACSI First Nations working group to develop a program of research, engagement and advocacy
- Provided funding and input into an SDG progress paper with ACSI and other super funds: *SDG Transforming Australia progress report*

**2021**

- Annual climate disclosures externally assured
- Published our first Modern Slavery Statement
- Contributed to the development of an IGCC research paper on equitable transition along with other super funds: *How investors can support an equitable transition to net zero*

**Continued to increase sophistication across climate change risk management, integration and advocacy activity**

**2022**

- Released our third Climate Change Roadmap
- Cbus CIO appointed as Chair of the Board of the Australian Sustainable Finance Institute (ASFI)
- Invested in Star of the South, Australia's most progressed offshore wind project

**2023**

- Expanded carbon analysis to include a subset of our credit portfolio
- Measured our portfolio-wide exposure to climate change investments

**2024**

- Supported a thought leadership piece on the benefits of detailed Sector Pathways - *Decarbonisation investment solutions for sectors and their importance to investors*
- Modern slavery training rolled out
- New Stewardship Framework and goals
- Closed out our third Climate Change Roadmap
- Enhanced our climate scenario analysis
- Conducted member research about responsible investment
- Nature and biodiversity work program commenced

# Our progress summary

## We are proud to have made meaningful progress across a range of key areas.

| Areas of focus | Our progress | More information |
|---|---|---|
| **Our commitment to responsible investing** | We summarise how we approach responsible investment, along with a deep dive on our approach to climate change. | See page 11 |
| **Growing the team** | We have collated detailed information on the key skills held by our Responsible Investment Team to demonstrate our experience and diversity across a range of ESG competencies. | See page 13 |
| **Our recognition** | We have received several third-party acknowledgements and awards during the year, including 2024 Best Fund: Responsible Investment from Chant West[7]. | See page 19 |
| **Advocacy** | A significant part of our advocacy work is around climate change, with key initiatives including attending four roundtables with government to discuss barriers and possible solutions to investing in the net zero transition, and our submissions to government in support of forthcoming mandatory climate-related financial disclosures and associated standards. | See page 20 |
| **Integration** | We are developing Asset Class Guidelines to systematise and deepen ESG integration across our internal portfolios and directly held assets. We also rolled out staff training on modern slavery and surveyed our external investment managers using a refreshed modern slavery due diligence questionnaire. | See page 27 |
| **Stewardship** | Our revised Stewardship Framework and evolved stewardship thematic goals and priorities were approved by the Investment Committee during FY24, setting our program of work for FY25-FY26. | See page 33 |
| **Investing in the real economy** | We continue to invest in the built environment in projects and businesses that are in members' best financial interests, are important to our members and that will make a difference in the real world. Examples include Cbus Property, renewable energy investments in our infrastructure portfolio and direct lending for social and affordable housing. | See page 52 |
| **Climate change** | We closed out our third Climate Change Roadmap and commenced work on the development of a new Climate Action Plan. We also enhanced our approach to scenario analysis.<br>We have replaced our 1% climate change investments goal with a focus on measuring climate change investments across the portfolio. As at 30 June 2024, $9.2 billion or 9.7% of funds under management (FUM) was invested in what we consider to be climate change investments. | See page 56 |
| **Nature and biodiversity loss** | Nature and biodiversity loss is a new focus area this year in recognition of growing research on the risks it presents to our portfolio, our economy and society, and its close connection to climate change. We have developed an initial roadmap which contains strategic actions to guide our work over the next two years. | See page 71 |
| **Sustainable Development Goals** | We have continued to indirectly contribute to a range of SDGs through acting in our members' best financial interests. Our contributions are made through our commitment to our members and the industries they work in, being an employer of choice, our investments, and engaging and advocating across our portfolio-wide ESG priorities. | See page 77 |

[7] Chant West - Zenith CW Pty Ltd ABN 20 639 121 403 AFSL 226872/AFS Rep No. 1280401 Chant West Awards issued 22 May 2024 are solely statements of opinion and not a recommendation in relation to making any investment decisions. Awards are current for 12 months and subject to change at any time. Awards for previous years are for historical purposes only. Full details on Chant West Awards at https://www.chantwest.com.au/fund-awards/about-the-awards/

# 1

# Our commitment to responsible investing

## Why responsible investing is important and our approach

We believe well-governed companies that manage material ESG risks and opportunities in their operations and supply chains, such as those that impact employees, suppliers, customers, communities and the environment, will protect assets and grow our members' retirement savings over the long term.

**Hornsdale Wind Farm, Jamestown, South Australia**

A Cbus infrastructure investment

# How we invest responsibly

**Through integration**
We seek to understand and consider material ESG risks and opportunities as part of our investment decision making process (e.g. when choosing to invest in a company, or asset, or with an external investment manager).

**We are active stewards**
- Through voting at annual meetings and through discussions with the company or manager, we aim to improve practices so that companies we invest in are better run and provide more sustainable long-term returns.
- We advocate for a shift towards a sustainable finance system by encouraging the development of standards, guidelines and regulatory reform. Either directly or alongside others, we support the development of policies and research, and make submissions to government and regulatory consultations.

**We are evidence driven**
We use a wide range of research and data to measure, support and evolve our evidence-based approach. Our strategies and approaches are underpinned by an assessment of best practice coupled with a view of what is fit for purpose for our portfolio.

**We adapt**
We work to ensure our priorities continue to align with our members' best financial interests through time and we scan the horizon so we are aware of issues that will become prominent in the future.

**We are transparent**
We measure our activities and report on our progress, so our members can be confident that we do what we say we do.

**We partner**
We recognise that through partnership and collaboration we can share knowledge and learnings and better protect our portfolio from systemic risks.

You can read our Responsible Investment Policy here

## Our key beliefs

**We act in our members' best financial interest**

**We aim to apply our responsible investing approach across our total portfolio**

**We advocate for a more sustainable future**


Collins Arch, Melbourne
Photo Credit: Trevor Mein. A Cbus Property mixed-use development and commercial office investment

# Growing our Responsible Investment Team

## In the past year, the Responsible Investment Team has grown to 11 people, with the addition of new roles in the Research, ESG Integration and Stewardship teams.

In publishing our first skills disclosure, we acknowledge the value of having a diverse team operating at all levels. This range of backgrounds and experience fosters diversity in thought and action. Our team derives strength from a range of diversity characteristics – age, gender, ethnic, and cognitive diversity - that is complemented with varied experience at all levels.

We believe this is a strength of our team and it underpins our approach to responsible investing.

Notably, team members have worked across a range of industries at different levels that adds to a unique combination of experience across multiple areas – strategy, investment management, public policy and regulatory affairs, legal, science and public health, environment, finance, and risk management.

Through varied work experience our team has developed a range of complementary subject matter expertise and skills across ESG:

- Non-executive director experience
- Undertaking thematic ESG research and policy setting
- Developing and implementing standards, policies, and frameworks
- Financial and risk analysis
- Stewardship related subject matter expertise on ESG topics
- Stakeholder engagement and relations.

Our team members have also obtained a range of academic qualifications across a variety of disciplines and qualification levels (i.e. Bachelor, Masters and PhD):

- Science
- Arts
- Management
- Social Science
- Politics and Environment
- Law
- Commerce, Business, Finance, Economics and Accounting.

We are diverse thinkers and are united in our purpose to support Cbus in being a responsible steward of its members' retirement savings.

# New research on member attitudes to responsible investing

We conducted a new round of responsible investment research with our members during the year[8], seeking their feedback on our approach to responsible investment and how important it is in the context of their super. This research helps inform our responsible investment approach and how we communicate.

## Some key responses included:

**75%**

of members rated workplace health and safety as an appropriate issue to focus on; 67% sustainable property development, social and affordable housing and human and community rights; 63% the energy transition and 59% feel that climate change is extremely/very important.

**88%**

of members view cost of living as more important than 3-5 years ago.

**80%**

of members agreed that super funds should use their influence to encourage companies they invest in to change their practices where funds feel they pose a risk to members' retirement savings.

**86%**

of members agreed that companies that do the wrong thing by their customers, employees or the environment are presenting a risk to their value and to investors, like members of super funds.

We are still analysing all the member responses and will report in more detail on the findings in FY25.

[8] Based on a Responsible Investment survey undertaken by Empirica Research on behalf of Cbus in June/July 2024. In total, responses from 1363 members were included in the survey data.

# Our Priorities

## FY24 portfolio-wide priorities

**At the portfolio level, we have a set of ESG priorities that are areas of focus for our Responsible Investment Team. These priorities also flow across the portfolio to protect and preserve member value and we also seek to apply them across the broader Fund.**

These priorities generally represent a systemic risk to our portfolio, are the subject of regulation, or are closely linked to our members and the industries in which they work. Our priorities are regularly reviewed and are informed by research across emerging issues and regulation, materiality to our portfolio, and engagement with a broad range of stakeholders.

This year we have added Nature and Biodiversity Loss to our portfolio-wide priorities, based on the systemic nature of the risks this loss creates, the connection to climate change and the increasing speed of regulatory change.

### Climate Change

We believe that climate change is one of the most significant challenges we face as a society today, and that tackling climate change needs to be done collaboratively with a focus on real world impact.

Climate change creates both risks and opportunities that we need to assess and understand to achieve the best financial outcomes for our members. We also need to consider how the balance of risks and opportunities may change depending on how the world responds to climate change, and how successful we are at limiting global warming.

**Read more in our Advocacy, Stewardship and Climate Change Sections.**

### Investing in the Real Economy

We are committed to investing in projects and businesses that are important to our members, and that will make a difference in the real world and to our members' retirement savings.

**Read more in our Investing in the Real Economy Section.**

### Nature and Biodiversity Loss

A new priority in FY24, we believe that nature and biodiversity loss present significant risks to our portfolio, our economy and society. The issue is also closely connected to climate change, meaning that efforts to protect and restore nature and biodiversity can support our efforts to mitigate climate change. This year, we have developed a roadmap to guide our strategic engagement with this priority over the next two years.

**Read more in our Advocacy and Nature and Biodiversity Sections.**

### Modern Slavery

Modern Slavery is our key human rights issue of focus.

We report against the Modern Slavery Act, which aims to increase business awareness of the risks of modern slavery in the production and supply chains of Australian goods and services, and work to minimise the risk of modern slavery in our operations and supply chains. This includes engaging with and alongside like minded investors and companies about modern slavery risk management.

**Read more in our Integration and Stewardship Sections.**

### Workplace Health and Safety

Workplace health and safety is our key labour rights issue of focus.

Safety disclosures and practices provide insights into a company's operational performance and culture. Serious safety incidents have a significant personal cost to employees and their families and financial costs to employers. They can impact productivity and performance and expose the company to compensation, litigation, and reputational damage.

**Read more in our Stewardship Section.**

# FY24 stewardship priorities

## Our stewardship work encompasses our advocacy, engagement and voting activities, largely focused on our listed equity portfolio.

Our stewardship priorities incorporate several of our portfolio-wide priorities, those of climate change, modern slavery and workplace health and safety. They also extend beyond our portfolio-wide priorities to include issues we believe are relevant to protecting members' best financial interests across our equities portfolio. This includes Corporate Governance, Workers' Rights, and Cultural Heritage and First Nations.

More detail on our stewardship priorities, the work we have done in each area, and how these priorities will evolve into the future is captured in our Stewardship Section.

Climate Change

Modern Slavery

Corporate Governance

Workplace Health and Safety

Cultural Heritage and First Nations

Workers' Rights

# Our approach to responsible investing

## Spotlight on climate change

### Why is climate change important for super funds?

We believe that a fair and fast transition to a low carbon economy will generate the best opportunities for our members, through the protection and enhancement of investment returns, creation of new jobs, and lowering the cost of living. Achieving this will require collaboration and a focus on real world impact.

Uncontrolled climate change could negatively impact our members in multiple ways including:

- reducing their investment returns as they look to retire
- impacting their ability to live and work in certain locations
- increasing their energy, resilience, and insurance costs
- impacting their health and the social cohesion of the communities they live in.

### Key pillars of our climate change strategy?

The key pillars of our climate change strategy are:

1. Advocate for policy settings that support a fair and fast transition to a low carbon economy
2. Aim to reduce real world emissions within our portfolio
3. Invest in companies whose activity supports climate change mitigation and/or adaptation.

Within our climate change strategy, we have a set of public climate change goals and climate change principles, and have used climate change roadmaps to identify key actions we aim to achieve within a set period of time.

We are now looking to develop a new Climate Action Plan to succeed our third Climate Change Roadmap. This plan will capture short, medium and long term actions that we believe will support our climate change strategy.

### Why is climate change advocacy important?

The energy transition is a whole of economy transition and a level of coordination is required to prevent a disruptive or disorderly transition. A disruptive or disorderly transition may impact investment returns and our members retirement savings.

In addition, climate change presents a systemic risk – it cascades through the economy and society. Portfolio diversification can't protect against climate change, so we therefore have a role to play in engaging in systems level change.

Advocating for policy settings that support a fair and fast transition benefits our members in several ways:

- Improves and protects investment returns
- Increases energy security
- Reduces the risk of skills shortages
- Increases the likelihood that impacted workers and communities will be supported.

We see policy advocacy as a key pillar of our climate change response, and engage regularly with government, regulators and standards setters.

### Our approach to climate change investments

We invest in climate change investments globally where the investment risk/return is attractive.

Given the ongoing development of methodologies and taxonomies for identifying climate change investments, we have developed an internal framework that identifies companies whose activities support climate change mitigation and/or adaptation. We refer to these as climate change investments and we aim to measure our exposure to climate change investments annually.

### How do we reduce emissions within our portfolio?

While our advocacy work focuses on the systems level (policies and standards that apply across the economy), we also contribute to the move towards a low carbon economy by focusing on reducing the emissions of the companies we own. We do this by:

**Integration**

- One of the key climate change principles we are currently working to implement involves the consideration of climate change risk within investment decision making processes.

**Use of climate change overlays**

- A number of our quantitative equity strategies implement one or more climate overlays aimed at constraining carbon emissions and/or limiting exposure to potential stranded assets.

**Engagement**

- Identifying and engaging with a priority list of Australian companies on climate change
- Working with our service providers to engage with a broader set of Australian and global companies on climate change.

**Voting**

- We use our voting rights to communicate our support or otherwise of how companies are responding to climate change.

# Our approach to responsible investing

## Spotlight on climate change

### What about divestment?

As the Trustee of a super fund, we are subject to a number of strict statutory and general law obligations in the way we administer the Fund and how we invest for our members. These obligations require us to invest for the purpose of maximising the retirement outcomes for all of our members and our members' best financial interests are the determinative factor when investing.

Given the long-time horizon of climate change, there is an ongoing tension between short term performance and managing climate change risk. We utilise company engagement and policy advocacy to reduce long term risk while protecting members' near-term investment returns.

Divestment is an option available to investors, but the research suggests it requires near total adoption from all investors to be truly effective[9]. Divestment by a small number of investors has been found to have minimal impact on a company's cost of capital and little real world impact[10].

In addition, the energy transition requires the global community to leave value in the ground. We believe that supportive policy settings are needed to allow this to happen, we don't believe investors alone can drive this change.

### Why does it help to stay invested?

Arguments that support the need for investors to remain invested in companies or assets that risk being stranded during the energy transition include being present to support impacted workers and communities, and to engage with, support and encourage company transition. In doing so, our aim is to help ensure the transition is as orderly and fair as possible so that our members' benefits are maximised.

If done well, we believe the energy transition should include a fair transition for workers and communities and lead to job creation and nation building, which is positive for the economy and our members' investment returns.

Cbus has already been involved in situations where assets have been shut down and investors needed to advocate on behalf of impacted workers to ensure a fairer outcome. We believe such work helps foster ongoing support for the energy transition which helps to protect member returns.

[9] Johansmeyer (2022). How fossil fuel divestment falls short. Harvard Business Review. https://hbr.org/2022/11/how-fossil-fuel-divestment-falls-short
[10] Plantinga and Scholtens (2024), The finance perspective on fossil fuel divestment. Current Opinion in Environmental Sustainability, 66(101394) https://doi.org/10.1016/j.cosust.2023.101394.

# Our recognition

## While striving to achieve great financial outcomes for our members we have received the following third-party acknowledgments and awards during FY24

### Chant West 2024

Cbus won the 2024 Best Fund: Responsible Investment from Chant West. This award recognises how we manage a meaningful proportion of our assets internally and include RI considerations as well as how we leverage our scale and influence to undertake advocacy work and engage with companies.

### Lonsec 2024

All investment options rated by Lonsec retained a rating of 'Above peers' for ESG – the highest rating available.

### Responsible Investment Association of Australasia (RIAA)

Cbus was one of 10 super funds to be named as a 2023 Responsible Super Fund Leader in the Responsible Investment Association Australasia's (RIAA) latest Responsible Investment Super Study.

### Rainmaker

Cbus has been named an ESG Leader for 2024 by Rainmaker. The ESG Leader Rating is earned by Australia's best super funds that are implementing ESG principles to a high level, while having a track record of strong long term investment performance.

### SuperRatings

Cbus is Sustainable Recognised by SuperRatings for 2024, which recognises super funds that are leading the industry in sustainable behaviour.

**Chant West -** Zenith CW Pty Ltd ABN 20 639 121 403 AFSL 226872/AFS Rep No. 1280401 Chant West Awards issued 22 May 2024 are solely statements of opinion and not a recommendation in relation to making any investment decisions. Awards are current for 12 months and subject to change at any time. Awards for previous years are for historical purposes only. Full details on Chant West Awards at www.chantwest.com.au/fund-awards/about-the-awards/

**SuperRatings -** The rating is issued by SuperRatings Pty Ltd (SuperRatings) ABN: 95 100 192 283 a Corporate Authorised Representative (CAR No.1309956) of Lonsec Research Pty Ltd ABN 11 151 658 561, AFSL No. 421445 (Lonsec Research). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings use proprietary criteria to determine awards and ratings and may receive a fee for the use of its ratings and awards. Visit superratings.com.au for ratings information. 

**Lonsec -** The ratings issued May 2024 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report.


# Cbus Property sustainability credentials

### Climate Active

Certified net zero carbon office portfolio by the Climate Active Carbon Neutral Buildings Standard

### NABERS

Recognised once again as a leader in the NABERS Sustainable Portfolios Index 2024*

www.nabers.gov.au

### GRESB

Named Regional Sector Leader for Investments (Oceania, Diversified - Office/Retail).

Placed 2nd for Developments (Asia-Pacific, Diversified - Office/Residential).

### Cleaning Accountability Framework

Australia's first commercial portfolio certified by the Cleaning Accountability Framework (CAF), with nine offices and two shopping centres certified.

### AFR Best Places to Work

Ranked fourth out of the top 10 businesses in the Property, Construction & Transport category.

### WELL Precertification

121 Castlereagh, Sydney, achieved WELL Precertification and is targeting Platinum Certification upon completion.

### Property Council of Australia

83 Pirie Street, Adelaide, named 2024 Rider Levett Bucknall State Development of the Year for South Australia, recognising its next-generation design of commercial office, wellness and hospitality functions.

### AFR Sustainability Leaders

83 Pirie Street, Adelaide, named one of the Australian Financial Review's Sustainability Leaders for being one of the first all-electric, net-zero-designed office building in operation in Australia.

* Based on NABERS Sustainable Portfolios Index 2024
www.nabers.gov.au/data-gallery/spi-2024-offices-shopping-centres

# 2

# Advocacy

**Some of the biggest issues facing the world today, such as climate change and nature and biodiversity loss, cannot be solved by individual action alone.**

**While these issues pose both risks and opportunities to our investment portfolio, they are also more far reaching. They pose systemic risks beyond our portfolio, potentially negatively impacting the health and wellbeing of our members, the industries they work in, and the functioning of the broader financial system.**

As stewards of our members' money, we have a role to play in shaping the systems in which we operate and invest, driving better outcomes for our members and the world in which they will retire. We consider public policy advocacy to be a key tool through which we can contribute to the shaping of policy, regulation and standards that are needed to reduce systemic risks.

Our advocacy efforts over the past 12 months focused largely on climate change and climate change policy, driven by the increased climate ambitions of the Australian Government. As the International Energy Agency notes in its most recent Net Zero Roadmap Update, strong government policies are a critical enabler to rapidly increase renewable energy capacity[11]. Given the importance of an enabling policy framework in combatting climate change, we have welcomed the Australian Government's Sustainable Finance Strategy and have contributed to its development and planned implementation.

Notable advocacy efforts achieved through multiple voices and initiatives advocating for the desired outcome include the following:

- **Treasurer Investor Roundtables –** we attended four roundtables to discuss with government barriers and possible solutions to investing in the transition to a net zero economy.

  ***The May 2024 Federal Budget contained a $22.7 billion Future Made in Australia package.***

- **Mandatory climate disclosures –** we made submissions to government in support of forthcoming mandatory climate-related financial disclosures and associated standards.

  ***The Bill governing disclosures was enacted in September 2024.***

- **Sector decarbonisation pathways –** we were one of three investors who funded a discussion paper by the IGCC on sector decarbonisation pathways, which are critical to guide investors as sectors of the Australian economy move to achieve net zero.

  ***The IGCC published its report in November 2023, and government is now consulting on sector plans.***

- **Net Zero Economy Authority –** we made a submission in support of the Bill establishing the Authority, noting the important role the Authority will play in coordinating an orderly transition to a net zero economy.

  ***The Net Zero Economy Authority Bill was enacted in September 2024.***

- **ASX Corporate Governance Principles and Recommendations –** we made a submission on the proposed fifth edition, calling for strengthened board oversight of human, community and labour rights and the need for entities to undertake ongoing stakeholder engagement.

  ***The ASX is considering submissions as it finalises the fifth edition for release in 2025.***

As part of an initiative organised by the Australian Sustainable Finance Institute, Cbus participated in discussions with senior politicians and government officials in Canberra on issues relating to sustainable finance.

[11] IEA (2023). Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach. IEA. https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach/progress-in-the-clean-energy-transition.

# Our advocacy efforts across FY24

| | |
|---|---|
| **Direct government engagement** | |
| Climate and Social impact investing | We participated in the Treasurer's Investor roundtables and working groups across social impact investment, the net zero transformation and Australia's renewable energy superpower plan |
| Climate and sustainable finance | We participated in ASFI-convened roundtables and discussions in Canberra focused on the implementation of the sustainable finance strategy and on issues relating to sustainable finance and the net zero transition |
| Climate | We participated in an IGCC-convened meeting with government officials that covered investor perspectives on the development of sector transition pathways |
| **Initiatives where we provided financial support in members' best financial interests or were represented on key committees** | |
| Housing Australia | Member of the Housing Australia Future Fund Advisory Group until November 2023 |
| Australian Sustainable Finance Institute (ASFI) | Taxonomy funding partner<br>Member of Board |
| International Sustainable Standards Board (ISSB) | Member of ISSB Investor Advisory Group |
| Sector decarbonisation pathways | Financial support for IGCC Sector Decarbonisation Pathways discussion paper, published Nov 2023 (see case study on page 25) |
| **Signatory** | |
| Principles for Responsible Investment (PRI) ISSB Global Adoption Statement | Signatory to the PRI's Call to Action: ISSB Global Adoption statement |
| International Financial Reporting Standards (IFRS) COP28 Declaration of Support | Signatory to the IFRS's COP28 Declaration of Support for consistent, comparable climate-related disclosures at the global level |
| Tobacco Free Portfolios' 2023 Investor Statement on Tobacco | Signatory to Tobacco Free Portfolios' 2023 Investor Statement on Tobacco, calling on states to implement the WHO Framework Convention on Tobacco Control |

# Our advocacy efforts across FY24

| Consultations where we provided feedback directly | |
|---|---|
| Climate | Federal Treasury consultation on the climate-related financial disclosure exposure draft legislation |
| Climate | Australian Accounting Standards Board consultation on Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information |
| Climate | Senate Finance and Public Administration Legislation Committee – Net Zero Economy Authority Bill |
| Sustainable finance | Federal Treasury consultation on the Annual Superannuation Performance Test – design options |
| Governance | Australian Securities Exchange (ASX) consultation on draft Corporate Governance Principles and Recommendations |
| **Consultations where we provided feedback through one of our member organisations** | |
| Climate | Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW) consultation on the Australian Carbon Credit Unit (ACCU) Review |
| Climate | Federal Department of Industry, Science and Resources consultation on the Future Gas Strategy |
| Sustainable finance | Federal Treasury consultation on the Sustainable Finance Strategy |
| Climate | Federal DCCEEW consultation on the Electricity and Energy Sector Plan Discussion Paper |
| Climate | International Financial Reporting Standards (IFRS) survey on climate-related disclosures |
| Nature | Federal DCCEEW consultation on Australia's new Nature Positive laws |
| Climate | Climate Change Authority consultation on the Targets, Pathways and Progress issues paper |
| Climate | ASFI first round of consultation on the Australian Sustainable Finance Taxonomy |

*Please note, our member organisations provided feedback on additional consultations. We have only listed those where we provided input to shape the final response.*

# Alignment with our key advocacy partners and member organisations

## We aim to partner with organisations whose purpose is aligned with our key areas of focus, as demonstrated below.

Across our member organisations we participate in working groups to share knowledge and develop best practice, we support and leverage research, and we engage and interact with government, international peers and standard setters. We monitor the advocacy activities of our member organisations through participation on committees, board representation and via reviews.

| Partners | Member | Cbus Board and Committee Representation | Cbus involvement | Purpose | Alignment with Cbus portfolio wide and stewardship priorities |
|---|---|---|---|---|---|
| **ACSI** | Yes | Board member<br>Member Advisory Council | International peer engagement<br>Policy Advocacy Research<br>**Working groups**<br>Just Transition<br>Climate Disclosures<br>Social Factors | ACSI aims to advocate for improvements in the ESG performance of Australian listed companies and advocates for policies aligning markets with the interests of long-term investors and strengthen ESG outcomes[12]. | |
| **ASFI** | Yes | Board member | Direct government engagement<br>Policy Advocacy<br>**Working groups**<br>Sustainability Leaderships | ASFI was established to realign the Australian financial services system so that more money flows to activities that will create a sustainable, resilient and inclusive Australia[13]. | |
| **IGCC** | Yes | Board member | Direct government engagement<br>Policy Advocacy Research<br>**Working groups**<br>Climate Solutions (Co-chair)<br>**Investor Initiatives**<br>Climate Action 100+ | IGCC is the leading network for Australian and New Zealand investors to understand and respond to the risks and opportunities of climate change[14]. | |
| **RIAA** | Yes | – | Policy Advocacy<br>**Working groups**<br>Human Rights<br>Nature | RIAA aims to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy environment, economy and society[15]. | |
| **IAST APAC** | Yes | – | **Working groups**<br>Engagement<br>ESG Data | The Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative is an investor-led, multi stake-holder project. It was established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains[16]. | |
| **PRI** | Yes | – | Policy Advocacy<br>**Working groups**<br>Sustainable Development Goals | The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment, and society as a whole[17]. | |

[12] https://acsi.org.au/
[13] https://www.asfi.org.au/
[14] https://igcc.org.au/about/
[15] https://responsibleinvestment.org/about-us/
[16] https://www.iastapac.org/
[17] https://www.unpri.org/

# Case Study: IGCC sector pathways

## The issue

We believe strong government policy signalling is required to achieve an orderly and equitable transition. Credible and detailed sector decarbonisation pathways are particularly important as they support investors to invest or remain more confidently invested in companies whose businesses are in transition.

## Our contribution

To broaden the debate around sector pathways in Australia, Cbus (along with two other investors) supported the development of an IGCC discussion paper titled ***Decarbonisation investment solutions for sectors and their importance to investors.***

The aim of this paper was to enhance the IGCC's ability to articulate the rationale for sector pathways through its advocacy work.

Cbus supported this thought leadership paper given it was additive, aligned with Cbus' climate goals, and would help improve Government climate policy signalling, thereby aiding investment decision making for both investors and companies. For Cbus, sector pathways would enhance our ability to assess the credibility of decarbonisation and broader strategic plans developed by the companies (assets) in which we invest.

Through our involvement, we actively participated in consultative discussions with Australian Government departments and provided an investor perspective on how the pathways could be used in practice and how they would align with the Australian Government's broader climate policy goals.

## Policy outcome

The Australian Government announced its commitment in September 2023 to develop detailed sector-by-sector policy plans to support an orderly and equitable transition. The sectors that will be analysed include electricity and energy, transport, industry and waste, agriculture/land, resources, and the built environment.

We view these pathways as an essential tool for increasing investor confidence in Australia's ability to decarbonise and directing capital into decarbonisation opportunities.

## Case Study: Australia's transition to a net zero economy

### The issue

The Australian Government has an ambitious policy reform agenda to support the country's transition to a net zero economy. We believe that policy momentum and public financing are critical signals that help facilitate private capital investment into low carbon solutions that protect our members' retirement savings. We know that there are many industries in which our members work that will be directly affected by the transition.

### Our contribution

To amplify the impact of our advocacy, this year we made several visits to Canberra to meet in person with Australian Government members and officials on net zero policy issues. These visits reflect our belief that direct engagement in our members' best financial interests is crucial to contribute to government policy and the systems-level changes needed for a more sustainable financial system that supports the net zero transition.

We participated in four roundtables with Treasury to discuss the Australian Government's plans for Australia to become a renewable energy superpower, and to establish a Net Zero Economy Agency that will play a leading role in coordinating the transition and supporting affected workers. We also participated in meetings convened by the Australian Sustainable Finance Institute that enabled politicians and officials to hear investor perspectives on issues associated with the transition.

Issues discussed included the role that mandatory climate disclosures can play in providing investors with decision-useful information when evaluating investment opportunities. We also noted that an ambitious 2035 emissions reduction target and strong sector plans will provide additional policy signalling needed to give investors confidence to invest in and remain invested in companies and assets as the economy transitions to net zero.

### Policy outcome

Our engagement (along with others) with the Australian Government may have assisted in informing the following public policy developments and funding announcements:

- Legislation to establish a Net Zero Economy Authority was enacted in September 2024. The Authority's proposed functions include facilitating private sector investment in net zero transformation initiatives and supporting workers in emissions-intensive industries who will be affected by the transition.
- Legislation to phase in new climate-related financial reporting requirements for certain entities, including superannuation funds, was enacted in September 2024. The legislation will require entities to include a sustainability report in their annual report, providing transparency of how entities are dealing with climate-related risks and opportunities.
- The May 2024 Commonwealth Budget allocated $22.7 billion of new government funding under the Future Made in Australia Agenda to scale the investment needed for the transition. This included production tax incentives to support critical minerals and hydrogen projects, and funding to accelerate renewable technology commercialisation.

## IGCC Campaign: Strong 2035 climate targets supporting investors to invest in climate solutions and reduce climate risk

To inform key communities and encourage policy makers to legislate strong 2035 climate targets and policy, Cbus along with other investors are supporting an IGCC campaign that showcases stories about renewable energy and how Australia can seize and benefit from the new economic opportunities and ultimately improve the lives of all.

This cross-media campaign is focused on talking to local communities across the nation about:

- **The benefits to our nation:** how investment in our clean economy will deliver more jobs, reduce the cost of living, power new industries which will expand clean exports to the world and support our nation in reducing the impacts of climate change.
- **Our renewable success stories:** how Australia is leading the way in new clean technologies that are already creating new jobs and how they can reduce cost of living and power prices for everyone.

# 3

# Integration

Integrating the consideration of material ESG risks and opportunities into our investment processes, alongside traditional financial analysis (such as revenues, expenditure, cashflows and cost of capital), enables more informed investment decision making and seeks to improve risk adjusted returns over time.

We do this by identifying and considering how material ESG risks and opportunities may impact individual investments and portfolios.

83 Pirie Street, Adelaide

Photo Credit: Trevor Mein. A Cbus Property commercial office investment

# How we integrate material ESG risks and opportunities

## Given the diverse nature of investing (e.g. asset class, sector, geography, investment style), there are several ways to incorporate the consideration of ESG risks and opportunities into investment analysis.

Consistent with this, Cbus adopts a nuanced approach to ESG integration given we:

- Utilise both external investment managers and internally managed investment strategies
- Invest globally across a range of asset classes such as listed equities, credit, infrastructure, property, and private equity.

Our approach to ESG integration is multi-pronged, and some of the central elements are outlined below.

### External investment managers

In appointing external investment managers to manage funds for us, we rely on them to consider and manage ESG risks and opportunities on our behalf. Accordingly, ESG is considered in the selection, appointment, and ongoing monitoring of our external investment managers.

In doing so, ESG is addressed across three broad phases, outlined below.

| Due diligence & pre-investment | Appointment | Post-investment |
|---|---|---|
| • Conducting ESG due diligence prior to any investment manager appointment.<br>• Providing recommendations as part of investment approval papers (prior to any investment manager appointment and onboarding).<br>- As part of this, ESG related actions may be recommended. | • Assigning an internal rating and/or utilising our investment consultant's rating of external strategies.<br>• Utilising ESG clauses in investment management agreements. | • Periodic monitoring post appointment.<br>• Ongoing ad hoc engagement and meetings with our external investment managers where we seek to learn more, raise issues and influence change. |
| **Across all stages** | | |
| Through conducting subject matter deep dives (e.g. modern slavery). | | |

### Internal strategies

A large focus over FY24 has been the development of Asset Class Guidelines to systematise and deepen ESG integration across our internal portfolios and directly held assets.

Many of the actions that have been identified are already done in practice, so this is an opportunity to formalise the approach and drive continuous improvement. As with our external investment managers, the focus of the Asset Class Guidelines spans investment selection, due diligence and ongoing monitoring.

Over the course of FY25, we plan to roll out these Asset Class Guidelines across our asset class teams.

## Individual portfolio-specific investment restrictions

Some of our investment strategies (both external and internal) involve index-based portfolios where we have limited ability to engage and influence companies with very poor ESG practices. For these strategies, we seek to avoid investing in companies that have attracted Sustainalytics highest controversy rating of "Severe" (for a period of at least 12 months, reviewed annually).

Similarly, in some instances we apply investment restrictions on certain internal and external strategies to incorporate climate transition risk.

Note that these restrictions are not the same as our portfolio-wide investment exclusions (refer below for information regarding our portfolio-wide exclusions).

## Portfolio-wide activities

Irrespective of whether an investment is externally or internally managed, there are some activities and actions that apply at a portfolio wide level. These include:

- **Governance:** The inclusion of ESG analysis in approval papers for the Chief Investment Officer and the Investment Committee (where appropriate) which recommend investment in a new investment managed by an external manager.
- **Portfolio monitoring:** Periodic review and monitoring of material ESG risks across the whole portfolio (internally and externally managed). This includes reviewing independent ESG analysis that covers our holdings (e.g. FairSupply, GRESB, Sustainalytics, MSCI, FactSet, Reprisk).
- **ESG data capabilities:** Ongoing development of our approach to utilising data, including ESG dashboards, and evaluating our future ESG data needs.
- **Investment exclusions:** Refer to page 30 for further detail.


## Holistic approach to ESG integration

- Importantly, we seek to adopt an holistic approach to ESG integration. We do this coupled with our focus on Investment Stewardship.
- Supported by thematic research and programmes of work focused on portfolio-wide ESG priorities (e.g. climate change, modern slavery).
- Collaborative, with the Responsible Investment Team providing guidance and support to our Investment Team.
- Iteratively, with a focus on driving continuous improvement and evolving our practices.

Cbus' approach to ESG Integration is also underpinned by our broader approach to ESG risk management. This comprises:

- Board and management governance frameworks for oversight and progress tracking of ESG programs, including our stewardship and engagement programs and our climate change work.
- Incorporation of material ESG risks into the enterprise risk framework (including safety), with regular monitoring of key risk indicators and process controls across the portfolio, and the Fund's operations by board committees, and associated internal reporting.
- Regularly updating the Investment Committee and the Board through the CIO report and portfolio reviews.
- Holding training sessions for staff and the Board on a range of ESG risks and opportunities, including modern slavery and climate change.
- Specific requirements for responsible investment in our agreements with external investment managers, including reporting and monitoring requirements, subject to the type of asset class and investment strategy being employed.
- Exclusion monitoring through compliance systems for public market investments.
- An annual attestation process, managed by our Operational Due Diligence team. This applies to Cbus' external investment managers across all public and private markets asset classes. The annual attestation includes a set of ESG-related questions that our external investment managers are required to complete.

## Our portfolio wide Investment Exclusions

### Investment Exclusions

Our approach to responsible investment primarily centres around ESG integration, investment stewardship and advocacy. However, in limited circumstances, we also apply investment exclusions, which we set out below.

For Australian or International listed shares, when Cbus itself (either through its internal or external investment managers) invests directly in those shares, we exclude direct investments in the following (subject to the exceptions set out further below):

- **(Controversial Weapons)** companies which have direct involvement in:
  - the manufacturing of controversial weapons (specifically, cluster munitions, biological and chemical weapons, anti-personnel mines, depleted uranium, and white phosphorus weapons); or
  - the manufacturing of components or services of the above core weapon systems where those components or services are considered essential for the lethal use of the weapon;
- **(Tobacco)** companies that earn 5% or more of their revenue[18] from:
  - the manufacturing and/or production of tobacco products; or
  - the supply of tobacco-related products and services which includes electronic nicotine delivery systems, non-nicotine vaping products and e-liquids (excluding distribution and/or retail)[19].

These bracketed terms are known as the **Investment Exclusions.**

For the purposes of the Investment Exclusions, direct investment means investment in Australian or International listed shares whereby Cbus or its custodian (on behalf of Cbus) directly owns the relevant shares (and as a result, we can directly control what shares are and are not held).

For all other investments (including in the case of indirectly held Australian or International shares), we seek to apply equivalent investment exclusions where possible or relevant. This depends on the nature of the investment or the investment structure, for example:

- investments made by investment vehicles where the investment decision making sits with a non-Cbus entity (such as unit trusts, funds of funds, or other pooled vehicles);
- where Cbus does not directly own the underlying assets; and
- other indirect equity and debt investments, for example through exchange traded funds (ETFs) or derivatives.

### How we apply the Investment Exclusions

We obtain a list of companies to which the Investment Exclusions apply through a third-party provider[20]. This list of excluded companies is reviewed and updated annually, and then provided to our internal and external investment managers who invest directly in Australian or International listed shares for Cbus, who must then:

- exclude new and existing direct investments in the shares in those companies; and/or
- provide investment instructions to external investment managers which are subject to that list (for example, in the case of transition or non-discretionary investment managers).

We rely on the data provided by the third-party provider to implement the Investment Exclusions. Implementation may be affected by the accessibility and accuracy of that data, or any potential error by the third-party provider or investment manager, or operational errors caused by their respective systems or controls.

### Exceptions to the Investment Exclusions

There may be circumstances which result in holdings in companies which are subject to the Investment Exclusions. This may occur, for example:

- where a merger with another fund in the future results in the acquisition of, or exposure to, holdings covered by the Investment Exclusions; or
- where there is exposure to a newly listed company or an existing company's revenue exposure exceeds the exclusion threshold outside of the annual review cycle undertaken by our third-party provider.

Where we have holdings in excluded companies, we will seek to exit these holdings if possible and in a manner consistent with members' best financial interests, taking into account matters such as alternative available options, liquidity, market conditions and investment fund structure.

[18] Our third-party provider considers 'revenue' as being net revenues/external revenues/net sales/external sales (depending on how the companies report revenues), and does not include intersegmental revenue.
[19] This expansion to the Tobacco exclusion was introduced in July 2024, and managers have been instructed to exit any existing holdings in companies appearing on the annual list provided by our third-party provider.
[20] We currently use third-party provider, Morningstar Inc. Sustainalytics®, for identification of relevant listed companies.

# Modern slavery

**Modern slavery is one of our portfolio-wide ESG priorities. Cbus has long recognised the value of human capital within organisations. For some years, our focus has extended to understanding and mitigating the risk of modern slavery within our investment supply chain, whilst also seeking to safeguard labour rights and promote safe working environments for people.**

It is estimated that ~50M people globally live in modern slavery, some of whom potentially work in the supply chains of global companies (that Australian investors could be exposed to). This is against a backdrop of rising inequality and an ever-increasing number of people being at risk of falling into modern slavery-like conditions.

Cbus has prepared four Modern Slavery Statements in accordance with the *Modern Slavery Act 2018 (Cth)*. These statements relate to both Cbus' operations and to Cbus' investments. Each year we seek to build on our approach and deepen our understanding of the issues at hand, whilst influencing positive change to reduce risk to people and de-risk our investments.

## Work on modern slavery in FY24

Some of the work undertaken across FY24 in relation to modern slavery included:

**Staff Training**

- Developing and rolling out online staff training regarding modern slavery. This training is required of executives and the following teams: Investments, Legal, Compliance, Procurement, Risk Management and Assurance.

**Engagement**

- Engaging with investee companies (directly and via our partnerships with ACSI and EOS at Federated Hermes) to understand the issues and influence change
- Engaging with internal and external investment managers to understand the issues, obtain their perspectives and influence change
- Issuing a revised investor-led modern slavery questionnaire to our external investment managers (further detail ahead).

**Involvement in investor initiatives:**

- Participating in the Investors Against Slavery and Trafficking Asia Pacific initiative
- Participating in the RIAA Human Rights Working Group.

**Assessing Supply chain risks:**

- Using an external specialist advisor to assess modern slavery risk within our investment portfolio by tracing supply chain risks from Tier 1 to Tier 10.

**Manager questionnaire on modern slavery**

In 2021, we partnered with the Responsible Investment Association of Australasia (RIAA) and a small group of other asset owners to develop a standardised detailed modern slavery due diligence questionnaire to be used to uniformly assess external manager approaches to modern slavery.

We surveyed our external investment managers in FY21 using the standard questionnaire and we did so again with a revised survey in FY24. The questionnaire is broad based and covers:

- Governance processes and policies
- Training
- Oversight, roles and responsibilities
- Processes to identify modern slavery
- Manager exposure to high-risk geographies and/or high-risk sectors
- How a manager would respond if modern slavery was identified.

Based on an analysis of the survey responses, we will look to prioritise engagement with those investment managers that appear to either be at a higher risk of potential modern slavery exposure or have an opportunity to refine and enhance their processes and approach regarding modern slavery.

In addition to shaping our investment manager engagement, the survey further supports our modern slavery work by:

- Raising awareness of the positive impact of prudent modern slavery risk management on companies' risk/return profiles
- Demonstrating the importance we place on seeking to manage and mitigate modern slavery risk in our investment supply chain
- Raising investment manager awareness of the issues and driving continuous improvement. We strongly believe in creating awareness and driving change.

# Case Study: ESG Data Warehouse

## The issue

We rely on an ever-increasing number of data providers for the metrics needed to support our:

- internal Investment Teams in considering material ESG risks and opportunities within their investment processes,
- Stewardship Team as they develop engagement programs and voting positions, and
- portfolio-level analysis and reporting across our portfolio-wide ESG priorities.

## Our contribution

We have commenced work on building an ESG 'data warehouse'. The data warehouse aims to bring several different data products, each related to a different ESG issue, into one system. The data warehouse will have data quality checks and an audit trail and will enable members of the Investment Team to access data from multiple sources in a single platform, supporting greater focus and analysis, and generating greater insights from the data.

To date, we have incorporated two of our key ESG data products into the data warehouse – our ESG risk ratings and climate change data, both relevant for our listed equities. This involved a highly collaborative effort between each data vendor and several Cbus teams across Operations and Investments. For each dataset, a number of regularly used reports have been automated to increase the utility of the data and support both internal and external reporting.

## Outcome

The data warehouse has demonstrated the benefits of bringing disparate ESG datasets together and automating commonly used reports and outputs. The data warehouse has enabled us to begin to streamline our internal and external reporting. In time, our Investment Teams will be able to view their portfolios through multiple ESG lenses in a single location, and the inbuilt data quality checks and audit trail position us well for upcoming mandatory reporting.

We will continue to develop the data warehouse to increase its utility across the Investment Team and to identify additional ESG datasets of interest.


# 4

# Stewardship

Stewardship involves using our influence as an institutional investor to maximise long-term value for our members. We take the responsibility of investing sustainably on behalf of our members very seriously and therefore stewardship is a core component of our responsible investing approach.

# Our approach to stewardship


## Our stewardship activities include advocacy, informed voting, engaging with companies we invest in (directly, through service providers, participating with industry partners as well as partnering with other investors) and consideration of the stewardship capabilities of our external investment managers.

As active stewards, we aim to improve practices so that companies we invest in are better run and provide more sustainable long-term returns for our members.

Through our advocacy we encourage the development of responsible investment standards, guidelines, and regulatory reform, and are actively promoting the shift towards a sustainable finance system. Please refer to Section 2 for more information.

The stewardship levers available include advocacy and the suite of rights attached to our shareholdings. These include the right to vote at companies' general meetings and may also include the right to nominate and/or vote with respect to the nomination of directors who we believe represent our members' best financial interests. Other opportunities for influence also flow from these rights, such as direct communication with boards via engagement.

Most of Cbus' stewardship activities relate to investments in listed equities and Cbus acknowledges the additional responsibility and influence it has in the Australian market reflecting the size of ownership positions it has in Australian companies.

During FY24 our focus remained on corporate governance, climate change, modern slavery, workers' rights, workplace health and safety, and cultural heritage and First Nations through ACSI.

We have a governance structure for our stewardship activity which includes:

- Investment delegations
- Risk management indicators and controls
- Monitoring of third-party service providers
- Annual reporting to the Investment Committee and regular reporting to the Board on company meetings of note during the voting seasons and on material stewardship developments.

Cbus is a signatory to the Australian Asset Owners Stewardship Code[22] that is designed to promote greater transparency and accountability in relation to stewardship activities.

**You can read our Stewardship Statement which outlines how we meet the principles here**

[22] https://acsi.org.au/wp-content/uploads/2024/05/Australian-Asset-Owners-Stewardship-Code.14.05.24.pdf

# FY24 Highlights

## Framework

Developed our thematic goals and priorities for FY25 and beyond (see page 51)

## Engagement

124 dedicated ESG meetings with 48 companies.

52% of engagements were with 17 of our top 20 highest Australian equity emitters.

