

Built for life



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About this report

Our reporting framework

Our report follows the International Integrated Reporting Framework which allows us to tell our members and other stakeholders how we create value for them.

 www.integratedreporting.org/

This year we have focused on improving our integrated reporting through more clearly explaining how we create value for members and our business model. This year's report explains our performance and our strategy for the elements of our business model which drive value creation for members.

In late 2015 governments around the world agreed to seventeen Sustainable Development Goals (SDGs), developed through the United Nations. The SDGs set an agenda for sustainability across the globe that includes ending poverty and hunger, improving health and education, tackling gender inequality, making cities more sustainable, combating climate change, and protecting oceans and forests. We acknowledge that we have an important role to play in helping the Australian Government fulfil its responsibilities to achieve the SDGs. Throughout our report we use the SDG icons to show how our work contributes to the achievement of these goals.

 www.un.org/sustainabledevelopment/sustainable-development-goals

For the second year we also report using the Global Reporting Initiative (GRI) G4 Sustainability Reporting Framework. More information on our GRI G4 reporting is available on our website.

 www.cbussuper.com.au/sustainability

Six capitals



FINANCIAL CAPITAL
Funds available to Cbus



MANUFACTURED CAPITAL
Our buildings and infrastructure



HUMAN CAPITAL
Our people



INTELLECTUAL CAPITAL
Our systems and processes



SOCIAL AND RELATIONSHIP CAPITAL
Our partnerships and networks



NATURAL CAPITAL
The earth's resources

Integrated reporting recognises six capitals that businesses use and transform. The idea is that we need more than just financial capital to create long-term value. Throughout this report, capital icons are pictured when we use them in our value creation process.

Sustainable Development Goals that Cbus contributes to are:



5. Achieve gender equality and empower all women and girls



8. Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all



9. Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation



11. Make cities and human settlements inclusive, safe, resilient and sustainable



13. Take urgent action to combat climate change and its impact



17. Strengthen the means of implementation and revitalise the global partnership for sustainable development

We have chosen six of the seventeen SDGs after considering where we believe we contribute. In doing so we considered our investment decisions, business partnerships, responsibilities as a property developer through Cbus Property, role as an employer and relationships with stakeholders, policy makers and domestic and global influencers.

Obtaining a printed copy of this report

You can obtain a copy of the 2015/16 Cbus Annual Report by visiting www.cbussuper.com.au/AnnualReport or by phoning the Service Centre on 1300 361 784.

Important information

Past performance is not a reliable indicator of future performance. All care has been taken to ensure that the information contained herein is correct, but neither the Trustee nor its advisors accept responsibility for the content, any error or misprint, or for any person who acts on this information. Any advice is of a general nature and does not take into account your specific needs. You should consider your own financial position, objectives and requirements before making any financial decisions. You should read the appropriate Product Disclosure Statement (PDS) to decide whether Cbus is right for you. Call Cbus on 1300 361 784 or visit www.cbussuper.com.au for a copy. The Cbus Annual Report is issued by United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 as trustee for Cbus ABN 75 493 363 262.

Cbus is open to all Australians and is the leading superannuation fund for people working in the construction, building and allied industries.

Who we are

Members



732,922
+0.85%¹

Members by state %

ACT	1.80	SA	5.36
NT	0.96	TAS	1.71
NSW	34.23	VIC	37.09
QLD	6.21	WA	11.98

Cbus was created through the vision of building industry trade union members in 1984 and their industrial campaign to win a fairer, more dignified retirement for thousands of working people who did not have access to superannuation.

Thirty-two years on, we hold true to the values of a fund built by its members and their employers by putting members' interests first in everything we do.

It is a lifetime relationship, addressing members' needs throughout their working lives and in retirement. Page 5 sets out our business model explaining how we do this.

We understand our members' priority for an adequate income in retirement and for information about how their Fund is tracking. We do everything we can to meet these needs and provide a positive member experience.

Average member super account balance

\$46,160
+8.94%¹

Average member age

38 years

We invest superannuation contributions on behalf of our members to achieve the best possible retirement outcomes. Our range of investments includes investing back into building and construction through Cbus Property, thereby creating jobs and contributing to the sector in which many of our members work. We also invest in Australian and international shares, infrastructure, fixed interest and cash.

At 30 June 2016 we had \$34 billion of members' funds under management (up from over \$31 billion at the same time last year).

There are no commissions and all profits go back to members. We also provide default insurance cover (subject to eligibility) and access to premium discounted health cover. We pride ourselves on providing financial advice tailored to members' needs.

Employers



108,755
+11.30%¹

Employers by state %

ACT	1.66	SA	4.63
NT	0.74	TAS	1.62
NSW	31.32	VIC	33.28
QLD	6.30	WA	9.35

We value our strong relationships with employers which help us grow the Fund. For more on the solutions we provide for employers see page 32.

We care about future generations, your children and grandchildren. We demonstrate this through our approach to investment practices (see page 18) and our environmental design and construction (see page 26).

You will find information about our Board, our Executive Team and Our People on pages 34 to 39.

¹ Compared with 2014/15



Cbus creates value for members through investing superannuation contributions, returning all profits to members and providing solutions to help them achieve a dignified retirement.

How we create value

We do this by:

- innovative investing for the long term to provide strong returns to members
- providing solutions that address members' retirement needs and concerns throughout their working and post-working lives
- providing solutions for employers that make super administration easy and efficient
- having sound governance mechanisms and internal systems and processes to ensure reliability, transparency, stewardship and accountability
- attracting and retaining talented people through a commitment to a collaborative and flexible work environment that puts members first
- building strong partnerships with members, their unions, employers and their associations
- contributing to social, environmental and economic sustainability.

We recognise that building strong returns for members depends on our contribution to the stewardship of society, the environment and communities.

Our business model

External environment

Ageing population and increasing longevity, global megatrends impacting investment returns and choices, increasing competition, regulatory changes.

Inputs



Contributions made by members and employers on members' behalf



Sound governance mechanisms and internal systems and processes



Talented people



Strong partnerships



Outputs

Innovative, long-term, risk-weighted investments

Investment streams, insurance and advice tailored for members

Support and solutions for employers

Outcomes



Strong long-term returns to members



Growth in the Fund



Employment opportunities for members through Cbus Property's construction work



Buildings designed to minimise environmental impacts



Strong economy and sustainable development through our investment policies



Collaborative and flexible work environment creating a great place to work



Continually evolving internal systems and governance mechanisms to ensure reliability, transparency, stewardship and accountability

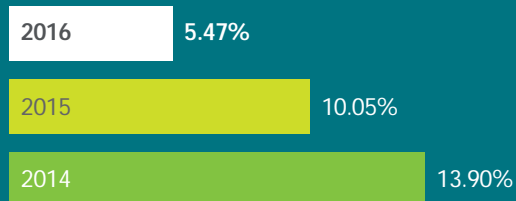


Cbus continued to grow in member and employer numbers as well as funds under management. Despite a difficult investment environment, Cbus returns were relatively strong for