Engaged with 15 companies in relation to fatalities, safety performance and disclosure.

65% of Cbus' global investee companies were covered by EOS at Federated Hermes engagement.

## Advocacy

Refer to Section 2.

## Working with partners

51% of engagements were with partners.

We led engagement for two IAST APAC [23] priority companies.

We were the CA100+ [24] lead engager for Incitec Pivot.

Participated in the ACSI Governance Guideline review.

Participated in manager engagement with the Global Committee on Workers' Capital.

## Voting[25]

Voted on over 22,000 resolutions.

Voted in line with company management on ~83% of Australian resolutions and ~80% of global resolutions.

Supported 79% of global environmental shareholder proposals, the majority of which were related to climate change.

Supported 70% of social-related global shareholder proposals.

[23] https://www.iastapac.org/
[24] https://www.climateaction100.org/whos-involved/investors/page/4/
[25] Voting data is sourced from CGI Glass Lewis

# Voting

Voting at company meetings is a key lever we use to exercise our stewardship obligations. We vote at all company meetings in all markets globally where practical.

We take an active approach when voting on resolutions for Australian companies and our directly held global equities. The Trustee's voting practices domestically and internationally are guided by ACSI's Corporate Governance Guidelines which are reviewed by ACSI and member funds biennially.

During FY24, we participated in the ACSI Governance Guideline review.

The principles that underpin the guidelines, recent development and updated guidelines are available **here.**

As part of this exercise, we also aligned our international voting guidelines on gender diversity with our domestic guidelines.

The Trustee has a robust governance process for vote decision making which includes investment delegations, strategy reviews, and reporting to the Investment Committee and the Board. We consider voting recommendations from ACSI and CGI Glass Lewis, but to ensure an informed view, we also seek a range of inputs from external investment managers, service providers, and other stakeholders and consider engagement progress and outcomes, where applicable.

Set out below is further information on our:

- Australian Share Voting
  - Position on Say on Climate Advisory Votes
- Global Share Voting
  - Voting on Global Shareholder Proposals (incl. Australia)

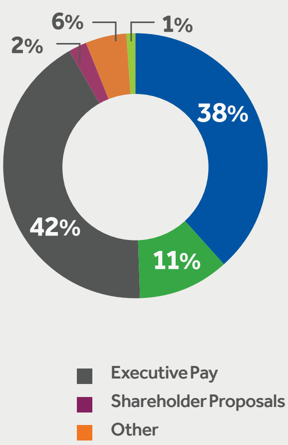
**Across domestic and global markets, shareholder proposals (SHPs) are increasingly common, and the number of SHPs globally continues to increase. An enhancement to the stewardship framework in FY24 is to support non-binding SHPs to reinforce our position to directors, or to affirm the actions they have taken.**

## Australian share voting

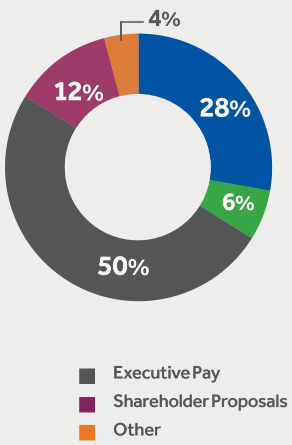
### Proxy Voting outcomes for ASX holdings from 2020-2024

| Financial Year | # of resolutions voted | For (%) | Against (%) | Abstain (%) |
|---|---|---|---|---|
| **2024** | 2,598 | 84 | 14 | 2 |
| **2023** | 3,083 | 87 | 12 | 1 |
| **2022** | 2,605 | 87 | 12 | 1 |
| **2021** | 2,249 | 86 | 12 | 2 |
| **2020** | 2,206 | 87 | 12 | 1 |

**FY24 AUSTRALIAN VOTING RESOLUTION BY THEME**




**FY24 VOTE AGAINST BY THEME, AUSTRALIA**



Our Australian voting positions supported the following outcomes in FY24:

### Workplace health and safety performance

- Noting numerous fatalities over a five-year period at a global mining services company, Cbus voted, along with other investors, against the board chair, the chair of the safety and sustainability committee, and against the company's remuneration report for a third consecutive year. The chair stepped down post the AGM.
- We withheld support for the remuneration report at a major retail company, due to misalignment between bonus outcomes and safety performance. Through follow up engagement we were encouraged to learn about enhancements made to systems and safety management practices.
- We withheld support for a director election at a global mining company due to concerns over safety controls and oversight post an acquisition. Since the AGM we have been encouraged by the appointment of a new director who will join the Safety and Sustainability Committee adding extensive mining sector and operations experience. We acknowledge new key executive appointments with responsibility for safety are driving renewed focus on asset management, expanding its Fatality Risk Management program and undertaking safety culture review at key sites.

### Corporate governance

- Given poor performance and reputational damage at Qantas, Cbus did not support the re-election of the longest serving independent non-executive director and voted against the remuneration report. The company has announced changes to its board and reduced past remuneration payouts to executives. See case study on page 44.
- 50% of 'against' votes in the table on page 36 related to executive remuneration representing a record 35 companies in the ASX 300 receiving a remuneration strike vote from shareholders in the first half of FY24. The high level of shareholder dissent on executive remuneration can be attributed to the misalignment between company performance and/or safety outcomes and executive pay outcomes. In some cases it also reflected concerns with pay structures, board discretion and shareholder experience.
- In relation to board gender diversity by the end of FY24, nearly 38% of ASX 300 board seats were held by women directors and only six companies in the ASX 300 had zero women on their board.

### Climate-related resolutions

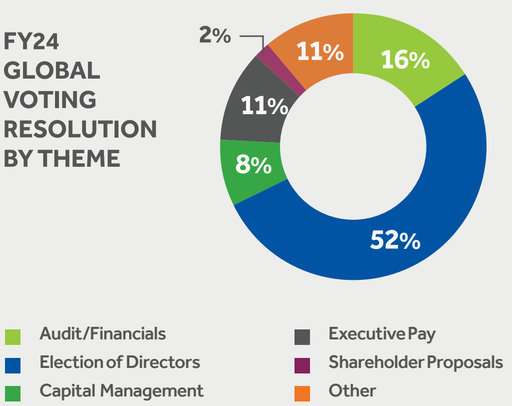
- We have been a strong supporter and advocate for the introduction in Australia of a 'Say on Climate' (SOC) advisory vote. The SOC provides shareholders with an opportunity to show our support for or raise concerns with a company's climate strategy, progress and disclosure.
- We voted on shareholder advisory SOC votes for three of our ASX listed portfolio companies. Cbus voted in support of two of these proposals due to demonstrable progress in incorporating decarbonisation technologies, setting decarbonisation and sustainable financing targets. However, we voted against one (which was the company's second SOC) due to concerns over the pace of the company's decarbonisation initiatives which received a 58% vote against. See Woodside case study below.

## Global share voting

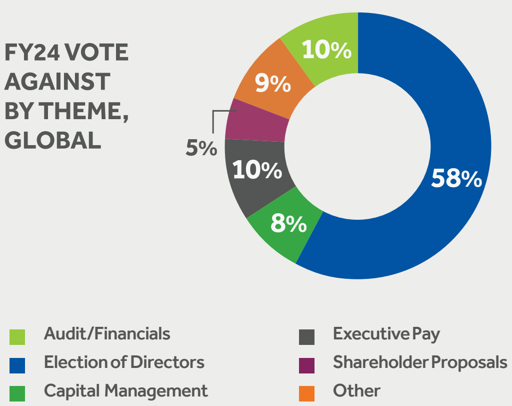
Proxy voting outcomes for global holdings from 2020-2024

| Financial Year | # of resolutions voted | For (%) | Against (%) | Abstain (%) |
|---|---|---|---|---|
| 2024 | 19,699 | 82 | 16 | 2 |
| 2023 | 18,872 | 83 | 15 | 2 |
| 2022 | 21,150 | 82 | 16 | 2 |
| 2021 | 24,278 | 81 | 17 | 2 |
| 2020 | 31,694 | 84 | 15 | 1 |

FY24 GLOBAL VOTING RESOLUTION BY THEME




FY24 VOTE AGAINST BY THEME, GLOBAL



## Voting on global shareholder proposals

Shareholder proposals (SHPs), put forward by shareholders rather than the company's board, are another tool we use to raise concerns with a company regarding management of material ESG risks and opportunities. We assess SHPs on a case-by-case basis, based on a range of inputs and our position is informed by a company's progress on an issue, among other factors. As part of our enhanced stewardship framework, our preference during FY24 was to support non-binding SHPs to reinforce our position to boards, or to affirm actions they have taken.

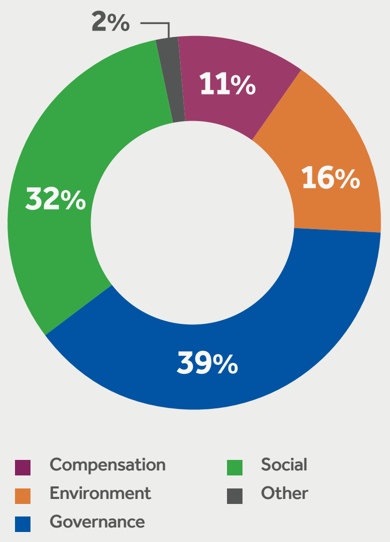
For our Australian holdings, there were 60 SHPs in FY24:

- Four were environmental resolutions, in the form of climate transition plans or alignment of capital expenditure with the Paris Agreement. Cbus supported three of these proposals
- There were 56 governance-related resolutions, the majority of which were at seven non-ASX 300 companies in relation to director election related proxy contests
- No constitutional amendments were passed that would require boards to act on the conditional shareholder proposals.

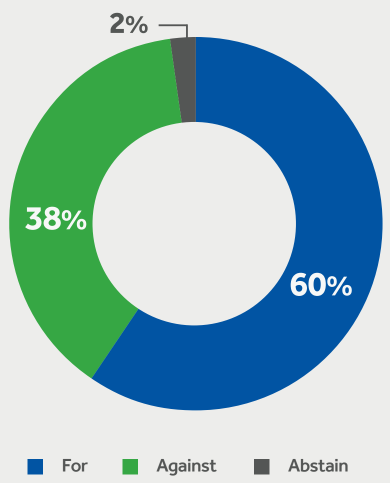
The number of SHPs globally continues to increase, with 545 SHPs globally (including Australia) at our investee companies in FY24 versus 500 in FY23. Resolutions covered a variety of topics, including diversity, climate, use of artificial intelligence, human rights and privacy, and worker rights.

We supported 79% of all global environmental SHPs during the year, the majority of which related to climate change. We also supported 70% of all social-related global shareholder proposals, such as reporting on racial equity audits, equal employment opportunities, and improving employment practices. We typically supported governance-related global shareholder proposals calling for an independent chair and separation of chair and CEO, race and/or gender pay equity reports, and proposals directed at eliminating supermajority voting provisions to improve minority shareholder rights.

FY24 GLOBAL SHAREHOLDER PROPOSALS BY THEME, INCLUDING AUSTRALIA




FY24 GLOBAL SHAREHOLDER PROPOSALS BY VOTE, INCLUDING AUSTRALIA



# Engagement

We engage with a broad range of stakeholders, including the listed companies in which we invest and with our investment managers. Through engagement with companies, we gather information on material ESG risks and opportunities to inform our voting positions, understand a company's perspective, and advocate for improvement in practices to protect or enhance long-term value in support of our voting activity. In this section we showcase some of this work.

Often there are many investors and investor representative groups engaging with companies who have contributed to the outcomes that are illustrated in this section.

**Our engagement approach**

We undertake three types of engagement:

- **Direct -** meetings with individual companies on financially material ESG risks and opportunties
- **Service providers -** ACSI for Australian shareholdings and EOS at Federated Hermes for our global shareholdings
- **Collaborative -** with industry partners and other investors (e.g. Climate Action 100+ and IAST-APAC).

Our preference is to work alongside others where we can share knowledge and learnings, manage resources, and be more effective in our actions.

## FY24 Cbus engagement statistics[25]

**124** engagements

**48** companies

**61** direct

**63** with partners

[23] There were significantly more engagements undertaken by our service providers, ACSI and EOS, as an extension of our stewardship capabilities. This number does not include the engagements by ACSI and EOS where Cbus was not present. Please refer to pp.47-48 for details.

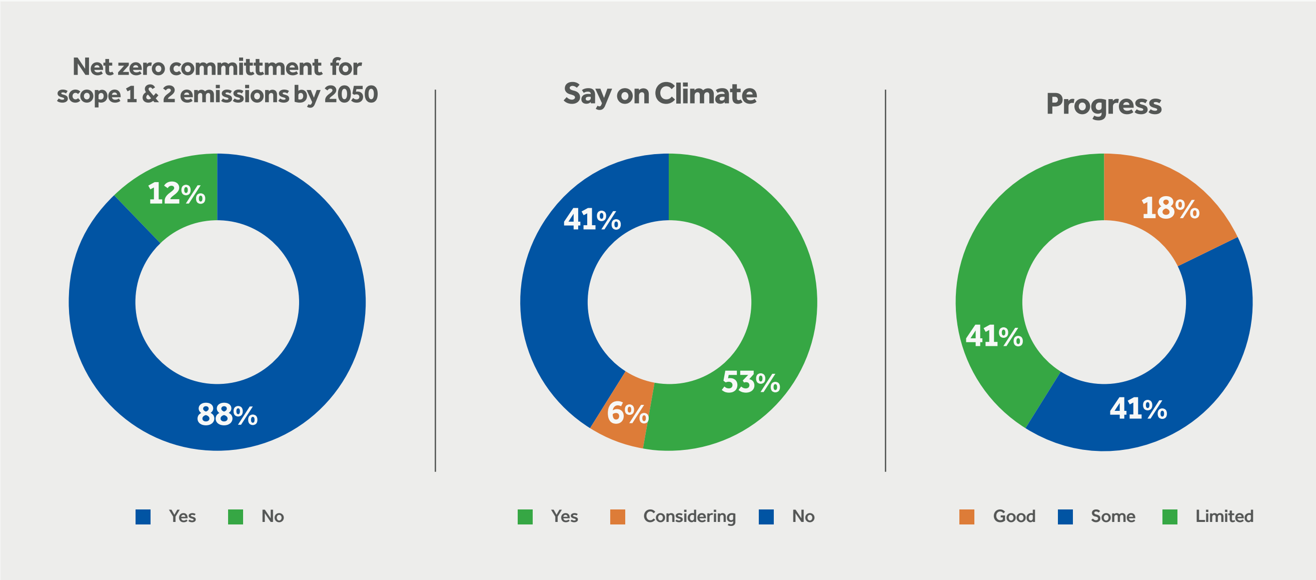
## Direct engagement across thematic priorities

Our direct engagements are often multi-year. They typically cover more than one thematic priority, although one issue might drive the initial engagement. We often engage at board level. Set out below we provide further information on our direct engagement in FY24 in relation to climate change and workplace health and safety.

## Direct engagement - climate change

In FY24, Cbus had a goal to engage with the 20 Australian companies that contribute most to our portfolio financed emissions. During the year, we engaged with 17 of these companies (we did not engage with three companies that were subject to acquisition).

## Progress




- Of the 17 companies we engaged with in FY24, three were new to our highest emitters list. We assessed all three of these companies as having limited progress on climate. This has caused some of our metrics to drop compared to our progress in FY23.
  - 88% of the 17 companies assessed have set a net zero by 2050 target covering scope 1 & 2 emissions, compared to 100% in FY23.
  - 59% of the 17 companies assessed have either adopted or are considering an advisory 'Say on Climate' vote compared to 50% last year.
  - 18% of the 17 companies assessed made good progress during FY24 (FY23: 25%), 41% made partial progress (FY23: 15%), and 41% were assessed as having made limited progress (FY23: 60%).
- Consistent with FY23, 100% of companies have aligned or at least partially aligned with TCFD reporting recommendations.

# Case Study: Woodside multi-year engagement

## Background

Woodside (WDS) is a global energy company and was a top 20 Australian equity emitter within our portfolio.

We reported in 2023 our engagement objective to seek improvements to WDS's decarbonisation plan in line with the company's stated commitments, to preserve and protect member value. Following our vote against the 2022 advisory 'Say on Climate'(SOC) proposal given exposure to, and management of, climate change risks, we continued our engagement directly with the company and alongside ACSI in 2023. In response to concerns over the level of climate-related skills within the board and limited climate-related targets within executive remuneration, we voted against the remuneration report and a director re-election at the 2023 AGM to express these concerns.

## FY24 mode of engagement and objectives

We met with the company seven times across climate, board oversight, and governance in the lead up to the 2024 AGM. Given prior feedback from Cbus and other investors, the company put its latest climate plan to a shareholder advisory vote at the 2024 AGM. Our engagement with WDS was a mix of direct and collaborative engagement with ACSI and Climate Action100+. Our engagement objectives were to evaluate WDS's climate progress and responsiveness to our prior year feedback to inform our vote decision.

## Outcomes

Whilst noting some improved climate disclosures, we remained concerned about the climate strategy and pace of decarbonisation – specifically the alignment of capex with the Paris Agreement, continued reliance on offsets, and the lack of a scope 3 emissions milestone targets. 58% of shareholders, including Cbus, voted against the climate plan. We wrote to the company after the AGM to share our vote decision and to call for an orderly succession plan for the chair.

## Looking ahead

WDS remains an engagement priority from a climate and governance perspective. Future engagement will focus on chair succession as well its response to the broader level of investor dissent from the 2024 AGM in relation to its SOC. The company recently announced that it has entered into an agreement to acquire NYSE-listed LNG company Tellurian, and its stake in Driftwood, and to acquire OCI's Clean Ammonia Project, which will be considered in our future engagement.

## Case Study: Santos multi-year engagement

### Background

Santos (STO) is a global energy company. During FY24 STO was a top 20 Australian equity emitter in our portfolio.

In our 2023 report we explained our engagement objective to improve STO' focus on management of climate-related risks in line with the company's stated commitments, to preserve and protect member value. At the 2022 AGM we voted against the advisory 'Say on Climate' (SOC) due to concerns related to climate risk management. After the 2022 AGM we continued to engage with STO to outline our requests for improvement. These meetings were both direct and in collaboration with ACSI and Climate Action 100+. Concerned with expansion of projects, the lack of disclosure about reduction targets and alignment to net zero commitments, and the company's response to these concerns, we voted against the remuneration report at the 2023 AGM and against relevant directors.

### FY24 mode of engagement and objectives

We met with the company five times mostly with ACSI and Climate Action 100+. In relation to our climate engagement, our objectives were to understand the board's climate oversight and climate considerations for board refreshment, evaluate the progress of its decarbonisation initiatives, and scope 3 target setting, and the rationale for limited climate considerations in the remuneration structure. Our engagement would also inform our vote decision.

### Outcomes

STO did not put forward a SOC vote at the 2024 AGM. Whilst we acknowledge that STO is progressing with its Carbon Capture and Storage ("CCS") decarbonisation strategy at Moomba, expected to come online in CY24, and will be a proof point of its capability going forward, we withheld support for the re-election of a Safety and Sustainability Committee director due to the pace of climate related progress and to encourage an annual SOC vote.

### Looking ahead

We will continue our engagement with STO about its decarbonisation strategy, call for another Say-on-Climate, and for greater climate considerations in the remuneration plans.

## Case Study: Equitable transition and climate change

### Background

The company is a global miner and material company within our current top 20 Australian equity emitters. We engaged with the company following concerns over the equitable transition of workers at one of its operations.

### FY24 mode of engagement and objectives

We directly engaged with the company twice in 2024, after being alerted to issues surrounding an early mine closure by one of our partners. Our engagement objective was to understand the impact on workers and communities, the level of employee and community consultation, the communication processes, and the timing of the worker transition. Noting that this site closure provides insights into the equitable transition approach that may be adopted for future site closures.

### Outcomes

Following engagement with management, we wrote to the chairman outlining our concerns over how the mine closure and transition were being managed. We encouraged an improved equitable transition process with relevant impacted workers, First Nations' people, and communities. Following engagement, the consultation was completed and impacted worker concerns were resolved.

### Looking ahead

The company remains a climate engagement priority. We will monitor its progress on equitable transition and broader decarbonisation efforts.

## Direct engagement - workplace health and safety

During the financial year, Cbus engaged with 15 companies in relation to fatalities, safety performance and related disclosures. Sadly, this included fatalities at four companies. In these circumstances, our engagement explores family support and compensation, the status of investigation and how the learnings from these incidents have translated into systems improvement and, where applicable, accountability.

Our safety related engagement also focused on silicosis risks, and we engaged with two companies directly and alongside ACSI: a fibre-cement company and a major construction company – refer to our service provider and collaborative engagements on page 47.

## Case Study: Perenti multi-year engagement

### Background

Perenti (PRN) is a diversified global mining services company with interests in contract mining, mining support services and future technology solutions.

In our 2023 report, we noted seven employee fatalities between June 2020 and February 2023, three of which occurred in FY22. Engagement with PRN was held both directly and alongside ACSI about the poor safety record. Our engagement aimed to understand the implications of safety outcomes for executive remuneration, changes to safety practices, and the status of investigations. At the 2023 AGM we did not support the remuneration report due to alignment concerns over the fatalities and remuneration outcomes for management.

### FY24 mode of engagement and objectives

During FY24, Cbus engaged with the company four times both directly and with ACSI, noting a further fatality in early 2024. Our objective was to evaluate the company's response to the latest fatality (now standing at eight fatalities in the past five years) to understand the systemic issues with PRN's safety systems and if so, how the company will address them. We also explored the implications of a historical transaction on safety systems and culture.

### Outcomes

At the 2023 AGM, Cbus voted against the remuneration report, alongside 33% of shareholders handing down its first strike, due to concerns over misalignment between fatalities and remuneration outcomes. We also voted against relevant director re-elections on the grounds of accountability and note the directors up for re-election both received a 17% vote against reflecting a level of shareholder concern. As part of our engagement, we encouraged greater disclosure when exercising board discretion and to show a clear link between safety and remuneration outcomes.

### Looking ahead

We will continue to monitor safety performance. initiatives, disclosure and FY24 remuneration outcomes.

## Case Study: Acquisitions and changing safety profile

### Background

We engaged with a global pure metals company, which experienced several fatalities following a major acquisition in late 2023.

### FY24 mode of engagement and objectives

We engaged with the company directly after the company reported four fatalities in four months which raised strong concerns about safety standards, particularly considering the recent major acquisition. Our engagement objectives were to understand the company's response to the fatalities, the underlying systemic safety issues, and the company's initiatives to address them.

### Outcomes

We learned the company is implementing a safety re-set across its managed operations, including the implementation of a company-wide fatality risk management system. Cbus voted against the Safety and Sustainability chair, reflecting our concerns over quality of safety systems and oversight.

### Looking ahead

We are planning further engagement on the issue to monitor progress on its safety record and safety re-set.

## Case Study: Cleaner and security guard safety at shopping centres

### Background

In response to several incidents at Australian shopping centres in recent years, there has been a heightened focus on shopping centre safety, both for shoppers and employees. Cbus is invested in shopping centres via several unlisted funds. Cbus received a letter from a union raising concerns about the safety of cleaners and security guards at shopping centres owned by one of the unlisted funds we invest in.

### FY24 mode of engagement and objectives

Cbus management met with the union to discuss their concerns. We also engaged with the Investment Manager (IM) of the unlisted fund on two occasions to better understand their contract procurement processes, and the monitoring of outsourced cleaner and security services.

### Outcomes

Based on our engagement with the IM, we are satisfied with the governance and controls the company currently implements when managing cleaning and security contracts at its shopping centres. The IM directly informed their cleaning and security guard service providers of our concerns, and Cbus is satisfied with the responses obtained. The IM holds quarterly meetings with representatives from the Cleaning Accountability Framework (CAF)[25], the union and cleaning staff, where cleaner and security safety concerns can be raised with senior management. The IM also proactively participates in industry discussions about safety and market trends in cleaning and security.

### Looking ahead

We will continue to monitor the IM oversight of cleaner and security guard contracting as part of our existing manager monitoring program. We have also encouraged the company to continue to increase coverage of CAF certification across its shopping centres, and to increase levels of CAF certification across its portfolio.

## Direct Engagement - Governance

## Case Study: Accountability for performance declines at Qantas

### Background

Cbus was concerned about board oversight and culture at Qantas (QAN) given the company's conduct with customers and employees and share sales by management.
The 2023 AGM provided an opportunity to engage with the company and consider the board's response, in formulating our voting position.

### FY24 mode of engagement and objectives

Cbus engaged on six occasions with QAN during FY24, both, directly (including via a letter to the board) and collaboratively alongside ACSI. Engagement focused on the company's response to the High Court ruling regarding baggage handlers, an ACCC investigation, Covid-19 flight credits, and former CEO's share sales noting timing of enquiries from the ACCC. Our engagement objective covered board oversight, board renewal, the scope of the independent review and use of negative discretion for executive remuneration outcomes.

### Outcomes

QAN announced that the chair would retire prior to the 2024 AGM and the retirement of 2 other non-executive directors. The company also committed to complete an independent review into key governance matters and to making findings public, which were released on 8 August 2024. At QAN's 2023 AGM, Cbus voted against the re-election of an independent non-executive director and QAN's remuneration report (which received an 82.93% vote against).

### Looking ahead

We will monitor the findings of the independent review which will inform future engagement plans and our vote position at the 2024 AGM.

[25] The Cleaning Accountability Framework (CAF) aims to improve labour practices in the cleaning industry. CAF works with cleaners, worker representatives, tenants, contractors, property owners, facility managers, and investors across the cleaning supply chain to ensure ethical labour practices through the promotion of decent work, ethical procurement and best practices. The CAF Certification Scheme provides a credible framework to measure social compliance within the cleaning industry.

# Our service providers and partners' voting and engagement

In addition to our direct engagement with companies and voting, we work with several service providers and collaborative engagement organisations. Outlined below are key service providers along with our approach to oversight.

## Service provider oversight summary

| Service provider | Member survey | Board or Advisory Member | Participate in setting priorities | Working group membership |
|---|---|---|---|---|
| ACSI | ✓ | ✓ | ✓ | ✓ |
| CA100+ | ✓ | | | ✓ |
| CGI | ✓ | | | |
| EOS at Federated Hermes | ✓ | | ✓ | ✓ |
| IAST APAC | | | | ✓ |

## ACSI

Cbus is a founding member of ACSI, an organisation owned exclusively by its members which exists to provide a strong, collective voice on financially material ESG issues.

Each year, ACSI and its members develop and agree a list of engagement priority themes and ASX 300 target companies with specific objectives. ACSI then implements these engagement plans.

Cbus is a representative on its member advisory council and board which provides an opportunity for oversight and feedback. ACSI also conducts annual member surveys where members have the opportunity to provide feedback on ACSI's services and areas for ongoing focus. Cbus actively contributes to the development of priority themes, voting guidelines, and participates in member surveys to provide structured feedback.

ACSI like other organisations and shareholders, engages with companies to improve practices and disclosures. In FY24, ACSI conducted 387 engagement meetings with 196 different ASX 300 listed companies. ACSI supports our work in understanding material ESG risks and in fulfilling our obligations as a responsible investor. ACSI's key engagement priorities during FY24 included:

- **Environment** – climate change, circular economy, biodiversity, and nature
- **Social** – workforce (including modern slavery, equitable transition, workplace safety and wage underpayments), cultural heritage and First Nations' issues, corporate culture (conduct, sexual harassment), and responsible gambling
- **Governance** – board diversity, independence and composition, accountability, and remuneration.

Improvements were made in nearly 80% of the priority areas identified by ACSI.

ACSI / Research / Engage / Influence

**For further information visit acsi.org.au**

## CGI Glass Lewis

CGI Glass Lewis assists Cbus to vote its shares in public companies in a thoughtful, timely, and accurate manner. Core aspects of CGI's services include research, recommendations, data, and operational support. Glass Lewis also provides operational support to Cbus in the form of the systems that provide the infrastructure required to support the complexities of global voting and custom voting guidelines, as well as auditing, workflow, and reporting requirements. The service team provides oversight and support to clients.

The effectiveness of this service is provided through ongoing feedback and review meetings twice a year.

Cbus uses the data and analysis produced by CGI Glass Lewis as one input into reaching our vote decision.

GLASS LEWIS

**For further information visit glasslewis.com**

## EOS at Federated Hermes Limited

EOS at Federated Hermes Limited undertakes engagement on our behalf covering approximately 65% of our total global equity holdings. In FY24, EOS at Federated Hermes engaged with 373 companies with clear engagement objectives to achieve positive outcomes. Progress was made on 77% of the global ex-Australia company universe.

EOS engagement objectives included:

- **Environment –** circular economy and zero pollution, climate change and natural resource stewardship
- **Social –** human and labour rights, human capital, and wider societal impacts
- **Governance –** board effectiveness, executive remuneration, investor protection and rights, and strategy, risk and communication (reflecting themes of corporate reporting, risk management, and purpose, strategy, and policies).

The EOS Client Advisory Council is a client-led, dedicated forum where clients are able to share feedback privately and where EOS can respond. A related forum provides an opportunity for clients to review progress against the plan and provide further feedback.

EOS also provides annual client surveys which Cbus participates in each year as a formal mechanism to provide feedback and assess year on year progress. Clients are also invited to give input to the engagement plans. In FY24 Cbus joined the Outcomes Based Reporting Client Working Group to provide feedback and help shape future reporting that aligns with the Cbus Stewardship Framework and focus on real world outcomes.

Federated Hermes EOS

**For further information visit** hermes-investment.com/au/

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## CA100+

Cbus is a signatory to Climate Action 100+ (CA100+) which leverages corporate engagement to ask the world's largest corporate greenhouse gas emitters to take the necessary action on climate change. Under the initiative, over 600+ investors engage with 170 focus companies. Cbus participates in CA100+ engagements as both a lead company investor and collaborating investor. Regular engagement with the regional CA100+ partner, the Investor Group on Climate Change (IGCC), together with other CA100+ signatories and completion of annual global surveys provide opportunities for ongoing feedback.

Climate Action 100+
Global Investors Driving Business Transition

**For further information visit** climateaction100.org/

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## IAST APAC

Cbus is a member of the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC), which is an investor-led multi-stakeholder, collaborative project to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing, and preventing modern slavery in operations and supply chains. IAST APAC comprises 49 investors with AUD 12 trillion in Assets Under Management (AUM) and 23 Asia Pacific focus companies as of 30 June 2024, together with ACSI, Walk Free and the Finance Against Slavery and Trafficking (FAST) initiative.

IAST APAC focus companies are selected from four initial sectors - consumer discretionary, consumer staples, technology and healthcare. Cbus is an engagement lead for two ASX 300 companies and a contributor for another. It participates in a workstream focused on advocacy, a workstream for engagement with companies in the Asia-Pacific region, and an ESG data workstream. Through these workstreams and regular dialogue Cbus is able to provide oversight and regular feedback.

IAST APAC

**For further information visit** www.iastapac.org/

# Collaborative engagement across thematic priorities

## Climate change

### ACSI

In FY24, ACSI conducted 93 engagement meetings with ASX 300 companies on climate change, with progress made with 29 of 30 climate change priority companies[27].

- The Australian big four banks play a large role in the Australian economy, the banks' management of climate-related risks and opportunities is a priority area for ACSI's engagement program. Positively, FY24 saw an uplift in each of the banks' climate commitments with each bank setting additional financed emissions targets for emissions-intensive sectors and publishing plans to meet these targets. ACSI's engagement will continue to focus on the banks' expectations of customer transition plans and how this is incorporated into lending decisions.
- During FY24, ACSI engaged with a mining and consumer staples company as part of the Nature Action 100 collaborative initiative (NA100), alongside a group of global investors. These engagements are based on six key areas – the company's ambition on nature, assessment of risks, targets, implementation, governance and engagement with stakeholders. To date engagements have focused on companies' approach to assessing and managing nature-related risk and target setting.
- ACSI's ongoing engagement continues with leading Australian retailers on responsible packaging and waste. In FY24, the Soft Plastics Taskforce announced the restart of limited soft plastics collection points on a trial basis in Melbourne.

### EOS at Federated Hermes

- Environmental topics comprised over half of all engagement objectives raised on Cbus' behalf, with climate change being the most dominant.
- A multinational chemicals company set a science-based target to reduce its scope 3 emissions by 30% by 2030 and announced increased ambitions for its 2030 scope 1 and 2 emissions reduction targets following engagement alongside Climate Action 100+.
- Following a multi-year engagement, an industrials company enhanced its global impact report with prominent and well-aligned TCFD recommendations.

### Climate Action 100+

CA100+ published the key findings from the fourth round of Net Zero Company Benchmark assessments in October 2023. These results come after a series of unprecedented extreme weather events across the globe.

The latest assessment found that improved company disclosure on long-term targets were not supported by sufficient progress on short-term targets, decarbonisation strategy, and capital allocation.

**You can read further information about the achievements of the CA100+ initiative at: climateaction100.org/**

## Workers' rights and workplace health and safety

### ACSI

- ACSI and members (including Cbus) formed a 'Social Factors' working group during FY24 to establish a stronger set of workforce and human capital disclosure indicators for ASX-listed companies.
- Engagement on human capital development continued, with ACSI urging companies to improve disclosures highlighting the composition and quality of their workforce with some progress made in this area.
- On workplace safety, ACSI engaged with priority companies to provide more comprehensive reporting, including leading safety measures such as severity rates, near misses, and separate data on contractor safety. ACSI also engaged with companies that have been involved in severe incidents to understand the changes made to prevent future occurrences and the board's oversight of its safety culture. Improvements have been identified in 22 priority companies which demonstrated improved governance, safety practices and enhanced disclosures.

### EOS at Federated Hermes

- Social topics featured in 28% of engagements on our behalf in FY24, with the most progress achieved on human capital management and labour rights.
- A financial services company recognised areas for improvement in its corporate culture and shared a response plan to improve business practice, including embedding a code of conduct that addresses societal expectations of financial institutions.
- A technology company published a conflict minerals report detailing its mineral sourcing monitoring system while engagement on the issue is ongoing.

[27] ACSI priority companies are part of its annual targeted engagement program on financially material ESG issues - further information is available here.

## Modern slavery

### ACSI

- In FY24, ACSI conducted 74 company engagements with 61 ASX 300 companies about modern slavery and broader supply chain management. ACSI's engagement focused on improvements in risk assessment, auditing practices, reporting, worker education, supply chain mapping, and resolution following allegations of modern slavery.
- In 2023, ACSI commissioned Pillar Two[26] to undertake detailed analysis of the third year of reporting of Modern Slavery Statements by ASX 200 companies to assess whether companies reported on areas of recommended practice beyond compliance. Using the findings, ACSI engaged with companies throughout FY24 on their approach to, and reporting of, modern slavery issues and improving risk management practices.
- While transparency over companies' management of modern slavery risks has increased, ACSI's research highlights that too few companies are able to clearly identify supply chain risks, incidents and remediation plans.
- ACSI found a fibre cement company improved its disclosure in the company's Modern Slavery Statement, particularly its findings from supplier audits in high-risk geographies. Upon review of the company's latest statement, ACSI noted that the company had elevated its disclosures and provided results for audits undertaken in several jurisdictions following its engagement.
- An infection prevention specialist significantly enhanced its transparency across a range of modern slavery risk and management areas following engagement with ACSI and other stakeholders. This included increased disclosure on operational risk, governance and policy settings, supplier risk outcomes, contract controls, and training.
- As an IAST APAC member, ACSI directly led and participated in five engagement meetings with ASX 300 companies as part of this initiative.
- In November 2023, ACSI was appointed to the Government's Modern Slavery Expert Advisory Group to provide expert advice to the Attorney-General's Department on the operation of the Modern Slavery Act.

### EOS at Federated Hermes

During the reporting period, on behalf of Cbus, two notable modern slavery engagements included:

- Engaging with an APAC e-commerce company to establish a human capital management strategy and improve disclosures, including key metrics and targets. In response, the company highlighted additional benefits provided to employees in its ESG report, and improved disclosure of key metrics such as employee turnover rates by gender, age, and region.
- Engaging with a global contract food service company regarding the effectiveness of its policies and processes in uncovering modern slavery in its supply chain. In response, the company conducted an independent review to assess the recruitment and treatment of workers from seven source countries. The review found that the company was compliant with all International Labour Organisation forced labour indicators, with no serious breaches.

### IAST APAC

- During FY24, IAST APAC engaged with 23 Australasian focus companies across the consumer discretionary, consumer staples, technology, and healthcare sectors. Due to the complexity of issues related to human rights in the supply chain, this will be a multi-year initiative.

[26] https://acsi.org.au/wp-content/uploads/2023/04/Modern-Slavery-Reporting-by-ASX200.Apr23f-1.pdf

## Cultural heritage and First Nations

### ACSI

ACSI and its members continued its ongoing engagement program with priority companies[27] whose operations materially impact First Nations communities. In FY24, this involved engaging with nine priority companies (among others) in the ASX 300 and seeking improved practices and transparency on their First Nations engagement.

ACSI's program draws on company expectations established in ACSI's Engagement with First Nations People position statement and **Policy on Company Engagement with First Nations People.**

Since the 2020 Juukan Gorge destruction, ACSI has seen some improved disclosure, discussion, and investment by priority companies in their Indigenous agreements and relationships. Importantly, several companies are implementing systems to better protect cultural heritage, and some are reviewing past agreements.

ACSI has also participated in cross-organisational initiatives to improve standards of rights and cultural heritage protection. This includes:

- The Principles for Responsible Investment's (PRI) Advance Initiative on Human Rights and Social Issues
- The ASFI First Nations Reference Group.

ACSI also engages, where possible, with First Nations groups that are impacted by company operations to better understand their perspectives.

*Policy Advocacy:*

In February 2024, ACSI made a submission on the Federal Government's First Nations Clean Energy Strategy. In March 2024, ACSI made a submission to the Federal Government's consultation on Offshore Oil and Gas regulatory approvals, which was focused on the requirements for companies to consult with affected stakeholders (including First Nations people). ACSI recommended the Government embed requirements that align with international standards and principles, including free, prior and informed consent (FPIC).

*Company engagements:*

In September 2023, Rio Tinto self-reported impact on a site of significance as an inadvertent effect of an August blasting in the Pilbara. Rio Tinto explained that the company had adopted a practice of using drones to photograph sites both before and after a blast to monitor for impacts and movement following blasting activities. ACSI engaged with the company to understand how its practices had changed since Juukan Gorge and what steps the company was intending to take following the incident.

In November 2023, Sandfire Resources announced and apologised for its damage to cultural heritage artefacts over several years. Sandfire has undertaken an investigation to understand how the damage occurred and how best to remediate it, with the company publicly releasing the independent investigation report in June 2024. ACSI has engaged with Sandfire following its announcement and its publication of the investigation report to discuss remediation plans and how it intends to rebuild its relationship with the Traditional Owner group, the Yugunga-Nya.

[27] ACSI priority companies are part of its annual targeted engagement program on financially material ESG issues - further information is **available here.**

# Corporate governance

## ACSI

- During FY24, 43 priority companies made progress to improve board composition in line with meeting (or have now met) ACSI's minimum expectation of a 30% female representation. Nearly 38% of ASX 300 board seats were held by women directors and only six companies had zero women on boards.
- Following reputational damage, operational, workforce and legal issues as well as engagement with investors, QAN announced significant board renewal including the appointment of a new chair and chair of Remuneration Committee, along with retirement of outgoing chair and two directors. See page 44 for details of our engagement with QAN.
- ACSI held 232 remuneration engagements with ASX 300 companies, with 14 priority companies[27] demonstrating improvement.

## EOS at Federated Hermes

- Governance topics comprised 12% of total engagements in FY24, with progress made predominantly on board effectiveness and executive remuneration.
- Engagement with a chemicals company regarding improving board gender diversity. The company has improved disclosure in its annual proxy statement of director qualifications and skills including diversity and ESG experience and has increased overall board diversity to above 40% (including gender and ethnicity), in response.
- Engagement with a pharmaceuticals company encouraging review of compensation policy and improved disclosure. The company has since improved transparency of performance against qualitative elements of its bonus structure though engagement is continuing for the company to adopt best practice.

## Alignment with external investment managers

Our external equity investment managers invest and engage with companies on our behalf. It is important that these investment managers understand our thematic priorities and why they are important to Cbus.

In August last year, our Responsible Investment Team held a session with our external Australian equity investment managers and any global investment managers with an Australian presence. The hybrid session was held concurrently across Melbourne and Sydney to allow as many to attend as possible.

We used this session to provide our external investment managers with a strategic perspective of our approach to responsible investment and went through several of our priority areas: modern slavery, safety, climate change and First Nations, discussing our approach to each.

The feedback from the session was very positive. We will look to hold further sessions in the future.


[27] ACSI priority companies are part of its annual targeted engagement program on financially material ESG issues - further information is **available here.**

# Evolved Stewardship Framework

Investors such as Cbus, with long term and very diversified portfolios, are also known as 'universal investors' because they are exposed to the volatility and performance consequences of economy wide environmental and social impacts. These material risks can negatively affect the value of our members' investments.

Our Stewardship Framework aims to deploy our resources and influence as an investor to mitigate these risks, supporting real world outcomes that can protect and preserve value for our members.

## An evolved future focus

Our evolved Stewardship Framework builds on our existing work but seeks to address new regulatory developments and best practice. It involves closer integration of advocacy, voting, and engagement and is designed to promote and prioritise real world outcomes that can protect and enhance the value of our members' retirement savings.

Our FY25 thematic priorities are illustrated below, and we will report our progress in FY 25.

## Stewardship Thematic Priorties

| E | S | G | Theme | Thematic Priority |
|---|---|---|---|---|
| ✓ | ✓ | ✓ | | Climate change |
| | | ✓ | | Corporate governance |
| | ✓ | ✓ | | Diversity, equity, and inclusion |
| | ✓ | ✓ | | Human rights |
| | ✓ | ✓ | | Inequality |
| | ✓ | ✓ | | Modern slavery |
| ✓ | ✓ | ✓ | | Nature and biodiversity loss |
| | ✓ | ✓ | | Workers' rights |
| ✓ | ✓ | ✓ | | Workplace health and safety |

## Forward Climate Engagement Priorities

To date we have focused on financed emissions when prioritising companies for engagement on climate and have engaged with the top 20 Australian companies that contributed most to our portfolio financed emissions (based on scope 1 and 2 emissions). Going forward we aim to include additional metrics within our prioritisation process, looking beyond financed emissions. Our updated prioritisation process may include considerations of:

- Absolute (or company) emissions to better connect with emissions in the real world
- Scope 3 emissions to broaden our assessment beyond scope 1 and 2
- Implied temperature to assess the adequacy of current targets and actions
- Companies that negatively contribute to SDG7 (Affordable and Clean Energy) based on our data provider, SDI-AOP.

We believe this updated approach will better align with our focus on materiality and real world outcomes. We expect this will lead to a shorter and more impactful list of companies.


# 5

# Investing in the real economy

**As Australia's leading super fund for those that help to build, maintain and shape Australia, we are committed to investing in projects and businesses that are in members' best financial interests, are important to our members and will make a difference in the real world.**

**Pacific Fair Shopping Centre, Gold Coast**

A Cbus Property retail investment

# Cbus Property

With a long history in the building and construction industry and through national integrated property investor and developer Cbus Property[28], our focus on ESG principles is integral to Cbus Property and the business has been recognised for its efforts in setting new benchmarks for both environmental and social sustainability.

We continue to push boundaries with 83 Pirie Street, Adelaide's first all-electric office building, and 435 Bourke Street, Melbourne, one of the world's first solar-skin façades.

Embedding strong ESG practices in the built environment, including the development of sustainable construction practices, means we are building for the long term, future proofing our investments and safeguarding our members' returns.

## 185 Wharf St, Brisbane

Following the success of our iconic 443 Queen St development, Cbus Property was proud to launch our second residential venture in Brisbane, 185 Wharf St.

Designed by Brisbane-based firm Rothelowman, this $280 million tower will feature 125 large-format residences across 30 levels, complemented by wellness-focused resort-style amenity set in subtropical gardens.

185 Wharf St's design prioritises natural light and fresh air, focusing on indoor-outdoor living and abundant natural ventilation to reduce energy consumption and create a comfortable and healthy environment. The building's common areas will be powered by renewable energy from rooftop solar panels. All residences will feature induction cooktops to reduce indoor air pollutants and eliminate greenhouse gas emissions as part of Cbus Property's fully electric, net zero operational strategy.

185 Wharf St is targeting a 5 Star Green Star rating under Green Star Buildings. As a supporting partner of the Green Building Council of Australia's (GBCA) Future Homes program, Cbus Property is helping to shape the future of sustainable residential development. In FY2024, we collaborated with the GBCA to develop a tailored Green Star Buildings certification process for apartments. The Green Star Buildings – Apartments Pathway aims to set new standards for energy efficiency, air quality, access to natural daylight and thermal and acoustic comfort, while also enhancing urban resilience.

The Green Star Buildings – Apartments Pathway is set for launch in early 2025 and we are proud to be at the forefront of testing and refining industry best-practice benchmarks.

**185 Wharf Street, Brisbane**

Artist impression. A Cbus Property residential development

[28] Cbus Property Pty Ltd is a wholly-owned entity of United Super Pty Ltd Super and is responsible for the development and management of a portfolio of Cbus Super's property investments.

# Infrastructure

## Our continued investment in the energy transition

We've invested more than $750 million[29] in wind and solar energy opportunities in Australia and overseas.

We're also working with governments and our industry partners to identify further opportunities to invest in Australia's energy transition. And we have approximately $1.2 billion[29] invested in energy transmission and distribution assets locally that will play an integral role in Australia meeting its net zero emission targets.

As mentioned in last year's report, we acquired a 10% interest in Star of the South, Australia's most progressed offshore wind project. It is located 10 kilometres off the Gippsland coast, between Port Albert and Woodside Beach. If developed to its full potential, Star of the South would generate up to 2.2 GW of new capacity, powering around 1.2 million homes across Victoria.

In May this year, we welcomed the announcement from the Australian Government that Star of the South had secured one of the first feasibility licenses in the country for offshore wind. This was an important step in the development of the project with a feasibility license needed to start investigating and planning an offshore wind farm.

This project will play a critical role in our country's energy transition and will deliver thousands of jobs over the life of the project and it's yet another example of how we proudly invest in our members' best financial interests in the industries where our members work.

### The bigger picture

Globally, we have been investing alongside a range of partners in wind, solar and battery projects both operating, and in development. In September 2023, we invested in PowerOn[30] that consists of two pure renewable energy platforms:

- Blue Elephant Energy, headquartered in Germany, is an independent power producer engaged in developing, owning and operating renewable energy assets primarily in Europe
- Opdenergy is an independent power producer located in Spain that focuses on OECD countries. The business operates as a vertically integrated developer, builder and operator of solar PV, wind and storage assets.

### Looking forward

We are continuing to work with governments at federal, state and local levels both on the funding and policy models that will attract greater investment into the transition. This is because we and our members and stakeholders want us to do more. As always, these investments must meet our risk and return objectives.

### Blue Elephant Energy

BEE's solar farm in Schiersfeld, Germany

Blue Elephant Energy (BEE) is a fast-growing renewable energy platform that focuses on developing, acquiring, and operating solar parks and wind farms. More than 70% of generation capacity comes from solar.

Since inception in 2016, BEE has expanded its platform to around 1.6 GW of generation capacity across eight countries, primarily in Europe. There is also 3.9 GW of capacity in development.

BEE's renewable energy assets contribute significantly to sustainable energy supply. By the end of 2023, BEE had saved 3,016,623 tons of $CO^2$ and had supplied 2,398,323 households with clean energy. BEE is also involved with social projects across education, the environment and health care that directly benefit the local population in which its assets and projects are located.

BLUE ELEPHANT ENERGY

[29] As at 31 March 2024.
[30] This investment in PowerOn is through Antin Infrastructure Partners Fund V.

### Centinela and Arlington Valley solar farms

We are also invested in a portfolio of renewable solar assets in the US, comprising 427 MW of operating solar resources in strong solar resource regions.

The main assets in the portfolio are:

- Centinela Solar Energy (Imperial County, California) – a 252 MW solar PV power plant encompassing over 875,000 solar panels spread over a 1600 acre site.
- Arlington Valley Solar Energy (Maricopa County Arizona) – a 175 MW solar PV power plant encompassing 600,000 solar panels spread over a 1160 acre site.

Each solar plant uses commercially proven and efficient technology and is fully contracted under long-term power purchase agreements. The projects achieved commercial operations between 2011 and 2014. Together, these two solar plants are estimated to supply around 113,000 homes of equivalent electricity and align with our commitment to reducing emissions, while building on our investment strategy to deliver stronger returns for our members.

# Direct debt

## Lending to help tackle housing affordability

Cbus Super, a community housing provider, two property developers and Development Victoria joined forces to help tackle the housing crisis in Victoria.

In early 2021, we provided a debt facility to the property developers to finance the construction of a new high rise social and affordable apartment complex in Parkville, Melbourne. The structure, terms and conditions of the construction facility offered an attractive risk return for Cbus members.

Construction commenced in September 2021 and was completed in August 2023. The 16-storey (basement and ground level through to level 14) residential apartment block contains 96 one-bedroom and 55 two-bedroom units.

The property is now owned by a community housing provider who has advised that the apartments, which are intended to be operated in perpetuity as social housing, are already home to 210 adults and children. Residents benefit from strong links to public transport, parklands, employment precincts and a wide range of public and private services, including shops, schools, hospitals and places of worship.

This project is a great example of how government, the private sector, not-for-profit community housing sectors and superannuation funds can work together to address societal challenges and the housing crisis.

From left to right, Anne Moal, Linda Cunningham and Kester Felton from the Cbus Debt Team inspecting the Parkville development site.

# 6

# Climate change

**We believe that a fair and fast transition to a low carbon economy will generate the best opportunities for our members, through better investment returns, the creation of new jobs, and lowering the cost of living. Achieving this will require participation of governments, business, investors and industry and a focus on real world impact.**

Cherry Tree Wind Farm, Seymour, Victoria

A Cbus infrastructure investment

# Climate change outlook

## Risks and opportunities

From an investment perspective, climate change creates both risks and opportunities that we need to assess and understand to achieve the best financial outcomes for our members. These risks will change depending on how the world responds to climate change, and how successful we are at limiting global warming.

2023 confirmed that the energy transition continues to move too slowly, with last year identified as the warmest year globally on record, averaging 1.45°C above the pre-industrial average[31]. In conjunction with this, global $CO^2$ emissions from the burning of fossil fuels rose 1.1% in 2023 to reach a new record high of 37.4 billion tonnes[32].

As temperatures and emissions both continue to rise, investors face increasing exposure to transition risk and opportunity, and physical and market risks. Transition risk and opportunity stemming from the global attempt to reduce emissions, physical risks from the increase in extreme weather events as temperatures rise, and market risk from investors reacting to climate change impacts.

### Physical risks

2023 marked Australia's eighth hottest year on record, with a broad range of record-breaking extremes seen across the country: cyclones, heat waves, extreme rain and storms. Globally, we saw unprecedented wildfires in Canada, heatwaves in Europe and South America, and extreme flooding in Africa and India[33].

From an investment and business perspective, there was an estimated $300 billion in direct physical damage and business interruptions in 2023, with a record number of events causing over $1 billion in damages[34].

In a future where we don't successfully transition to a low carbon economy we will not only see a continued rise in extreme weather events, but these events will increasingly become compounding and make it difficult for businesses and communities to respond and recover. The impacts of these events will be systemic, meaning they will flow through the economy and society. They will increasingly impact our physical and mental health, our ability to work and live in certain locations, and our cost of living as food and water security decrease and insurance and adaptation costs increase[35].

### Transition risks and opportunities

Transition risks and opportunities occur as the world transitions to a low carbon future; businesses may see changes in the value of their assets or their cost of doing business because of changes in policy, technology or consumer preferences. Businesses face increased transition risks when climate policy is uncertain or inconsistent, in situations where policy and technological developments happen at speed, or when the business' preparations for the transition are inadequate.

In Australia we have seen continued progress in terms of climate policy certainty during FY24. Key progress has included:

- **Future Made in Australia –** aimed at driving investment to support Australia's energy transition
- **National Interest Framework –** where the Australian Government has identified 5 key industries as being important to Australia's net zero transformation and economic resilience[36]
- **Sustainable Finance Roadmap –** identifies 10 policy priorities aimed at mobilising private capital to achieve net zero
- **Mandatory Climate Disclosures –** whereby Australian companies will have to disclose their exposure to climate risks and opportunities
- **Net Zero Economy Authority –** tasked with promoting an orderly and positive transition to net zero with a focus on regional communities and workers.

Globally, elections in Europe and the US have been a cause of policy uncertainty. Positively, in the US, the Inflation Reduction Act (IRA) is already having an impact with 3.4 million Americans benefiting from energy efficiency upgrades to their homes, 250,000 claiming the electric vehicle tax credit, and companies announcing $900 billion in clean energy and manufacturing investments[37]. In China, the roll out of renewables continues at speed with wind and solar capacity potentially surpassing coal for this first time within China's energy system in June this year[38].

Across the globe, the ability of politicians to develop climate policy that is fair for all remains key in fostering support for the energy transition.

[31] World Meteorological Organization.
[32] IEA (2024). CO2 Emissions in 2023. https://www.iea.org/reports/co2-emissions-in-2023.
[33] Bui et al (2024). The State of Weather and Climate Extremes 2023. https://climateextremes.org.au/the-state-of-weather-and-climate-extremes-2023/.
[34] Gallagher Re (2024). Natural catastrophe and climate report: 2023. https://www.ajg.com/gallagherre/news-and-insights/2024/january/2023-natural-catastrophe-and-climate-report/.
[35] IPCC (2022). Summary for Policymakers. Cambridge University Press. https://www.ipcc.ch/report/ar6/wg2/chapter/summary-for-policymakers//.
[36] The 5 key industries are: renewable hydrogen, green metals, clean energy manufacturing and supply chains, critical mineral processing, and low carbon liquid fuels.
[37] White House Fact Sheet (2024). https://www.whitehouse.gov/briefing-room/statements-releases/2024/08/16/fact-sheet-two-years-in-the-inflation-reduction-act-is-lowering-costs-for-millions-of-americans-tackling-the-climate-crisis-and-creating-jobs/
[38] https://www.rystadenergy.com/news/china-wind-solar-coal

## Market risks

Market risk arises when investors overreact to real world climate change events; when a sudden extreme weather event or policy change causes a sudden change in investor behaviour (also known as sentiment shock). Investors also need to be aware of how climate risk is being priced into investment valuations, as a failure to price in future risk can result in a sudden negative correction in value as investors realise the extent of these risks.

Evidence suggests that investors are not yet adequately pricing in climate risks, particularly physical risks, which leaves investors exposed to both sentiment shock and pricing in events especially if extreme weather events continue to increase[39,40]. Cbus has been a strong supporter of the need for growth in climate disclosures, and increased granularity and sophistication of climate scenario analysis to help investors better assess and price in their exposure to climate risks.

## Liability risks

Governments, companies and investors are also exposed to climate litigation. Cases can stem from perceived inaction on climate, perceived inadequate action on climate, or perceived misrepresentation of climate action. The annual report on global trends in climate change litigation found that over 200 new cases were filed in 2023, and that while the majority are in the US, climate litigation has spread to more countries around the world[41].

## Our response to climate change

The companies and assets we invest in are exposed to climate change-related transition, physical, and liability risks. As an investor we are also exposed to climate change-related market risks. In addition, as a long-term investor with a very diversified portfolio, also known as a 'universal investor', we are exposed to climate change-related systemic risks - the volatility and performance consequences of economy wide environmental and social impacts brought on by climate change.

We also know that uncontrolled climate change would impact our members in multiple ways – reducing their investment returns as they look to retire, impacting their ability to work and live in certain locations, increasing their energy, resilience, and insurance costs, and impacting their health and the social cohesion of the communities they live in.

For these reasons climate change remains a key priority.


Hornsdale Wind Farm, Jamestown, South Australia
A Cbus infrastructure investment

39 Faccini et al (2023). Dissecting climate risks: Are they reflected in stock prices? Journal of Banking & Finance, 155 (106948). https://doi.org/10.1016/j.jbankfin.2023.106948.
40 DeNederlandscheBank (2022). Pricing of climate-related risks in financial markets. https://www.dnb.nl/media/dvpdrakl/pricing-of-climate-related-risks-in-financial-markets.pdf.
41 Setzer and Higham (2024). Global Trends in Climate Change Litigation: 2024 Snapshot. Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/06/Global-trends-in-climate-change-litigation-2024-snapshot.pdf.

## Climate change governance

### Our Board

The Board is responsible for approving the Investment Objectives, Investment Strategy, and Investment Governance Framework. In this role, the Board approves our Risk Appetite and the Climate Change Position Statement and also has final approval on the climate change work program, including climate change roadmaps and other initiatives.

### Our Investment Committee

The Investment Committee is responsible for monitoring our climate change work program, including actions within the climate change roadmaps. The Investment Committee also endorses key climate initiatives to the Board for approval.

Both the Board and Investment Committee attend an annual climate change strategy session, and members of the Board and Investment Committee attend various responsible investment and climate-related conferences. Progress on our Climate Change Roadmap actions are reported to Investment Committee every six months, progress towards carbon reduction goals is reported every 12 months.

### Our Risk Committee

The Risk Committee is responsible for our Risk Appetite Statement, our appetite for climate-related risks is captured within the investment ESG material risk. At least annually, responsible investment risks, including climate change, are formally reviewed by the Risk Committee. Controls relating to progress towards carbon reduction goals are monitored by the Risk Committee and escalated to the Board if progress falls outside the agreed trajectory.

### Chief Investment Officer (CIO) and Head of Responsible Investment

The CIO has delegation to commit to external advocacy that aligns with the Climate Change Position Statement and the Responsible Investment Policy. The CIO is ultimately accountable for climate change matters. The Head of Responsible Investment has delegation to approve voting positions, including those related to climate change, and is responsible for implementing the climate change strategy.

| Climate Advisory Committee | Forum for Investment Risk Management | Responsible Investment Forum |
|---|---|---|
| The Climate Advisory Committee includes leaders from across the Investment Team and Fund to guide and shape the strategic direction of our response to climate change. This committee endorses key climate initiatives to the Investment Committee and is updated on the progress of the energy transition annually. | The Forum for Investment Risk Management (FIRM) includes the CIO and key risk and operations staff from the Investment Team. The FIRM monitors and reviews the development of ESG-related key risk indicators, including indicators related to our climate goals. | The Responsible Investment Forum includes the CIO and Head of Responsible Investment. The forum reviews and supports the development of ESG integration initiatives, including those related to climate. |

| Responsible Investment Team | The Investment Team |
|---|---|
| The Responsible Investment Team is responsible for working with management to develop and execute the climate strategy. The team is also responsible for monitoring and reporting progress across the strategy and managing climate-related key risk indicators and controls. | The Investment Teams are responsible for implementing key aspects of the climate strategy. |

# Climate change strategy

There are several pillars within our climate change strategy.

1. A Climate Change Position Statement that clearly articulates our view that a net zero transition is the best outcome for our members. This position underpins our policy advocacy work within the climate space.
2. A set of public goals that aim to support the transition of our global economy to a low carbon future and limit global warming. These goals focus on reducing emissions, investing in companies and assets that support climate change mitigation and adaptation, and engaging with companies to facilitate a fast and fair transition towards a low carbon future.
3. A set of climate change principles that capture our beliefs across a number of key areas and support our ability to manage climate change risks and opportunities as well as our ability to meet our climate change goals.
4. A Climate Change Roadmap that outlined specific actions we aimed to complete by 30 June 2024.

## Our climate change goals

### Net zero portfolio emissions by 2050*

Our net zero goal refers to financed scope 1 and 2 emissions; that is, the emissions we finance through our investment and lending activities. Our goal currently encompasses over 70% of our portfolio including listed equities, property, infrastructure, and a subset of our credit and private equity portfolios. These are the asset classes we are currently able to measure. As we become able to measure additional asset classes, they will then be included in our net zero goal.

### Contribute to a 45% reduction in real world emissions by 2030*

**(Compared to a 2019 baseline)**

Our 2030 goal focuses on a connection to real world decarbonisation.

To track our progress against our 2030 scope 1 and 2 goal, we use carbon 'intensity' (rather than 'absolute' carbon emissions). This allows us to account for growth in our portfolio over time, however the challenge with measuring carbon intensity is that it constantly changes as investment markets fluctuate.

Given our commitment to transparency, and our desire to measure real world impact, we adjust for changes in asset valuations so our carbon intensity reductions are not overstated. This more conservative approach corrects the potential overstating or magnifying effect that growth in asset valuations can have on our reported carbon intensity reduction, and also gives us a clearer view of where we are in the journey towards net zero.

**See our progress towards our 2030 goal on page 69.**

### Allocate capital to climate-related investments

This goal replaces our initial goal of allocating 1% of funds under management (FUM) to climate-related investments.

Our initial goal was, in part, established to encourage investment and knowledge sharing across our portfolio.

In 2023, we developed an internal framework to measure our exposure to climate change investments across the portfolio and identified that we had far exceeded our 1% goal.

This level of maturity in our exposure to climate change investments demonstrated that an evolution in our approach away from a standalone 1% allocation was warranted. The decision was made to absorb all investments within the 1% allocation back into their relevant asset classes, and to continue monitoring our exposure to climate change investments across the portfolio annually. As part of our Climate Action Plan, which is currently being developed, we will determine whether a portfolio-wide goal is appropriate.

**See our climate change investment section on page 66.**

### Engage with our priority list of Australian listed equity companies

Our climate change engagement strategy has historically focused on the 20 Australian listed equity companies who contribute most to our portfolio carbon footprint, with the aim of improving their responses to climate change.

From FY25 onwards, we will use an evolved materiality assessment to focus on a shorter and more impactful list of priority companies. We aim to engage with these companies either directly or through participation with others. The aims of our engagement are unique to each company but typically seek improved governance practices, enhanced responses to climate risk and appropriate disclosures.

**Our engagement progress across FY24 can be found on page 40.**

* While we will work to expand the asset classes covered by our net zero goal, with a near-term focus on increasing coverage across our external credit portfolio and private equity, certain asset classes are currently excluded:

Cash and cash-like investments due to a lack of suitable methodology

Sovereign Bonds are excluded due to both a lack of standard methodology and the defensive role this asset class plays within the portfolio, balancing our equities exposure.

# Climate change principles

Last year we developed a cohesive set of climate change principles to support our ability to manage climate change risks and opportunities as well as our ability to meet our climate change goals.

These principles capture our beliefs across several key areas and are outlined at a high level in the table below. Work has begun on implementing these principles with examples provided across this report. Additional work will be done over the next 12 months to implement the remaining principles.

| Our Climate Change Principles | Status | Read more |
|---|---|---|
| We will set long term (2050) and interim (2030) carbon reduction goals. | ✓ (green) | |
| We will advocate for an orderly and equitable transition to a low carbon economy. | ✓ (green) | Advocacy |
| Our strategies for reducing greenhouse gas (GHG) emissions will remain connected to a real world impact. | ✓ (green) | 2030 progress |
| We will invest in climate change mitigation and adaptation. | ✓ (green) | Climate change investments |
| We will invest in the transition. | ✓ (green) | Stewardship |
| We will consider the consequences of climate change within our investment strategy and portfolio construction processes. | ✓ (green) | Climate scenario analysis |
| We will incorporate climate change into our Stewardship Strategy. | ✓ (green) | Stewardship |
| We will focus our engagement efforts where risks are material, and we have the ability to influence. | ✓ (green) | Stewardship |
| We will assess the exposure of our investments and their supply chains to climate-related risks and opportunities. | ✓ (orange) | |
| Transition plans should incorporate a fair transition for workers and communities. | ✓ (orange) | |
| We will uplift reporting to align with reporting standards. | ✓ (orange) | |
| We will measure the alignment of our holdings with a 1.5°C future. | ✓ (orange) | |
| Transition plans should prioritise real emission reductions. | ✓ (orange) | |
| We will develop a decarbonisation strategy for our operational emissions. | ✓ (orange) | |

✓ (green) A green tick indicates the principle has been implemented.

✓ (orange) An orange tick indicates work is in progress but the principle is not yet fully implemented.

Two areas of recent uplift have been in our advocacy and our climate scenario analysis. We have increased our focus on policy advocacy, as outlined in Section 2 of this report, as we believe that strong and coordinated policy settings are needed to support an energy transition that is smooth and fair for all Australians. The uplift in our scenario analysis, outlined on pages 63-64, also supports our advocacy work. Our scenario analysis is key to our understanding of the costs we face in a world that doesn't transition to net zero, costs we believe will be avoided by a fast and fair transition.

Our climate change principles will be reviewed regularly so they remain appropriate and continue to support the transition of our portfolio and the economy at large. They are underpinned by a number of assumptions, namely that the economy will decarbonise, that companies will successfully meet their climate change targets and that policy will support a coordinated and fair transition to net zero.

# Evolution - climate change roadmaps to climate action plan

Cbus has traditionally used climate change roadmaps to identify key actions that we aim to achieve over a 2-year period within our climate work. We released our first climate change roadmap back in 2018, and this year sees the completion of our third roadmap – the 2022 Action and Measurement Roadmap.

Within the 2022 roadmap we achieved a significant uplift in several areas of our climate work:

- Increase in engagement with investment managers and assets across equities, infrastructure, property and private equity
- Rise in climate-related policy advocacy
- Increased transparency of reporting against Cbus climate change goals.
- Continued improvement in breadth and depth of climate metrics; financed emissions coverage of the portfolio, measurement of climate change investments across the portfolio, investigation into transition and physical risk metrics
- Increased sophistication of climate scenario analysis.

The full list of actions against this roadmap can be found on page 82.

We are now at the stage where the work we are doing within the climate space is often long running and cannot be achieved within a 2-year period. To reflect this, we are evolving our approach and developing a Climate Action Plan. This plan will capture short term actions, ongoing actions that become part of our business as usual (BAU), and longer-term risks and opportunities that require research and engagement with key stakeholders to develop an appropriate approach.

Once developed, our Climate Action Plan will be a living document which we will update and refresh as needed.

# Climate scenario analysis

Climate scenario analysis helps investors assess financial and societal risks and opportunities that arise under different possible futures. During FY24 we continued to develop our climate scenario analysis, focusing on a quantitative approach while also refreshing our narrative scenarios.

At this stage we are using our scenario analysis, both quantitative and narrative, to support our policy advocacy work, to underpin Board and Investment Team training, and to feed into the development of our Climate Action Plan.

## Working with Ortec Finance

In FY24, Cbus began working with Ortec Finance, a global provider of technology and solutions for risk and return management. This was driven by our desire to expand our climate scenario analysis and to enhance our understanding of possible climate futures. At this stage, we have worked with the five climate scenarios developed by Ortec Finance, shown below. These scenarios utilise the Cambridge Econometrics E3ME model, a model that is widely used by policy makers and international institutions to assess the economic impacts of energy and climate-related policies.

**Net zero**
**1.5˚C**
An urgent transition that has minimal negative impact in the short term and avoids physical risks in the long term.
Short term
Moderate transition risk
low physical risk

**Disorderly net zero**
**1.5˚C**
An urgent and sudden transition that avoids physical risks in the long term but has high transition risk in the near term.
Short term
Severe transition risk
low physical risk

**Delayed net zero**
**2.0˚C**
A belated step up in policy action limits exposure to physical risks.
Medium term
Moderate transition risk
moderate physical risk

**Limited action**
**2.6˚C**
Limited action means the world falls short of meeting emission targets.
Medium term
Low transition risk
high physical risk

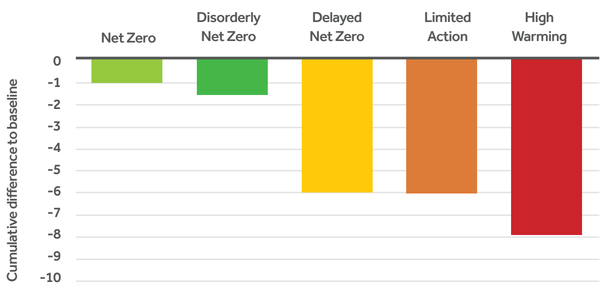
**High warming**
**3.7˚C**
No further action is taken to limit climate change, leading to severe physical risks.
Long term
Low transition risk
severe physical risk

*Temperature indicates change in temperature by 2100 relative to pre-industrial period.*

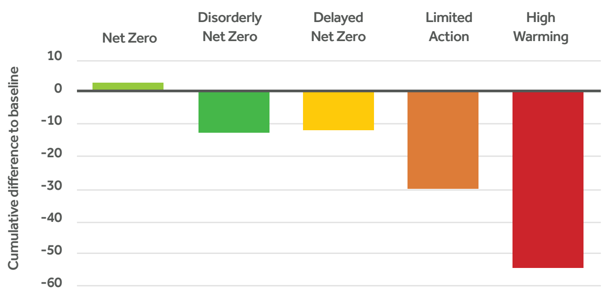
We have used the Ortec Finance climate scenarios to understand the impact of different climate futures on key economic and financial metrics, as demonstrated in the graphs below. The graphs show the cumulative impact of different climate futures on US Gross Domestic Product (GDP) and global equity returns out to 2050*, as compared to a baseline where climate change has minimal impacts on the economy.

Under a net zero transition, both US GDP and global equity returns are largely in line with baseline expectations. In contrast, in a high warming future US GDP and global equity returns are both substantially reduced compared to the baseline, with cumulative global equity returns over 50% lower by 2050.

**US GDP - 2050**




**GLOBAL EQUITY RETURNS - 2050**




Note that both measures show the cumulative difference between 2024 and 2050, compared to a baseline that has 2-3°C of warming (the world's current trajectory) with low transition and physical risks, reflective of a world where climate change and climate policy have minimal impacts on the economy. Results were obtained using the Ortec Finance Climate Scenarios 2024, Version 1.0.

* We have shown US GDP here as the US is the largest contributor to global GDP. We recognise that GDP is not a good measure of human and environmental wellbeing but have used it here for ease of recognition and understanding to demonstrate financial impact to the economy at large. We have shown global equity returns to demonstrate the impact to global investors, as most are exposed to global equities within their portfolio.

The analysis demonstrates that an orderly transition to net zero would enable investors to navigate their exposure to transition risk with minimal impact to their long-term returns. Under a high warming or even a limited action scenario, investors would be increasingly exposed to physical impacts that would have a more significant impact on their ability to generate long-term returns.

These findings demonstrate that an orderly transition to net zero remains the best outcome for global investors. Universal Investors such as Cbus, who invest across the globe, would be better placed to provide strong, long-term returns to members under a net zero transition.

This work supports our policy advocacy, where we have engaged with government to establish policy settings that support a fast and fair transition to net zero, and also underpins the climate change goals we have set which are aimed at supporting this transition.

We have also worked with Ortec Finance to complete an initial analysis of our portfolio, to understand how different asset classes and geographic exposures perform under different climate futures. We plan to socialise this work with our Investment Committee and Investment Team, and use our Climate Action Plan to develop this work further by potentially developing Australia-specific scenarios. The analysis will help inform our understanding of climate risks across our portfolio.

As with all scenario work, this work is based on the underlying assumptions built into Ortec Finance's climate scenario modelling framework. We believe these models align well with our narrative scenarios, and better reflect the systemic impacts of climate change than our previous work. A summary of assumptions and limitations can be found in our **2024 Responsible Investment Data Pack.**

At this stage we have continued to incorporate climate change into our investment return assumptions using our existing approach which leverages NGFS[42] scenarios.

**205 North Quay, Brisbane**
Artists impression. A Cbus Property commercial office development

[42] NGFS = Network for Greening the Financial System, further detail on our approach can be found in our 2023 Responsible Investment Supplement.

# Cbus narrative scenario analysis

We continue to also use a narrative approach to scenario analysis to better understand the systemic impacts of climate change, to help us consider the impacts to our members under different possible futures, and to enhance our understanding of the interplay between climate change and nature and biodiversity loss.

This year we have tried to align our narrative analysis with the scenarios used in our work with Ortec Finance above.

<table>
<tr><th></th><th>Net zero</th><th>Delayed net zero</th><th>Disorderly net zero</th><th>Limited action</th><th>High warming</th></tr>
<tr><td></td><td colspan="3">1.5–2°C</td><td>2–3°C</td><td>3–4°C</td></tr>
<tr><td>Extreme events [43]</td><td colspan="5">As temperatures rise, we will see an increase in severity and regularity of extreme weather events.<br>We also see an increase in compound events – when multiple events combine – increasing damage and reducing our capacity to respond.<br>If global warming stabilises, some climate impacts will be stopped, some will be slowed, but some are irreversible for centuries to come.</td></tr>
<tr><td>Tipping points [44,45]</td><td colspan="5">As temperatures rise above 1.5˚C and then 2˚C of warming and beyond, the world is likely to pass several climate tipping points; doing so causes unstoppable change in the climate system even if global warming is subsequently stabilised.</td></tr>
<tr><td>Nature and Biodiversity [46,47]</td><td colspan="3">Limiting global warming to 1.5°C brings co-benefits through increased protection of biodiversity, reduced pollution and a broader range of viable adaptation solutions.</td><td colspan="2">Adaptive ability of ecosystems is exceeded at 2°C, ability of biodiversity to protect against climate change is reduced.</td></tr>
<tr><td>Health [48,49]</td><td colspan="3">Reduced pollution leads to improved health outcomes and reduced mortality.<br>Negative health impacts of increased global warming are avoided.</td><td colspan="2">Increased heat-related mortality.<br>Increasing pollution leads to increased morbidity (asthma, dementia, cardio-respiratory).<br>Increased injury/mortality from extreme weather events.<br>Increased water-borne and vector-borne diseases.<br>Increased mental health issues, both near-term (anxiety, post-traumatic stress) and long-term (linked to displacement and disrupted social cohesion).</td></tr>
<tr><td>Workers and Communities [50,51]</td><td colspan="2">New jobs are created.<br>Impacted workers and communities are supported.</td><td>Increased risk of an unfair transition for workers.<br>Potential for skills shortages.</td><td colspan="2">Worker safety and productivity impacted by increasing extreme weather.<br>Consumers face increasing insurance and resilience costs.<br>Areas become uninsurable and uninhabitable, migration and relocation increases.</td></tr>
</table>

43 IPCC (2023). Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf
44 IPCC (2023).
45 McKay et al (2022). Exceeding 1.5°C global warming could trigger multiple climate tipping points. Science, 377 (6611).
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47 Pörtner et al (2021). IPBES-IPCC co-sponsored workshop report on biodiversity and climate change. IPBES and IPCC. DOI:10.5281/zenodo.4782538.
48 Shindell et al (2021). Temporal and spatial distribution of health, labor, and crop benefits of climate change mitigation in the United States. PNAS 19(46).
49 IPCC (2023).
50 International Labour Office (2019), Working on a warmer planet: The impact of heat stress on labour productivity and decent work. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_711919.pdf
51 IEA (2023), Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach, IEA, Paris https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach.

# Climate change investments

**Key to facilitating the energy transition is increasing investment in activities that support climate mitigation and adaptation, and supporting those companies actively transitioning towards a low carbon state.**

## Evolution – from a 1% allocation to measurement across the portfolio

In 2018, Cbus introduced a goal of allocating 1% of FUM to climate change investments. The aim was to create a multi-asset class allocation that would have its own return objective and would be managed as standalone sub-asset class. A secondary aim of this allocation was to share learnings from the 1% allocation across our Investment Team, so that in time we would see climate change investments increase across the portfolio.

In FY23, in an effort to increase the robustness of our 1% climate allocation, we developed an internal framework to assess the credibility of investments that sat within this allocation. The framework established a list of activities we believe contribute to climate change mitigation and adaptation, and defined a climate change investment as a company or asset where at least 50% of revenue is aligned to one of these activities. In addition, to qualify as a climate change investment, the company or asset must have no involvement in new (greenfield) coal, oil or gas exploration and/or extraction projects.

In last year's report, we used this framework to assess the investments within our 1% allocation. We also used the framework to consider our exposure to climate change investments across the portfolio, finding that $8.9 billion or 10.5% of FUM was invested in what we considered to be climate change investments as at 30 June 2023.

This finding has resulted in an evolution in our approach to climate change investments within our portfolio. Having achieved the aim of our 1% allocation, this year the decision was made to move away from our 1% goal and focus on measuring climate change investments across the portfolio. The investments that had previously sat within our multi-asset class 1% climate allocation were absorbed back into their relevant asset classes.

We continue to monitor our exposure to climate change investments, and will determine whether a portfolio-wide goal is appropriate as we develop our Climate Action Plan. We will continue to adapt our approach as methodologies and taxonomies evolve. Within Australia, the sustainable finance taxonomy is being developed but is not yet available for use.

## Climate change investments across our portfolio

**$9.2b**
**(9.7% of FUM)**

Using our internal framework we have measured climate change investments across our portfolio as at 30 June 2024, finding that $9.2 billion or 9.7% of FUM was invested in what we consider to be climate change investments.

As with last year, the majority of these investments sit within our property portfolio, with investment managers in this sector actively transitioning their buildings towards net zero carbon emissions by 2030, leading the way in an asset class where technology exists to enable net zero emissions ahead of 2050.

This year we also saw increased exposure within our infrastructure portfolio, largely due to increased data availability which enabled us to identify a broader set of investments aligned with our internal framework.

While our dollar amount invested in climate change investments increased over the past 12 months, our % FUM in FY24 was slightly reduced compared to FY23 (9.7% in FY24 compared to 10.5% in FY23). This was largely due to increased data availability across our property managers which allowed us to be more robust in our assessment.

The list of qualifying activities and our methodology for assessing investments can be found in our **2024 Responsible Investment Data Pack.**

## Climate overlays within our portfolio

In addition to climate change investments across the portfolio, a number of our quantitative equity strategies implement one or more climate overlays aimed at constraining carbon emissions and/or limiting exposure to potential stranded assets.

As at 30 June 2024, this included five quantitative strategies within our portfolio, representing 15% of our equities portfolio, and 8% of the total portfolio. Where applied, stranded asset exclusions consist of either an exclusion utilising the MSCI Low Carbon Transition Methodology, or exclusion of companies generating 10% or more of revenue from thermal coal mining. Constraints or adjustments for carbon emissions or the MSCI Low Carbon Transition Score may also be applied as relevant to each strategy.

Going forward, as additional internal quantitative strategies are developed, we plan to use a similar approach to implement climate overlays appropriate to each strategy.

# Carbon metrics and goals

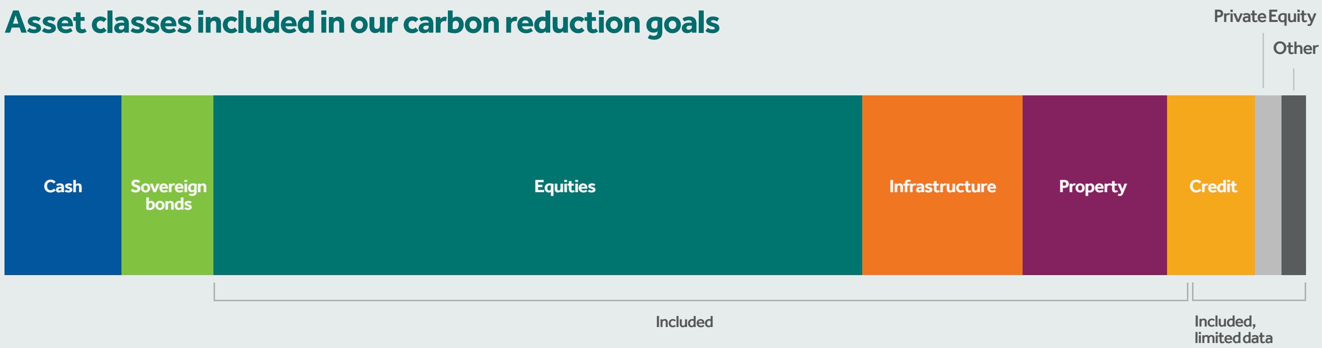
## We have two climate change goals focused on reducing carbon emissions.

**Net zero portfolio carbon emissions by 2050**

**Contribute to a 45% reduction in real world emissions by 2030**

(Compared to a 2019 baseline)*

### Asset classes included in our carbon reduction goals




* Represents total Cbus portfolio, indicative only

Our net zero goal includes those asset classes where we can measure our carbon footprint. Currently this includes equities, infrastructure, property and a subset of our credit and private equity portfolio. We have worked this year to expand the subset of credit instruments held by our external credit investment managers that we have included in our carbon footprint analysis, we have also worked to include some private equity data as a pilot for expanding our coverage into the future.

We aim to continue to expand our coverage of credit instruments and private equity over the next 12 months.

### Carbon metrics

Metrics are an important component of our responsible investment approach, helping us to understand our progress, and improve transparency and accountability. We currently report on a range of metrics across our portfolio relating to our carbon footprint, adopting best practice principles and methodologies wherever possible. We also note that this is an area of significant evolution, with global standards and guidelines rapidly changing and improving, as they increase in sophistication and quality. We are committed to evolving our approach over time, in line with these developments including Australia's recently approved mandatory climate related financial disclosures.

As carbon emissions data lags by 12-18 months, the latest data available is for FY23.

# Metrics summary

| Financial year | 2023 | 2022* | 2021* | 2020* | 2019* |
|---|---|---|---|---|---|
| **Financed scope 1 and 2 emissions - net zero and 2030 goal** | | | | | |
| Asset classes included in financed scope 1 and 2 emissions | Equities<br>Property<br>Infrastructure<br>Credit<br>Private Equity | Equities<br>Property<br>Infrastructure<br>Credit | Equities<br>Property<br>Infrastructure<br>Credit | Equities<br>Property<br>Infrastructure<br>Credit | Equities<br>Property<br>Infrastructure<br>Credit |
| % total portfolio included in financed scope 1 and 2 emissions | 72.11% | 71.33% | 72.42% | 65.33% | 66.24% |
| Total financed scope 1 and 2 emissions ($tCO_2e$)<br>*(across equities, infrastructure, property, and a subset of private equity and instruments in external credit portfolio)* | 2,376,786 | 1,927,233 | 1,770,036 | 1,597,505 | 2,035,649 |
| $M invested<br>*(across equities, infrastructure, property, and a subset of private equity and instruments in external credit portfolio)* | $61,442 | $50,536 | $47,492 | $35,395 | $34,836 |
| Coverage of asset classes include in carbon metrics** | 95.67% | 94.35% | 95.57% | 95.75% | 94.22% |
| Financed scope 1 and 2 emissions intensity ($tCO_2e$/$M invested)<br>*(across equities, infrastructure, property, and a subset of private equity and instruments in external credit portfolio; equivalent to EVIC weighted average carbon intensity)* | 38.68 | 38.14 | 37.27 | 45.13 | 58.43 |
| **Emissions intensity change compared to baseline (2019)** | **-33.80%** | **-34.74%** | **-36.22%** | **-22.76%** | **-** |
| Adjusted financed scope 1 and 2 emissions intensity ($tCO_2e$/$M invested)<br>*(across equities, infrastructure, property, and a subset of private equity and instruments in external credit portfolio; financed emissions intensity adjusted for movements in asset valuations, more representative of our real world decarbonisation)* | 47.76 | 44.17 | 49.58 | 54.41 | 58.43 |
| **Adjusted emissions intensity change compared to baseline (2019)** | **-18.26%** | **-24.42%** | **-15.15%** | **-6.89%** | **-** |
| Annual guiderail for 2030 progress<br>*(based on a linear trajectory to a 45% reduction by 2030 with 2019 baseline)* | -19.54% | -15.04% | -10.30% | -5.29% | |
| **Financed scope 3 emissions** | | | | | |
| Listed equities - financed scope 3 emissions ($tCO_2e$) | 13,569,316 | 13,303,729 | 12,969,871 | 8,119,470 | 11,159,429 |
| Coverage (%) | 97.75% | 95.32% | 96.95% | 96.14% | 96.51% |
| Estimated (%) | 18.24% | 15.57% | 17.87% | 21.37% | 25.21% |
| Unlisted property - financed scope 3 emissions ($tCO_2e$) | 41,696 | 33,772 | Unavailable (no property managers provided scope 3 emissions data for this period) | | |
| Coverage (%) | 97.41% | 100% | | | |
| Estimated (%) | unknown | unknown | | | |
| Infrastructure, credit and private equity - financed scope 3 emissions ($tCO_2e$) | Unavailable | | | | |
| **Unlisted property managers** | | | | | |
| Scope 1 and 2 carbon intensity ($kgCO_2e/m^2$)<br>*Targeting net zero 2030* | 21.14 | 31.59 | 24.68 | 33.69 | 45.75 |

| Equities weighted average carbon intensity (WACI) - revenue (in USD terms) | | | | | | |
|---|---|---|---|---|---|---|
| **Financial year** | **2024** | **2023*** | **2022*** | **2021** | **2020** | **2019** |
| Scope 1 and 2 carbon intensity by revenue of equities portfolio<br>*(Revenue weighted average carbon intensity)* | 136.97 | 140.44 | 133.78 | 134.07 | 181.10 | 223.94 |
| Scope 1 and 2 carbon intensity by revenue of equities portfolio blended benchmark<br>*(Revenue weighted average carbon intensity)* | 145.78 | 157.70 | 171.90 | 172.91 | 215.17 | 229.88 |

* Data restated as data completeness continues to increase across previous reporting years, and we expand coverage into new asset classes.
** An asset is excluded from the analysis if carbon or financial data is unavailable for the year of analysis and 2 previous years, cash and derivatives are excluded. Please see our 2024 methodology document for more details, information on our EVIC adjustment factors can be found in our 2024 Responsible Investment Supplement Data Pack.

# Tracking progress towards our 2030 goal

Each year we report our portfolio carbon intensity ($tCO_2e$/$M invested) to track our progress towards our 2030 carbon reduction goal. We use carbon 'intensity' to track our progress (rather than 'absolute' carbon emissions) because this allows us to account for growth in our portfolio over time. However, as recognised by the Partnership for Carbon Accounting Financials (PCAF), the challenge with targeting a reduction in carbon intensity is that it constantly changes as investment markets and the value of the assets we invest in fluctuate[52].

We remain committed to transparently measuring and reporting our real world impact. We adjust for changes in asset enterprise values when assessing our progress towards our 2030 goal[53]. This is a conservative approach that helps correct the potential overstating effect that asset valuations can have on our reported carbon intensity reduction. Using the adjusted carbon intensity reduction figures provides us with a clearer indication as to where we are on our journey towards our 2030 and 2050 climate goals.

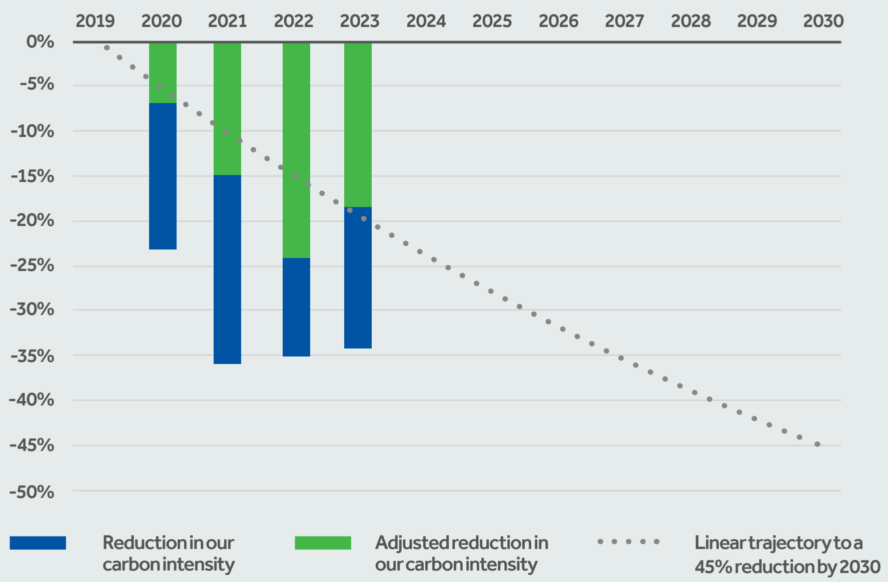
Our carbon intensity in FY23 across equities, infrastructure, property, and a subset of credit and private equity was 38.68 $tCO_2e$/$M invested. This represented a ~34% reduction compared to our 2019 baseline. When we adjusted for growth in asset enterprise values between FY19 and FY23, our reduction in carbon intensity for FY23 was 18%. We believe this is a better representation of our real world impact - the actual reduction in emissions achieved by the assets in which we invest.

To assess our progress towards our 2030 goal we use a linear trajectory to a 45% reduction by 2030 as our guiderail. This trajectory aims for a 5.3% reduction each year, and while we know our decarbonisation won't be linear as assets move in and out of our portfolio and decarbonise at different speeds, we believe this is a useful point of comparison.

While we continued to make progress in FY23, we fell just short of our guiderail trajectory. A linear progression towards our 45% goal would have produced a 19.5% emissions reduction, while our actual emissions reduction was 18.3%. The 18.3% achieved in FY23 was also less than the 24.4% achieved in FY22. There were several drivers of this result, including changes in asset emissions, our portfolio positioning and our data coverage. We note that a subset our credit and private equity strategies, which are more emissions-intensive, were included in FY23 but not wholly measured in previous years due to gaps in our data. In addition, we note that up-to-date emissions and EVIC[54] data for our listed equities has been a challenge this year. We will continue to restate our carbon metrics as we receive more up-to-date information (as we have done in previous years)[55]. We will look to undertake further work to understand the drivers of our FY23 result and identify if there are any mitigating actions that we can take in future.

To support our ability to meet our 2030 goal we will continue to implement our climate strategy. This will include continued focus on advocacy, the development of a new Climate Action Plan (page 62), implementation of our climate change principles (page 61), and the move to a more focused list of climate engagement priorities going forward (page 51).

## Progress towards 2030 carbon reduction goal




*The chart shows the linear guiderail to reach a 45% reduction by 2030 (dotted line). Our actual reduction in financed scope 1 and 2 emissions intensity compared to baseline (2019) is shown in blue, our adjusted reduction in financed scope 1 and 2 emissions intensity compared to baseline (2019) is shown in green. We believe the adjusted reduction more closely represents our real world reduction in emissions (actual reduction in emissions by the assets we invest in). Data represents equities, property, infrastructure portfolios and a subset of credit and private equity instruments at 30 June 2019, 2020, 2021, 2022 and 2023. One of our methodology's limitations is the completeness of the available data, in FY23 only ~72% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions and EVIC adjustment methodology can be found in our **2024 methodology document**, information on our EVIC adjustment factors can be found in our **2024 Responsible Investment Supplement Data Pack.** MSCI's analytics and data were used in the preparation of this report. Copyright 2024 MSCI. All Rights Reserved.*

52 PCAF (2022). Financed Emissions 2nd Edition. https://carbonaccountingfinancials.com/standard.

53 A review of the available enterprise value adjustment methodologies was undertaken this year as new approaches have been developed since we first implemented our approach, including an approach from PCAF. We have continued utilising our existing methodology, of which is built upon the European Union (EU) minimum standards for EU Climate Transition Benchmarks and EU Paris-Aligned Benchmarks. Further details on our methodology and its limitations are detailed in our 2024 methodology document.

54 EVIC = Enterprise value including cash.

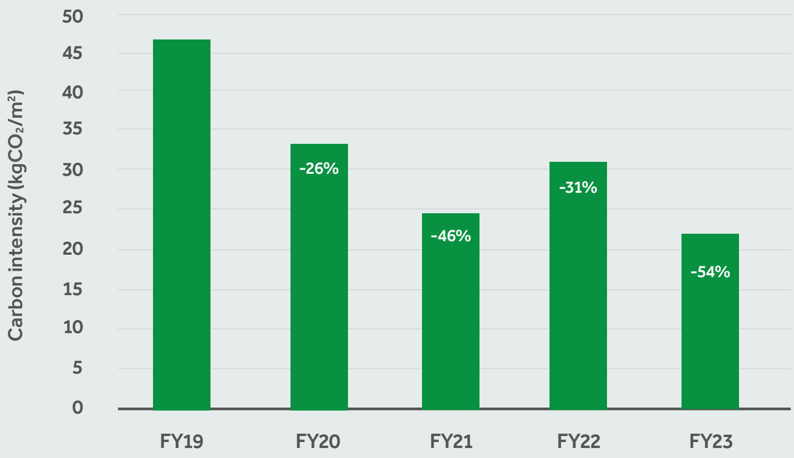
55 We note that our FY22 adjusted reduction was 20% when calculated for our FY23 Responsible Investment Supplement, whereas it is now 24% as we have incorporated more up-to-date data. We expect our FY23 reduction figure will change as we receive data updates from our external data provider.

# Tracking progress towards property net zero 2030 goal

We continue to track the progress of our unlisted property portfolio towards net zero by 2030. In FY23 the carbon intensity of our unlisted property portfolio reduced by 54%, as compared to our FY19 baseline.

Cbus Property, a wholly owned entity of Cbus and our largest exposure within our unlisted property portfolio, halved their emissions intensity in FY23 and was a significant contributor to our overall 54% reduction. In addition, several new investment managers were added to our unlisted property portfolio in FY23, all with low carbon intensity.

## Carbon intensity of our unlisted property investment managers

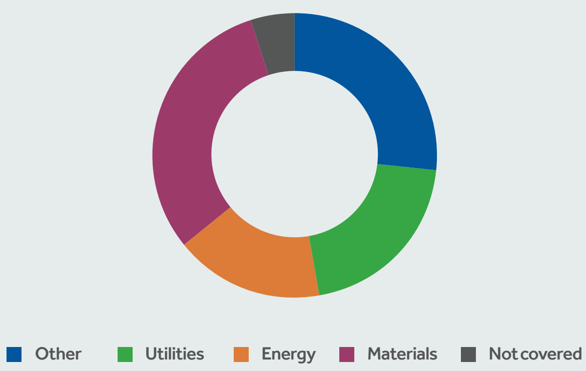



*Data sourced from our property investment managers and reflects the scope 1 and 2 carbon intensity where investment managers have operational control from FY19 to FY23. Where available, market-based scope 2 emissions have been used to reflect the choice being made by managers to purchase renewable electricity. Further information on our methodology can be found in our* ***2024 methodology document.***

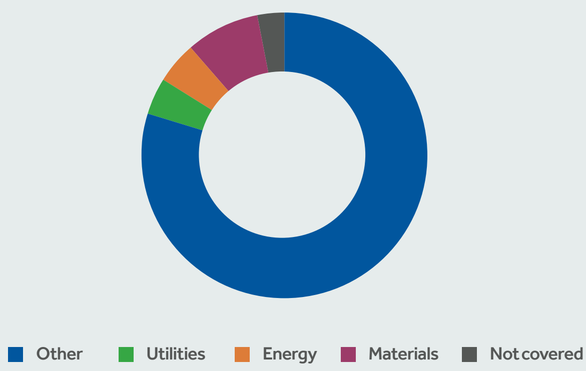
## Sector emissions exposure

We know that transition risk tends to be most concentrated across the energy, materials and utilities sectors; those sectors directly involved in the use of fossil fuels. While transition risk does not stem solely from carbon emissions, the following charts show that our financed scope 1 and 2 emissions are likewise concentrated across the energy, materials and utilities sectors. These sectors contribute 68% of our financed scope 1 and 2 emissions while making up just 17% of the measured portfolio (listed equities, property, infrastructure and a subset of credit and private equity securities). Our measured FY23 exposure to the materials, utilities and energy sectors was in line with FY22, however their contribution to our financed emissions footprint fell from 77% (we note that some of this reduction may be due to data limitations, as there was a small proportion of our portfolio that did not have sector information).

### Contribution to financed emissions




### Market value




*Data represents equities, property, infrastructure portfolios and a subset of credit instruments held by external credit investment managers at 30 June 2023. The "other" category includes real estate, information technology, industrials, healthcare, financials, consumer staples, consumer discretionary, communication services. One of our methodology's limitations is the completeness of the available data, only ~72% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found in our* ***2024 Responsible Investment Supplement Data Pack.*** *MSCI's analytics and data were used in the preparation of this report.* 

***Accuracy and disclaimer.*** *This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although United Super Pty Ltd.'s information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/ or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.*

# 7

# Nature and biodiversity

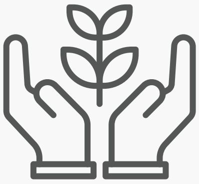
Nature and biodiversity loss has been a new focus area for us this year in recognition of growing research on the risks it presents to our portfolio, our economy and society, and its close connection to climate change.

We believe that developing our understanding and capabilities on this issue will help us protect members' investment returns by addressing these risks and strengthening our response to climate change. We expect nature and biodiversity loss to remain a key issue for our ongoing focus.

Granville Harbour Wind Farm, Tasmania

A Cbus infrastructure investment

# The current state of nature and biodiversity loss

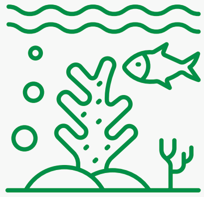


### Nature

refers to the entire natural world, including land, freshwater, ocean and atmosphere[56].

### Ecosystems

are areas where plants, animals and other organisms work together with non-living elements such as rocks and the climate to support ongoing life[57].



### Biodiversity

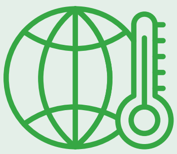
is an important part of nature, referring to the variety among living organisms across nature's domains. Biodiversity leads to higher performing, more resilient ecosystems[58].

In 2024, the World Economic Forum ranked biodiversity loss and ecosystem collapse as the third most severe global risk over the next 10 years, with the other three risks in the top four all environmental in nature[59]. This risk is driven by nature and biodiversity loss currently occurring at rates never seen before in human history. Between 1990 and 2020, 420 million hectares of forest globally was lost through deforestation, mostly due to agricultural expansion[60]. Since 1970, there has been an average 69% decrease in wildlife populations[61]. This concerning trend continues, with 25% of animal and plant species currently threatened worldwide, and the global extinction rate tens to hundreds of times higher than over the past 10 million years[62].

## The five main drivers of biodiversity loss are a result of human activity:

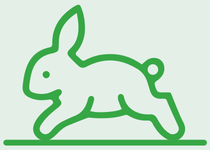
**How we use our land and our oceans**

**How we use plants and animals in producing goods**



**Climate change**

**Pollution**



**Humans introducing new species into ecosystems that then have negative impacts[63]**

[56] TNFD (2023). Recommendations of the Taskforce on Nature-Related Financial Disclosures. https://tnfd.global/wp-content/uploads/2023/08/Recommendations_of_the_Taskforce_on_Nature-related_Financial_Disclosures_September_2023.pdf?v=1695118661.
[57] National Geographic (2024). Encyclopedic entry - ecosystem. https://education.nationalgeographic.org/resource/ecosystem/
[58] Convention on Biological Diversity (2022). Kunming-Montreal Global Biodiversity Framework. https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf
[59] World Economic Forum (2024). The Global Risks Report. https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2024.pdf
[60] UN Food and Agriculture Organisation (2020). The State of the World's Forests. https://openknowledge.fao.org/server/api/core/bitstreams/dfb12960-44ee-4ddc-95f7-bec93fbb141e/content
[61] WWF (2022). Living Planet Report. https://wwflpr.awsassets.panda.org/downloads/lpr_2022_full_report_1.pdf
[62] IPBES (2019). The global assessment report on biodiversity and ecosystem services: summary for policymakers. https://files.ipbes.net/ipbes-web-prod-public-files/inline/files/ipbes_global_assessment_report_summary_for_policymakers.pdf
[63] IPBES (2019).

# Relevance of nature and biodiversity loss to investment returns

As an investor, loss of nature and biodiversity concerns us because all economic activity relies on and impacts the natural environment in some way. It is estimated that more than half of the world's total GDP is moderately or highly dependent on nature and its services[64]. High levels of biodiversity support healthy ecosystems on which the economy relies, providing services such as raw materials, clean water, flood protection, and tourism and cultural benefits[65].

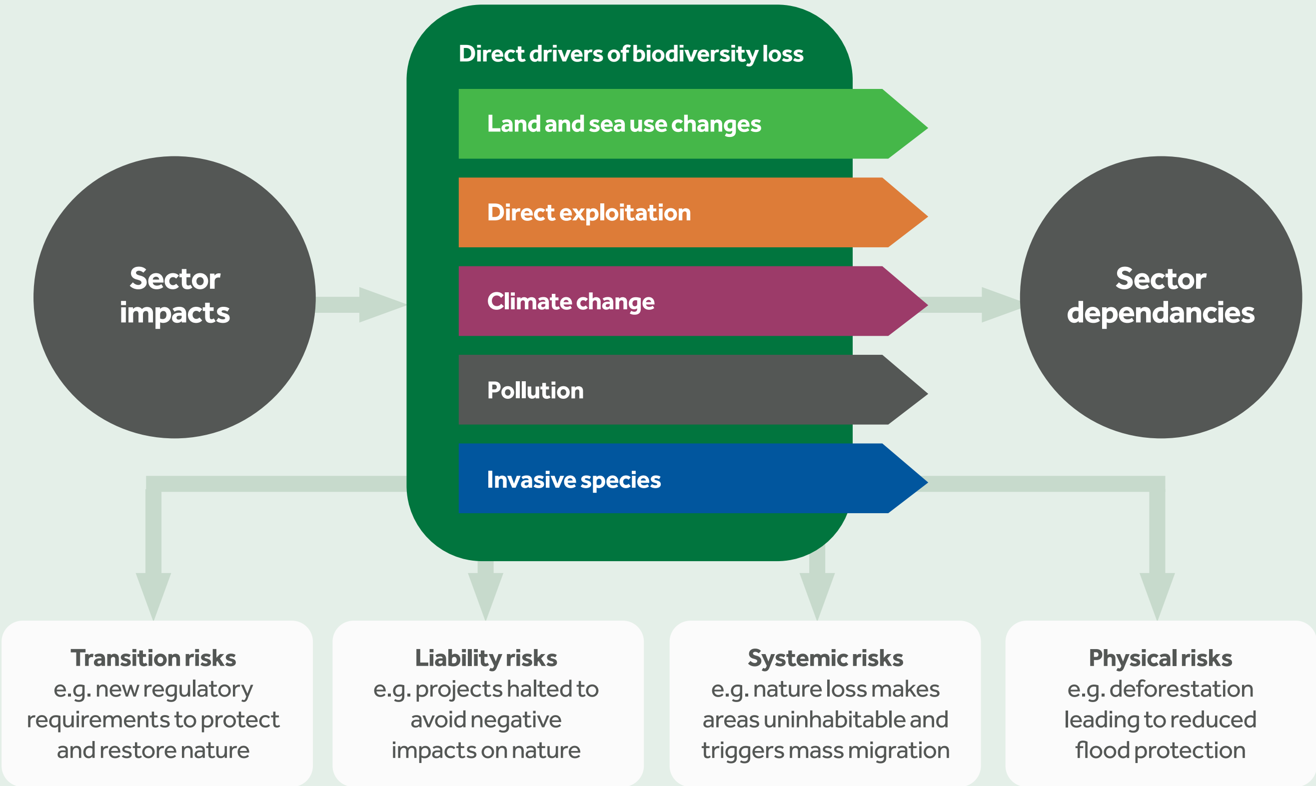
We are concerned at growing evidence that nature and biodiversity loss would have spillover negative impacts to global food security, supply chains, societies and the financial system[66]. In this way, nature and biodiversity loss – like climate change – presents systemic risk.

Nature and biodiversity loss is connected to member returns in three ways:

1. **Direct risk to companies we invest in** – both through the availability of natural resources on which companies rely, and through growing regulatory and consumer pressure to respond to the issue.
2. **Systemic risk to all companies within our portfolio** – including companies that are not directly dependent on nature and biodiversity but will nonetheless be impacted by the behaviour of others.
3. **Its close connection to climate change** – nature and biodiversity is a key defence against the impacts of climate change, so we need to address its loss as one way to protect member returns in the face of a changing climate.

Nature and biodiversity loss generates different kinds of risk for sectors of the economy, based on the ways in which these sectors depend on, and impact, nature and biodiversity. For example, a beverage company may depend on a reliable supply of fresh water, while a nearby factory may release waste that impacts the quality of this fresh water source. The following diagram highlights the relationships between nature-related dependencies, impacts and risk[67].

## Biodiversity Loss




[64] World Economic Forum (2020). Nature Risk Rising. https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf.
[65] Dasgupta and Levin (2023). Economic Factors Underlying Biodiversity Loss. https://royalsocietypublishing.org/doi/epdf/10.1098/rstb.2022.0197.
[66] Ranger et al (2024). The Green Scorpion: the Macro-Criticality of Nature for Finance – Foundations for scenario-based analysis of complex and cascading physical nature-related risks. https://www.ngfs.net/sites/default/files/medias/documents/ngfs_occasional_paper_green-scorpion_macrocriticality_nature_for_finance.pdf.
[67] Adapted from UN Principles for Responsible Investment (2020). Investor Action on Biodiversity: Discussion Paper. https://www.unpri.org/download?ac=11357.

# 2024 Nature and Biodiversity Roadmap

We are working to better understand our exposure to nature-related risks and take action to ensure we achieve the best financial outcomes for our members.

Our starting point has been to develop a Nature and Biodiversity Roadmap which contains strategic actions to guide our work on nature and biodiversity over the next two years. Our roadmap actions have been developed with reference to leading guidance and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD). We will report our progress annually against the roadmap.

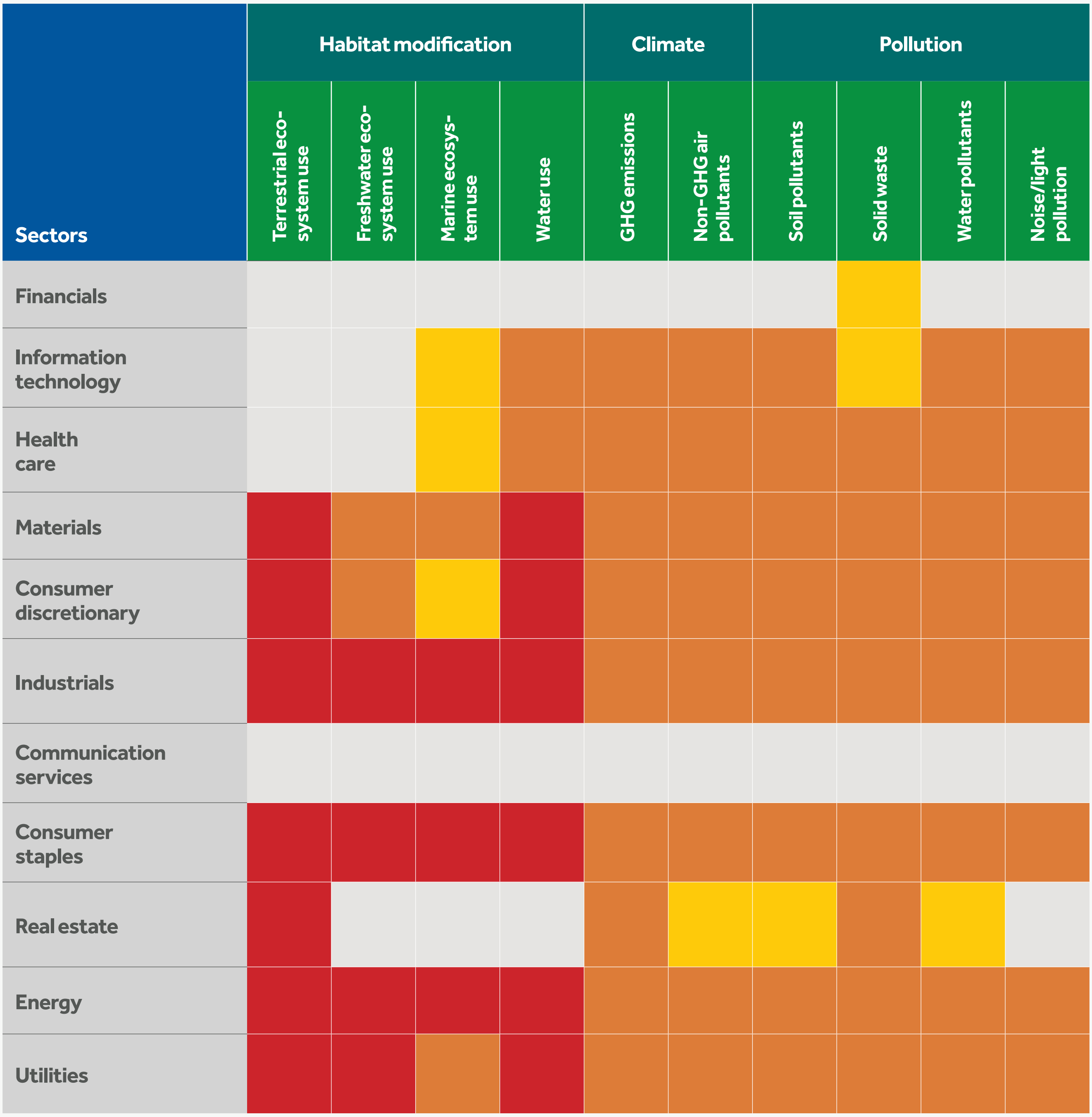
The roadmap will help us better understand nature-related risks, engage with companies in which we invest about how they are identifying and managing these risks, and be responsive to regulatory expectations. Actions are set out in the following table and have been organised into thematic areas:

| Thematic area | Action | Timing |
|---|---|---|
| Policy Advocacy | Develop and publish a position statement on nature and biodiversity | June 2025 |
| | Identify opportunities to engage on nature-related public policy | Ongoing |
| | Identify and potentially join nature-related collaborative investor/industry initiatives | June 2026, then ongoing |
| Governance and Strategy | Expand internal climate governance to include nature and biodiversity | Dec 2024 |
| | Review internal ESG risk management policies given nature and biodiversity a key focus area | Dec 2025 |
| | Establish connection between nature and biodiversity and climate strategy | Dec 2025, then ongoing |
| Exposure Analysis | Undertake sector analysis to determine material nature-related dependencies and impacts | Dec 2024 |
| | Undertake location and supply chain analysis for listed equities to determine material nature-related dependencies and impacts (as feasible with available data tools) | Dec 2025 |
| | Select material natural asset(s) for initial focus | Dec 2025 |
| Engagement and Voting | Join investor engagement initiative on nature and biodiversity | June 2025 |
| | Identify priority managers and companies and develop program of engagement for listed equities | Dec 2025, then ongoing |
| Education and Capacity Building | Nature and biodiversity education – board and management training | Ongoing |
| | Build understanding of nature-based investment opportunities | Ongoing |
| Transparency | Ongoing uplift of nature-related disclosures | Annually |

# Initial sector analysis

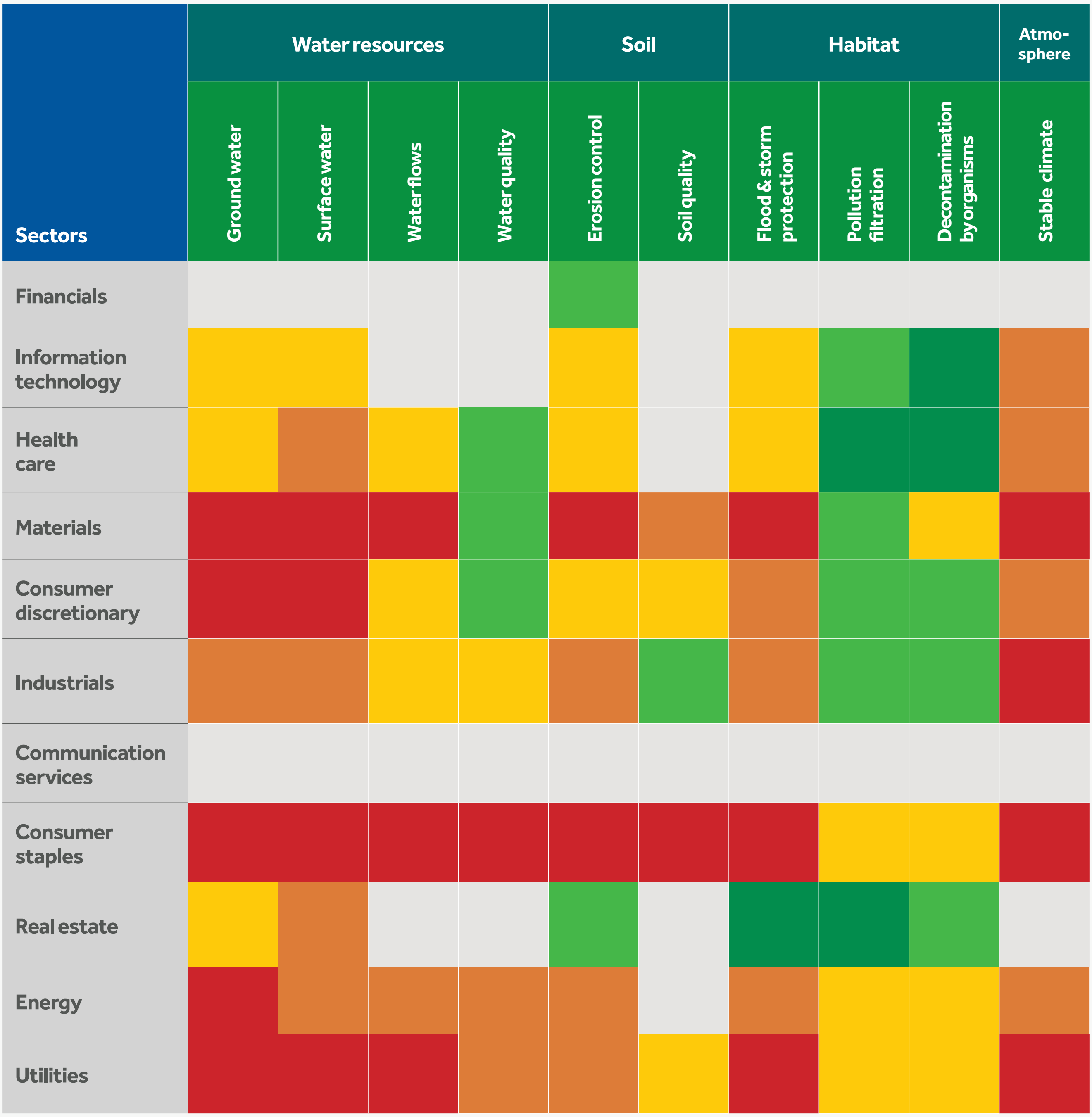
We have undertaken initial analysis to understand which economic sectors have the most significant impacts and dependencies on nature, leveraging the ENCORE dataset[68]. The analysis produced two heatmaps that indicate which part of nature and biodiversity different sectors impact or depend on.

## Sector-level impact heatmap




[68] ENCORE (2024), https://www.encorenature.org/en.

## Sector-level dependency heatmap




*Heatmaps generated using ENCORE, a publicly available dataset recommended by the TNFD that helps organisations analyse their nature-related dependencies and impacts. The ENCORE dataset provides impact and dependency materiality scores for production processes that underpin different sectors of the economy. The heatmaps identify the sectors with the highest exposure to impacts on nature and dependencies on ecosystem services. Red and orange represent very high and high materiality respectively, yellow represents medium materiality, green and dark green represent low and very low materiality respectively. Where there is no data coverage from ENCORE, cells have been greyed out. The impacts heatmap shows the different ways in which sectors negatively impact nature (such as through various forms of habitat modification and pollution), while the dependencies heatmap shows how sectors are dependent on ecosystem services that are grouped according to natural asset. This analysis is current as at 1 June 2024.*

The heatmaps identified industrials, consumer staples, and energy as the sectors with the highest potential impacts on nature, with land and water use the most common avenues for impact. Materials, consumer staples and utilities were the sectors found to be most dependent on nature, with water use and a stable climate the most common dependencies. The analysis does not include consideration of the extent to which Cbus is exposed to each sector, nor the location of these investments – these factors will be investigated in subsequent analysis under our roadmap.

# 8

# Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) were launched in 2015 and are focused on creating a world with peace and prosperity for people and the planet, both now and in the future. The 17 SDGs can be expanded to 169 underlying targets, all aimed at reducing poverty or addressing the barriers that prevent the creation of a sustainable world without poverty.

Information on the SDGs can be found here: sdgs.un.org/goals

435 Bourke Street, Melbourne

Artist impression. Cbus Property office development

# Our contributions to SDGs via our behaviour

Given the scale of global action and cross-sector collaboration needed to achieve the SDGs, we don't seek to deliver on the SDGs as a standalone objective. However, each year we indirectly contribute to a range of SDGs through acting in our members' best financial interests. Our contributions are made through our commitment to our members and the industries they work in, being an employer of choice, through our investments, and engaging and advocating across our portfolio-wide ESG priorities.

| SDG | SDG target | Our actions during FY24 |
| --- | --- | --- |
| 5 GENDER EQUALITY | **5.4** Recognise and value unpaid care and domestic work | Our workplace policies: gender equal parental leave, superannuation on unpaid parental leave, flexible working arrangements.<br>Our advocacy to reduce inequities in the superannuation system: super on Commonwealth paid parental leave, adjusting Low Income Super Tax Offset thresholds, removal of the exemption from mandatory super for workers aged under 18 years. |
| | **5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels | Our gender targets for all employee and leadership levels.<br>Our 2024 Workplace Gender Equality Agency report showed a gender pay gap of 13.7%, lower than the industry average.<br>Our workplace policies: equal remuneration, flexible work arrangements, menopause and menstruation leave.<br>Engagement on board diversity via ACSI and EOS at Federated Hermes. |
| 7 AFFORDABLE AND CLEAN ENERGY | **7.2** By 2030, increase substantially the share of renewable energy in the global energy mix | Our net zero and 2030 carbon reduction goals.<br>Cbus Property investment portfolio – both office and shopping centres are powered by 100% renewable electricity.<br>Our advocacy on the Future Gas Strategy and sector decarbonisation plans.<br>Our investment in renewable energy projects such as Star of the South.<br>Engagement on clean energy via EOS at Federated Hermes. |
| | **7.3** By 2030, double the global rate of improvement in energy efficiency | Our advocacy on home energy efficiency.<br>Cbus Property minimum energy rating targets – NABERS Energy 5.5 stars for new commercial, NatHERS 7.5 stars for residential. |
| 8 DECENT WORK AND ECONOMIC GROWTH | **8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking | Engagement on modern slavery via ACSI and EOS at Federated Hermes.<br>Engagement on modern slavery as a member of the IAST APAC initiative. |
| | **8.8** Protect labour rights and promote safe and secure working environments for all workers | Our workplace policies: workplace health and safety, family violence, bullying and discrimination, gender affirmation, whistleblower.<br>Our advocacy on the issues of unpaid super and support for workers throughout the net zero transition.<br>Our engagement on workplace health and safety, directly and via ACSI and EOS at Federated Hermes.<br>Cbus Property is a member of the Cleaning Accountability Framework (CAF), and investment portfolio was fully CAF certified in FY24. |

| SDG | SDG target | Our actions during FY24 |
|---|---|---|
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | **9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable | Our advocacy on climate change via the IGCC, ACSI and ASFI on sector pathways, the Future Gas Strategy and Sustainable Finance Strategy.<br>Our engagement on emissions reduction, directly and via CA100+.<br>Lead investor for CA100+ engagement with Incitec Pivot.<br>Our voting on 'Say on Climate' votes. |
| 10 REDUCED INEQUALITIES | **10.3** Ensure equal opportunity and reduce inequalities of outcome | Our advocacy to reduce inequities in the superannuation system: sharing experiences of members with low balances at retirement, application of the performance test to all funds, legislating an objective for superannuation that reflects its role in supporting a dignified retirement.<br>Our advocacy on ASX Corporate Governance Principles and Recommendations, calling for strengthened board oversight of human, community and labour rights.<br>Our engagement on diversity, equity and inclusion and reducing inequalities (including remuneration), both directly and via ACSI and EOS at Federated Hermes. |
| 11 SUSTAINABLE CITIES AND COMMUNITIES | **11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums | Our advocacy for investment in social and affordable housing.<br>Our investments in social and affordable housing, including via Housing Australia. |
| | **11.4** Strengthen efforts to protect and safeguard the world's cultural and natural heritage | Our engagement on First Nations issues, both directly and via ACSI. |
| | **11.6** By 2030, reduce the adverse per capita environmental impact of cities | Cbus Property's sustainability targets and action, including ranking first in the 2023 NABERS Sustainable Portfolios Index for office waste with a 4.1 star rating. |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | **12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse | Cbus Property portfolio 75% recycling target and 90% construction and demolition waste recycling target.<br>Our engagement on circular economy and responsible consumption via ACSI and EOS at Federated Hermes. |
| | **12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle | Our advocacy on mandatory climate disclosures legislation and associated standards, both directly and via ASFI and ACSI.<br>Our engagement on corporate sustainability reporting via ACSI, EOS at Federated Hermes and IAST APAC.<br>We engaged with 85% of top 20 Australian listed emitters in FY24.<br>Our voting on 'Say on Climate' votes. |
| 13 CLIMATE ACTION | **13.2** Integrate climate change measures into national policies, strategies and planning | Our advocacy on climate policy both directly and via partner organisations such as ACSI, IGCC and ASFI: ACCU Review implementation, Net Zero Economy Authority Bill, 2035 emissions reduction target, sustainable finance taxonomy.<br>Financial partner of IGCC discussion paper on Decarbonisation Investment Solutions for Sectors.<br>Representation on the ASFI Board.<br>Our engagement on emissions reductions directly and via ACSI, CA100+ and EOS at Federated Hermes. |

## Case Study: Advocating for a fairer superannuation system

### The issue

Our members often face lower average superannuation balances, insecure work patterns and a complex system. This means a one-size-fits-all approach simply won't do. While Australia's superannuation system has delivered significant benefits, we cannot overlook the inequalities that persist. If every worker is to retire with dignity we must address gaps in the system.

Cbus advocates for members - both directly and through our peak bodies - on the issues that matter most. We're pushing for a fairer superannuation system that works for everyone, because every worker deserves a retirement that reflects the hard work they've put in.

### Our contribution

In FY24, our efforts in superannuation policy focused on several key areas:

- **Superannuation in Retirement:** We contributed a submission to the Australian Government's superannuation in retirement consultation, sharing insights from low balance members and advocating for policy settings that maximise their superannuation for a dignified retirement. The Australian Government is now considering submissions and next steps
- **Superannuation on Parental Leave:** Partnering with Women in Super (who are a not for profit organisation aiming to improve womens retirement outcomes) to advocate through peak bodies to include super payments in the Commonwealth Parental Leave Pay scheme
- **Low Income Super Tax Offset (LISTO):** We pushed for adjustments to the LISTO thresholds so that low-income earners receive a fairer deal. Advocacy on this will continue in the lead up to the 2025-26 Federal Budget
- **Addressing Unpaid Super:** Unpaid super remains a major concern, particularly in the building and construction industry, where it's estimated to affect 1 in 3 workers[69]. We advocated for payday super and stronger measures to improve employer compliance with compulsory super legislation
- **Legislated Objective for Superannuation:** Through our work with peak bodies, we continued to push for a legislated objective for superannuation, one that clearly states the system's core purpose: to provide an adequate income so that all Australians can achieve a dignified standard of living in retirement.

### Policy outcomes

Whilst advocacy can take time to impact policy, recent developments around these focus areas were as follows:

- **Superannuation on Parental Leave:** In the 2024-25 Federal Budget, the Australian Government announced that it will start paying super on the Commonwealth Parental Leave Pay scheme. This policy should make a difference to the retirement outcomes for our members and their families, with the accumulation of super no longer being interrupted whilst on parental leave
- **Addressing Unpaid Super:** The Australian Government announced that from 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages
- **Legislated Objective for Superannuation:** Parliament is currently debating government legislation that will enshrine an objective of superannuation, as a guide for future governments, regulators, industry, and the wider community, instilling greater confidence in the system.

Whilst these are all welcome developments, inequalities remain and we will continue to advocate on behalf of our members for a fairer superannuation system in the year ahead.

[69] Research estimates by the McKell Institute using the ATO 2% sample file for 2018-2019 and commissioned by Cbus in 2021.

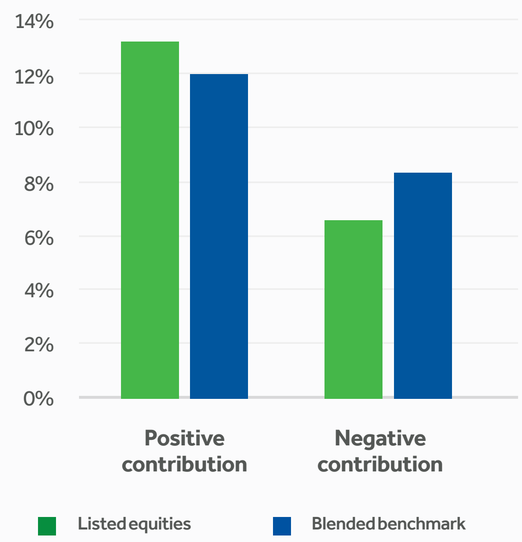
# Measuring our contributions to the SDGs via SDI-AOP

We review the contribution of our listed equity portfolio to the SDGs via the Sustainable Development Investments Asset Owner Platform (SDI-AOP). This platform has developed a taxonomy (or criteria) that is used to identify the percentage of a company's revenue that either contributes to or detracts from the SDG targets and can be used to assess alignment of listed and unlisted investments to the SDGs.

We currently use the SDI-AOP analysis in three ways. Firstly, we review the positive and negative contribution of our equities portfolio to the SDGs, as compared to its relevant benchmark. In the bar graph, we have weighted each company's positive and negative SDG-aligned revenues by the holding amount (%) in our listed equity portfolio and its relevant benchmark, as at 30 June 2024. The overall results are similar to our findings in FY23, with the analysis showing that our listed equities portfolio had a higher positive contribution and lower negative contribution when compared with the benchmark. The key SDG where a positive contribution was identified was SDG 3 (Good Health and Wellbeing), while the key SDG where a negative contribution was identified was SDG 7 (Affordable and Clean Energy). The contribution of the other measured SDGs was largely immaterial when compared to our contributions toward SDGs 3 and 7.

## Portfolio contributions to SDGs:

**Our listed equities portfolio and blended benchmark**




*Data represents our listed equities portfolio and its relevant benchmark as at 30 June 2024 with 97% of the equities portfolio being covered in the analysis (excluding cash and derivatives). SDG contribution data is sourced from the SDI-AOP. Contribution is calculated as the sum of each individual company's total SDG-aligned revenue (%) multiplied by the weight (%) within our portfolio and benchmark for that company. The measured SDGs include 1, 2, 3, 4, 6, 7, 9, 11, 12, 13, 14, 15. Contributions to SDGs 5, 8, 10, 16 and 17 are not currently covered by the SDI AOP, where contribution to these SDGs is based on company conduct rather than a revenue measurement. Only companies that are rated by the SDI AOP as material contributors toward the SDGs (> +/- 10% SDG-aligned revenues) are included in the analysis.*

The second way we use the SDI-AOP data is as a sense check for our climate engagement priorities. SDG 7 (Affordable and Clean Energy) was where we saw the bulk of our negative contributors in our FY24 analysis. As we develop our FY25 climate engagement priorities, this analysis will be used as an input into our prioritisation process (outlined in more detail in our Stewardship section).

Finally, we use our analysis of those companies contributing positively to SDG 7 (Affordable and Clean Energy) to feed into our assessment of climate change investments across the portfolio (see our Climate Change Investments Section on page 66 for more details).

# 2022 Climate Change Roadmap

## Action and measurement

Below outlines the progress made to close our 2022 Climate Change Roadmap.

Many actions within this roadmap will take time to achieve. We have listed some actions below as 'progressing in line with expectations', indicating that sufficient progress has been made and that these actions will continue beyond the life of the roadmap.

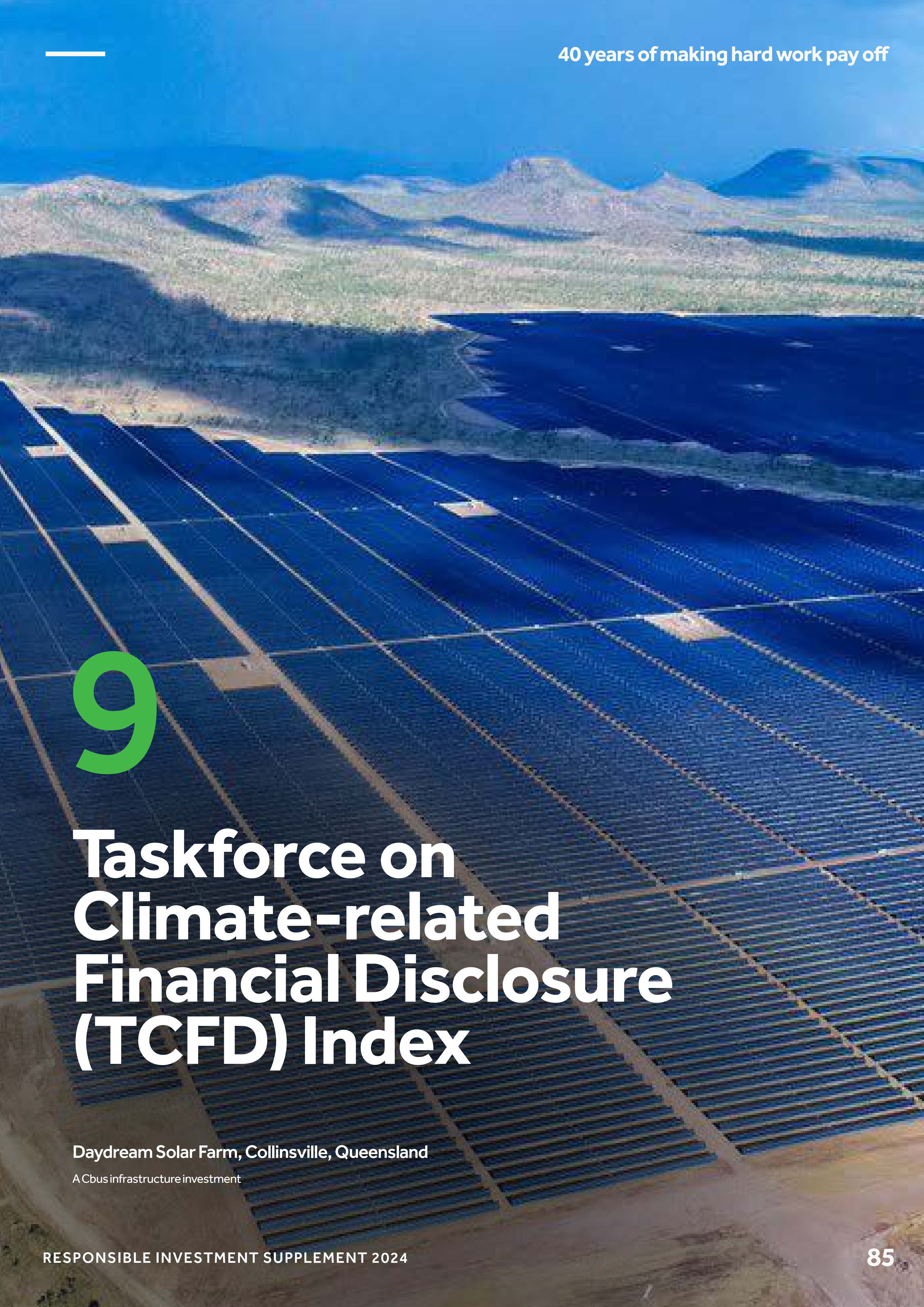
As we look to develop our Climate Action Plan some actions will be transitioned into ongoing, business as usual activities.

| FY23-FY24 key performance indicators | | Progress |
|---|---|---|
| **Targets, pathways and measurement** | | |
| Develop interim 2040 goal in line with Paris Agreement | | **Progressing in line with expectations**<br>*Modelling has been completed to develop both a 2035 and 2040 goal. Awaiting the announcement of Australia's national 2035 targets.* |
| Expand scenario analysis (3 degrees warming / disorderly transition) | | **Completed** |
| Incorporate climate change into asset allocation review of Capital Market Assumptions | | **Completed** |
| Develop decarbonisation strategy | | **In development**<br>*This will be achieved with the development of our Climate Action Plan later this year.* |
| Develop climate change principles | | **Completed** |
| Develop internal carbon price | | **Progressing in line with expectations**<br>*Decision made to incorporate climate risk within climate principles in place of an internal carbon price.* |
| Extend measurement | Measure beyond emissions (alignment/solutions/transition risk) | **Progressing in line with expectations** |
| | Measure scope 3 emissions | **Progressing in line with expectations** |
| | Measure physical risk across key asset classes | **Completed** |
| Enhance transparency against interim 2030 goal | | **Completed** |
| Expand 1% of capital allocated to climate change solutions coverage to include transition financing | | **Completed** * |
| Develop and implement a framework for financing the transition (within the 1% climate allocation) | | **Completed** * |

* We have replaced our 1% climate change investments goal with a focus on measuring climate change investments across the portfolio. Investments within the 1% climate investment allocation were absorbed back into their relevant asset classes.

| FY23-FY24 key performance indicators | | Progress |
|---|---|---|
| **Property** | | |
| Unlisted investment managers (Australian and International) | Demonstrate progress towards net zero 2030 commitments | Progressing in line with expectations |
| | Consistent with the World Green Building Council and Green Building Council of Australia, investment managers commit to all new buildings and renovations having at least 40% less embodied carbon by 2030<br>- net zero embodied carbon by 2050 | Progressing in line with expectations |
| | Investment manager engagement - develop and implement Tenant Emissions engagement strategy | Progressing in line with expectations |
| Listed property investment managers | Investment manager engagement - demonstrating climate engagement progress with holdings | Progressing in line with expectations |
| Resilience | Identification of assets subject to high risk of physical impacts of climate change and resilience plan development for these high-risk assets | Progressing in line with expectations |
| **Infrastructure** | | |
| Investment managers | Demonstrate progress towards commitments | Progressing in line with expectations |
| Unlisted investment managers/assets | Develop and implement engagement strategy (progress against commitments, estimation and measurement of embodied carbon and resilience planning) | Progressing in line with expectations |
| **Debt** | | |
| External credit investment managers | Establish methods for measuring emissions across portfolio holdings | Progressing in line with expectations |
| **Private Equity** | | |
| Investment managers | Develop and implement engagement strategy (raise awareness, measure exposure, how adapting and mitigating, how accessing new markets and other opportunities) | Progressing in line with expectations |
| | Understand investment manager methods for measuring emissions | Progressing in line with expectations |

| FY23-FY24 key performance indicators | | Progress |
|---|---|---|
| **Equities** | | |
| Factor strategies | Review transition risk approach | **Progressing in line with expectations** |
| Global and emerging market investment managers | Identify and implement strategies to increase alignment/climate awareness | **Progressing in line with expectations** |
| Active investment managers | Equity Manager Selection & Portfolio Construction Team to evaluate, develop and implement engagement strategy with active investment managers on climate change | **Progressing in line with expectations** |
| | EMRPC team to engage with investment managers on developing and implementing a climate engagement strategy with individual holdings | |
| Stewardship | Extend engagement to top 20 highest ASX emitters as per September 2021 Stewardship Strategy | **Progressing in line with expectations** |
| Stewardship | Actively consider all ASX climate related resolutions | **Completed** |
| **Advocacy, Governance and Transparency** | | |
| Risk | Review ESG Risk Appetite Statement and Key Risk Indicators | **Completed** |
| Operational emissions | Develop and implement decarbonisation plan | **In progress**<br>*A proposal to develop a decarbonisation plan for Cbus operational emissions has been approved* |
| Training | Incorporate climate change training into Board induction and no less than an annual climate strategy training session for the Board and relevant committees | **Completed** |
| Reporting | Enhance Task Force on Climate-related Financial Disclosure (TCFD) reporting | **Completed** |
| Actively support peak bodies | Including participation in IGCC, PRI and ASFI | **Completed** |
| | Participate in key advocacy activities | **Completed** |



# 9

# Taskforce on Climate-related Financial Disclosure (TCFD) Index

**Daydream Solar Farm, Collinsville, Queensland**

A Cbus infrastructure investment

The table below summarises our reporting against the recommended TCFD. This is our sixth year of reporting, and we recognise our disclosures will continue to evolve over time as we develop our Climate Action Plan. We have reported against the 2021 TCFD guidance - both the supplemental guidance for asset owners and the cross-industry metrics, and we will continue to expand our disclosures and align with the updated guidance.

| TCFD Pillar[70] | Disclosure | Reference to activities |
|---|---|---|
| Governance | Describe the Board's oversight of climate-related risks and opportunities | Refer to the **Climate Change Governance** section on page 59. |
| | Describe management's role in assessing and managing climate-related risks and opportunities | |
| Strategy | Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term | Refer to the **Climate Change Outlook section** section on pages 57-58.<br>Refer to the **Climate Change Scenario Analysis** section on pages 63-65.<br>Refer to the **Climate Change Investments** section on page 66.<br>Refer to the case study: **Infrastructure – our continued investment in the energy transition** on pages 54-55. |
| | Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning | Refer to **Climate Change Scenario Analysis** section on page 63 for the impact of climate change on investment returns.<br>Refer to the **Climate Change Strategy** section on pages 60-62, specifically climate change principles, Climate Action Plan and climate change roadmap sections.<br>Refer to the **2022 Climate Change Roadmap** on pages 82-84.<br>Refer to the **Climate Change Investments** section and the use of climate overlays within investment strategies described on pages 66.<br>Refer to our **Climate Change Goals** on page 60. |
| | Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario<br>Asset owners that perform scenario analysis should consider providing a discussion of how climate-related scenarios are used | Refer to the **Climate Change Scenario Analysis** section on page 63-65.<br>Refer to the **Climate Change Principles** on page 61, with reference to their focus on alignment with a low carbon transition.<br>Refer to physical risk and resilience action items within the **2022 Climate Change Roadmap** on pages 82-84. |
| Risk Management | Describe the organisation's processes for identifying and assessing climate-related risks<br>Asset owners should describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks | Refer to the **Climate Change Principles** section on page 61.<br>Refer to the **Climate Change Engagement** section on pages 40-42 and 47.<br>Refer to the **Advocacy** section on pages 20-26.<br>Refer to the **Climate Change Scenario Analysis** section on pages 63-65.<br>Refer to asset class action items within the **2022 Climate Change Roadmap** on pages 82-84. |
| | Describe the organisation's processes for managing climate-related risks<br>Asset owners should describe how they consider the positioning of their total portfolio with respect to the transition | Refer to the **Spotlight on Climate Change** section on pages 17-18.<br>Refer to our definition of a **Material risk** on page 3.<br>Refer to the **Integration** section on page 27-32.<br>Refer to the **Climate Change Investments** section on page 66. |
| | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management | Refer to the **Climate Change Governance** section on page 59.<br>Refer to the **Integration section** on pages 27-32.<br>Refer to the risk action within the **2022 Climate Change Roadmap** on pages 82-84. |

[70] TCFD, October 2021.

| TCFD Pillar | Disclosure | Reference to activities |
|---|---|---|
| Metrics and Targets | Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | Refer to the **Climate Change Investments** section on page 66.<br>Refer to the **Climate Change Scenario Analysis** section on pages 63-65.<br>Refer to **Carbon metrics** table on page 68.<br>Refer to the **Tracking Progress towards our 2030 goal** section on pages 69-70.<br>Refer to our **Climate Change Engagement** section on pages 40-42 and 47. |
| | Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks | Refer to **Carbon metrics table** on page 68.<br>Please note, we note that our operational scope 1 and 2 emissions are not currently disclosed. Operational emissions are immaterial as compared with financed emissions. As per the Climate Change Principles on page 61 we propose to develop a decarbonisation strategy for our operational emissions, this will include measurement and disclosure of scope 1 and 2 emissions. As per the 2022 Climate Change Roadmap, this proposal has been approved by the Cbus Executive Committee. |
| | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | Refer to our **Climate Change Goals** on page 60.<br>Refer to our **Climate Change Engagement** section on pages 40-42 and 47.<br>Refer to the **Climate Change Investments** section on page 66.<br>Refer to **Carbon metrics table** on page 68.<br>Refer to the **Progress against our 2030 goal** section on page 69.<br>Refer to the **Tracking progress towards property net zero 2030 goal** section on page 70. |

| TCFD 2021 Cross-industry metrics | |
|---|---|
| GHG emissions – absolute scope 1, scope 2, scope 3; emissions intensity | Refer to **Carbon metrics** table on page 68.<br>Please see previous note in relation to operational emissions. Also note that within our financed emissions we are unable to disaggregate scope 1 and 2 emissions due to the format data is provided to us by external investment managers. |
| Amount and extent of assets vulnerable to transition risk | Refer to **Climate Change Scenario Analysis** on pages 63-65.<br>Please note that our portfolio-specific analysis is currently internal. |
| Amount and extent of assets vulnerable to physical risk | Refer to **Climate Change Scenario Analysis** on pages 63-65.<br>Please note that our portfolio-specific analysis is currently internal. |
| Proportion of assets aligned with climate-related opportunities | Refer to the **Climate Change Investments** section on pages 66. |
| Amount of financing or investment deployed toward climate-related risks and opportunities | Refer to the **Climate Change Investments** section on pages 66. |
| Internal carbon price | Refer to the carbon price action within the **2022 Climate Change Roadmap** on pages 82-84, and the **Climate Principles** on page 61. |
| Proportion of executive management remuneration linked to climate considerations | Refer to the **Remuneration** section regarding remuneration and ESG considerations in the Annual Financial Report on pages 5-8. |

# Independent Limited Assurance Report to the Directors of United Super Pty Ltd as trustee for Construction and Building Unions Super Fund (Cbus)

## Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Cbus Responsible Investment Supplement 2024 for the year ended 30 June 2024 (the Responsible Investment Supplement), which has been prepared by Cbus in accordance with the relevant internal policies, procedures and methodologies developed by Cbus and with reference to the Recommendations of the Task Force on Climate-related Financial Disclosures 2021, as disclosed in the Responsible Investment Supplement.

### Information Subject to Assurance

Cbus engaged KPMG to perform a limited assurance engagement in relation to the information subject to assurance as presented in the Cbus Responsible Investment Supplement 2024 for the year ended 30 June 2024.

### Criteria used as the Basis of Reporting

We assessed the Cbus Responsible Investment Supplement against the criteria. The Cbus Responsible Investment Supplement needs to be read and understood together with the criteria, being the relevant internal policies, procedures and methodologies developed by Cbus and selected specific Recommendations of the Task Force on Climate-related Financial Disclosures 2021 (TCFD Recommendations), as disclosed in the Responsible Investment Supplement ("the Criteria").

### Basis for Conclusion

We conducted our work in accordance with Australian Standard on *Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3000 we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Cbus Responsible Investment Supplement to assurance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

### Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- Interviews with relevant Cbus personnel to understand the internal controls, governance structure and reporting process relevant to the preparation of the Responsible Investment Supplement;
- Analytical procedures over the key metrics in the Responsible Investment Supplement;
- Reviewing Board minutes to check consistency with the Responsible Investment Supplement disclosures;
- Agreeing the Responsible Investment Supplement to the relevant underlying documentation on a sample basis;
- Assessment of the suitability and application of the Criteria, the extent of disclosure of the relevant internal policies, procedures and methodologies developed by Cbus and the disclosure outlining the extent of alignment with the TCFD Recommendations with respect to the Responsible Investment Supplement; and
- Review of the Responsible Investment Supplement in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or material misstatement in the Cbus Responsible Investment Supplement may occur and not be detected. Non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and estimating such data. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Cbus.

### Use of this Assurance Report

This report has been prepared solely for the Directors of Cbus for the purpose of providing an assurance conclusion on the Cbus Responsible Investment Supplement and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Cbus or for any other purpose than that for which it was prepared.

### Management's Responsibility

Management are responsible for:

- determining that the Criteria is appropriate to meet their needs, and the needs of the Directors;
- preparing and presenting the Cbus Responsible Investment Supplement in accordance with the Criteria;
- ensuring that those Criteria are relevant and appropriate to Cbus and the intended users; and
- establishing and maintaining systems, processes and internal controls that enable the preparation and presentation of the Cbus Responsible Investment Supplement that is free from material misstatement, whether due to fraud or error..

### Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Cbus Responsible Investment Supplement 2024 for the year ended 30 June 2024, and to issue an assurance report that includes our conclusion based on the procedures we have performed and evidence we have obtained.

### Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Auditing Standard on Quality Management 1 to design, implement and operate a system of quality management.

[redacted]

**KPMG**
**Melbourne**

[redacted]

**Julia Bilyanska**
**Partner, KPMG**
**Melbourne**
**31 October 2024**

cbussuper.com.au

# Media statement regarding ASIC proceedings against Cbus Super on insurance claim delays

**12 November 2024**
**Media Statement**

Cbus Super is sorry that delays have been experienced in the processing of insurance claims made by our members. Regrettably this has added to the distress of members and their families.

We apologise to our affected members and their families without reservation and promise to do better.

Cbus has implemented a number of measures that are reducing delays and is committed to further improving management of insurance claims.

Cbus has established a compensation program for affected members which is being implemented now.

Cbus has been cooperating with ASIC during its investigation and notes that ASIC has today commenced proceedings in the Federal Court. Cbus will invite ASIC to engage in alternative dispute resolution processes to avoid protracted litigation.

**Media enquiries**: media@cbussuper.com.au

Cbus is the leading Industry Super Fund representing those that help build, maintain and shape Australia. As one of Australia's largest and fastest growing super funds, we provide superannuation and income stream accounts to more than 920,000 members (as at 30 June 2024) and we manage over $94 billion of our members' money (as at 30 June 2024). Our members include workers and retirees, their families and employers. As of April 2022, Cbus merged with Media Super and offers Media Super products. In May 2023 Cbus Super successfully completed its merger with EISS Super, establishing the Fund as the leading fund for energy and electrical workers in Australia.

Cbus offers our members insurance options that can be tailored to meet the needs of people working in hazardous work in the building, construction and allied industries. Cbus has accepted 96.8 per cent of claims over the past three financial years.

Insurance is issued under a group policy with our insurer, TAL Life Limited ABN 70 050 109 450, AFSL 237848.

Issued 12 November 2024, United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 as Trustee for Construction and Building Unions Superannuation Fund (Cbus and/or Cbus Super) ABN 75 493 363 262.

Annexure 4


# Rectification Plan

United Super Pty Ltd
31 January 2025

# Table of Contents

# 1. Background and Overview

## Context

The Construction and Building Unions Superannuation Fund (**Cbus** or **the Fund**) is a large open offer industry superannuation fund specialising in superannuation services for workers in the building and construction, energy, and electrical industries. As at 30 June 2024, Cbus manages over $94bn for more than 920,000 members.

On 14 August 2024, the Australian Prudential Regulation Authority (**APRA**) imposed additional licence conditions on United Super Pty Ltd (**Trustee**), as trustee for Cbus, to address concerns regarding fitness and propriety processes and fund expenditure management. The Trustee appointed Deloitte to conduct an Independent Review to confirm whether the Trustee is and has been compliant with the relevant prudential standards and statutory framework for fitness and propriety and how the Trustee was meeting its Best Financial Interest Duty Requirements (BFID) relating to CFMEU payments (**Independent Review**). The Independent Review identified 22 findings relating to deficiencies in governance and oversight, documentation and process alignment, assessment and monitoring, and mechanisms/metrics across the following scope areas:

- Design of fit and proper arrangements.
- Design and operation of the Best Financial Interests Duty (**Best Financial Interests Duty; BFID**) Framework.
- Assessment of Past Expenditure Decisions.

To address these findings, 26 recommendations (the **Recommendations**) were made by the Independent Review. The Trustee has accepted all the Recommendations. The Trustee is required to submit to APRA a rectification plan to address the Recommendations.

## Overview of the Rectification Plan

The Trustee has developed this rectification plan (**Rectification Plan** or **Plan**) to address all the Recommendations. The Plan has been developed in consultation with Deloitte and has been approved by the Trustee.  It outlines the work program of design, implement, and embed activities, governance arrangements, and timing to respond to each Recommendation. The key components of the Rectification Plan are:

- **Section 2**: Rectification Plan Development
- **Section 3:** Execution of Rectification Plan
- **Section 4**: Rectification Plan Areas of Activity
- **Section 5**: Closure Criteria Timeline
- **Section 6**: Detailed Rectification Plan

Details of the above sections are provided in the following pages.

# 2. Rectification Plan Development

## Rectification Plan Development

The Rectification Plan is centred on a 'design, implement and embed' model with agreed closure criteria to drive a sustainable outcome-based approach.

The Rectification Plan sets out the actions to be taken with respect to each Recommendation, timelines for execution and the accountable executives responsible for addressing the Recommendation within the agreed timeframes. Detailed below is the approach taken to develop the Rectification Plan.

### 1 Rectification Plan Development Initiation

**Key Activities**:

Accountable members of the Executive Leadership Team (**ELT**) met to:

- Determine the approach for developing a Rectification Plan to address the Independent Review's recommendations
- Establish the appropriate governance structure to oversee the Rectification Plan development and execution activities.

**Outcomes:**

- Approach to developing the Rectification Plan.
- Structure of the Rectification Plan.
- Roles and responsibilities for delivery and governance.

### 2 Rectification Plan Template

**Key Activities**:

- Rectification Plan template was developed based on the agreed approach.
- Internal workshops were scheduled to build out key themes and activities for the Rectification Plan.

**Outcomes:**

- Rectification Plan template developed.
- Teams and responsible persons engaged for workshops.
- 6 key areas of activity identified.

### 3 Conduct workshops and develop the Rectification Plan

**Key Activities**:

A series of workshops were held to agree the key activities and closure criteria under the design, implement and embed stage for each recommendation.

**Outcomes:**

A populated draft Rectification Plan that contains:

- Process overview
- Areas of activity
- Target state
- Closure criteria
- Accountable executive
- Target dates for completion

### 4 ELT and Trustee Board review of Rectification Plan

**Key Activities**:

- ELT review of the draft Rectification Plan.
- Submission of the ELT endorsed Rectification Plan to the Trustee Board for approval.

**Outcomes**

- Rectification Plan approved and ready for submission to APRA.

# 2. Rectification Plan Development

## Example template

Detailed below are the definitions of each component of the template.

| | | | | |
|---|---|---|---|---|
| **Area of Activity** | *Related recommendations grouped by theme to enable an efficient approach to rectification* | | | |
| **Relevant recommendations** | *Summary of recommendations within each area of activity* | | | |
| **Target State** | *The future state environment that is intended to be achieved by meeting the recommendations* | | | |
| **Phase** | **Key Actions** | **Closure Criteria** | **Accountable Executive** | **Due date** |
| **Design**<br>*The Design stage involves defining and developing the approach to address the recommendations.* | *Activities to be undertaken to achieve the Target State.* | *Evidence to demonstrate that the actions address the Recommendations and achieve the future state, and the Phase has been completed and is now closed.* | *The executive accountable for ensuring the Target State is achieved through oversight of activities and achievement of closure criteria.* | *The date all relevant supporting evidence is made available to the Independent Third Party to assess the closure criteria have been achieved.* |
| **Implement**<br>*The Implement stage involves the initial roll-out or launch of the approach. This stage should include the change management required.* | | | | |
| **Embed**<br>*The Embed stage involves achieving demonstrated operational effectiveness of the approach on a sustainable and continuous improvement basis.* | | | | |

## Rectification Plan Approach and Assurance

To execute the Rectification Plan, The Trustee has assigned a Project Team responsible for managing and coordinating the required activities. The Project Team is led by the Project Manager answerable to the Sponsor, who is the Chief Executive Officer of Cbus, and the Executive Steering Committee. The Trustee Board will maintain close and continuous oversight of the performance of the program and the completion of the Rectification Plan (see next slide).

The Project Team will be structured around delivery streams, with a lead to oversee specific design, implement, and embed activities for their assigned scope area, who work with relevant supporting teams to execute the activities. An Accountable Executive will be responsible for ensuring the closure criteria for their assigned activities are met at each phase of delivery. Evidence of the closure criteria for each phase will be prepared by the Project Team and signed off by the Accountable Executive. Internal Audit and Independent Third-Party assurance activities will be conducted to validate closure of the delivery phase.

### Execute on Areas of Activity

**Project Team**

Project Management
(*Manage/coordinate*)

Stream Lead
(*Oversee execution*)

Supporting teams
(*Execute/deliver*)

### Evidence Closure Criteria

**Delivery Phase Closure Pack**

This document contains the following:

- Summary of actions taken to complete the delivery phase.
- Documents that evidence these actions took place and that the actions address the Recommendations and achieve the future state.

### Sign-off

**Accountable Executive**

Provides sign-off that delivery phase Closure Criteria have been met.

### Assurance

**Internal Audit**

**Independent Third Party**

Provides assurance that the Closure Criteria have been met.

# 3. Execution of Rectification Plan

## Rectification Plan Governance, Monitoring and Reporting

To ensure that the Rectification Plan effort is well-managed, accountable and aligned with the Trustee's objectives, the following governance, monitoring and reporting structures will be implemented.

**APRA / Independent Third Party**

### Trustee Board

- Provides overarching governance and oversight to ensure that the Rectification Plan is executed effectively and holds ultimate accountability for the Plan's success.
- Approves material changes to the Plan which are endorsed by the Trustee Board Risk Committee.

### Board Risk Committee (BRC)

- Focuses specifically on risk management aspects associated with the Rectification Plan execution.
- Monitors progress of Rectification Plan execution ensuring that appropriate risk management practices are in place and that the plan adheres to regulatory and compliance requirements.
- Endorses material changes to the Rectification Plan recommended by the Executive Steerco.

### Executive Steerco

- Provides executive sponsorship and oversight of the Rectification Plan. Aligns the plan's goals with organisational priorities, ensuring adequate resources and support, resolving escalated issues, making key decisions and high standards of quality are maintained.
- Recommends material changes to the Rectification Plan for the BRC and Trustee Board's approval.
- Includes Chief Executive Officer (Program Sponsor), Chief Risk Officer (leading the regulator interface), Chief Operating Officer and Chief Member Officer.

### Project Team

- Responsible for **the day-to-day management** and **execution** of the Rectification Plan**.**

### Monitoring and Reporting

Trustee Board **monitors** Rectification Plan execution via monthly Executive Steerco and BRC reporting.

Monthly **meetings** of the BRC and of Executive Steerco.

# 4. Rectification Plan Areas of Activity

## Areas of activity to address recommendations

The Recommendations from the Independent Review are grouped into 6 Areas of Activity, each with a detailed Rectification Plan. To ensure the Rectification Plan is sustainable, a **target state** has been defined for each Area of Activity.

| A. Board and Director Skills Assessment | B. Fit and Proper Assessment Process | C. Board Appointments | D. BFID Framework, Policy and Governance | E. Partnership Program Operations | F. Review of past partnership expenditure decisions in scope of the Independent Review |
|---|---|---|---|---|---|
| The Board Skills Assessment is rigorous and applied consistently as part of the Fit and Proper (**F&P**) process enabling an accurate understanding of the individual and collective competence of the Board, and any skill gaps and training needs. | The annual F&P assessment is rigorous, considers any relevant material matters, and clearly demonstrates that the Directors continue to be fit and proper persons. | The Board has authority to reject director nominations and extend Director tenure under exceptional circumstances, and these decisions are made through a defined process. All directors' affiliations with member or employer organisations are recorded in the Register of Relevant Interests and Duties. | The BFID framework, including policies, process and governance, is fit for purpose for the size, business mix and complexity of the fund, is consistently understood and applied and supports expenditure decisions that are made for the sound and prudent management of the Trustee's business operations and achieve the intended purpose and stated benefit. | The Partnership program, including processes, procedures and assessment models, is aligned to the BFID framework and is fit for purpose for the size, business mix and complexity of the fund, is consistently understood and supports expenditure that is in members' best financial interests both at the time of the decision and throughout the lifecycle of the expenditure. | The Trustee can demonstrate whether past expenditure decisions have been for the sound and prudent management of The Trustee's business operations and whether they achieved the intended purpose and stated benefit. |
| **Recommendations:** 1.1, 1.2 | **Recommendations:** 1.3, 1.4, 1.5 | **Recommendations:** 1.6, 1.7, 1.8 | **Recommendations:** 2.1, 2.2, 6.1, 6.2, 6.3, 6.4 | **Recommendations:** 2.3, 3.1, 3.2, 3.3, 3.4, 4.1, 4.2, 5.1, 5.2, 5.3, 5.4 | **Recommendations:** 7.1 |

# 5. Closure Criteria Timeline

| Area of Activity | Relevant recommendations | Design Closure Criteria | Implement Closure Criteria | Embed Closure Criteria |
|---|---|---|---|---|
| **A. Board and Director Skills Assessment** | • 1.1: Fit and Proper – Board Skills Assessment Rating Scale<br>• 1.2: Fit and Proper – Process | 30/09/2025 | 30/03/2026 | 30/09/2026 |
| **B. Fit and Proper Assessment Process** | • 1.3: Fit and Proper – Annual Assessment<br>• 1.4: Fit and Proper – Review Director Annual Declaration<br>• 1.5: Fit and Proper – Document Assessment Outcome | 30/09/2025 | 30/03/2026 | 30/09/2026 |
| **C. Board Appointments** | • 1.6: Fit and Proper – Mechanism to Reject a Nomination<br>• 1.7: Fit and Proper – Director Tenure Extension<br>• 1.8: Fit and Proper – Register Relevant Interests and Duties | 30/09/2025 | 30/03/2026 | 30/09/2026 |
| **D. Best Financial Interests Duty Framework, Policy and Governance** | • 2.1: Best Financial Interests Duty Framework – Policies and Frameworks<br>• 2.2: Best Financial Interests Duty Framework – Partnership Agreements Policy<br>• 6.1: Best Financial Interests Duty Framework – Governance and Reporting<br>• 6.2: Best Financial Interests Duty Framework – Independent Chair of the MEGC<br>• 6.3: Best Financial Interests Duty Framework – IPRC and CEO Reporting<br>• 6.4: Best Financial Interests Duty Framework – MEGC Reporting | 30/09/2025 | 30/03/2026 | 30/09/2026 |

# 5. Closure Criteria Timeline

| Area of Activity | Relevant recommendations | Design Closure Criteria | Implement Closure Criteria | Embed Closure Criteria |
|---|---|---|---|---|
| **E. Partnership Program Operations** | • 2.3: Best Financial Interests Duty Framework - Training<br>• 3.1: Best Financial Interests Duty Framework – Partnership Proposals<br>• 3.2: Best Financial Interests Duty Framework – Partnership Spend Assessment Framework<br>• 3.3: Best Financial Interests Duty Framework – Partnership Spend Assessment Framework Review<br>• 3.4: Best Financial Interests Duty Framework – Incorporate Partnership Spend Assessment Framework Review<br>• 4.1: Best Financial Interests Duty Framework – Partnership Proposals and Benefits Schedule<br>• 4.2: Best Financial Interests Duty Framework – Partnership Agreements Policy and Guidelines<br>• 5.1: Best Financial Interests Duty Framework – Partnership Agreement Assessment Template<br>• 5.2: Best Financial Interests Duty Framework – Partnership Agreements Monitoring Process<br>• 5.3: Best Financial Interests Duty Framework – Monitoring of Benefits<br>• 5.4: Best Financial Interests Duty Framework – Partner Reporting | 30/09/2025 | 30/03/2026 | 30/09/2026 |
| **F. Review of past partnership expenditure decisions that were in scope of the Independent Review** | 7.1: Assessment of Past Expenditure Decisions | 30/09/2025 | 30/03/2026 | 30/09/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | A. Board and Director Skills Assessment |
|---|---|
| Relevant recommendations | • 1.1: Fit and Proper – Board Skills Assessment Rating Scale<br>• 1.2: Fit and Proper – Process |
| Target State | The Board Skills Assessment is rigorous and applied consistently as part of the F&P process enabling an accurate understanding of the individual and collective competence of the Board, and any skill gaps and training needs. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Review the Board Skills Assessment rating scale and evaluate whether the number of rating options in the Board Skills assessment needs to be increased based on the benefits versus the impact of the change.<br>• Develop and document minimum requirements for Board Skills.<br>• Formalise and document the process of liaison with nominating bodies to incorporate early and clear consideration of required skills in the selection of director nominees, to facilitate the appointment of appropriate individuals.<br>• Define and document a process for formal review and challenge of the annual Board Skills Assessment by the Company Secretariat, Nominations Committee and Chair of the Board.<br>• Review and uplift the Board Skills Assessment documentation to provide clearer guidance to Directors in line with the agreed rating scale.<br>*Continued overleaf.* | • Updated Board Skills Assessment rating scale and guidance documentation approved by the Board.<br>• Updated Fit and Proper Policy and Director Appointment, Performance and Renewal Policy including minimum requirements for Board Skills approved by the Board.<br>• Standard Operating Procedure for engagement with nominating bodies in director succession planning.<br>• Standard Operating Procedure for the Annual Board Skills Assessment approved by CRO.<br>• Change Management Plan approved by the CRO. | Chief Risk Officer | 30/09/2025 |

# 6. Detailed Rectification Plan

| Area of Activity | A. Board and Director Skills Assessment |
|---|---|
| Relevant recommendations | *Refer to page 11.* |
| Target State | *Refer to page 11.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Develop a Change Management Plan to train and communicate changes to the Board Skills Assessment, including minimum requirements for Board Skills and the formal review and challenge, to all Directors, Company Secretariat and other impacted stakeholders (e.g. nominating bodies). | *Refer to page 11.* | *Refer to page 11.* | *Refer to page 11.* |
| Implement | • Execute Change Management Plan by providing training and communication on the changes to the Board Skills Assessment.<br>• Apply the revised Board Skills Assessment and review and challenge process to the FY25 Fit and Proper Assessment.<br><br>*Continued overleaf.* | • Training register/confirmation of communications provided to all Directors, Company Secretariat and other impacted stakeholders on the uplifted Board Skills Assessment.<br>• Revised Board Skills Assessment and review and challenge process applied for the FY25 Fit and Proper Assessment, including supporting Board papers and minutes.<br>• Updated training plans for Directors with an assessed skills gap. | Chief Risk Officer | 30/03/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | A. Board and Director Skills Assessment |
|---|---|
| Relevant recommendations | *Refer to page 11.* |
| Target State | *Refer to page 11.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Embed | • Conduct an internal audit on the FY25 Fit and Proper Assessment. | • Internal Audit report with management comments and closure dates approved by Board.<br>• In the event of any new Director nomination:<br>  • communication of minimum Board Skills requirements to the nominating body; and<br>  • application of the Revised Board Skills Assessment to the appointment of the newly nominated Director.<br>• Internal Audit report on the FY25 Fit and Proper Assessment provided to APRA. | Chief Risk Officer | 30/09/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | B. Fit and Proper Assessment Process |
|---|---|
| Relevant recommendations | • 1.3: Fit and Proper – Annual Assessment<br>• 1.4: Fit and Proper – Review Director Annual Declaration<br>• 1.5: Fit and Proper – Document Assessment Outcome |
| Target State | The annual F&P assessment is rigorous, considers any relevant material matters, and clearly demonstrates that the Directors continue to be fit and proper persons. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Review and uplift the rigour of the Company Secretariat process for review of, and reporting on the Directors annual self-assessment and Annual Declaration, including to incorporate:<br>– Confirmation no other factors may inform the assessment;<br>– Alignment of the process to the existing process for newly nominated Directors, including key public record and media checks;<br>– Presentation to the Nominations Committee of assessment outcomes with relevant considerations from the Company Secretariat's review.<br>• Establish a process to document and retain records of fit and proper checks made in the annual F&P assessment, including records of checks with no result.<br>*Continued overleaf.* | • Updated Fit and Proper Policy approved by the Board.<br>• Standard Operating Procedure for the Company Secretariat's review of the annual-self-assessment and Annual Declaration approved by CRO.<br>• Change Management Plan approved by the CRO.<br>• Updated Nominations Committee charter, describing role in annual F&P assessment, approved by the Board. | Chief Risk Officer | 30/09/2025 |

# 6. Detailed Rectification Plan

| Area of Activity | B. Fit and Proper Assessment Process (cont.) |
|---|---|
| Relevant recommendations | *Refer to page 14.* |
| Target State | *Refer to page 14.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Document the uplifted process and the responsibility of the Company Secretariat and role of the Nominations Committee in the annual F&P assessment in the Fit and Proper Policy and associated procedures.<br>• Develop Change Management Plan to train and communicate changes to the annual self-assessment and Annual Declaration process to all Directors and Company Secretariat. | *Refer to page 14.* | *Refer to page 14.* | *Refer to page 14.* |
| Implement | • Execute Change Management Plan by providing training and communication on the changes to the annual self-assessment and Annual Declaration process and minimum Board Skills requirements.<br>• Apply the revised annual self-assessment and Annual Declaration process to the FY25 Fit and Proper assessment. | • Training register/confirmation of communications provided to all Directors on the uplifted Fit and Proper Policy.<br>• Revised annual self-assessment and Annual Declaration process applied for the FY25 Fit and Proper assessment, including supporting Board papers. | Chief Risk Officer | 30/03/2026 |
| Embed | • Conduct an internal audit on the FY25 Fit and Proper Assessment. Refer to Area of Activity 'Board and Director Skills Assessment' | • Internal Audit report with management comments and closure dates approved by Board. | Chief Risk Officer | 30/09/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | C. Board Appointments |
|---|---|
| Relevant recommendations | • 1.6: Fit and Proper – Mechanism to Reject a Nomination<br>• 1.7: Fit and Proper – Director Tenure Extension<br>• 1.8: Fit and Proper – Register Relevant Interests and Duties |
| Target State | The Board has authority to reject director nominations, and to extend Director tenure only under exceptional circumstances, and these decisions are made through a defined process. All directors' affiliations with member or employer organisations are recorded in the Register of Relevant Interests and Duties. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Identify the mechanisms to allow the Board to reject a nominated Director and define examples of where acceptance is not in the best interests of the Fund and its Members, including but not limited to whether the nominated individual meets the minimum Board skills requirements.<br>• Evaluate and agree the appropriate mechanism and document in relevant artefact.<br>• Review and uplift the Director Appointment, Performance and Renewal Policy to specify the information that should be presented to, considered and documented by the Board when assessing and approving tenure extensions.<br>• Review and uplift the Conflicts of Interest Policy to specify the need to formally record the Director's representative member or employer organisation in the Register of Relevant Interests and Duties.<br><br>*Continued overleaf.* | • Agreed and documented mechanism to enable the Board to reject a nominated Director in exceptional circumstances.<br>• Updated Director Appointment, Performance and Renewal Policy approved by the Board.<br>• Updated Conflicts of Interest Policy approved by the Board.<br>• Change Management Plan has been approved by the CRO. | Chief Risk Officer | 30/09/2025 |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **C. Board Appointments (cont.)** |
| **Relevant recommendations** | *Refer to page 16.* |
| **Target State** | *Refer to page 16.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Develop Change Management Plan to train and/or communicate changes to the approval mechanisms, Director Appointment, Performance and Renewal Policy and Conflicts of Interest Policy to all Directors, Company Secretariat and other impacted stakeholders (e.g. nominating bodies). | *Refer to page 16 .* | *Refer to page 16.* | *Refer to page 16.* |
| Implement | • Execute Change Management Plan by providing training and communication on the changes to the approval mechanisms, Director Appointment, Performance and Renewal Policy and Conflicts of Interest Policy.<br>• Update the Register of Relevant Interests and Duties for current Directors. | • Training register/confirmation of communications provided to all Directors, Company Secretariat and other impacted stakeholders (e.g. nominating bodies).<br>• Director’s representative member or employer organisation has been recorded in the Register of Relevant Interests and Duties. | Chief Risk Officer | 30/03/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | **C. Board Appointments (cont.)** |
|---|---|
| Relevant recommendations | *Refer to page 16.* |
| Target State | *Refer to page 16.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Embed | • During the period of the Rectification Plan, if there is a new nominated Director and/or extension of a Director's tenure, follow the Director Appointment, Performance and Renewal Policy, including the exercising of the mechanism to reject if required.<br>• Undertake annual review of Register of Relevant Interests and Duties. | • Appointment of newly nominated Director(s) has followed the uplifted Director Appointment, Performance and Renewal Policy and Conflict of Interest Policy, including Board papers and minutes.<br>• Review of the Register of Relevant Interests and Duties has been completed and reported to Board for FY25 | Chief Risk Officer | 30/09/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | D. Best Financial Interests Duty framework, policy and governance |
|---|---|
| Relevant recommendations | • 2.1: Best Financial Interests Duty Framework – Policies and Frameworks<br>• 2.2: Best Financial Interests Duty Framework – Partnership Agreements Policy<br>• 6.1: Best Financial Interests Duty Framework – Governance and Reporting<br>• 6.2: Best Financial Interests Duty Framework – Independent Chair of the Member and Employer Growth Committee (MEGC)<br>• 6.3: Best Financial Interests Duty Framework – Industry Partnership Review Committee (IPRC) and Chief Executive Officer Reporting<br>• 6.4: Best Financial Interests Duty Framework – Member and Employer Growth Committee Reporting |
| Target State | The BFID framework, including policies, process and governance, is fit for purpose for the size, business mix and complexity of the fund, is consistently understood and applied and supports expenditure decisions that are made for the sound and prudent management of the Trustee's business operations and achieve the intended purpose and stated benefit. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Review and uplift BFID Framework, the Partnership Agreements Policy and the Financial Delegations and Expense Policy and associated processes and procedures to ensure alignment across the suite of documents and include clear articulation and alignment of the definition and classification of expenditure.<br>• Review and uplift the Partnership Agreement Policy to include the requirement to define quantifiable measures of success and a process for monitoring and reporting on these, as well as a clear articulation of roles and responsibilities for the lifecycle of industry partnership expenditure.<br>• Develop guidance outlining consistent practices between the BFID Framework and the Partnership Agreements Policy.<br>*Continued overleaf.* | • Updated aligned BFID Framework, Partnership Agreement Policy, Financial Delegations and Expense Policy and associated policies approved by the Board.<br>• Updated processes, procedures and documented guidance associated with the BFID Framework and Partnership Agreement Policy approved by the CEO.<br>• Agreed and documented approach to mitigate perceived and potential conflicts of interest in relation to governance of expenditure decisions.<br>• Updated Management Committee, Board and Board Committee Charters, facilitating improved governance (including in respect of any non-compliance with industry partnership policy or process) approved by Board.<br>• New and uplifted reporting templates approved by the CEO and sources of information identified.<br>• Change Management Plan approved by the CEO. | Chief Executive Officer | 30/09/2025 |

# 6. Detailed Rectification Plan

| Area of Activity | D. Best Financial Interests Duty framework, policy and governance (cont.) |
|---|---|
| Relevant recommendations | *Refer to page 19.* |
| Target State | *Refer to page 19.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Determine the uplift required to the governance of industry partnership expenditure (including independent chairing of the MEGC for industry partnership expenditure decisions) to ensure appropriate approvals of renewals and new individual partnership agreements and monitoring, oversight and effective management of conflicts of interest and the process for reporting any non-compliance with industry partnership expenditure policy or process.<br>• Review and uplift the Management Committee, Board and Board Committee Charters, where relevant, to reflect the changes to the governance of industry partnership expenditure.<br>• Determine the approach to mitigate perceived and potential conflicts of interest in the governance of industry partnership expenditure.<br>• Review and document reporting channels and uplift or introduce new reporting templates to require comprehensive reporting and increase in frequency of reporting in relation to Partnership Agreements, including any non-compliance with industry partnership expenditure policy or process,  to the IPRC, MEGC and Board.<br>*Continued overleaf.* | *Refer to page 19.* | *Refer to page 19.* | *Refer to page 19.* |

# 6. Detailed Rectification Plan

| Area of Activity | D. Best Financial Interests Duty framework, policy and governance (cont.) |
|---|---|
| Relevant recommendations | *Refer to page 19.* |
| Target State | *Refer to page 19.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Develop a Change Management Plan that will include training and communication of changes to Directors and relevant staff on the uplifted frameworks, policies, processes, procedures and reporting. This will include external parties where relevant. | *Refer to page 19.* | *Refer to page 19.* | *Refer to page 19.* |
| Implement | • Execute on the Change Management Plan which includes:<br>– Communication of the revised frameworks, policies and supporting processes, procedures, guidelines and templates-to relevant staff and Directors.<br>– Provide relevant staff and Directors (and external parties where relevant) with training on the revised frameworks, policies and supporting procedures, guidelines and templates.<br>• Apply the uplifted Partnership Agreement Policy, and associated processes and procedures to industry partnership expenditure.<br>*Continued overleaf.* | • Training register /confirmation of communications provided to all relevant stakeholders.<br>• First reporting cycle completed with uplifted reporting provided to the IPRC, relevant Board sub-committees and Board as evidenced in relevant Committee and Board papers and minutes. | Chief Executive Officer | 30/03/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | D. Best Financial Interests Duty framework, policy and governance (cont.) |
|---|---|
| Relevant recommendations | *Refer to page 19.* |
| Target State | *Refer to page 19.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Implement (cont.) | • Apply the uplifted governance requirements over industry partnership expenditure to ensure appropriate approvals, monitoring, oversight and effective management of conflicts of interest.<br>• Prepare and submit updated reporting to the IPRC, relevant Board sub-committees and Board. | *Refer to page 21.* | *Refer to page 21.* | *Refer to page 21.* |
| Embed | • Conduct an internal audit of the uplifted frameworks, policy and governance for industry partnership expenditure.<br>• Continue updated reporting in the approved format and obtain and action any feedback received on the reporting to support continuous improvement.<br>• Regular cycle has been implemented to review the following documents for continuous improvement:<br>– BFID Framework<br>– Partnership Agreements Policy<br>– Financial Delegations and Expense Policy<br>– Impacted Management Committee Charters<br>– Impacted Board Committee Charters<br>– Board Charter | • Internal Audit report with management comments and closure dates approved by Board.<br>• Internal audit report on the uplifted BFID framework provided to APRA.<br>• Reporting continues to be provided to IPRC, relevant Board sub-committees and Board and is in line with the approved template and frequency as evidenced in relevant Committee and Board papers and minutes.<br>• Review timetable includes either an annual or triennial review of the following:<br>– BFID Framework<br>– Partnership Agreements Policy<br>– Financial Delegations and Expense Policy<br>– Impacted Management Committee Charters<br>– Impacted Board Committee Charters<br>– Board Charter | Chief Operating Officer | 30/09/2026 |

# 6. Detailed Rectification Plan

| Area of Activity | E. Partnership program operations |
|---|---|
| Relevant recommendations | • 2.3: Best Financial Interests Duty Framework - Training<br>• 3.1: Best Financial Interests Duty Framework – Partnership Proposals<br>• 3.2: Best Financial Interests Duty Framework – Partnership Spend Assessment Framework<br>• 3.3: Best Financial Interests Duty Framework – Partnership Spend Assessment Framework Review<br>• 3.4: Best Financial Interests Duty Framework – Incorporate Partnership Spend Assessment Framework Review<br>• 4.1: Best Financial Interests Duty Framework – Partnership Proposals and Benefits Schedule<br>• 4.2: Best Financial Interests Duty Framework – Partnership Agreements Policy and Guidelines<br>• 5.1: Best Financial Interests Duty Framework – Partnership Agreement Assessment Template<br>• 5.2: Best Financial Interests Duty Framework – Partnership Agreements Monitoring Process<br>• 5.3: Best Financial Interests Duty Framework – Monitoring of Benefits<br>• 5.4: Best Financial Interests Duty Framework –Partner Reporting |
| Target State | The Partnership program, including processes, procedures and assessment models, is aligned to the BFID framework and is fit for purpose for the size, business mix and complexity of the fund, is consistently understood and supports expenditure that is in members' best financial interests both at the time of the decision and throughout the lifecycle of the expenditure. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Uplift the BFID training to address changes to be implemented in this Area of Activity E and Area of Activity D.<br>• Review and uplift the guidance materials and templates for preparing partnership proposals to address the specific requirements of Recommendation 3.1.<br><br>*Continued overleaf.* | • The following documents have been approved by the CMO:<br>– Uplifted BFID training<br>– Uplifted guidance materials and templates for preparing partnership proposals<br>– Uplifted Partnership Spend Assessment Framework<br>– Pulse Check and End of Period Assessment templates<br>– Guidance material for oversight and monitoring of industry partnership agreements and at Partnerships Program level.<br>• Board has engaged an independent third party to review the Partnership Spend Assessment Framework.<br><br>*Continued overleaf.* | Chief Member Officer | 30/09/2025 |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **E. Partnership program operations** |
| **Relevant recommendations** | *Refer to page 23.* |
| **Target State** | *Refer to page 23.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Review the Partnership Spend Assessment Framework to incorporate specific guidance on the methodology, assumptions and rationale for the assessment process and detail the formal review process, as set out in Recommendation 3.2.<br>• Review and uplift Pulse Check and End of Period Assessment templates to include a requirement for benefit reconciliations, risk and conflicts reviews and quantitative metrics.<br><br>*Continued overleaf.* | • Uplifted Partnership Agreement Policy approved by the Board (see Area of Activity D).<br>• New and renewed Partnership Agreements include a requirement for formal documented reporting and associated attestations from the partner.<br>• Change Management Plan approved by the CMO. | *Refer to page 23.* | *Refer to page 23.* |

# 6. Detailed Rectification Plan

| Area of Activity | **Partnership program operations (cont.)** |
|---|---|
| Relevant recommendations | *Refer to page 23.* |
| Target State | *Refer to page 23.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Develop and document specific process and guidelines for (and, under Area of Activity D, amend the Partnership Agreements Policy to require):<br>  • monitoring benefits, performance, conflicts and risks of the industry partnership agreements as part of the Pulse Check and End of Period Assessment; and<br>  • documentation of quantitative benefits derived from partnerships to inform renewal assessment and member benefit attribution to the expected member outcomes at the individual agreement and partnership program level.<br>• Appoint an independent third party to undertake a review of the Partnership Spend Assessment Framework.<br><br>*Continued overleaf.* | | *Refer to page 23.* | *Refer to page 23.* |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **Partnership program operations (cont.)** |
| **Relevant recommendations** | *Refer to page 23.* |
| **Target State** | *Refer to page 23.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design (cont.) | • Uplift the Partnership Agreements Policy to document the requirement to include relevant qualitative and quantitative metrics for each of the benefit channels in the Partnership Proposal and Benefits Schedule to facilitate measurement and monitoring of financial benefits.<br>• Uplift the Partnership Agreements to include a requirement for formal documented reporting and attestations from all partners at the Pulse Check and End of Period Assessment on the performance against the agreed benefits in the Benefit Schedule including the dollar value of benefits not provided and of any refunds or alternative benefits provided instead.<br>• Develop a Change Management Plan which will include training and communication of changes to relevant staff on the uplifted frameworks, policies, processes and procedures. This will include external parties where relevant. | *Refer to page 22.* | *Refer to page 23.* | *Refer to page 23.* |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **Partnership program operations (cont.)** |
| **Relevant recommendations** | *Refer to page 23.* |
| **Target State** | *Refer to page 23.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Implement | • Execute Change Management Plan, including training and communication of the revised policies and supporting procedural documentation to relevant staff and Directors.<br>• Uplift the Partnership Spend Assessment Framework as a result of any recommendations identified from the independent review.<br>• Apply the uplifted policies, procedures, assessment model and guidelines to new Partnership Proposals and renewals.<br>• Apply the uplifted processes for Ongoing Assessment and Monitoring of Partnership Agreements, including Pulse Checks and End of Period Assessments. | • Training register and confirmation of communications provided to relevant staff and Directors.<br>• Independent review of the Partnership Spend Assessment Framework has been completed, final report received and recommendations have been addressed.<br>• Independent review report on Partnership Spend Assessment Framework provided to APRA.<br>• Partnership proposals for new partnership agreements and renewal of partnership agreements include uplifted requirements from relevant policies and procedures.<br>• Uplifted and completed Pulse Checks and End of Period assessments are in place, including receipt of formal documented reporting from the relevant industry partners. | Chief Member Officer | 30/03/2026 |
| Embed | • Manage all new and renewed partnership agreements through the uplifted Partnership Program operations.<br>• Conduct the Internal Audit referred to in Activity Area D.<br><br>*Continued overleaf.* | • Internal Audit report with management comments and closure dates approved by Board. | Chief Member Officer | 30/09/2026 |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **Partnership program operations (cont.)** |
| **Relevant recommendations** | *Refer to page 23.* |
| **Target State** | *Refer to page 23.* |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Embed (cont.) | • Regular cycle has been implemented to review the following documents for continuous improvement on an annual or triennial basis, or as a result of a material change:<br>• Uplifted BFID training<br>• Uplifted Partnership Spend Assessment Framework<br>• Pulse Check and End of Period Assessment templates<br>• Guidance material for oversight and monitoring of industry partnership agreements. | • Review timetable includes either an annual or triennial review of the following:<br>– Uplifted BFID training<br>– Uplifted Partnership Spend Assessment Framework<br>– Pulse Check and End of Period Assessment templates<br>– Guidance material for oversight and monitoring of industry partnership agreements. | *Refer to page 27.* | *Refer to page 27.* |

# 6. Detailed Rectification Plan

| | |
|---|---|
| **Area of Activity** | **F. Review of past partnership expenditure decisions that were in scope of the independent review** |
| **Relevant recommendations** | 7.1: Assessment of Past Expenditure Decisions |
| **Target State** | The Trustee can demonstrate whether past expenditure decisions have been for the sound and prudent management of The Trustee's business operations and whether they achieved the intended purpose and stated benefit. |

| Phase | Key Actions | Closure Criteria | Accountable Executive | Due date |
|---|---|---|---|---|
| Design | • Develop and document a plan for the Trustee to review and reassess the past Expenditure Decisions that were the subject of the Independent Review, applying the uplifted frameworks, policies, processes and procedures outlined in the Areas of Activity D and E . The plan is to include the steps to be taken if a decision on review is different from the past Expenditure Decision. | • Past Expenditure Review Plan approved by the Board. | Chief Member Officer | 30/09/2025 |
| Implement | • Complete the Past Expenditure Review Plan, including the re-consideration of revised partnership proposals by the MEGC (or other relevant Board sub-committee, or by the Board if the proposal is material once reassessed) of the uplifted proposals for the past expenditure decisions.<br>• Determine any remedial action required upon finalisation of the re-assessment. | • All Past Expenditure Decisions included in the Past Expenditure Review Plan have been reviewed and re-assessed by the MEGC (or other relevant Board sub-committee, or by the Board if material) as evidenced by the Board Committee and/or Board papers and minutes.<br>• Outcomes of the review and re-assessment of the past Expenditure Decisions have been reported to the Executive Leadership Team and the Trustee Board, including the agreed actions for remediation (if required). | Chief Member Officer | 30/03/2026 |
| Embed | Refer to the Embed activities for Areas of Activity D and E | Refer to the Closure Criteria for Areas of Activity D and E | Chief Member Officer | 30/09/2026 |

# Appendix 1: Recommendations from Independent Review

| Recommendation | Details |
|---|---|
| **Design of Fit and Proper Arrangements** | |
| **Recommendation 1.1** | Revise the rating scale guidance for the Board Skills Assessment to place more emphasis on practical experience and provide firmer guidance on the experience required to justify each rating. Consider increasing the number of rating options to provide more flexibility for Directors and to better capture differing degrees of skills and experience. |
| **Recommendation 1.2** | Establish a process that allows for greater degree of review and challenge of annual Director Skills Assessments by the Company Secretariat and ultimately the Chair of the Board to ensure consistent and accurate application of the assessment criteria. |
| **Recommendation 1.3** | Uplift the annual assessment to include a more rigorous review by the Company Secretariat of the Director self-assessment to confirm that there are no other factors that may inform the assessment of the ongoing fit and proper assessment to complement the existing Director declaration. |
| **Recommendation 1.4** | Document, within the Fit and Proper Policy, a requirement for the Company Secretariat to review and assess the information submitted by Directors in their Annual Declaration, as part of the annual assessment of fit and proper. |
| **Recommendation 1.5** | Establish a process to document and retain records of the fit and proper checks completed as part of the annual assessment, including the outcome of the review of Directors' declarations. |
| **Recommendation 1.6** | Establish a formal mechanism for the Board to reject a nominated individual in exceptional circumstances. |
| **Recommendation 1.7** | Update the Director Appointment, Performance and Renewal Policy to specify the information that should be presented to, considered and documented by the Board when assessing and approving tenure extensions. |
| **Recommendation 1.8** | Formally record the Director's representative member or employer organisation in the Register of Relevant Interests and Duties. |

*Source: Independent Review, United Super Pty Ltd as trustee for the Construction and Building Unions Superannuation Fund (November 2024) – Deloitte*

# Appendix 1: Recommendations from Independent Review

| Recommendation | Details |
|---|---|
| **Design and Operation of the Best Financial Interests Duty Framework** | |
| ***Policies and Frameworks*** | |
| **Recommendation 2.1** | Review and uplift the Best Financial Interests Duty Framework, Partnership Agreements Policy and Financial Delegations and Expense Policy to:<br>a) Set out and align the classification and definition of expenditure in relation to the Best Financial Interests Duty.<br>b) Align the Best Financial Interests Duty Framework and the Partnership Agreements Policy.<br>c) Clearly outline which policy or framework applies for each type of expenditure decision, including associated templates. |
| **Recommendation 2.2** | Review and uplift the Partnership Agreements Policy (and any associated documents) to:<br>a) Align the classification and definition of expenditure to the Best Financial Interests Duty Framework and other related policies and frameworks.<br>b) Document the requirement to align expenditure to the Trustee's relevant financial year Corporate Plan (including the relevant strategic pillars).<br>c) Document how to quantify measures of success (defined in the Partnership Proposal) including the expected outcomes to Members and any differences across cohorts.<br>d) Outline the process for monitoring and documenting measures of success.<br>e) Outline the detailed Best Financial Interests Duty information that must be incorporated into the Partnership Proposal (aligned with the Best Financial Interests Duty Assessment templates).<br>f) Clearly set out the roles and responsibilities for the preparation, review and approval of the Partnership Proposals, Partnership Agreements and Benefit Schedules, including the ongoing lifecycle of oversight and monitoring.<br>g) Insert detailed guidance on the information and steps that form the Best Financial Interests Duty Assessments. |
| **Recommendation 2.3** | Uplift the Best Financial Interests Duty training to:<br>a) Include the recommendations for the Best Financial Interests Duty Framework and policies in this Report.<br>b) Incorporate the requirements of the Partnership Agreements Policy. This should include the process for preparing covering proposals, review, approval, oversight and reporting for industry partnerships expenditure. |

*Source: Independent Review, United Super Pty Ltd as trustee for the Construction and Building Unions Superannuation Fund (November 2024) – Deloitte*

# Appendix 1: Recommendations from Independent Review

| Recommendation | Details |
|---|---|
| ***Proposals and Supporting Analysis and Frameworks*** | |
| **Recommendation 3.1** | Uplift the Partnership Proposals (and related material under the Best Financial Interests Duty Framework) to include specific guidance (refer to the recommendation for detail as to what this specific guidance includes). |
| **Recommendation 3.2** | Uplift the Partnership Spend Assessment Framework to provide specific guidance on the methodology, assumptions and rationale for the assessment process. |
| **Recommendation 3.3** | Define and document a formal review process for the Partnership Spend Assessment Framework. |
| **Recommendation 3.4** | Include the Partnership Spend Assessment Framework as part of the fund level model review, or equivalent, process. |
| ***Partnership Agreement and Benefit Schedule*** | |
| **Recommendation 4.1** | Update the Partnership Proposals and Benefits Schedule to enable the incorporation of relevant qualitative and quantitative metrics for each of the benefit channels. |
| **Recommendation 4.2** | Update the Partnership Agreements Policy (or an associated procedure document) with guidelines on how to apportion relevant qualitative and quantitative metrics (including dollar value) for each of the Benefit Channels within the Benefit Schedule and Partnership Proposal to enable the monitoring of financial benefits received or not received during the benefit period. |

*Source: Independent Review, United Super Pty Ltd as trustee for the Construction and Building Unions Superannuation Fund (November 2024) – Deloitte*

# Appendix 1: Recommendations from Independent Review

| Recommendation | Details |
| --- | --- |
| ***Ongoing Assessment and Monitoring of Partnership Agreements*** | |
| **Recommendation 5.1** | Uplift the assessment template to support robust oversight and monitoring of the benefits and the intended Member outcomes of the Partnership Agreements and Benefits Schedule. |
| **Recommendation 5.2** | Within the Partnership Agreements Policy, or associated procedure, include specific process and guidelines in relation to monitoring of benefits, conflicts and risks as part of the Pulse Check and End of Period Assessment. |
| **Recommendation 5.3** | Uplift the benefits section within the Partnership Agreement, Benefit Schedule and Partnership Proposal to incorporate the dollar value attributable to each benefit channel, enabling effective monitoring of benefits to be paid or refunded. |
| **Recommendation 5.4** | Uplift the Partnership Agreements to include a requirement for formal documented reporting and attestations from partners (including Construction, Forestry and Maritime Employees Union) at the Pulse Check and End of Period Assessment points, to facilitate robust reconciliation and validation of the benefits provided. |
| ***Governance and Reporting of Industry Partnership Expenditure Decisions*** | |
| **Recommendation 6.1** | Incorporate within the Partnership Agreements Policy, and in relevant Management Committee and Board Committee Charters, requirements or Board delegations, where applicable, for:<br>a) The Industry Partnership Review Committee and Chief Executive Officer to recommend proposals for new Partnership Agreements and material changes to Partnership Agreements, regardless of the value of the expenditure, to the Member and Employer Growth Committee for approval.<br>b) The Industry Partnership Review Committee and Chief Executive Officer to approve renewals of Partnership Agreements and immaterial changes to Partnership Agreements.<br>c) The Member and Employer Growth Committee to approve proposals for new individual Partnership Agreements regardless of the value of the expenditure. and material changes to Partnership Agreements. |

*Source: Independent Review, United Super Pty Ltd as trustee for the Construction and Building Unions Superannuation Fund (November 2024) – Deloitte*

# Appendix 1: Recommendations from Independent Review

| Recommendation | Details |
|---|---|
| **Recommendation 6.2** | Amend the Board Charter, the Member and Employer Growth Committee Charter, and related governance documents, to include a requirement for the Chair of the Member and Employer Growth Committee to be an independent Director. |
| **Recommendation 6.3** | Uplift the reporting from the Industry Partnership Review Committee and Chief Executive Officer to the Member and Employer Growth Committee, and increase the frequency, to provide comprehensive quarterly reporting which includes:<br>a) An overview of the Pulse Check and End of Period Assessments results for all Partnership Agreements, including analysis of qualitative and quantitative metrics to support overall performance, tracking against or achievement of the stated Member outcome and strategic initiatives, any identified breaches and actions to remediate (if applicable).<br>b) All Partnership Agreements that have been renewed including a summary of the completed assessment which supported the renewal, the partner performance over the period (with an analysis of qualitative and quantitative metrics) and confirmation as to whether the stated Member outcomes of the Partnership Agreement during the prior period were achieved. |
| **Recommendation 6.4** | Uplift the reporting from the Member and Employer Growth Committee to the Board on a quarterly basis, to include:<br>a) A summary of all new Partnership Agreements, renewed Partnership Agreements and Partnership Agreements which have materially changed, which were approved by either the Industry Partnership Review Committee and Chief Executive Officer or the Member and Employer Growth Committee during the quarter. This includes an overview of the assessment, and relevant metrics, supporting how the stated Member outcome would be achieved and how it is in Members' best financial interests.<br>b) A summary of all current Partnership Agreements, including the qualitative and quantitative metrics to support the performance of the partner against the Partnership Agreement and Benefits Schedule (with tracking against or achievement of the stated Member outcome and strategic initiative). |
| **Assessment of Past Expenditure Decisions** | |
| **Recommendation 7.1** | The recommendations (2.1 to 6.4) as detailed above and explained in section 6.1 of the Independent Review, provide for a systemic uplift in the ability of the Trustee to make decisions in line with the BFID requirements. Once these recommendations have been actioned, the Trustee should review and reassess the past Expenditure Decisions which have been the subject of this Review. |

*Source: Independent Review, United Super Pty Ltd as trustee for the Construction and Building Unions Superannuation Fund (November 2024) – Deloitte*

Annexure 5

Construction and Building Unions Superannuation Fund

cbus super

# 2024 Annual Report


For the year ended 30 June 2024

ABN 75 493 363 262

# Contents

# Directors' Report

The Construction and Building Unions Superannuation Fund (the 'Fund' or 'Cbus') is a superannuation fund domiciled in Australia.

The Trustee of the Fund is United Super Pty Ltd (the 'Trustee').

The Directors of the Trustee present their report, together with the financial statements of the Fund for the year ended 30 June 2024.

## Directors and Company Secretary

The following persons held office as a Director or the Company Secretary of the Trustee during the whole of the financial year and up to the date of this report:

| Name | Position | Term as Director/Company Secretary |
|---|---|---|
| M Beveridge | Director | Full financial year |
| H Davis | Director | Full financial year |
| A Devasia | Director | Full financial year |
| S Dunne | Director | Full financial year |
| J Edwards | Independent Director | Full financial year |
| R Mallia | Director | Ceased 27 August 2024 |
| A Milner | Director | Full financial year |
| D Noonan | Director | Ceased 28 August 2024 |
| J O'Mara | Director | Ceased 28 August 2024 |
| E Setches | Director | Full financial year |
| R Sputore | Director | Full financial year |
| W Swan | Independent Director and Chair | Full financial year |
| K Wakefield | Director | Appointed 19 September 2023 |
| D Wawn | Director | Full financial year |
| M Zelinsky | Director | Ceased 30 August 2023 |
| M Jacona | Company Secretary | Full financial year |

## Principal activities

During the financial year the principal continuing activities of the Fund consisted of providing superannuation, retirement and insurance benefits to its members and beneficiaries.

The Fund remains open to new members outside the building and construction industry. The Fund is a hybrid fund providing accumulation and defined benefits to members.

## Review and results of operations

The result from superannuation activities after income tax for the year ended 30 June 2024 was $6,929,949,000 (2023: $6,091,968,000).

Net assets available for members' benefits as at 30 June 2024 was $92,429,030,000 (2023: $83,652,136,000).

## Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year ended 30 June 2024 other than stated in the *matters subsequent to the end of the financial year* section below.

# Directors' Report (continued)

## Matters subsequent to the end of the financial year

On 13 August 2024 APRA imposed additional licence conditions on the Fund to engage an independent expert to conduct a review in relation to the requirements under Prudential Standard SPS 520 *Fit and Proper* and the Trustees' compliance with the duty to act in the best financial interests of beneficiaries of the funds in making expenditure decisions. The Fund is working constructively with APRA and cooperating with the independent reviewer.

On 23 August 2024 the Fund was notified by the National Executive of the Construction, Forestry and Maritime Employees Union (CFMEU) that the Construction and General Division (C&G Division) and its branches had been placed into administration. The CFMEU is one of the Fund's member sponsoring organisations. The CFMEU holds three of the fourteen shares in the Trustee.

The CFMEU's shares in the Trustee are under the control of the CFMEU National Executive, and consequently the National Executive advised that its three representatives would cease as Directors of the Trustee on 27 August and 28 August 2024. Despite those cessations, the Board of the Trustee continues to have a quorum.

Decisions regarding the replacement of these Directors remains a matter for the CFMEU National Executive having regard to the necessary skills and experience required and that any nominated Director are appropriate persons likely to satisfy the fit and proprietary requirements.

The CFMEU National Executive has a 90-day period to nominate new Directors, and the Fund will await advice of its nominations.

As a result of the CFMEU entering administration, the Trustee has suspended all payments to the CFMEU and entry into any new agreements or arrangements on an interim basis pending further investigation. The only exception to this is in respect of certain rent obligations that the Trustee is satisfied are at market rates.

Other than the items noted above, there have been no other matters or circumstances that have arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations, results of those operations and state of affairs of the Fund in future financial years.

## Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Trustee's Product Disclosure Statements and the provisions of the Trust Deed.

The results of the Fund's operations will be affected by several factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

## Audit and non-audit services

Details of the amounts paid or payable to the RSE auditor of the Fund and its controlled entities (Ernst & Young Australia) for audit and non-audit services during the year are disclosed in Note 16 Auditor's remuneration.

The Fund may decide to engage the RSE auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Fund and/or the group are important.

The Board of Directors of the Trustee, in accordance with advice provided by the Audit and Finance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the RSE auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Finance Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

# Directors' Report (continued)

## Remuneration Report (audited)

The Directors of the Trustee present the Fund's Remuneration Report for the year ended 30 June 2024. The Remuneration Report forms part of the Directors' Report and has been audited in accordance with section 300C of the *Corporations Act 2001.*

The Remuneration Report details the remuneration arrangements for the Key Management Personnel ('KMP') of the Fund which include those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the major activities of the Fund.

For United Super Pty Ltd this includes:

- Directors of United Super Pty Ltd, the Trustee for the Fund
- Certain senior Executives of United Super Pty Ltd who meet the definition of KMP.

For the year ended 30 June 2024 the definition of KMP was expanded to include all members of the Group Executive.

### (a) KMP covered in this report

*(i) Directors of the Trustee*

| Name | Position | Term as Director |
|---|---|---|
| M Beveridge | Director | Full financial year |
| H Davis | Director | Full financial year |
| A Devasia | Director | Full financial year |
| S Dunne | Director | Full financial year |
| J Edwards | Independent Director | Full financial year |
| R Mallia | Director | Ceased 27 August 2024 |
| A Milner | Director | Full financial year |
| D Noonan | Director | Ceased 28 August 2024 |
| J O'Mara | Director | Ceased 28 August 2024 |
| E Setches | Director | Full financial year |
| R Sputore | Director | Full financial year |
| W Swan | Independent Director and Chair | Full financial year |
| K Wakefield | Director | Appointed 19 September 2023 |
| D Wawn | Director | Full financial year |
| M Zelinsky | Director | Ceased 30 August 2023 |

*(ii) Other KMP*

| Name | Position | Term as KMP |
|---|---|---|
| K Fok | Chief Executive Officer (CEO) | Full financial year |
| M Walker | Deputy CEO & Chief Member Officer | Full financial year |
| B Chatfield | Chief Investment Officer | Full financial year |
| N Day | Chief Operating Officer | Appointed 23 August 2023 |
| M Georgiou | Chief Risk Officer | Appointed 17 June 2024 |
| N Hannemann | Chief Transformation Officer | From 23 August 2023 to 31 July 2024 |
| J Hartman | Chief People Officer | Appointed 23 August 2023[1] |
| R Henderson | Chief Risk Officer - Acting | From 10 June 2024 to 17 June 2024 |
| B Langdon | Chief Risk Officer - Acting | From 20 December 2023 to 10 June 2024 |
| W Martin | Chief Risk Officer | Ceased 19 December 2023 |
| M Robinson | Chief Information & Technology Officer | Ceased 23 August 2023 |
| A Thow | Group Executive - Brand, Growth & Product | Ceased 23 August 2023 |
| K Wells-Jansz | Chief Financial Officer | Ceased 23 August 2023 |
| A West | Chief Strategy Officer | From 23 August 2023 to 5 August 2024 |

[1] J Hartman was acting Group Executive People and Culture prior to her permanent Chief People Officer appointment on 23 August 2023

# Directors' Report (continued)

## Remuneration Report (audited) (continued)

### (b) Overview of Director and Executive remuneration

*Elements of remuneration*

The Fund has a formal remuneration policy ('Policy'). The remuneration practices are designed to reflect the Fund's values and, to recognise a continual transformation to meet an ever increasingly competitive environment, appropriate resourcing to provide quality benefits and services to the Fund's members and employers.

The Policy is designed to be transparent and to support the business strategy of the Fund. At all times there is a focus on aligning remuneration outcomes maximising retirement outcomes for our members. The Policy also articulates clear governance gateway consequences and risk expectations of every Executive member.

The Fund is committed to providing a remuneration strategy that meets the following principles:

- Aligns remuneration arrangements with the achievement of strategic objectives consistent with Cbus's stated risk appetite, and that develops and supports the desired Cbus culture
- Ensures that remuneration will be equitable, based on merit, underpinned by a transparent and consistent methodology
- Ensures that the Fund provides an appropriately competitive level of remuneration within the market in which the Fund operates, but that gives appropriate consideration to the long-term financial soundness of the Fund
- Ensures that the Fund remains conscious of the relationships between remuneration pressures and costs to members
- The Fund's remuneration strategies are directed at meeting the following objectives:
  - Facilitating the attraction and retention of key capabilities
  - Reinforcing key behaviours that are aligned to our values
  - Competitively positioning labour costs
  - Providing the flexibility necessary to access future business opportunities and respond to business threats by the attraction and retention of key talent
- Remuneration structures at the Fund are supported by a governance framework that is designed to avoid conflicts of interest, defines clear accountabilities, includes risk management, and ensures that proper checks and balances are in place.

*(i) Director remuneration*

The Fund's Directors, and any Alternate Directors, receive competitively benchmarked remuneration for their work, having due regard to their specific responsibilities and the nature and objectives of the Fund.

The Fund's People, Culture and Remuneration Committee ('PCRC') is responsible for reviewing and setting Directors' fees for all group entities each year. The Committee ensures that Directors' fees are appropriate and suitably reflect current industry practice, the complexity of the Boards' work programs and responsibilities, and the Fund's performance.

The fees are also externally benchmarked against peer Funds and other similar financial institutions at least every three years. For the forthcoming financial year, the PCRC makes a remuneration recommendation in the Fund's August Board meeting, following their meeting in June.

The Chair of the Board and the Independent Director at Cbus are all paid a set annual fee. Other Cbus Directors are currently paid a base fee and an additional attendance fee for meetings attended. The attendance fee paid at Committees will vary depending on whether a Director is a member or Chair of a Committee.

*External Board or external committee fees*

Where a Cbus Director has (or will be) appointed for an extended period to an external board, forum, committee or working party representing the Fund, then at the commencement of this appointment a determination will be made if a fee will be payable for the duration of the sitting period. Any recommendation will be made by the Fund and submitted to the Board for approval. This determination will take into consideration any fee arrangement proposed to be provided by other relevant parties (for example, a fund manager may provide a fee for attendance and input at an external Investment Committee) so that no overpayment occurs. If (after the determination) a fee is to be paid by Cbus, then it will be paid in accordance with the current fee schedule and will be dependent on whether the sitting Director is a member or chair of the external board, forum, committee or working party.

Any remuneration application will be determined at the commencement of any appointment, and this will be made in consultation by the Chair with the affected Director based on a recommendation of the time commitment required and endorsed to the Board by the PCRC. It is anticipated that at the commencement of the term the program of activities would be tabled for assessment.

The Trustee has appointed two independent Directors. The independent Director's fee is based on comparable positions in other superannuation funds and the financial services sector more broadly. The fees payable to individual Directors may be delivered as a combination of cash salary and superannuation contributions at the Director's discretion (subject to minimum Superannuation Guarantee requirements). Directors do not receive performance-related incentives, long service leave or termination benefits.

Director remuneration levels are reviewed annually by the PCRC, with reference to the Fund's remuneration framework and market movements.

*(ii) Executive remuneration*

There can be up to two components of an Executive's total remuneration package:

- Fixed remuneration
- Variable remuneration (Short-term incentives (STI) and Long-term incentives (LTI)).

## Directors' Report (continued)

### Remuneration Report (audited) (continued)

**(b) Overview of Director and Executive remuneration (continued)**

*(ii) Executive remuneration (continued)*

*Fixed remuneration*

Fixed Executive remuneration consists of base salary, superannuation, and other non-monetary benefits.

Executive remuneration levels are reviewed annually by the PCRC, with reference to the Fund's remuneration framework and salary market movements. Fixed pay at Cbus is based on a number of inputs and the Fund receives remuneration data through membership with the Financial Institutions Remuneration Group ('FIRG') and through participation in other appropriate surveys. In determining an employee's fixed remuneration, external benchmarking is performed to ensure that remuneration is comparable and competitive within the markets in which the Fund operates. Individual performance, skills, and experience are also used to determine where the employee's fixed remuneration should sit within a market range.

Annually, the PCRC will endorse to the Board for approval the CEO's Key Performance Indicators (KPIs), performance and remuneration.

All other Executive staff participate in a program of setting their objectives each year and their performance is reviewed against their objectives (KPIs) in July of each year, with recommendations for their salary increases (if any) going to the PCRC at the August meeting.

*Variable remuneration*

The Board has approved a limited number of senior roles to participate in the variable pay program, including the Chief Investment Officer (CIO), and roles in the Investment team. Previously all Group Executives had a variable remuneration. The program is designed to provide performance-related payment linked to achievement of agreed objectives. Payment under the program is deferred over a 3 to 5 year period. Eligibility for participation in the program is detailed in the Cbus Remuneration Policy.

**(c) Remuneration agreements**

*(i) Executive KMP employment agreements*

All Executive positions, including the CEO are covered by employment contracts outlining the terms and conditions, and remuneration arrangements and are not subject to an industrial arrangement.

All Executive contracts are open ended and can be terminated with notice by United Super Pty Ltd and the CEO.

If an Executive's employment is terminated, the Fund may not require them to work their notice period.

The Fund may immediately terminate an individual's employment at any time in the case of serious misconduct, in this case the individual will be entitled to fixed remuneration up to the date of their termination and their statutory entitlements.

*(ii) Previous KMP payments*

Payments made to outgoing Executives in office during the financial year ended 30 June 2024 are disclosed in the statutory remuneration table below.

**(d) Statutory remuneration**

*(i) Director remuneration for the year ended 30 June 2024*

| Name | Short-term benefits | Post-employment benefits | Total | Fees paid to |
|---|---|---|---|---|
| | Board and committee fees $ | Superannuation $ | $ | |
| M Beveridge | 107,043 | 11,802 | 118,845 | Director |
| H Davis | 105,389 | 11,655 | 117,044 | Director |
| A Devasia | 88,991 | 9,853 | 98,844 | AMWU [1] |
| S Dunne | 181,539 | 20,061 | 201,600 | Director |
| J Edwards | 146,381 | 16,154 | 162,535 | Director |
| R Mallia | 97,099 | 10,745 | 107,844 | CFMEU [2] |
| A Milner | 99,935 | 11,020 | 110,955 | Director |
| D Noonan | 112,929 | 12,485 | 125,414 | Director |
| J O'Mara | 107,914 | 11,921 | 119,835 | CFMEU [3] |
| E Setches | 88,148 | 9,746 | 97,894 | CEPU [4] |
| R Sputore | 123,173 | 13,612 | 136,785 | Director |
| W Swan | 211,004 | 23,296 | 234,300 | Director |
| K Wakefield | 72,072 | 7,961 | 80,033 | AWU [5] |
| D Wawn | 87,356 | 9,649 | 97,005 | MBA [6] |
| M Zelinsky | 18,089 | 1,990 | 20,079 | Director |
| **Total** | **1,647,062** | **181,950** | **1,829,012** | |

[1] Fees paid to Automotive Food Metals Engineering Printing & Kindred Industries Union (AMWU)
[2] Fees were paid to Construction Forestry and Maritime Employees Union Construction and General Division NSW Divisional Branch (CFMEU) until payments to the CFMEU were suspended on an interim basis
[3] Fees were paid to Construction Forestry Maritime Mining and Energy Union - The Construction and General Division Australian Capital Territory Divisional Branch (CFMEU) until payments to the CFMEU were suspended on an interim basis
[4] Fees paid to Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division Victorian Divisional Branch (CEPU)
[5] Fees paid to Australian Workers Union (AWU)
[6] Fees paid to Master Builders Australia Limited (MBA)

# Directors' Report (continued)

## Remuneration Report (audited) (continued)

### (d) Statutory remuneration (continued)

*(ii) Executive KMP remuneration for the year ended 30 June 2024*

| Name | Role | Short-term employee benefits* | | | | Post-employment benefits | Termination payments | Total |
|---|---|---|---|---|---|---|---|---|
| | | Cash salary, fees & short-term compensated absences $ | Short-term cash profit-sharing & other bonuses $ | Non-monetary benefits** $ | Other $ | Superannuation $ | $ | $ |
| K Fok | Chief Executive Officer (CEO) | 1,388,462 | 187,626 | – | 480 | 27,500 | – | **1,604,068** |
| M Walker | Deputy CEO & Chief Member Officer | 785,500 | 17,532 | 12,275 | – | 27,500 | – | **842,807** |
| B Chatfield | Chief Investment Officer | 922,500 | 196,443 | 10,805 | – | 27,500 | – | **1,157,248** |
| N Day[1] | Chief Operating Officer | 672,500 | 43,277 | 11,721 | 537 | 27,500 | – | **755,535** |
| M Georgiou[2] | Chief Risk Officer | 22,019 | – | – | – | 1,058 | – | **23,077** |
| N Hannemann[3] | Chief Transformation Officer | 364,671 | – | 9,718 | 170 | 23,798 | – | **398,357** |
| J Hartman[4] | Chief People Officer | 385,039 | – | 12,007 | – | 27,500 | – | **424,546** |
| R Henderson | Chief Risk Officer - Acting | 10,096 | – | – | – | 635 | – | **10,731** |
| B Langdon[5] | Chief Risk Officer - Acting | 260,440 | – | 4,813 | – | 13,327 | – | **278,580** |
| W Martin[6] | Chief Risk Officer | 477,171 | 7,372 | 5,788 | – | 16,394 | – | **506,725** |
| M Robinson[7] | Chief Information & Technology Officer | 157,073 | 7,971 | 1,720 | – | 11,740 | 310,998 | **489,502** |
| A Thow[8] | Group Executive - Brand, Growth & Product | 122,239 | – | 1,720 | – | 11,740 | 248,329 | **384,028** |
| K Wells-Jansz[9] | Chief Financial Officer | 266,653 | 12,287 | 1,702 | – | 11,740 | 561,274 | **853,656** |
| A West[10] | Chief Strategy Officer | 666,862 | 93,734 | 10,267 | – | 23,798 | – | **794,661** |
| **Total** | | **6,501,225** | **566,242** | **82,536** | **1,187** | **251,730** | **1,120,601** | **8,523,521** |

[1] Ms Day was appointed as Chief Operating Officer on 23 August 2023
[2] Ms Georgiou commenced employment with the Fund on 17 June 2024
[3] Ms Hannemann was appointed as Chief Transformation Officer on 23 August 2023
[4] Ms Hartman was acting Group Executive People and Culture prior to her permanent Chief People Officer appointment on 23 August 2023
[5] Ms Langdon ceased employment with the Fund on 10 June 2024
[6] Mr Martin ceased employment with the Fund on 19 December 2023
[7] Ms Robinson ceased employment with the Fund on 23 August 2023 received $310,998 in line with her contractual terms and statutory entitlements
[8] Mr Thow ceased employment with the Fund on 23 August 2023 received $248,329 in line with his contractual terms and statutory entitlements
[9] Mr Wells-Jansz ceased employment with the Fund on 23 August 2023 received $561,274 in line with his contractual terms and statutory entitlements
[10] Ms West was appointed as Chief Strategy Office on 23 August 2023

* Short-term employee benefits include cash salary, annual leave, lump sum payments and other non-monetary benefits
** Includes car parking benefits and any associated fringe benefits tax

**End of Remuneration Report**

# Directors' Report (continued)

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

This report is made in accordance with a resolution of the Directors.

[redacted]

**Director**

[redacted]

**Director**

**Melbourne**

**19 September 2024**

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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## Auditor's independence declaration to the directors of United Super Pty Ltd as trustee for Construction and Building Unions Superannuation Fund

As lead auditor for the audit of the financial report of Construction and Building Unions Superannuation Fund for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

[redacted]

Ernst & Young

[redacted]

Luke Slater
Partner
19 September 2024

# Statement of Financial Position

## As at June 30 June 2024

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3(a) | 194,496 | 121,269 |
| Receivables | 4 | 10,802 | 7,344 |
| Financial assets | 5 | 94,783,112 | 85,765,208 |
| Property, plant and equipment | 6(i) | 9,757 | 9,193 |
| Right-of-use assets | 6(ii) | 26,667 | 41,587 |
| Intangible assets | 7 | 11,712 | 23,987 |
| **Total assets** | | **95,036,546** | **85,968,588** |
| **Liabilities** | | | |
| Payables | 8 | (119,829) | (144,742) |
| Financial liabilities | 5 | (84,397) | (489,287) |
| Income tax payables | 9(e) | (255,057) | (33,673) |
| Lease liabilities | 10 | (47,582) | (62,254) |
| Deferred tax liabilities | 9(d) | (2,100,651) | (1,586,496) |
| **Total liabilities excluding members' benefits** | | **(2,607,516)** | **(2,316,452)** |
| **Net assets available for members' benefits** | | **92,429,030** | **83,652,136** |
| **Members' benefits** | | | |
| Defined contribution members' liabilities | 11(a) | | |
| Allocated to members | | (90,772,230) | (82,107,533) |
| Unallocated to members | | (5,244) | (10,990) |
| Defined benefit members' liabilities | 11(b) | (1,183,157) | (1,142,387) |
| **Total members' benefits** | 12 | **(91,960,631)** | **(83,260,910)** |
| **Net assets** | | **468,399** | **391,226** |
| **Equity** | | | |
| General reserve | 2(n) | 8,207 | (48,039) |
| Administration reserve | 2(n) | 133,982 | 103,642 |
| Insurance reserve | 2(n) | 127,386 | 111,242 |
| Operational risk reserve | 2(n) | 231,073 | 209,130 |
| Defined benefits over/(under) funded | | (32,249) | 15,251 |
| **Total equity** | | **468,399** | **391,226** |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Income Statement

## For the year ended 30 June 2024

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Superannuation activities revenue** | | | |
| Interest | | 538,858 | 387,347 |
| Dividends and distributions | | 1,646,451 | 1,523,247 |
| Changes in fair value of financial instruments | 13 | 5,791,540 | 5,115,042 |
| Other investment income | | 52,401 | 43,359 |
| **Total superannuation activities revenue** | | **8,029,250** | **7,068,995** |
| **Expenses** | | | |
| Investment expenses | 14 | (271,625) | (239,655) |
| Administration and other operating expenses | 15 | (282,833) | (259,113) |
| Insurance premium expenses | | (19,823) | (46,652) |
| **Total expenses** | | **(574,281)** | **(545,420)** |
| **Result from superannuation activities before Income tax (expense)/benefit** | | **7,454,969** | **6,523,575** |
| Income tax (expense)/benefit | 9(a), 9(b) | (525,020) | (431,607) |
| **Result from superannuation activities after Income tax (expense)/benefit** | | **6,929,949** | **6,091,968** |
| Net (benefits)/losses allocated to members' accounts | | (6,805,276) | (6,097,186) |
| Net change in defined benefit members' liabilities | | (47,500) | (26,553) |
| **Operating result after income tax** | | **77,173** | **(31,771)** |

The above Income Statement should be read in conjunction with the accompanying notes.

# Statement of Changes in Members' Benefits

## For the year ended 30 June 2024

| 2024 | Notes | Defined Contribution Members $'000 | Defined Benefit Members $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening balance of members' benefits** | | **82,118,523** | **1,142,387** | **83,260,910** |
| Contributions received from: | | | | |
| Employers | | 5,581,344 | 10,850 | 5,592,194 |
| Members | | 901,707 | 434 | 902,141 |
| Government | | 30,265 | – | 30,265 |
| Net transfers (to)/from other superannuation entities | | 1,079,972 | – | 1,079,972 |
| Income tax on contributions | 9(c) | (885,830) | (1,628) | (887,458) |
| **Net after tax contributions** | | **6,707,458** | **9,656** | **6,717,114** |
| Benefits paid to members or beneficiaries | | (4,754,961) | (81,083) | (4,836,044) |
| Transfer from defined benefit to defined contribution | | 7,692 | (7,692) | – |
| Insurance premiums charged to members | | (416,833) | (19) | (416,852) |
| Death and disability insurance entitlements received | | 382,659 | 68 | 382,727 |
| Benefits allocated to members' accounts, comprising: | | | | |
| Net investment income/(loss) | | 6,953,146 | 75,537 | 7,028,683 |
| Administration fees | | (220,210) | (3,197) | (223,407) |
| Net change in defined benefit members' liabilities | | – | 47,500 | 47,500 |
| **Closing balance of members' benefits** | 12 | **90,777,474** | **1,183,157** | **91,960,631** |

| 2023 | Notes | Defined Contribution Members $'000 | Defined Benefit Members $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening balance of members' benefits** | | **69,567,171** | **–** | **69,567,171** |
| Contributions received from: | | | | |
| Employers | | 4,874,740 | 1,856 | 4,876,596 |
| Members | | 714,135 | 67 | 714,202 |
| Government | | 31,437 | – | 31,437 |
| Successor fund transfers | 1 | 3,941,640 | 1,134,459 | 5,076,099 |
| Net transfers (to)/from other superannuation entities | | 1,428,355 | – | 1,428,355 |
| Income tax on contributions | 9(c) | (773,528) | (279) | (773,807) |
| **Net after tax contributions** | | **10,216,779** | **1,136,103** | **11,352,882** |
| Benefits paid to members or beneficiaries | | (3,636,476) | (5,628) | (3,642,104) |
| Insurance premiums charged to members | | (435,252) | – | (435,252) |
| Death and disability insurance entitlements received | | 294,474 | – | 294,474 |
| Benefits allocated to members' accounts, comprising: | | | | |
| Net investment income | | 6,313,372 | (4,730) | 6,308,642 |
| Administration fees | | (201,545) | (9,911) | (211,456) |
| Net change in defined benefit members' benefits | | – | 26,553 | 26,553 |
| **Closing balance of members' benefits** | 12 | **82,118,523** | **1,142,387** | **83,260,910** |

The above Statement of Changes in Members' Benefits should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

## For the year ended 30 June 2024

| 2024 | General reserve $'000 | Administration reserve $'000 | Insurance reserve $'000 | Operational risk reserve $'000 | Defined benefits over/(under) funded $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Opening balance** | **(48,039)** | **103,642** | **111,242** | **209,130** | **15,251** | **391,226** |
| Net transfers (to)/from reserves | 432 | 527 | 149 | (1,108) | – | – |
| Net allocations (to)/from Members' Benefits | (7,028,683) | 223,407 | – | – | (47,500) | (6,852,776) |
| Net allocations (to)/from Income Statement | 7,084,497 | (193,594) | 15,995 | 23,051 | – | 6,929,949 |
| **Closing balance** | **8,207** | **133,982** | **127,386** | **231,073** | **(32,249)** | **468,399** |

| 2023 | General reserve $'000 | Administration reserve $'000 | Insurance reserve $'000 | Operational risk reserve $'000 | Defined benefits over/(under) funded $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Opening balance** | **-** | **63,340** | **103,549** | **174,772** | **–** | **341,661** |
| Net transfers (to)/from reserves | (13) | (3) | 9 | 7 | – | – |
| Net allocations (to)/from Members' Benefits | (6,308,642) | 211,456 | – | – | (26,553) | (6,123,739) |
| Net allocations (to)/from Income Statement | 6,250,188 | (184,738) | 5,239 | 21,279 | – | 6,091,968 |
| Successor fund transfers | 10,428 | 13,587 | 2,445 | 13,072 | 41,804 | 81,336 |
| **Closing balance** | **(48,039)** | **103,642** | **111,242** | **209,130** | **15,251** | **391,226** |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

## For the year ended 30 June 2024

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 5,891 | 1,009 |
| Death and disability proceeds received from insurer | | 382,727 | 294,474 |
| Administration expenses paid | | (262,320) | (234,563) |
| Insurance premiums paid | | (447,548) | (469,568) |
| Income tax received/(paid) | | 195,199 | 218,011 |
| **Net cash outflow from operating activities** | 3(b) | **(126,051)** | **(190,637)** |
| **Cash flows from investing activities** | | | |
| Purchases of financial instruments | | (74,992,658) | (98,489,216) |
| Proceeds from sale of financial instruments | | 73,304,187 | 96,075,417 |
| Payments for fixed and intangible assets | | (3,573) | (5,964) |
| **Net cash outflow from investing activities** | | **(1,692,044)** | **(2,419,763)** |
| **Cash flows from financing activities** | | | |
| Employer contributions received | | 5,592,194 | 4,876,596 |
| Member contributions received | | 902,141 | 714,202 |
| Government co-contributions received | | 30,265 | 31,437 |
| Net transfers (to)/from other superannuation entities received | | 1,079,972 | 1,427,409 |
| Successor fund transfers | | – | 41,506 |
| Benefits paid to members or beneficiaries | | (4,836,044) | (3,642,104) |
| Payment of lease liabilities | | (5,068) | (5,558) |
| Tax paid on contributions | | (872,138) | (757,524) |
| **Net cash inflow from financing activities** | | **1,891,322** | **2,685,964** |
| **Net increase/(decrease) in cash** | | **73,227** | **75,564** |
| **Cash at the beginning of the financial year** | | **121,269** | **45,705** |
| **Cash at the end of the financial year** | 3(a) | **194,496** | **121,269** |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 1. General information

The Construction and Building Unions Superannuation Fund (the 'Fund') is a superannuation fund domiciled in Australia.

The Fund was constituted by a Trust Deed dated 29 May 1984 (as amended) to provide superannuation, retirement and insurance benefits to its members and beneficiaries. For the purposes of the financial statements the Fund is a not for profit entity.

The Trustee of the Fund is United Super Pty Ltd (the 'Trustee'). The registered office of the Trustee is Level 22, 130 Lonsdale Street,Melbourne, VIC 3000.

These financial statements cover the Fund as an individual entity and were authorised for issue in accordance with a resolution of the Board of Directors of the Trustee on 19 September 2024. The Directors of the Trustee have the power to amend and re-issue these financial statements.

***Successor fund transfer with EISS Super***

On 11 May 2023, the Fund undertook a Successor Fund Transfer with EISS Super (Energy Industries Superannuation Scheme Pool A: Registration No. R1004861 and Pool B: Registration No. R1004878, registrable superannuation entities domiciled in Australia), with the total assets of $5,170,397,000, liabilities of $12,962,000, members' benefits of $5,076,099,000 and equity of $81,336,000 being transferred into the Fund as of this date.

The change to net members' benefits in the prior year of $5,076,099,000 is described as successor fund transfers in the Statement of Changes in Members' Benefits.

### 2. Summary of material accounting policies

Unless covered in other notes to the financial statements, the material accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

#### (a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the provisions of the Trust Deed.

*(i) Financial statements presentation*

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and not distinguished between current and non-current.

*(ii) Assessment as an investment entity*

The Trustee has assessed that the Fund meets the definition of an investment entity within AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

- The Fund obtains money from members for the purpose of providing them with investment management services
- The Fund's business purpose, which is communicated directly to members, is investing solely for returns from capital appreciation, investment income or both
- The performance of investments made by the Fund are measured and evaluated on a fair value basis.

The Fund also meets all the other typical characteristics of an investment entity.

The Fund does not consolidate the controlled entities (refer to Note 20) but instead measures investments in unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments.*

The entities controlled by the Fund have been set up for the purpose of holding investments that generate capital appreciation and investment income. The investment strategies of the underlying controlled entities may include leverage. The Fund purchases shares and units from the controlled entities which enables the controlled entities to invest in a range of property, infrastructure and private equity assets, either directly or through underlying entities. These underlying controlled entities hold investments in property and infrastructure.

The Fund's maximum exposure to loss from its interests in controlled entities is equal to the fair value of its investments in these entities plus any capital commitments (refer to Note 20) made by a controlled entity to an underlying entity.

Once the Fund has disposed of its interest in a controlled entity it ceases to be exposed to any risk from the controlled entity.

*(iii) Fair value measurement*

The financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

#### (b) Significant accounting estimates, judgements and assumptions

The preparation of the Fund's financial statements requires management to make estimates, judgements and assumptions that affect the recognised amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

In applying the Fund's accounting policies management continually evaluates estimates, judgements and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Fund. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management.

Significant estimates, judgements and assumptions exist in the calculation of the accrued benefit relating to defined benefit members' liabilities. The key estimates, judgements and assumptions used are set out in Note 12.

# Notes to the Financial Statements

## For the year ended 30 June 2024

## 2. Summary of material accounting policies (continued)

### (c) New accounting standards and interpretations adopted by the Fund

*(i) New accounting standards and interpretations that are applicable for mandatory adoption in the current year*

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]

The amendments have had an impact on the Fund's disclosures of accounting policies, including the requirement to disclose 'material' rather than 'significant' accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

No other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

*(ii) New accounting standards and interpretations that are applicable for early adoption in the current year, but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

### (d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash held with banking institutions and is subject to an insignificant risk of changes in value.

Other cash held forms part of the Fund's investment portfolio and is classified as a financial asset, disclosed as fund managers' cash and cash equivalents in Note 5. This includes short-term deposits, margin accounts and unsettled trades.

### (e) Receivables

Receivables are initially recognised at fair value and subsequently measured at fair value less any adjustment for credit impairment.

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 14 days of recognition.

Collectability of receivables is reviewed regularly and considered as part of their fair value measurement.

### (f) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period and are measured at fair value. These amounts are unsecured and are usually paid within 14 days of recognition.

### (g) Financial assets and liabilities

*(i) Classification*

The Fund's financial investments are classified as fair value through profit or loss in accordance with AASB 1056 *Superannuation Entities.*

*(ii) Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises the changes in the fair value of the financial assets or liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs for financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Income Statement.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the Income Statement in the period in which they arise as changes in the fair value of financial instruments.

### (h) Fair value measurement

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2. Summary of material accounting policies (continued)

### (h) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy (refer to Note 19).

### (i) Property, plant and equipment

Motor vehicles, office and computer equipment, furniture and fittings and leasehold improvements are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of the asset have different useful lives they are accounted as separate assets. Any gain/loss arising from impairment and any gain/loss on disposal of an item is recognised in the Income Statement in the period in which it occurs.

The cost of leasehold improvements is capitalised as an asset and depreciated over the assets' lease term.

Depreciation is calculated using the diminishing value method to allocate an asset's cost over its estimated useful life. The assets residual values and useful lives are reviewed at the end of each reporting period and adjusted if required.

The estimated useful lives are as follows:

| Leasehold improvements | Lease term |
|---|---|
| Furniture and fittings | 5-10 years |
| Office equipment | 10 years |
| Computer equipment | 3-4 years |
| Motor vehicles | 8 years |

### (j) Leases

Leases are recognised, measured and presented in line with AASB 16 *Leases.*

#### *Valuation of right-of-use assets and lease liabilities*

The application of AASB 16 requires the Fund to make judgements that affect the valuation of right-of-use assets (refer to Note 6) and the valuation of lease liabilities (refer to Note 10). These include determining contracts within the scope of AASB 16, determining the contract terms and determining the interest rate used for discounting of future cash flows.

The lease terms determined by the Fund comprise the following:

- Non-cancellable period of lease contracts
- Periods covered by an option to extend the lease if the Fund is reasonably certain to exercise that option
- Periods covered by an option to terminate the lease if the Fund is reasonably certain not to exercise that option.

The lease terms are applied to determine the depreciation rate of right-of-use assets.

For leases with terms not exceeding twelve months and for leases of low-value assets, the Fund has exercised the optional exemptions, where the lease payments under these contracts are recognised on a straight-line basis over the lease term as other operating expenses.

In all other leases in which the Fund acts as the lessee, the present value of future lease payments is recognised as a lease liability.

Correspondingly, a right-of-use asset is recognised within property, plant and equipment at the present value of the lease liability.

The present value of the lease liability is determined using the discount rate representing the weighted average incremental borrowing rate. Where there has been a re-assessment of the lease term during the year, the Fund has re-measured the lease liabilities using a revised incremental borrowing rate as at the date of the lease modification.

The right-of-use asset is depreciated on a straight-line basis over the lease term or, if shorter the useful life of the leased asset.

### (k) Intangible assets

*(i) Internally generated intangible assets*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period economic benefits are capitalised as internally generated intangible assets. Amortisation and annual impairment testing of completed internally generated intangible assets are used as a proxy for fair value assessment at the reporting date calculated over the asset's useful life ranging from 2 to 5 years.

Costs associated with internally generated intangible assets are recorded as assets under construction until completion and subject to annual impairment testing.

*(ii) Software as a Service (SaaS) related costs*

Costs associated with maintaining or customising SaaS cloud products/software programmes are recognised as an operating expense as incurred.

### (l) Impairment of assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, Management makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to

# Notes to the Financial Statements

## For the year ended 30 June 2024

## 2. Summary of material accounting policies (continued)

### (l) Impairment of assets (continued)

their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in administration and other operating expenses.

### (m) Members' benefits

Members' benefits are the Fund's present obligation to pay benefits to members and beneficiaries as follows:

*(i) Defined contribution members' liabilities*

Defined contribution member liabilities are measured as the amount of members' account balances as at the reporting date.

*(ii) Defined benefit members' liabilities*

Defined benefit members' liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments with reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and other relevant actuarial assumptions.

Refer to Note 12 for further information on members' benefits.

### (n) Reserves

The Fund maintains four reserves, for the purposes described below:

- A General Reserve to manage the receipt of investment income and the payment of investment related expenses and tax. This reserve is also used for the allocation of investment earnings to members via the process of declaring daily crediting rates. The reserve is also used to cover unexpected and unbudgeted expenses of the Fund and to meet any other expenses which the Trustee deems ought to be met from the General Reserve, rather than directly from members' accounts. The long-term aim is to hold a General Reserve within a range of 0.00%-0.25% (2023: 0.00%-0.25%) of the Fund's net assets available for members' benefits.

  The General Reserve balance as at reporting date was $8.2m (2023: -$48.0m).

- An Administration Reserve to manage the receipt of administration fees and the payment of Fund administration and operating expenses.The reserve is also used to cover unexpected and unbudgeted expenses of the Fund and to meet any other expenses which the Trustee deems ought to be met from the Administration Reserve, rather than directly from members' accounts. The Trustee Board has determined that the Administration Reserve is to be maintained within a range of -10% / +20% of the current target level of $77.5m

- An Insurance Reserve is maintained to ensure insurance related expenditure and income are incurred and shared by insurance members and there is no impact on non-insured members for insurance activities. The Insurance Reserve accounts for:
  - The Partnership Sharing Model (PSM) in place with the Fund's insurance provider, TAL Life Limited. The PSM provides a mechanism to manage the long-term fluctuations in claims experience
  - Insurance related revenue and expenditure of the Fund
  - Includes a self-insured amount in order to pay an additional benefit to certain defined benefit members in the event the member dies or becomes totally or permanently disabled prior to retirement age.

- An Operational Risk Reserve (ORR) to provide protection to the Fund if a loss is incurred from an operational risk event. The use of the ORR is governed by requirements established by the Australian Prudential Regulatory Authority, under Prudential Standard *SPS 114 Operational Risk Financial Requirement.*

  Trustee intends to maintain the reserve at 0.25% (2023: 0.25%) of the Fund's net assets available for members' benefits in line with its internal policy.

### (o) Revenue and expense recognition

*(i) Interest revenue*

Interest revenue from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

*(ii) Dividends and distributions revenue*

Dividends and distributions revenue are recognised gross of withholding tax when the Fund's right to receive the distribution or dividend payment is established.

*(iii) Changes in fair value of financial instruments*

Changes in the fair value of financial instruments are calculated as the difference between the fair value upon sale, restructure, settlement or termination, or at the end of the reporting period, and the fair value at the end of the previous reporting period or at the date the financial instruments are acquired.

*(iv) Investment expenses*

Master custodian and investment management fees and other investment expenses are recognised on an accruals basis and represent costs incurred directly by the Fund in managing the investment portfolio. They do not include fees incurred within underlying investment vehicles. Total investment expenses including direct and indirect expenses are received from members by deducting an investment fee from investment returns before they are credited to members' accounts.

# Notes to the Financial Statements

## For the year ended 30 June 2024

## 2. Summary of material accounting policies (continued)

### (o) Revenue and expense recognition (continued)

*(iv) Investment expenses (continued)*

All changes in the fair value of financial instruments are recognised in the Income Statement.

Expenses are recognised in the Income Statement when the Fund has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and where the expenses do not produce future economic benefits that qualify for recognition in the Statement of Financial Position.

### (p) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Acts 1936 and 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments where the Fund is able to control the timing of the reversal of the temporary differences and it is probable that the differences will notreverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The carrying amount of deferred tax assets is reviewed periodically and at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### (q) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO).

### (r) Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund and its subsidiaries operate ('the functional currency'). The financial statements are presented in Australian Dollars, which is the Fund's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (r) Foreign currency translation (continued)

*(ii) Transactions and balances (continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

#### (s) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars ($'000), unless otherwise indicated.

### 3. Cash and cash equivalents

#### (a) Components of cash and cash equivalents

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Cash at bank | 194,496 | 121,269 |
| **Total cash and cash equivalents** | **194,496** | **121,269** |

#### (b) Reconciliation of operating result after income tax to net cash outflow from operating activities

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Operating result after income tax | 77,173 | (31,771) |
| **Change in operating assets and liabilities:** | | |
| (Increase)/decrease in assets measured at fair value | (7,741,396) | (6,828,077) |
| Increase/(decrease) in payables | (20,564) | 16,121 |
| Increase/(decrease) in insurance premiums payables | (34,125) | (140,777) |
| Increase/(decrease) in income tax payables | 720,219 | 649,618 |
| **Adjustments for non-cash and non-operating items:** | | |
| Depreciation and amortisation | 19,866 | 20,510 |
| Allocation to members' accounts | 6,852,776 | 6,123,739 |
| **Net cash outflow from operating activities** | **(126,051)** | **(190,637)** |

### 4. Receivables

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| GST receivables | 3,284 | 389 |
| Other receivables | 7,518 | 6,955 |
| **Total receivables** | **10,802** | **7,344** |

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 18(b).

# Notes to the Financial Statements

**For the year ended 30 June 2024**

## 5. Financial assets and liabilities

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Financial assets** | | |
| Fund managers' cash and cash equivalents | 7,822,984 | 10,428,555 |
| Alternative debt | 1,372,300 | 1,401,568 |
| Derivative assets | 529,861 | 247,460 |
| Fixed interest securities | 11,987,782 | 9,627,490 |
| Australian equities | 20,367,526 | 16,880,516 |
| International equities | 27,824,113 | 22,977,417 |
| Alternative assets | 15,593,772 | 14,149,854 |
| Investment property trusts: | | |
| Externally managed | 4,644,379 | 5,677,254 |
| Internally managed | 4,640,395 | 4,375,094 |
| **Total investment property trusts** | **9,284,774** | **10,052,348** |
| **Total financial assets** | **94,783,112** | **85,765,208** |
| **Financial liabilities** | | |
| Derivative liabilities | (84,397) | (489,287) |
| **Total financial liabilities** | **(84,397)** | **(489,287)** |

## 6. Property, plant and equipment

*(i) Property, plant and equipment owned*

Information about property, plant and equipment owned by the Fund is presented below:

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Property, plant and equipment** | | |
| Opening net book value | 9,193 | 10,816 |
| Additions | 2,838 | 516 |
| Disposals | (374) | (9) |
| Depreciation expense | (1,900) | (2,130) |
| **Closing net book value** | **9,757** | **9,193** |
| Cost | 20,990 | 19,261 |
| Accumulated depreciation | (11,233) | (10,068) |
| **Net book value** | **9,757** | **9,193** |

## 6. Property, plant and equipment (continued)

*(ii) Right-of-use assets*

Set out below are the carrying amounts of right-of-use assets recognised and their movements during the year.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Opening balance | 41,587 | 46,346 |
| Reassessment of leases | (10,338) | – |
| Additions | 735 | 2,114 |
| Depreciation expense | (5,317) | (6,873) |
| **Closing balance** | **26,667** | **41,587** |

## 7. Intangible assets

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Internally generated intangible assets** | | |
| Opening net book value | 23,987 | 32,406 |
| Additions and assets under construction | - | 3,334 |
| Impairment | (637) | (246) |
| Amortisation | (11,638) | (11,507) |
| **Total intangible assets** | **11,712** | **23,987** |

## 8. Payables

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Insurance premiums payables | (33,941) | (44,814) |
| Investment manager fees payables | (28,660) | (24,429) |
| Investment manager performance fees payables | (9,225) | (29,279) |
| Administration expenses payables | (22,006) | (21,300) |
| Asset consulting fees payables | (217) | (219) |
| Custodian fees payables | (2,281) | (3,868) |
| Provision for employee benefits | (23,499) | (20,833) |
| **Total payables** | **(119,829)** | **(144,742)** |

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. Information regarding interest rate, foreign exchange and liquidity risk exposures are set out in Note 18.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 9. Income tax

#### (a) Income tax expense/(benefit) recognised in the Income Statement

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Current income tax expense/(benefit)** | | |
| Current tax on profits/(losses) for the year | (45,111) | (216,372) |
| Adjustments for current tax of prior periods | 55,976 | 78,935 |
| **Deferred income tax expense/(benefit)** | | |
| Relating to origination and reversal of temporary differences | 514,155 | 569,044 |
| **Total income tax expense/(benefit) recognised in the Income Statement** | **525,020** | **431,607** |

#### (b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Result from superannuation activities before income tax expense/(benefit)** | **7,454,969** | **6,523,575** |
| Prima facie tax at the applicable Australian tax rate of 15% (2023: 15%) | 1,118,245 | 978,536 |
| **Tax effects of amounts which are not (assessable)/deductible in calculating taxable income:** | | |
| Capital (gains)/losses not (assessable)/deductible | (283,792) | (334,628) |
| Exempt pension income | (77,637) | (43,954) |
| Net imputation and foreign tax credits | (225,244) | (181,994) |
| Insurance premium deduction | (62,528) | (65,288) |
| Adjustments for current tax of prior periods | 55,976 | 78,935 |
| **Total income tax expense/(benefit)** | **525,020** | **431,607** |

#### (c) Income tax on contributions recognised in the Statement of Changes in Members' Benefits

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Contributions and transfers-in | 7,604,572 | 12,126,689 |
| Tax at the complying superannuation fund rate of 15% (2023: 15%) | 1,140,686 | 1,819,003 |
| **Tax effects of amounts which are not (assessable)/deductible in calculating contributions tax** | | |
| Non-assessable contributions | (95,481) | (73,651) |
| Non-assessable transfers-in | (159,138) | (972,902) |
| No TFN tax | 1,391 | 1,357 |
| **Total income tax on contributions recognised in the Statement of Changes in Members' Benefits** | **887,458** | **773,807** |

## 9. Income tax (continued)

### (d) Deferred tax liabilities

The movement in temporary differences during the year were:

**30 June 2024**

| | Opening balance $'000 | Transferred from successor fund $'000 | (Charged)/Credited to Income Statement $'000 | Closing balance $'000 |
|---|---|---|---|---|
| **Net deferred tax liabilities** | | | | |
| Unrealised (gains)/losses on investments | (1,586,496) | – | (514,155) | (2,100,651) |
| **Net deferred tax liabilities** | **(1,586,496)** | **–** | **(514,155)** | **(2,100,651)** |

**30 June 2023**

| | Opening balance $'000 | Transferred from successor fund $'000 | (Charged)/Credited to Income Statement $'000 | Closing balance $'000 |
|---|---|---|---|---|
| **Net deferred tax liabilities** | | | | |
| Unrealised (gains)/losses on investments | (1,061,116) | 43,664 | (569,044) | (1,586,496) |
| **Net deferred tax liabilities** | **(1,061,116)** | **43,664** | **(569,044)** | **(1,586,496)** |

The Fund offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities.

### (e) Income tax receivables/payables

The Fund's income tax payable of $255,057,000 (2023: $33,673,000 income tax payable) represents the amount of income tax payable in respect of current and prior periods.

## 10. Lease liabilities

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Lease liabilities | (47,582) | (62,254) |
| **Total lease liabilities** | **(47,582)** | **(62,254)** |

The Fund leases commercial office spaces (within Australia), vehicles and other office equipment. The office leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Opening balance** | **62,254** | **66,559** |
| Additions | 735 | 2,114 |
| Reassessment of leases | (10,161) | – |
| Accretion of interest | 1,022 | 1,550 |
| Payments | (6,268) | (7,969) |
| **Closing balance** | **47,582** | **62,254** |
| Current | 6,053 | 6,487 |
| Non-current | 41,529 | 55,767 |
| **Total lease liabilities** | **47,582** | **62,254** |

The maturity analysis of the contractual undiscounted cash flows of future property lease payments are as follows:

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Less than one year | 205 | 86 |
| One to five years | 2,481 | 4,322 |
| More than five years | 48,199 | 65,072 |
| **Total undiscounted lease liabilities** | **50,885** | **69,480** |

The following are the amounts recognised in the Income Statement:

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Depreciation expense of right-of-use assets | 5,317 | 6,873 |
| Interest expense on lease liabilities | 1,022 | 1,550 |
| Rental expense relating to leases of short-term and low-value assets | 2,069 | (79) |
| **Total amount recognised in profit or loss** | **8,408** | **8,344** |

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 11. Funding arrangements

#### (a) Defined contribution members' liabilities

Employers contribute to the Fund on behalf of members in accordance with the Fund's Trust Deed, relevant industry award agreements and mandated minimum Superannuation Guarantee Charge rate of 11.0% (2023: 10.5%). In addition, members and employers can elect to contribute further amounts to the Fund at their own discretion.

#### (b) Defined benefit members' liabilities

The merger with EISS Super in the prior year, on 11 May 2023, as outlined in Note 1, amended the Fund's Trust Deed to establish a new Defined Benefits section. A Sub-Division, within the Defined Benefits section, was also created for receiving the transferred EISS Super defined benefit liabilities ('Pool B Sub-Division'). Member and employer contributions to the defined benefit scheme are described below:

*(i) Pool B Sub-Division - Former Pool B Division 'B' members*

***Employer contributions***

Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. During the year the employers contributed at a rate of 1.9 times the value of employee contributions.

Employers also contribute to a member's Basic Benefit, otherwise referred to as the Basic Benefits for Former Pool B members ('Division C'). This employer funded benefit is generally equal to 3% of either the final average salary or final salary (depending on the circumstances of exit) for each year of service (less 15% contributions tax).

***Member contributions***

Each member elects to contribute between 1% and 9% of salary for their Contributor Financed Benefit.

Members can also contribute to their Basic Benefit, Division C. A member can use this account for the purpose of making additional contributions and rolling over amounts from other super funds. This account is also able to accept government co-contributions and award contributions from employers.

*(ii) Pool B Sub-Division - Former Pool B Division 'C' members*

***Employer contributions***

Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. During the year the employers contributed at a rate of 1.64 times the value of employee contributions.

Employers also contribute to a member's Basic Benefit, Division C. This employer funded benefit is generally equal to 3% of either the final average salary or final salary (depending on the circumstances of exit) for each year of service (less 15% contributions tax).

***Member contributions***

Each member contributes on a 'rate for age' basis to individual pension units which become available with salary increases. The contribution rate increases according to the age of the member. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Members can also contribute to their Basic Benefit, Division C. A member can use this account for the purpose of making additional contributions and rolling over amounts from other super funds. This account is also able to accept government co-contributions and award contributions from employers.

### 12. Members' benefits

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Members' benefits** | | |
| Defined contribution members' liabilities | | |
| Allocated to members | (90,772,230) | (82,107,533) |
| Unallocated to members | (5,244) | (10,990) |
| Defined benefit members' liabilities | (1,183,157) | (1,142,387) |
| **Total members' benefits** | **(91,960,631)** | **(83,260,910)** |

Obligations relating to members' entitlements are recognised as members' liabilities. They are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their membership as at reporting date, subject to preservation requirements.

## 12. Members' benefits (continued)

### (a) Defined contribution members' liabilities

Defined contribution members' liabilities are measured as the amount of members' account balances as at the end of the reporting period.

Members' account balances are valued by crediting rates determined by the Trustee based on the underlying investment options selected by members.

The defined contribution members bear the investment risk relating to the underlying investment options. Investment option unit prices are updated on a daily basis for movements in investment values.

Refer to Note 18 for the Fund's management of the investment risks.

$5,244,000 (2023: $10,990,000) has not yet been allocated to defined contribution members' accounts which consists of contributions received by the Fund that have not been able to be allocated as at the end of the reporting period and insurance claims payable which have not been paid from members' accounts.

### (b) Defined benefit members' liabilities

The valuation of the defined benefit members' liabilities is undertaken by the RSE actuary ('the Actuary') on an annual basis. Defined benefit members' liabilities are measured as the amount of investments needed to yield cash flows sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments with reference to expected future salary levels and by application of a market-based, risk adjusted discount rate and other relevant actuarial assumptions.

Accrued benefits are defined as the benefits the Fund is obligated to transfer in the future as a result of membership to the end of the reporting period.

The key assumptions used by the Fund's Actuary to determine the value of the accrued benefits in the current year are:

- Future rate of investment return/discount rate (net of all fees and taxes) forecast at 5.42% (2023: 5.62%) per annum
- Future rate of salary increases forecast at 5.6% (2023: 3.3%) per annum for 2024/25, 3.4% (2023: 3.4%) per annum for 2025/26, 3.1% per annum for 2026/27 and then 3.5% (2023: 3.5%) per annum thereafter
- Future rate of pension/CPI increases forecast at 3.8% per annum for 2024/25 and then 2.5% (2023: 2.5%) per annum thereafter.

The Fund's Actuary has used the following movements in the key assumptions to determine the sensitivity in the value of accrued benefits for the current and prior reporting period:

- Future rate of investment return: +/-1% per annum
- Future rate of salary increases: +/-1% per annum
- Future rate of CPI: +/-1% per annum.

The impact of the sensitivity of accrued benefits in these key assumptions are shown below:

**30 June 2024**

| Assumption | Assumed at reporting date | Sensitivity change | Increase (decrease) in accrued benefits |
|---|---|---|---|
| Investment return/Discount rate | 5.42% pa | +1%/-1% pa | ($99,814,000)/$116,867,000 |
| Salary increases | 5.6% pa | +1%/-1% pa | $30,492,000/($27,860,000) |
| Pension/ CPI increases | 3.8% pa | +1%/-1% pa | $96,969,000/($83,214,000) |

**30 June 2023**

| Assumption | Assumed at reporting date | Sensitivity change | Increase (decrease) in accrued benefits |
|---|---|---|---|
| Investment return/Discount rate | 5.62% pa | +1%/-1% pa | ($97,191,000)/$113,727,000 |
| Salary increases | 3.1% pa | +1%/-1% pa | $28,043,000/($25,760,000) |
| Pension/ CPI increases | 6.6% pa | +1%/-1% pa | $84,489,000/($72,757,000) |

The Fund's appointed actuary reports on a quarterly basis on the status of the Vested Benefit Index ('VBI'). The VBI is monitored by against a Shortfall Limit set at 96%. If the VBI falls below 96%, this will trigger a review by the appointed actuary and a report that will set out remedial action and rectification plans as required by APRA Prudential Standard SPS 160 *Defined Benefits.*

The amount of vested benefits attributable to defined benefit members as at 30 June 2024 is $1,178,135,000 (2023: $1,149,150,000).

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 12. Members' benefits (continued)

**(b) Defined benefit members' liabilities (continued)**

The Pool B Sub-Division was over funded as follows:

**30 June 2024**

| | Net assets available for defined benefit members $'000 | Actuarial value of accrued benefits for defined members $'000 | Over/(under) funded $'000 |
|---|---|---|---|
| Pool B Sub-Division | 1,150,908 | 1,183,157 | (32,249) |

**30 June 2023**

| | Net assets available for defined benefit members $'000 | Actuarial value of accrued benefits for defined members $'000 | Over/(under) funded $'000 |
|---|---|---|---|
| Pool B Sub-Division | 1,157,638 | 1,142,387 | 15,251 |

In respect of the underfunded position of defined benefit member liabilities as at 30 June 2024, the Trustee has worked with the relevant employer sponsors to develop a three year rectification strategy. At the current rate of contributions from the employer sponsors of the Pool B Sub-Division, which include additional top-up payments over the next two years, the current deficit of liabilities over assets is scheduled to be fully funded prior to 30 June 2026.

### 13. Changes in fair value of financial instruments

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Fund managers' cash and cash equivalents | 144,601 | 208,727 |
| Alternative debt | 110,583 | 94,520 |
| Derivatives | 297,178 | (734,439) |
| Fixed interest securities | (12,159) | (60,259) |
| Australian equities | 1,294,232 | 1,682,046 |
| International equities | 3,678,540 | 3,368,618 |
| Alternative assets | 776,006 | 718,688 |
| Investment property trusts | (497,441) | (162,859) |
| **Total changes in fair value of financial instruments** | **5,791,540** | **5,115,042** |

### 14. Investment expenses

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Investment manager fees | (175,118) | (135,946) |
| Performance fees* | 11,697 | (14,017) |
| Custodian fees | (8,709) | (7,279) |
| Asset consulting fees | (2,651) | (2,881) |
| Other investment expenses | (96,844) | (79,532) |
| **Total investment expenses** | **(271,625)** | **(239,655)** |

* The performance fees disclosure represents the change in the performance fee accrual throughout the year which generally relates to whether applicable fund managers have over or under performed their respective benchmarks. This means that performance fees can have large fluctuations from one year to the next.

# Notes to the Financial Statements

**For the year ended 30 June 2024**

## 15. Administration and other operating expenses

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Administration expenses | (66,166) | (63,356) |
| Audit fees | (1,199) | (1,690) |
| Actuarial fees | (418) | (152) |
| Marketing and advertising | (25,577) | (25,015) |
| Trustee fees and reimbursements | (19,379) | (4,851) |
| Depreciation and amortisation of owned assets | (13,538) | (13,637) |
| Depreciation of right-of-use assets | (5,317) | (6,873) |
| Interest expense on lease liabilities | (1,022) | (1,550) |
| Other operating expenses | (150,217) | (141,989) |
| **Total administration and other operating expenses** | **(282,833)** | **(259,113)** |

## 16. Auditor's remuneration

During the year the following fees were paid or payable for services provided by Ernst & Young Australia, the RSE auditor of the Fund and its controlled entities:

| | 2024 $ | 2023 $ |
|---|---|---|
| Audit services for the statutory financial report of the Fund and its controlled entities | 659,510 | 642,911 |
| Assurance services that are required by legislation to be provided by the external auditor | 94,374 | 94,374 |
| Other assurance and agreed-upon-procedures under other legislation or contractual arrangements | 125,400 | 237,215 |
| Other services | 389,202 | 271,026 |
| **Total auditor's remuneration** | **1,268,486** | **1,245,526** |

## 17. Segment information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members. The Fund also operates from one reportable geographic segment, being Australia, where its activities are managed. Revenue is predominantly derived from investments, such as interest, distributions and dividends and net changes in the fair value of financial instruments.

## 18. Financial risk management

The Fund's investments are held on behalf of the Trustee by JPMorgan Chase Bank, National Association (JPM) who act as the Fund's master custodian. To the extent assets are held out of custody, the Trustee ensures appropriate controls are in place to ensure the correct recording of the assets, liabilities, revenues and expenses.

Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate or Trust Deed. The Trustee has determined that appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy and outsourcing policy.

The Trustee determines the strategic asset allocations of each of the Fund's investment options. The Trustee receives advice from its investment advisor in making its determination. The asset allocation is reviewed throughout the year in accordance with the Fund's Risk Management Policy, Investment Policy and Procedures Manual.

The Fund's activities expose it to a variety of investment risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund manages these investment risks as part of its overall Risk Management Framework and Investment Governance Framework.

Financial risk management is carried out by the Trustee through the Board and various Committees with advice from external advisors and internal management.

The Fund obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks. The Fund obtains formal Derivative Risk Statements from each manager where available.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include asset allocation modelling, historical stress testing and forward looking scenario testing. The Fund uses a range of qualitative measures of risk when assessing the individual managers' and the Fund's overall investment arrangements.

### 18. Financial risk management (continued)

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices are reflected in earnings credited to member's accounts and Fund reserves. Market risk comprises three types of risk: Foreign exchange risk, interest rate risk and price risk.

*(i) Foreign exchange risk*

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using quantitative and qualitative modelling and sensitivity analysis. The Fund has a Currency Policy. Compliance with the Fund's policy is monitored on a regular basis.

The Fund currently utilises a currency overlay manager to assist with implementation management.

The tables below summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

**30 June 2024**

| | US Dollar A$'000 | Euro A$'000 | GB Pound A$'000 | Jap. Yen A$'000 | Other A$'000 | Total A$'000 |
|---|---|---|---|---|---|---|
| Net exposure | 24,426,480 | 4,244,142 | 1,348,405 | 1,521,016 | 5,447,444 | 36,987,487 |

**30 June 2023**

| | US Dollar A$'000 | Euro A$'000 | GB Pound A$'000 | Jap. Yen A$'000 | Other A$'000 | Total A$'000 |
|---|---|---|---|---|---|---|
| Net exposure | 20,230,219 | 3,298,893 | 1,723,523 | 1,241,939 | 4,721,663 | 31,216,237 |

Unsettled sales and purchases, dividends and interest receivable are not included in the net exposure figures shown above. Foreign exchange contracts are the fair value of the exchange exposure (rather than the market value of the hedged instrument).

***Sensitivity analysis***

Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of +/-17.0% (2023: +/-8.5%) has been determined by the investment advisor as an appropriate assumption for this scenario analysis.

An 17.0% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2024 would have (decreased)/increased the net assets available to pay members' liabilities and the net result from superannuation activities by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World ex Australian Index annual returns over a 10 year period.

The amounts shown below are on the basis that all other variables remain constant.

**30 June 2024**

| | US Dollar A$'000 | Euro A$'000 | GB Pound A$'000 | Jap. Yen A$'000 | Other A$'000 |
|---|---|---|---|---|---|
| 17.00% | (3,549,147) | (616,670) | (195,922) | (221,002) | (791,509) |
| -17.00% | 5,003,014 | 869,282 | 276,179 | 311,533 | 1,115,742 |

**30 June 2023**

| | US Dollar A$'000 | Euro A$'000 | GB Pound A$'000 | Jap. Yen A$'000 | Other A$'000 |
|---|---|---|---|---|---|
| 8.50% | (1,584,856) | (258,439) | (135,023) | (97,295) | (369,900) |
| -8.50% | 1,879,310 | 306,455 | 160,109 | 115,371 | 438,624 |

### 18. Financial risk management (continued)

**(a) Market risk (continued)**

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund's exposure to interest rate movements on those investments are as follows:

**30 June 2024**

| | Floating interest rate $'000 | Fixed interest rate $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Fund managers' cash and cash equivalents | 1,721,374 | 14,019 | 6,087,591 | 7,822,984 |
| Alternative debt | 1,372,300 | – | – | 1,372,300 |
| Derivative assets | 82,341 | 1,256 | 446,264 | 529,861 |
| Fixed interest securities | 1,848,751 | 10,139,031 | – | 11,987,782 |
| Australian equities | – | – | 20,367,526 | 20,367,526 |
| International equities | – | – | 27,824,113 | 27,824,113 |
| Alternative assets | – | – | 15,593,772 | 15,593,772 |
| Investment property trusts | 27,820 | – | 9,256,954 | 9,284,774 |
| **Total financial assets** | **5,052,586** | **10,154,306** | **79,576,220** | **94,783,112** |
| **Financial liabilities** | | | | |
| Derivative liabilities | (6,952) | (1,837) | (75,608) | (84,397) |
| **Total financial liabilities** | **(6,952)** | **(1,837)** | **(75,608)** | **(84,397)** |

**30 June 2023**

| | Floating interest rate $'000 | Fixed interest rate $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Fund managers' cash and cash equivalents | 1,599,574 | 15,638 | 8,813,343 | 10,428,555 |
| Alternative debt | 1,401,568 | – | – | 1,401,568 |
| Derivative assets | 51,821 | 784 | 194,855 | 247,460 |
| Fixed interest securities | 1,470,138 | 8,157,352 | – | 9,627,490 |
| Australian equities | – | – | 16,880,516 | 16,880,516 |
| International equities | – | – | 22,977,417 | 22,977,417 |
| Alternative assets | – | – | 14,149,854 | 14,149,854 |
| Investment property trusts | 13,693 | – | 10,038,655 | 10,052,348 |
| **Total financial assets** | **4,536,794** | **8,173,774** | **73,054,640** | **85,765,208** |
| **Financial liabilities** | | | | |
| Derivative liabilities | (5,699) | (832) | (482,756) | (489,287) |
| **Total financial liabilities** | **(5,699)** | **(832)** | **(482,756)** | **(489,287)** |

### 18. Financial risk management (continued)

#### (a) Market risk (continued)

*(ii) Interest rate risk (continued)*

***Sensitivity analysis***

Based on an assessment of historical movements in cash and bond rates over rolling 1 year periods, an assumption of +1.90% or -1.90% variable volatility factor has been determined by the Fund's investment advisor as the appropriate assumption for this scenario analysis. A change of +1.90% (2023: +0.95%) in interest rates with all other variables remaining constant would have decreased the Fund's operating result and net assets available for members' benefits by $288,764,122 (2023: $120,688,352). A change of -1.90% (2023: -0.95%) in interest rates with all other variables remaining constant would have increased the operating result and net assets available for members' benefits by $288,764,122 (2023: $120,688,352). The analysis is performed on the same basis for 2023. The impact mainly arises from the reasonably possible change in interest rates on the fair value of fixed and floating interest securities.

*(iii) Price risk*

Price risk is the risk that the total value of instruments will fluctuate as a result of changes in the market prices, whether caused by factors specific to an individual instrument, its issuer or all factors affecting all similar instruments traded in the market.

The Fund's investments are exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statement of Financial Position at fair value. All securities investments present a risk of loss of capital. The maximum risk is determined by the fair value of the financial instruments.

Price risk is minimised through diversification and ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies and through robust due diligence processes. Internal and external inestment manager mandate compliance is monitored by internal management and the custodian, and performance reports against benchmark are reported on a regular basis to the Investment Committee.

Sensitivity analysis is based on analysis of historical data in respect of asset class returns and using this analysis to formulate expected future ranges of returns, the investment advisor has determined that the following assumptions are appropriate for this scenario analysis. The assumptions below are based on an expected range of outcomes with a +/- 1% standard deviation.

**30 June 2024**

| | Carrying amount $'000 | Volatility factor minimum % | Volatility factor maximum % | Decrease in net assets $'000 | Increase in net assets $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Fund managers' cash and cash equivalents | 7,822,984 | 1.5% | 3.0% | 117,345 | 234,690 |
| Alternative debt | 1,372,300 | -3.5% | 10.0% | (48,031) | 137,230 |
| Fixed interest securities | 11,987,782 | -3.5% | 10.0% | (419,572) | 1,198,778 |
| Australian equities | 20,367,526 | -24.5% | 40.5% | (4,990,044) | 8,248,848 |
| International equities | 27,824,113 | -21.5% | 33.5% | (5,982,184) | 9,321,078 |
| Alternative assets | 15,593,772 | -5.5% | 17.0% | (857,657) | 2,650,941 |
| Investment property trusts | 9,284,774 | -11.5% | 24.0% | (1,067,749) | 2,228,346 |
| **Total** | **94,253,251** | | | **(13,247,892)** | **24,019,911** |

**30 June 2023**

| | Carrying amount $'000 | Volatility factor minimum % | Volatility factor maximum % | Decrease in net assets $'000 | Increase in net assets $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Fund managers' cash and cash equivalents | 10,428,555 | 2.5% | 3.5% | 260,714 | 364,999 |
| Alternative debt | 1,401,568 | 0.5% | 7.5% | 7,008 | 105,118 |
| Fixed interest securities | 9,627,490 | 0.5% | 7.5% | 48,137 | 722,062 |
| Australian equities | 16,880,516 | -8.5% | 24.5% | (1,434,844) | 4,135,726 |
| International equities | 22,977,417 | -7.5% | 21.0% | (1,723,306) | 4,825,258 |
| Alternative assets | 14,149,854 | 1.0% | 13.0% | 141,499 | 1,839,481 |
| Investment property trusts | 10,052,348 | -2.5% | 16.0% | (251,309) | 1,608,376 |
| **Total** | **85,517,748** | | | **(2,952,101)** | **13,601,020** |

### 18. Financial risk management (continued)

#### (b) Credit risk

Credit risk is the risk that one party to a financial investment will cause financial loss for the other party by failing to discharge an obligation. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents.

The Fund invests in debt securities, provides direct loans and lends securities secured by collateral which carry credit risk. The Fund employs investment managers to manage the securities within approved credit limits within their mandate. Compliance of managers with their mandates is monitored by internal management and the Fund's custodian.

The Fund does not have any significant exposure to any individual counterparty or industry and assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies.

The Fund permits (within the limitations prescribed in the respective investment mandate) that internal and external investment managers may utilise derivatives such as forward foreign exchange contracts to gain access to, and allow flexibility in, the financial markets in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy.

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in Note 18(d).

The fair value of financial assets included in the Statement of Financial Position represent the Fund's exposure to credit risk in relation to those assets. An analysis of debt securities by rating is set out in the tables below.

| Rating | 2024 $'000 | 2023 $'000 |
|---|---|---|
| AAA to AA- | 9,280,806 | 7,275,086 |
| A+ to A- | 5,781,654 | 8,082,305 |
| BBB+ to BBB- | 495,757 | 412,918 |
| Below BBB- | 891,523 | 851,102 |
| No Rating | 5,178,790 | 4,594,374 |
| **Total** | **21,628,530** | **21,215,785** |

The Fund has updated the presentation of amounts in the credit risk management disclosure to incorporate fund managers' cash and cash equivalents, alternative debt, derivative securities and fixed interest portfolios to provide financial statement users with a more complete understanding of the Fund's credit risk exposures.

#### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising cash to meet commitments associated with members' liabilities or is unable to maintain the targeted risk and return allocation. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund invests the majority of its assets in financial instruments, which under normal market conditions are readily convertible to cash.

The Fund limits the allocation of cash and ensures that the allocation is consistent with the investment objectives and the Fund's expected demographic profile and net cash flows. The Fund's relatively young membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Fund to tolerate an exposure to assets with lower levels of inherent liquidity (e.g. property and infrastructure investments) in an expectation of higher risk adjusted investment returns in the longer term.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 18. Financial risk management (continued)

**(c) Liquidity risk (continued)**

The tables below analyse the contractual maturities of the Fund's liabilities, based on the remaining period to the contractual maturity date at the year end.

**30 June 2024**

| | Carrying amount $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | > 12 months $'000 |
|---|---|---|---|---|---|
| Payables | (119,829) | (119,829) | – | – | – |
| Financial liabilities | (84,397) | (25,806) | (22,996) | (32,240) | (3,355) |
| Members' benefits | (47,582) | – | – | (205) | (47,377) |
| Lease liabilities | (91,960,631) | (91,960,631) | – | – | – |

**30 June 2023**

| | Carrying amount $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | > 12 months $'000 |
|---|---|---|---|---|---|
| Payables | (144,742) | (144,742) | – | – | – |
| Financial liabilities | (489,287) | (187,586) | (201,427) | (95,323) | (4,951) |
| Lease liabilities | (62,254) | – | – | (86) | (62,168) |
| Members' benefits | (83,260,910) | (83,260,910) | – | – | – |

Members' benefits have been included in the "Less than 1 month" column above as this is the amount that members could call upon as at year end.

The tables below analyse the contractual maturities of the Fund's derivative financial instruments that will be settled on a gross basis, based on the remaining period to the contractual maturity date at the year end.

**30 June 2024**

| | Carrying amount $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | > 12 months $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Inflows | 12,096,730 | 5,576,893 | 2,643,493 | 3,856,815 | 19,529 |
| (Outflows) | (12,181,127) | (5,602,700) | (2,666,489) | (3,889,055) | (22,883) |
| **Total** | **(84,397)** | **(25,807)** | **(22,996)** | **(32,240)** | **(3,354)** |

**30 June 2023**

| | Carrying amount $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | > 12 months $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Inflows | 18,989,257 | 6,637,275 | 5,985,689 | 6,322,625 | 43,668 |
| (Outflows) | (19,478,544) | (6,824,861) | (6,187,116) | (6,417,948) | (48,619) |
| **Total** | **(489,287)** | **(187,586)** | **(201,427)** | **(95,323)** | **(4,951)** |

### 18. Financial risk management (continued)

#### (d) Derivatives

Derivative financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle transactions on a net basis, or realise the asset and settle the liability simultaneously.

Fund managers enter into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. Under such arrangements derivative financial assets and liabilities could potentially be offset at the counterparty level under certain circumstances such as default. The amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency would be aggregated into a single net amount payable by one party to the other and the relevant arrangements terminated. The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position as the Fund does not have a legally enforceable right of set-off.

#### (e) Environmental, social and governance

The Fund has a duty to act in the best financial interest of our members. The Fund believes companies that actively manage material* environmental, social and governance (ESG) risks and opportunities are likely to generate better risk-adjusted long term returns for our members, and as such, consideration of these risks and opportunities is entirely consistent with our best financial interest duty.

Responsible investment is one component of the Fund's investment model, and the Fund's approach is guided by our Investment Governance Framework and the Responsible Investment (RI) Policy. The RI Policy is reviewed every three years by the Investment Committee.

Climate change in particular is a complex environmental and social issue that will increasingly impact the global economy over time and as such the Fund has developed a Climate Change Position Statement, Climate Principles and Climate Change Roadmap to help guide the integration of climate change risks and opportunities within the broader Investment Framework. The Fund has set goals of net zero portfolio emissions by 2050 and aims to contribute to a 45% reduction in real world emissions by 2030. These goals currently cover over 70% of the Fund's investment portfolio including listed equities, property, infrastructure and a subset of listed credit instruments and work will continue to expand the boundary of these targets to include additional asset classes.

The Fund seeks to apply responsible investment considerations including climate change across our investment options by:

- Working to integrate consideration of material ESG risks and opportunities into the investment processes of both internal and external fund managers. The quality of ESG integration is an important consideration in the selection, appointment, and ongoing monitoring of our external investment managers and internally held assets
- Including responsible investment outcomes in the annual reviews for the Fund's investment team
- Undertaking annual exposure analysis and incorporating modern slavery considerations into due diligence and monitoring to meet the Fund's obligations under the Modern Slavery Act 2018
- Whilst our primary approach to responsible investment is through ESG integration, there are occasions where we consider investment in particular companies and industries to be incompatible with the long-term requirements of our members. The Fund has developed an Exclusions Governance Framework to determine where such exclusions may be appropriate
- The Fund may also employ investment mandate limitations to some index-based emerging market portfolios where we have limited ability to engage and influence companies with very poor ESG practices. Our current approach for these investment mandates excludes companies that have attracted the Sustainalytics** highest controversy rating of 'Severe' for a period of at least 12 months, with this list being reviewed annually
- Being an active steward. Through voting at general meetings and discussions with a company or manager we aim to improve practices so that companies we invest in are better run and provide more sustainable long-term returns. We also encourage the development of standards, guidelines and regulatory reform while also promoting a shift towards a sustainable finance system
- Maintaining a transparent and evidence-based approach. The fund leverages a wide range of information and data to continuously evolve our approach, is involved in ongoing research to understand emerging issues, and provides evidence to measure and report on our progress
- The Fund is an active participant in dedicated engagement forums such as the Australian Council of Superannuation Investors (ACSI) Rights and Cultural Heritage Risk Management Working Group, Climate Action 100+ and Investors Against Slavery and Trafficking Asia Pacific (IAST APAC)
- Advocating for change. As a large and growing superannuation fund, the Fund participates in collective initiatives to help address systemic risks, such as climate change, for example through participation in the Australian Sustainable Finance Institute (ASFI) and the Investor Group on Climate Change (IGCC).

* Material ESG risks and opportunities are those that are highly likely to affect business or investment performance.

** The Fund currently uses Morningstar Sustainalytics data for this purpose.

## 18. Financial risk management (continued)

### (e) Environmental, social and governance (continued)

As a signatory to the Australian Asset Owners Stewardship Code (the 'Code'), the Fund supports the principles and guidance outlined in the Code which are designed to raise the transparency and accountability of voting, engagement, advocacy and oversight of manager's stewardship practices. The Fund has produced a stewardship statement for public disclosure in compliance with the Code.

The Fund is also a signatory to the Principles for Responsible Investment (PRI), which establish a collective international framework for institutional investors to integrate ESG risks and opportunities into their investment decision-making

Additionally, the Fund is involved in collaborative efforts to support the UN Sustainable Development Goals (SDGs). The Fund is an active subscriber to the SDI AOP (Sustainable Development Investments Asset Owner Platform), which aims to maintain a standardised taxonomy and increase the quality of data available to investors for the purpose of linking investment activities to SDGs, engaging on SDG alignment and monitoring external managers.

## 19. Fair value hierarchy

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (refer to Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

### (a) Fair value hierarchy

*(i) Classification of financial assets and financial liabilities*

The Fund classifies fair value measurements of financial instruments using a hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).These inputs must be observable for substantially the full term of the financial instrument
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This includes any instruments that are not categorised in Level 1 or Level 2.

The levels in the fair value hierarchy to which instruments are being classified, are determined on the basis of the lowest level input that is significant to 'the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is determined to be a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the instrument being classified.

## 19. Fair value hierarchy (continued)

### (a) Fair value hierarchy (continued)

*(i) Classification of financial assets and financial liabilities (continued)*

**Recognised fair value measurements.**

The following tables present the Fund's financial assets and liabilities measured and recognised at fair value.

**30 June 2024**

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Fund managers' cash and cash equivalents | – | 7,822,984 | – | 7,822,984 |
| Alternative debt | – | 1,372,300 | – | 1,372,300 |
| Derivative assets | – | 529,861 | – | 529,861 |
| Fixed interest securities | – | 11,987,782 | – | 11,987,782 |
| Australian equities | 20,356,865 | – | 10,661 | 20,367,526 |
| International equities | 27,821,056 | 1,663 | 1,394 | 27,824,113 |
| Alternative assets | 374,659 | 1,322,067 | 13,897,046 | 15,593,772 |
| Investment property trusts | 1,163,345 | – | 8,121,429 | 9,284,774 |
| **Total financial assets** | **49,715,925** | **23,036,657** | **22,030,530** | **94,783,112** |
| **Financial liabilities** | | | | |
| Derivative liabilities | – | (84,397) | – | (84,397) |
| **Total financial liabilities** | **–** | **(84,397)** | **–** | **(84,397)** |

**30 June 2023**

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Fund managers' cash and cash equivalents | – | 10,428,555 | – | 10,428,555 |
| Alternative debt | – | 1,401,568 | – | 1,401,568 |
| Derivative assets | – | 247,460 | – | 247,460 |
| Fixed interest securities | – | 9,627,490 | – | 9,627,490 |
| Australian equities | 16,868,729 | – | 11,787 | 16,880,516 |
| International equities | 22,976,998 | – | 419 | 22,977,417 |
| Alternative assets | 412,555 | 1,522,835 | 12,214,464 | 14,149,854 |
| Investment property trusts | 1,868,089 | – | 8,184,259 | 10,052,348 |
| **Total financial assets** | **42,126,371** | **23,227,908** | **20,410,929** | **85,765,208** |
| **Financial liabilities** | | | | |
| Derivative liabilities | – | (489,287) | – | (489,287) |
| **Total financial liabilities** | **–** | **(489,287)** | **–** | **(489,287)** |

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 19. Fair value hierarchy (continued)

#### (a) Fair value hierarchy (continued)

*(ii) Transfers between levels*

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### (b) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.
These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Fund specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

#### (c) Fair value measurement using significant unobservable inputs (Level 3)

The following tables present the movement in Level 3 instruments.

**30 June 2024**

| | Australian equities $'000 | International equities $'000 | Alternative assets $'000 | Investment property trusts $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance | 11,787 | 419 | 12,214,464 | 8,184,259 | 20,410,929 |
| Purchases | 12,184 | 1,257 | 1,313,729 | 764,955 | 2,092,125 |
| Sales | (10,543) | (1,565) | (570,467) | (301,401) | (883,976) |
| Transfers into/(out of) from Level 3 | 13,621 | 1,009 | 381,283 | - | 395,913 |
| Gains and losses recognised in profit or loss | (16,388) | 274 | 593,285 | (526,384) | 50,787 |
| **Closing balance** | **10,661** | **1,394** | **13,932,294** | **8,121,429** | **22,065,778** |
| **Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period** | **(15,815)** | **189** | **591,986** | **(526,023)** | **50,337** |

**30 June 2023**

| | Australian equities $'000 | International equities $'000 | Alternative assets $'000 | Investment property trusts $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance | 2,153 | 981 | 10,799,499 | 7,353,541 | 18,156,174 |
| Purchases | 4,957 | 19,301 | 1,132,340 | 1,532,133 | 2,688,731 |
| Sales | (738) | (23,569) | (229,886) | (215,626) | (469,819) |
| Transfers into/(out of) from Level 3 | 5,681 | – | (134,860) | (65,886) | (195,065) |
| Gains and losses recognised in profit or loss | (266) | 3,706 | 647,371 | (419,903) | 230,908 |
| **Closing balance** | **11,787** | **419** | **12,214,464** | **8,184,259** | **20,410,929** |
| **Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period** | **(401)** | **2,727** | **646,429** | **(419,410)** | **229,345** |

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 19. Fair value hierarchy (continued)

*(i) Changes in valuation techniques*

There have been no changes to asset valuation techniques during the year.

*(ii) Valuation inputs and relationships to fair value*

The Fund's Level 3 fair value investments comprise investments in delisted or suspended Australian and International equities, unlisted alternative investment assets and investment properties.

The significant unobservable inputs used in Level 3 fair value measurements are summarised below:

| Description | Fair value as at 30June 2024 $'000 | Fair value as at 30June 2023 $'000 | Valuation technique | Key unobservable inputs* | Range of inputs (Weighted average) 2024 | Range of inputs (Weighted average) 2023 |
|---|---|---|---|---|---|---|
| **Australian equities** | **10,661** | 11,787 | Stock Exchange | Last Traded Price | **$0 - $0.51 ($0.19)** | $0 - $2.55 ($1.14) |
| **International equities** | **1,394** | 419 | Stock Exchange | Last Traded Price | **$0 - $114.05 ($33.90)** | $0 - $114.05 ($114.05) |
| **Alternative assets** | **489,819** | 314,641 | External Fund Managers' Unitholder Statement | Redemption Unit Price | **$0.01 - $12,900 ($65.35)** | $1.94 - $1.94 ($1.94) |
| | **13,442,475** | 11,899,823 | Partner Capital Statements | Net Asset Value | **$0 - $2,464.1m ($1,163.2m)** | $0 - $2,380.2m ($1,244.2m) |
| | **13,932,294** | 12,214,464 | | | | |
| **Investment property trusts** | **8,121,429** | 8,184,259 | Net Assets Valuation | Net Asset Value | **$0 - $1,395.7m ($1,142.1m)** | $0 - $1,613.9m ($1,000.7m) |

* There were no significant inter-relationships between unobservable inputs that may materially affect the fair values.

An increase in the key unobservable inputs described above will result in an increase in the fair value of the financial instruments classified as Level 3.

### 20. Controlled entities

The Fund's exposure to the fair value of investments held in controlled entities and commitments to these entities are shown below:

**30 June 2024**

| | No. | Fair value $'000 | Commitments $'000 |
|---|---|---|---|
| **Asset class** | | | |
| Internally managed investment property trusts | 13 | 4,640,395 | 398,000 |
| Alternative assets | 5 | 1,447,226 | 350,551 |
| **Total** | **18** | **6,087,621** | **748,551** |

**30 June 2023**

| | No. | Fair value $'000 | Commitments $'000 |
|---|---|---|---|
| **Asset class** | | | |
| Internally managed investment property trusts | 14 | 4,375,094 | 780,000 |
| Alternative assets | 5 | 1,444,011 | 398,725 |
| **Total** | **19** | **5,819,105** | **1,178,725** |

## 20. Controlled entities (continued)

The Fund has control or significant influence of the following controlled entities:

| Name of entity | Equity holding | | Value | |
|---|---|---|---|---|
| | 2024 % | 2023 % | 2024 $'000 | 2023 $'000 |
| **Internally managed Cbus properties** | | | | |
| 313 Spencer Street Holding Unit Trust | 100 | 100 | 197,847 | 215,874 |
| 447 Collins Street Holdings Unit Trust | 100 | 100 | 265,445 | 282,186 |
| Cbus Property Commercial Unit Trust | 100 | 100 | 2,271,968 | 1,752,739 |
| Cbus Property Developments No.2 Pty Ltd | 100 | 100 | – | – |
| Cbus Property Developments Unit Trust | 100 | 100 | – | 196 |
| Cbus Property Group Funding Unit Trust | 100 | 100 | 27,820 | 13,693 |
| Cbus Property Hospitality Unit Trust* | 100 | 100 | – | – |
| Cbus Property Industrial Unit Trust ** | – | 100 | – | – |
| Cbus Property Pty Ltd | 100 | 100 | (5,356) | (4,521) |
| Cbus Property Residential Operations Unit Trust | 100 | 100 | 724,685 | 873,612 |
| Cbus Property Retail Unit Trust | 100 | 100 | 862,636 | 834,381 |
| George Street Holding Unit Trust* | 100 | 100 | – | – |
| SESP No.1 Unit Trust | 100 | 100 | 295,217 | 406,756 |
| USI (Breakfast Point) Pty Ltd | 100 | 100 | 133 | 178 |
| **Total** | | | **4,640,395** | **4,375,094** |
| **Internally managed Australian infrastructure investments** | | | | |
| Cbus AI (Port) Trust | 100 | 100 | 73,092 | 70,281 |
| Cbus Forth Ports Trust | 100 | 100 | 557,934 | 557,697 |
| Cbus Infrastructure Holding Trust | 100 | 100 | 140,205 | 142,514 |
| **Total** | | | **771,231** | **770,492** |
| **Internally managed Australian private equity** | | | | |
| USAM Investments Pty Ltd | 100 | 100 | 170 | 170 |
| ROC Cbus Private Equity Trust | 100 | 100 | 675,825 | 673,349 |
| **Total** | | | **675,995** | **673,519** |
| **Total combined** | | | **6,087,621** | **5,819,105** |

* These trusts are inactive at reporting date.
** This trust was terminated on 31 October 2023.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 21. Related parties

#### (a) Trustee

United Super Pty Ltd (USPL) is the Trustee of the Fund.

The Trustee Company holds an Australian Financial Services Licence and a Registrable Superannuation Entity Licence.

A Trustee fee is paid to USPL for services provided to the Fund in accordance with the Trust Deed.

Amounts paid and payable to the Trustee in forms of fees and reimbursements during the financial year are disclosed in Note 15 and total $19,378,954 (2023: $4,850,529). As at 30 June 2024, $182,955 (2023: $452,163) was payable to the Trustee and is included in payables in the Statement of Financial Position.

#### (b) Directors

Key Management Personnel (KMP) include persons who were Directors of the Trustee at any time during the financial year and up to the date of this report. The Directors' remuneration paid and payable during the financial year is set out in the following tables:

**Year ended 30 June 2024**

| Name | Short-term benefits | Post-employment benefits | Total | Fees paid to |
|---|---|---|---|---|
| | Board and committee fees $ | Superannuation $ | $ | |
| M Beveridge | 107,043 | 11,802 | 118,845 | Director |
| H Davis | 105,389 | 11,655 | 117,044 | Director |
| A Devasia | 88,991 | 9,853 | 98,844 | AMWU [1] |
| S Dunne [7] | 181,539 | 20,061 | 201,600 | Director |
| J Edwards | 146,381 | 16,154 | 162,535 | Director |
| R Mallia [7,10] | 97,099 | 10,745 | 107,844 | CFMEU [2] |
| A Milner [7] | 99,935 | 11,020 | 110,955 | Director |
| D Noonan [7,11] | 112,929 | 12,485 | 125,414 | Director |
| J O'Mara [7,11] | 107,914 | 11,921 | 119,835 | CFMEU [3] |
| E Setches [7] | 88,148 | 9,746 | 97,894 | CEPU [4] |
| R Sputore [7] | 123,173 | 13,612 | 136,785 | Director |
| W Swan | 211,004 | 23,296 | 234,300 | Director |
| K Wakefield [7,9] | 72,072 | 7,961 | 80,033 | AWU [5] |
| D Wawn | 87,356 | 9,649 | 97,005 | MBA [6] |
| M Zelinsky [8] | 18,089 | 1,990 | 20,079 | Director |
| **Total** | **1,647,062** | **181,950** | **1,829,012** | |

[1] Fees paid to Automotive Food Metals Engineering Printing & Kindred Industries Union (AMWU)
[2] Fees were paid to Construction Forestry and Maritime Employees Union Construction and General Division NSW Divisional Branch (CFMEU) until payments to the CFMEU were suspended on an interim basis
[3] Fees were paid to Construction Forestry Maritime Mining and Energy Union - The Construction and General Division Australian Capital Territory Divisional Branch (CFMEU) until payments to the CFMEU were suspended on an interim basis
[4] Fees paid to Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division Victorian Divisional Branch (CEPU)
[5] Fees paid to Australian Workers Union (AWU)
[6] Fees paid to Master Builders Australia Limited (MBA)
[7] Member of the Fund
[8] Director (Ceased 30/08/2023)
[9] Director (Appointed 19/09/2023)
[10] Director (Ceased 27/08/2024)
[11] Director (Ceased 28/08/2024)

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 21. Related parties (continued)

**(b) Directors (continued)**

**Year ended 30 June 2023**

| Name | Short-term benefits | Post-employment benefits | Total | Fees paid to |
|---|---|---|---|---|
| | Board and committee fees $ | Superannuation $ | $ | |
| M Beveridge | 112,154 | 11,802 | 123,956 | Director |
| H Davis | 107,387 | 11,336 | 118,723 | Director |
| A Devasia [9] | 50,368 | 5,327 | 55,695 | AMWU [1] |
| A Donnellan [8] | 33,817 | 3,551 | 37,368 | Director |
| A Donnellan [8] | 19,058 | 2,001 | 21,059 | AMWU [1] |
| S Dunne [7] | 171,735 | 18,122 | 189,857 | Director |
| J Edwards | 147,130 | 15,499 | 162,629 | Director |
| R Mallia [7] | 109,648 | 11,576 | 121,224 | CFMEU [2] |
| A Milner [7] | 111,989 | 11,797 | 123,786 | Director |
| D Noonan [7,11] | 29,581 | 3,167 | 32,748 | Director |
| F O'Grady [7,10] | 71,652 | 7,523 | 79,175 | Director |
| J O'Mara [7] | 114,818 | 12,104 | 126,922 | CFMEU [3] |
| E Setches [7] | 81,037 | 8,557 | 89,594 | CEPU [4] |
| R Sputore [7] | 125,847 | 13,275 | 139,122 | Director |
| W Swan | 199,020 | 20,980 | 220,000 | Director |
| D Wawn [7] | 99,622 | 10,499 | 110,121 | MBA [6] |
| M Zelinsky | 45,914 | 4,821 | 50,735 | AWU [5] |
| M Zelinsky | 56,295 | 5,962 | 62,257 | Director |
| **Total** | **1,687,072** | **177,899** | **1,864,971** | |

[1] Fees paid to Automotive Food Metals Engineering Printing & Kindred Industries Union (AMWU)
[2] Fees paid to Construction Forestry and Maritime Employees Union Construction and General Division NSW Divisional Branch (CFMEU)
[3] Fees paid to Construction Forestry Maritime Mining and Energy Union - The Construction and General Division Australian Capital Territory Divisional Branch (CFMEU)
[4] Fees paid to Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division Victorian Divisional Branch (CEPU)
[5] Fees paid to Australian Workers Union (AWU)
[6] Fees paid to Master Builders Australia Limited (MBA)
[7] Member of the Fund
[8] Director (Ceased 12/12/2022)
[9] Director (Appointed 01/01/2023)
[10] Director (Ceased 31/03/2023)
[11] Director (Appointed 01/04/2023)

Certain Directors are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund.

### 21. Related parties (continued)

#### (c) Other KMP

Other KMP included the following senior Executives and their remuneration is set out in the following tables:

**Year ended 30 June 2024**

| Name | Role | Short-term employee benefits* | | | | Post-employment benefits | Termination payments | Total |
|---|---|---|---|---|---|---|---|---|
| | | Cash salary, fees & short-term compensated absences | Short-term cash profit-sharing & other bonuses | Non-monetary benefits** | Other | Superannuation | | |
| | | $ | $ | $ | $ | $ | $ | $ |
| K Fok [1,2] | Chief Executive Officer (CEO) | 1,388,462 | 187,626 | – | 480 | 27,500 | – | **1,604,068** |
| M Walker [2] | Deputy CEO & Chief Member Officer | 785,500 | 17,532 | 12,275 | – | 27,500 | – | **842,807** |
| B Chatfield [2] | Chief Investment Officer | 922,500 | 196,443 | 10,805 | – | 27,500 | – | **1,157,248** |
| N Day [2,6] | Chief Operating Officer | 672,500 | 43,277 | 11,721 | 537 | 27,500 | – | **755,535** |
| M Georgiou [2,13] | Chief Risk Officer | 22,019 | – | – | – | 1,058 | – | **23,077** |
| N Hannemann [2,7] | Chief Transformation Officer | 364,671 | – | 9,718 | 170 | 23,798 | – | **398,357** |
| J Hartman [2,8] | Chief People Officer | 385,039 | – | 12,007 | – | 27,500 | – | **424,546** |
| R Henderson [12] | Chief Risk Officer - Acting | 10,096 | – | – | | 635 | – | **10,731** |
| B Langdon [2,11] | Chief Risk Officer - Acting | 260,440 | - | 4,813 | – | 13,327 | – | **278,580** |
| W Martin [2,10] | Chief Risk Officer | 477,171 | 7,372 | 5,788 | – | 16,394 | – | **506,725** |
| M Robinson [2,3] | Chief Information & Technology Officer | 157,073 | 7,971 | 1,720 | – | 11,740 | 310,998 | **489,502** |
| A Thow [2,4] | Group Executive - Brand, Growth & Product | 122,239 | – | 1,720 | – | 11,740 | 248,329 | **384,028** |
| K Wells-Jansz [2,5] | Chief Financial Officer | 266,653 | 12,287 | 1,702 | – | 11,740 | 561,274 | **853,656** |
| A West [2,9] | Chief Strategy Officer | 666,862 | 93,734 | 10,267 | – | 23,798 | – | **794,661** |
| **Total** | | **6,501,225** | **566,242** | **82,536** | **1,187** | **251,730** | **1,120,601** | **8,523,521** |

[1] Fund CEO
[2] Member of the Fund
[3] Chief Information & Technology Officer (Ceased 23/08/2023)
[4] Group Executive - Brand, Growth & Product (Ceased 23/08/2023)
[5] Chief Financial Officer (Ceased 23/08/2023)
[6] Chief Operating Officer (Appointed 23/08/2023)
[7] Chief Transformation Officer (From 23/08/2023 to 31/07/2024)
[8] Chief People Officer (Appointed 23/08/2023)
[9] Chief Strategy Officer (From 23/08/2023 to 05/08/2024)
[10] Chief Risk Officer (Ceased 19/12/2023)
[11] Chief Risk Officer - Acting (From 20/12/2023 to 10/06/2024)
[12] Chief Risk Officer - Acting (From 10/06/2024 to 17/06/2024)
[13] Chief Risk Officer (Appointed 17/06/2024)

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 21. Related parties (continued)

#### (c) Other KMP (continued)

**Year ended 30 June 2023**

| Name | Role | Short-term employee benefits* | | | | Post-employment benefits | Termination payments[8] | Total |
|---|---|---|---|---|---|---|---|---|
| | | Cash salary, fees & short-term compensated absences $ | Short-term cash profit-sharing & other bonuses $ | Non-monetary benefits** $ | Other $ | Superannuation $ | $ | $ |
| K Fok [1,2] | Chief Executive Officer (CEO) | 822,500 | 363,390 | - | 587 | 27,500 | – | **1,213,977** |
| J Arter [2,7] | Former Chief Executive Officer (CEO) | 804,375 | 41,282 | 8,536 | - | 20,625 | – | **874,818** |
| M Walker [2] | Deputy CEO and Chief Member Officer | 562,500 | 39,037 | 11,190 | - | 27,500 | – | **640,227** |
| B Chatfield [2,5] | Chief Investment Officer | 206,734 | - | - | - | 6,875 | – | **213,609** |
| J Hartman [2,3] | Group Executive, People & Culture - Acting | 34,006 | - | 1,468 | - | 4,759 | – | **40,233** |
| W Martin [2] | Chief Risk Officer | 537,500 | 19,150 | 11,379 | - | 27,500 | – | **595,529** |
| K Miller [2,4] | Former Group Executive, People & Culture | 417,808 | 9,085 | 11,379 | - | 21,577 | – | **459,849** |
| M Robinson [2] | Chief Information & Technology Officer | 562,500 | 11,956 | 11,379 | 400 | 27,500 | – | **613,735** |
| A Thow [2,6] | Group Executive - Brand, Growth & Product | 512,019 | - | 11,379 | - | 26,442 | – | **549,840** |
| K Wells-Janz [2] | Chief Financial Officer | 489,685 | 30,187 | 11,190 | 594 | 27,238 | – | **558,894** |
| **Total** | | **4,949,627** | **514,087** | **77,900** | **1,581** | **217,516** | **–** | **5,760,711** |

[1] Fund CEO (Appointed 13/06/2023), former Acting CEO (30/03/2023 – 12/06/2023), former Fund CIO (1/07/2022 – 30/03/2023)
[2] Member of the Fund
[3] Group Executive, People & Culture - Acting (Appointed 28/04/2023)
[4] Group Executive, People & Culture (Ceased 28/04/2023)
[5] Chief Investment Officer (Appointed 13/06/2023), former Acting CIO (30/03/2023 – 12/06/2023)
[6] Group Executive - Brand, Growth & Product (Appointed 18/07/2022)
[7] Fund CEO (Ceased 30/03/2023)
[8] The above table does not include termination payments made to J Arter and K Miller as these were paid during the year ended 30 June 2024. Termination benefits paid totalling $536,250 was made to J Arter on 16 November 2023 and $133,125 was paid to K Miller on 10 August 2023 respectively.

* Short-term employee benefits include cash salary, annual leave, lump sum payments and other non-monetary benefits
** Includes car parking benefits and any associated fringe benefits tax

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 21. Related parties (continued)

#### (d) Controlled entities

Disclosures relating to controlled entities are set out in Note 20.

#### (e) Related party investments and transactions

The Fund's investment assets are held custodially on behalf of USPL as Trustee for the Fund. Details of the Fund's related party investments and transactions are listed below.

*(i) Frontier Advisors Pty Ltd (Frontier)*

The Fund held 31.0% (2023: 31.0%) shareholding in Frontier valued at $2,399,400 (2023: $2,204,100). Frontier provides investment consulting services to the Fund and other institutional clients. During the year, the Fund paid Frontier investment consulting fees of $2,701,686 (2023: $2,757,946) on normal terms and conditions.

Mr J Edwards is a Director of Frontier and Director fees of $17,164 (2023: $16,505) were paid during the year by Frontier.

*(ii) Sponsoring organisations*

Marketing and promotion of the Fund includes partnership arrangements with the Fund's member and employer sponsoring organisations.

The Fund invests in industry partnership arrangements that deliver effective and strategic benefits that outweigh the cost of these arrangements through growth of the level of employer/member support of the Fund, strengthening of the Fund's brand identity, awareness and image and support of the Building and Construction Industry.

All proposed partnership arrangements are assessed to ensure they are in the best financial interest of members.

Amounts paid and payable to the Fund's sponsoring organisations are set out in the following tables:

**30 June 2024**

| | Directors' fee payments $ | Industry partnership payments $ | Rental payments* $ | Total payments $ |
|---|---|---|---|---|
| Construction, Forestry and Maritime Employees Union (CFMEU) | 227,679 | 1,332,385 | 250,801 | 1,810,865 |
| Australian Workers Union (AWU) | 80,033 | 180,263 | – | 260,296 |
| Automotive Food Metals Engineering Printing & Kindred Industries Union (AMWU) | 98,844 | (50,787) | – | 48,057 |
| Communications, Electrical and Plumbing Union (CEPU) | 97,894 | 25,175 | – | 123,069 |
| Master Builders Association (MBA) | 97,004 | 491,236 | 11,297 | 599,537 |
| **Total** | **601,454** | **1,978,272** | **262,098** | **2,841,824** |

**30 June 2023**

| | Directors' fee payments $ | Industry partnership payments $ | Rental payments* $ | Total payments $ |
|---|---|---|---|---|
| Construction, Forestry and Maritime Employees Union (CFMEU) | 280,894 | 1,312,496 | 272,264 | 1,865,654 |
| Australian Workers Union (AWU) | 50,735 | 156,750 | – | 207,485 |
| Automotive Food Metals Engineering Printing & Kindred Industries Union (AMWU) | 55,695 | 115,995 | – | 171,690 |
| Communications, Electrical and Plumbing Union (CEPU) | 89,594 | 30,400 | – | 119,994 |
| Master Builders Association (MBA) | 110,121 | 454,308 | 8,716 | 573,145 |
| **Total** | **587,039** | **2,069,949** | **280,980** | **2,937,968** |

The amounts above include Directors' fee payments made by the Trustee of the Fund to the sponsoring organisations that employ a Director of the Trustee, payments made under partnership arrangements as well as rental payments for commercial office spaces. All transactions are made on normal commercial terms.

* There were additional rental payments made to two other related parties during the year. Refer Note 21 (e)(iii).

## 21. Related parties (continued)

### (e) Related party investments and transactions (continued)

*(iii) Rental payments for commercial office spaces*

The following rental payments for commercial office spaces were made to the following other related parties:

| | 2024 $ | 2023 $ |
|---|---|---|
| Cbus Property 50 Flinders Street Pty Ltd | 95,495 | 99,333 |
| Cbus Property Pirie Street Pty Ltd ATF Pirie Street Unit Trust | 30,499 | – |
| **Total** | **125,994** | **99,333** |

### (f) Other related entities

*(i) Cbus Property Pty Ltd (Cbus Property)*

Cbus Property is a wholly owned entity of the Fund and manages a portfolio of the Fund's directly held investment property trusts. It invests in direct property investments in Australia in accordance with the Investment Management Agreement between Cbus Property and the Fund. Cbus Property does not have ownership of any direct property assets.

Ms M Beveridge, Mr H Davis, Mr D Noonan and Mr E Setches (appointed 01/01/24) are Directors of Cbus Property. Fees earned by these Directors during the year are as follow:

| | 2024 $ | 2023 $ |
|---|---|---|
| Short-term employee benefits | 364,002 | 301,346 |
| Post-employment benefits | 40,040 | 31,641 |
| **Total** | **404,042** | **332,987** |

The above compensation payments include Directors' fees paid and payable directly to the Fund's sponsoring organisations.

During the year ended 30 June 2024, the Fund received a total amount of $56,015 (2023: $140,955) from Cbus Property for co-branded marketing campaign services.

The Fund also paid a total amount of $nil (2023: $26,964) to Cbus Property for investment and regulatory related advice.

All transactions were made on normal terms and conditions.

## 22. Insurance arrangements

The Fund provides income protection, death and disability benefits to its members. The Trustee has group policies in place with third party insurance companies to insure these death and disability benefits for the members of the Fund. The Trustee acts as an agent for these arrangements.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members' accounts and reinsurance recoveries allocated are recognised in the Statement of Changes in Members' Benefits.

## 23. Matters subsequent to the end of the financial year

On 13 August 2024 APRA imposed additional licence conditions on the Fund to engage an independent expert to conduct a review in relation to the requirements under Prudential Standard SPS 520 *Fit and Proper* and the Trustees' compliance with the duty to act in the best financial interests of beneficiaries of the funds in making expenditure decisions. The Fund is working constructively with APRA and cooperating with the independent reviewer.

On 23 August 2024 the Fund was notified by the National Executive of the Construction, Forestry and Maritime Employees Union (CFMEU) that the Construction and General Division (C&G Division) and its branches had been placed into administration. The CFMEU is one of the Fund's member sponsoring organisations. The CFMEU holds three of the fourteen shares in the Trustee.

The CFMEU's shares in the Trustee are under the control of the CFMEU National Executive, and consequently the National Executive advised that its three representatives would cease as Directors of the Trustee on 27 August and 28 August 2024. Despite those cessations, the Board of the Trustee continues to have a quorum.

Decisions regarding the replacement of these Directors remains a matter for the CFMEU National Executive having regard to the necessary skills and experience required and that any nominated Director are appropriate persons likely to satisfy the fit and proprietary requirements.

The CFMEU National Executive has a 90-day period to nominate new Directors, and the Fund will await advice of its nominations.

As a result of the CFMEU entering administration, the Trustee has suspended all payments to the CFMEU and entry into any new agreements or arrangements on an interim basis pending further investigation. The only exception to this is in respect of certain rent obligations that the Trustee is satisfied are at market rates.

Other than the items noted above, there have been no other matters or circumstances that have arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations, results of those operations and state of affairs of the Fund in future financial years.

### 24. Contingent assets, contingent liabilities and commitments

#### Investment commitments

The Fund has made commitments to invest in certain financial assets. Significant investment commitments contracted for at the end of the reporting period but not recognised as assets are as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Alternative debt | 89,598,174 | 36,685,087 |
| Alternative assets | 3,087,919,248 | 2,582,142,836 |
| Investment property trusts | 553,165,618 | 1,000,451,188 |
| **Total** | **3,730,683,040** | **3,619,279,111** |

There were no other contingent assets, contingent liabilities or commitments as at 30 June 2024.

# Trustee's Declaration

In the opinion of the Directors of the Trustee of Construction and Building Unions Superannuation Fund:

(a) the financial statements and notes set out on pages 11 to 48 are in accordance with the *Corporations Act 2021*, including:

(i) complying with Australian Accounting Standards (including interpretations) and other mandatory professional reporting requirements

(ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the year ended on that date

(b) the Fund has been conducted in accordance with its constituent Trust Deed; the relevant requirements of the *Corporations Act 2001* and Regulations; the requirements under section 13 of the *Financial Sector (Collection of Data) Act 2001* during the year ended 30 June 2024

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of United Super Pty Ltd as Trustee for the Construction and Building Unions Superannuation Fund.

[redacted]

**Director**

[redacted]

**Director**

**Melbourne**
**19 September 2024**

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# Independent auditor's report to the members of Construction and Building Unions Superannuation Fund

## Opinion

We have audited the financial report of Construction and Building Unions Superannuation Fund (the RSE), which comprises the statement of financial position as at 30 June 2024, the income statement, statement of changes in member benefits, statement of cash flows and statement of changes in equity for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the RSE is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the RSE's financial position as at 30 June 2024, and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the RSE in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Trustee are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the RSE's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the RSE or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Construction and Building Union Superannuation Fund for the year ended 30 June 2024, complies with section 300C of the *Corporations Act 2001*.

### Responsibilities

The directors of the Trustee are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300C of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

[redacted]

Ernst & Young

[redacted]

Luke Slater
Partner
Melbourne
19 September 2024

cbussuper.com.au

ABN 75 493 363 262

# Governance

To maximise the retirement savings of our members, it's important Cbus is well governed by the Trustee.



As the Trustee of Cbus, United Super Pty Ltd holds:

- A Registrable Superannuation Entity (RSE) licence from the Australian Prudential Regulation Authority (APRA)
- An Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investment Commission (ASIC)
- Indemnity insurance to protect, within limits, the Trustee from legal action

The primary source of the Trustee's power are the Trust Deed (Governing Rules) of the Fund and the Company's Articles of Association (Constitution).

These documents sets out the rules for running the fund including how Directors are appointed and removed.

- Read our **Trust Deed (PDF)**.
- Read our **Constitution (PDF)**.

# Fund Governance Framework

The Fund Governance Framework informs our day-to-day decision making at Cbus.

The framework details the activities and responsibilities of our oversight and decision-making forums, such as the Board and its Committees. It also includes key policies and procedures to guide the Trustee on how Cbus is to be managed.

With guidance from our regulators, our policies are developed in line with industry best practice.

These policies and procedures come together under the Fund Governance Policy, which provides guidance to stakeholders on the integrity of Cbus' operations.

The Fund Governance Policy is reviewed by the Board at least once a year or as required.

Read our **Fund Governance Policy (PDF).**

## Independent Reports

Deloitte Independent Review released 3 December 2024. **Read report (PDF)**.

Rectification Plan released 11 February 2025. **Read report (PDF)**.

# Member Outcomes Assessment

We help our members' hard work pay off in their retirement.

**Financial Year ending 30 June 2023**

The Construction and Building Unions Superannuation Fund (Cbus) is one of Australia's largest super funds and the leading industry super fund in the building, construction and allied industries. We work hard to ensure our 922,807[1] members retire with the best possible outcomes. This is achieved through our history[2] of delivering strong long-term returns, combined with competitive fees.

Cbus has determined that each of our super products promotes the best financial interests of our members.

Read our **Cbus Member Outcomes Determination for FY2023 (PDF)**.

## Summary of the Cbus Member Outcomes Determination

**Investment strategy** +

Feedback

**Scale** +

**Options, benefits and facilities** +

**Setting of fees** +

**Operating costs** +

**Insurance strategy** +

[1] As at 30 June 2024.

[2] Cbus Growth (MySuper) achieved 1st Quartile performance in the SR50 MySuper Index over the 7 and 10 year time horizons and 2nd quartile over the 3 and 5 year time horizons  according to SuperRatings as at 30 June 2023.

[3] Sourced from SuperRatings, refer Cbus Member Outcomes Determinations for FY23 for more details.

[4] Data is sourced from Chant West, refer Cbus Member Outcomes Determinations for FY23 for more details.

[5] Data is sourced from Chant West, refer Cbus Member Outcomes Determinations for FY23 for more details.

[6] Data is sourced from Chant West, refer Cbus Member Outcomes Determinations for FY23 for more details.

## Register of relevant duties and relevant interests

Cbus maintains a register of duties and interests for itself, its responsible persons and associates, which includes:

- All Directors of the Trustee
- Company Secretary of the Trustee
- All Executive Managers of the Trustee
- External fund auditor
- Cbus Property Pty Ltd, its Directors and officers.

This Register captures all external interests and appointments held by our Responsible Persons and Associates, providing transparency of their commercial and personal interests to our members and stakeholde

Duties and interests will be disclosed in the register for as long as the Trustee, Responsible or Person has the relevant duty or interest. All gifts received by Directors and the Trustee above $500 in value will be included in the register for 24 months.

Read our Register of Relevant Duties and Relevant Interests (PDF).

Feedback

## Code of Conduct

Cbus has a Code of Conduct Policy that sets out our values, culture and expected standards of behaviour to deliver great outcomes for our members.

Read our Code of Conduct Policy (PDF).

## Conflicts of interest

The Trustee has a conflicts management framework which applies across the entire Fund. The framework is a combination of systems, processes, policies and controls which enable the Trustee to identify, assess, mitigate, manage and monitor conflicts.

Read our Conflicts of Interest Policy (PDF).

# Whistleblower Policy

Cbus Super is committed to the highest standards of values and conduct. Cbus' Whistleblower Policy provides information on how to disclose concerns regarding illegal, unethical, or improper conduct, including who is eligible to make a disclosure and how eligible Whistleblowers are to be protected.

Read our Whistleblower Policy (PDF).

# Board Performance

The Director Appointment, Performance and Renewal Policy sets out procedures with regard to annually evaluating the Board performance and individual director performance.

In accordance with the Director Appointment, Performance and Renewal Policy, the Company Secretariat is responsible for ensuring that the Board performance assessment (individual and collective) takes place annually. Regular assessment of Board performance supports:

- Improving the effectiveness of the Board to achieve objectives
- Identifying any areas for improvement
- Clarifying individual and group roles.

The assessment encompasses the Board as a whole, Board Committees, individual Directors, Committee Chairs and the Board Chair. A record of the assessment is maintained by the Company Secretariat.

Triennial independent performance reviews of the Board, Directors and Fund Chair occur every three years. Every three years, the Company Secretariat will arrange for the annual, 'whole of board' performance assessment to be completed by an external specialist. The external specialist will obtain whole of Board feedback and, to assist in ongoing annual assessments of the Chair's performance and effectiveness, provide this feedback to both the Chair and to the other Directors.



# Product dashboard

The Cbus superannuation product dashboard is set out to help you better understand the fees, risks and performance for our default investment option, Growth (Cbus MySuper).

You can use the dashboard to compare the Growth (Cbus MySuper) investment option with MySuper products offered by other funds.

See our product dashboard.

# Remuneration

Our remuneration practices reflect our core values, placing our members at the centre of all we do. The way we resource Cbus provides quality products and services to members. Our Remuneration Policy outlines our principles and remuneration arrangements.

## Further reading

You can read more about our remuneration practices and Directors' Remuneration Report in the Fund's Annual Financial Report below.

- Summary - Cbus Remuneration Policy (PDF)
- FY24 Annual Financial Report is now available* (PDF)

*FY24 Annual Financial Report includes our Directors' Report and Remuneration Report (audited).

Feedback

# Significant event notices

We have a responsibility to tell our members about material changes to our products, especially if it could impact their retirement savings. We usually communicate these through our newsletters or directly to members, but you can also find a copy of these notices here.

Read the latest notices

# Further reading

You can read more about our governance by clicking on the links below.

- Financial Services Guide (PDF)
- Supplier Code of Conduct (PDF)
- Whistleblower Policy (PDF)
- Directors and record of Board attendance (PDF)
- Actuarial investigation of the Pool B Subdivision of the Defined Benefits Section of Cbus as at 30 June 2024 (PDF)

- Annual Report
- Organisations that help run the fund (key service providers)
- Executive Management Team

Feedback

## Get in touch with us

Whatever your enquiry, we're ready to help.

Contact us

THE SENATE

# Senate Economics References Committee

4 February 2025

The Hon Mr Wayne Swan
Chair
Cbus Super

*By email:* [redacted]

Dear Mr Swan

**Inquiry into Improving consumer experiences, choice, and outcomes in Australia's retirement system**

On behalf of the Senate Economics References Committee, I am writing regarding answers provided by Cbus Super to questions taken on notice at public hearings, including by you on 29 November 2024, and written questions on notice from the committee Chair to Cbus Super in relation to the above inquiry.

The committee considers that a number of these questions on notice have not been adequately addressed. Responses variously redirect to a website or a previous non-substantive answer, rather than the answer being contained within the response itself. The committee asks that you address the questions put which have been listed in the attachment to this letter.

Additionally, you declined to answer some questions, referring to the 'sensitive and confidential' nature of the information without further explanation as to the harm that may come from release of that information. Could you please provide further information to support your claims for confidentiality, in order to inform the committee's considerations.

The committee also asks that the answers are provided by you, in your capacity as Chair of Cbus Super, rather than by Cbus Super at an organizational level.

The information requested by the committee is important to the committee's consideration and investigation of the retirement systems inquiry. The committee looks forward to your response to the questions on notice **by COB Wednesday, 19 February 2025**.

If you have any queries, please contact the secretariat by reply email or on the number below.
Yours sincerely

[redacted]

Senator Andrew Bragg
**Chair**

PO Box 6100, Parliament House, Canberra ACT 2600
Tel: (02) 6277 3540 | Fax: (02) 6277 5719 | Email: economics.sen@aph.gov.au | Website: www.aph.gov.au/senate_economics

| Date | Question on notice | Answer |
|---|---|---|
| 17 Jan | **General Business Practices**<br>3. How much does Cbus spend annually on advertising?<br>4. As Chair, what is your perception of the purpose of that advertising? | Information regarding Cbus' expenditure on promotion, marketing and sponsorship is available here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/ammfy24-detailed-website-disclosure.pdf<br>Promotion, marketing and sponsorship helps to grow Cbus' Fund and increase scale, which positions Cbus to deliver lower fees for members. |
| 17 Jan | **General Business Practices**<br>8. Can you provide a copy of the Cbus risk register from 2022 through until today? | Response:<br>The Committee can refer to the written response provided on Friday 13 December 2024.<br>-------------------<br>***Relevant section of 13 Dec transcript:* :**<br>*The Fund's risk register contains sensitive and confidential information and therefore is not able to be disclosed publicly.*<br>*The Fund's risk framework outlines how it identifies and manages risk, including insurance risk and the elements of that process. See pages 34-35 of the Cbus Annual Integrated Report 2024 for further information about how the Fund identifies and manages risks.* |
| 17 Jan | **General Business Practices**<br>9. Does Cbus have an ESG excluded list of companies that it does not invest in as a rule?<br>10. Which defence companies feature on the list of excluded companies that Cbus does not invest in as a rule? | Information about Cbus' portfolio-wide investment exclusions, including in relation to defence companies, is on page 30 of Cbus' Responsible Investment Supplement 2024: www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/responsibleinvestment-supplement-2024.pdf |
| 17 Jan | **Insurance**<br>1. When was the board advised about a possible breach relating to the payment of insurance claims?<br>2. When was ASIC informed?<br>3. When did the board know about the administration issues? (Firstly, the Risk Committee, and the full Board)<br>4. Did the board do any planning/analysis in the wake of the pandemic about their reliance on third party providers? | Qs 1-5:<br>As the Committee is aware, these matters are the subject of ongoing legal proceedings in the Federal Court of Australia.<br>The Committee can refer to Cbus' statement regarding ASIC proceedings against Cbus Super on insurance claim delays here: https://www.cbussuper.com.au/about-us/news/mediarelease/asic-proceedings<br>Cbus does not intend to comment further on these matters at this time as doing so may prejudice the proceedings and would not be in members' best financial interests. |

| | | |
|---|---|---|
| | 5. Has ASIC's investigation triggered a review of other customer services such as complaints handling? Should this have been brought in house earlier? | |
| 17 Jan | **Insurance**<br>8. In response to your statements on the Today Show apportioning blame to Link, the organisation says: *“The decision-making authority rests with the trustee and insurers,*<br>*and we operate under extensive business rules that vary for each fund.”* Isn’t it true that the trustee makes the decisions about insurance claims? | As the Committee is aware, these matters are the subject of ongoing legal proceedings in the Federal Court of Australia.<br>The Committee can refer to Cbus’ statement regarding ASIC proceedings against Cbus Super on insurance claim delays here: https://www.cbussuper.com.au/about-us/news/mediarelease/asic-proceedings.<br>Cbus does not intend to comment further on these matters at this time as doing so may prejudice the proceedings and would not be in members’ best financial interests. |
| 17 Jan | **Deloitte Report**<br>1. When did you receive the Deloitte report?<br>2. When did you read it?<br>3. Did you request the deletion of the first media release on the Deloitte report?<br>4. Did Deloitte or APRA raise a concern about the initial release? If so, what was their concern?<br>5. Why was it reissued? | Qs 1-5:<br>The Committee can refer to responses provided in person on 29 November 2024. |
| 17 Jan | **Partnerships**<br>1. Has Cbus paid the CFMEU for research? | Information regarding Cbus’ expenditure on promotion, marketing and sponsorship is available here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/ammfy24-detailed-website-disclosure.pdf. |
| 17 Jan | **Partnerships**<br>2. Does Cbus hire CFMEU staff or their family members? | Response:<br>The Committee can refer to Cbus’ written response provided on 13 December 2024. |
| 17 Jan | **Partnerships**<br>3. Deloitte’s report states there are *“no metrics outlined in the Partnership Proposal…”* Why did you tell the Senate | **Response:**<br>Qs 3-14: |

| | | |
|---|---|---|
| | that the partnerships are *"audited, supervised and made under the BFID framework"*?<br>4. Deloitte's report states: *"Despite this emphasis on partnership benefit, and calculation method, there are no metrics outlined in the Partnership Proposal as to how to assess what member outcome will be achieved for each specific expenditure (such as a reduction in fees). There is also no guidance provided as to how the matter should be monitored on an ongoing basis."* Accordingly, why did you tell the Senate: *"all of those arrangements [union partnerships] are subject to BFID assessment"*?<br>5. Deloitte's report stated they were *"unable to identify a complete set of underlying data and assumptions that support the [industry partnership assessment] methodology."* Accordingly, why did you tell the Senate: *"We get very good value from them [union partnerships], and that value is measured, and we're accountable for measuring that"?*<br>6. You told the Senate: *"Those agreements are audited, supervised and made under a BFID framework. They are the subject of review in a number of inquiries at the moment. I believe they will be demonstrated to be successful programs which deliver good value for the fund, rather than spending that amount of money in other areas* | The Committee can refer to Cbus' statement regarding Deloitte's independent review report here: https://www.cbussuper.com.au/about-us/news/media-release/statement-regardingdeloitte-independent-review. |

| | | |
|---|---|---|
| | *such as advertising."* Do you stand by this statement?<br>7. How do you as Chairman satisfy yourself that members' money is used in the bestfinancial interest of the members?<br>8. The independent expert could not find any justification for the union payments and<br>therefore given that the board has the onus of establishing that these payments are in the best financial interest of members, has this breach been reported to ASIC?<br>9. What process of formal BFID assessment have Cbus's union partnerships undergone?<br>10. What ongoing assessment have the union partnerships been subject to?<br>11. How have you quantified and tested the value of the union partnerships to members?<br>12. How are you accountable for those BFID assessments?<br>13. Where, and by what metrics, have the union partnerships enhanced member returns?<br>14. How do you measure the success of these union partnerships? What is their ROI versus your other forms of advertising? | |
| 17 Jan | **Partnerships**<br>16. Please provide a list of the current (including suspended) partnership agreements Cbus has signed with a third party. Please provide the date on which | Qs 16-18:<br>Information regarding Cbus' expenditure on these arrangements is available here: https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/amm-fy24-detailed-website-disclosure.pdf. |

| | | |
|---|---|---|
| | the board approved the partnership agreement, the date it was signed, the date a Best Financial Interest test assessment was conducted, and the purpose of the agreement.<br>17. Please provide a list of research projects or arrangements that Cbus has requested from any union, including suspended agreements.<br>18. Please provide the date on which the board approved the research project or arrangement, the date it was signed, the date a Best Financial Interest test assessment was conducted, and the purpose of the agreement. | |
| 17 Jan | **Trust Deed**<br>5. How much money is held on reserve for future fines?<br>6. How much have members paid into the reserve for future fines? | Response:<br>Qs 5-6:<br>Cbus has established reserves to meet legal liabilities imposed on the trustee. Details of our reserves is available on Page 11 of Cbus' 2024 Annual Financial Report:<br>www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/cbus-annual-financialreport-2024.pdf |
| 17 Jan | **Interaction with Government**<br>1. How many meetings have you had with Dr Chalmers since becoming Cbus Chair on 1 January 2022?<br>2. What have each of the meetings been about? Please supply agendas and follow up items.<br>3. Have you met with the Prime Minister or other Ministers on Cbus matters? If so, when and please supply details of each meeting.<br>4. Who at Cbus discussed the commitment of $500 million to the HAFF with the Treasurer's office? Cbus CEO Kristian Fok provided evidence to the | Response:<br>Qs 1-11:<br>The Committee can refer to responses provided by Cbus in person on 14 November 2024 and 29 November 2024, and in writing on 13 December 2024. |

| | | |
|---|---|---|
| | Senate that: *"the opportunity was with (Mr Swan)…I am not aware of any conversations"*<br>5. What was the opportunity Mr Fok says was provided to you as Chair?<br>6. When you left Parliament, Dr Chalmers released a media release describing you as a mate and a mentor. Were you Dr Chalmers' mentor?<br>7. Four days prior to your $500m announcement with Dr Chalmers, your Cbus staff were lobbying the Treasurer's office to have stamp duty removed from the regulatory disclosure requirements. What involvement did you have in that lobbying?<br>8. What issues changed in the HAFF exposure draft legislation that enabled Cbus to overcome your concerns as institutional investors?<br>9. Why did Cbus seek to suppress its lobbying effort on RG97?<br>10. Mr Fok says *"I wasn't consulted"* over the Cbus effort to suppress the lobbying effort on RG 97 which was the subject of FOI and orders of the Senate. Who made the decision to ask for the documents relating to Cbus lobbying on RG 97 to be kept private? Dr Chalmers later made a public interest immunity claim for Cbus stating the material was commercial in confidence. Were you consulted on this matter?<br>11. Why was this lobbying considered to be "commercial in confidence"? | |
| 17 Jan | **TOPIC: Cbus Board Nomination** | Response: |

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| | 1. What was the process of Mr Crumlin's appointment to the Cbus Board? | After applying a comprehensive 'fit and proper persons test', the board confirmed Mr Crumlin's appointment. |
| 17 Jan | 2. Were any Cbus Board nominations rejected?<br>3. Have any Cbus Board nominations historically been rejected? If so, on what grounds?<br>4. Who from the Master Builders Association invited you to be the chair of Cbus ? | Response:<br>Qs 2-4:<br>In addition to the response provided in person on 29 November 2024, nominations and appointments to the Cbus Board are made in accordance with Cbus' governance framework, which includes the Trust Deed and Trustee's Constitution. Further information is available on Cbus' website here: https://www.cbussuper.com.au/about-us/how-were-run/governance |
| 17 Jan | 5. What are Dr Edwards specific risk management skills to chair the Board Risk Committee?<br>6. Who invited Dr Edwards to chair the Risk Committee?<br>7. When did that happen? | Qs 5- 7:<br>The Committee can refer to responses provided in person on 29 November 2024. |
| 17 Jan | **Best Financial Interests Duty**<br>6. Did you approve the budget for the 40th anniversary celebration at the Regent Theatre?<br>7. What was the total cost for the 40th anniversary celebration?<br>8. What was the Cbus Board approval process for the 40th anniversary celebration budget?<br>9. What was the 40th anniversary celebration budget approval process against its best financial interests duties?<br>10. How many Cbus members attended the 40th anniversary celebration?<br>11. Which CFMEU officials were invited to the 40th anniversary celebration?<br>12. Were the investment team encouraged to attract fund managers as | Response:<br>Qs 6-14:<br>The Committee can refer to the written response provided on 13 December 2024.<br><br>Invitations to the reception were extended to officials from sponsoring organisations and no parliamentarians attended the event. |

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| | sponsors of the 40th anniversary celebration?<br>[Additional questions received via email, 19 December 2024]<br>13. What state or federal parliamentarians were invited?<br>14. Who of these attended? | |
| 17 Jan | **Cbus Staffing**<br>10. Please provide on notice a list of union officials, or their immediate family members,<br>who have been employed by Cbus Super. Please provide the date they were engaged, if<br>the engagement was advertised publicly, and the purpose of their engagement. | **Response:**<br>The Committee can refer to the written response provided on 13 December 2024. |
| 17 Jan | **TOPIC: Investment Presentations**<br>1. Does the Cbus Super investment team make presentations to shareholder unions to show that they are managing members' money correctly?<br>2. How often are these presentations conducted?<br>3. When was the last presentation made and to who?<br>4. Has the investment team ever made presentations to non-shareholder unions?<br>5. Which unions have they presented to?<br>6. When did these presentations take place?<br>7. Who attended these presentations?<br>8. What is the basis of making investment presentations and justifying your investment strategy to unrelated third parties? | **Response:**<br>Qs 1-8:<br>Fund representatives regularly provide presentations to employer and union stakeholders across a range of superannuation and investment matters. |

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| 17 Jan | **Software and Tech Services**<br>1. What software has Cbus used to process death and TPD insurance claims since 2019?<br>2. What tech service providers has Cbus partnered with since 2019, that help process death and TPD insurance claims?<br>3. Have there been any issues with either software or tech services providers that may have caused delays to processing death and TPD insurance claims?<br>4. If so, what actions did the Cbus Board take to address these problems causing delay? | Response:<br>Qs 1-4:<br>Claim handling is a complex process that involves multiple third parties.<br><br>As the Committee is aware, these matters are the subject of ongoing legal proceedings in the Federal Court of Australia.<br>The Committee can refer to Cbus' statement regarding ASIC proceedings against Cbus Super on insurance claim delays here: https://www.cbussuper.com.au/about-us/news/mediarelease/asic-proceedings.<br>Cbus does not intend to comment further on these matters further at this time as doing so may prejudice the proceedings and would not be in members' best financial interests. |
| 17 Jan | TOPIC: Financial Advice<br>1. On 28th November 2024, Cbus announced it would provide financial advice services to members and their spouses for $990 including GST. Does Cbus expect Advice Essentials Plus to be a profitable line of business?<br>2. Are the financial advice services designed to be cheaper that external financial planners?<br>3. What has the Advice Essentials financial performance been each year? Is it a loss-making or profitable part of Cbus?<br>4. Are these services funded using members' money? | Response:<br>Qs 1-4:<br>The Committee can refer to our media release regarding Advice Essentials Plus:<br>https://www.cbussuper.com.au/about-us/news/media-release/advice-essentials-plus. |

| | **Question taken at public hearing on 29 November** | |
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| 29 Nov (public hearing) | CHAIR: Can you provide your risk register on notice?<br>Mr Swan: I'll take that on notice. | ANSWER:<br>The Fund’s risk register contains sensitive and confidential information and therefore is not able to be disclosed publicly.<br>The Fund’s risk framework outlines how it identifies and manages risk, including insurance risk and the elements of that process. See pages 34-35 of the Cbus Annual Integrated Report 2024 for further information about how the Fund identifies and manages risks. |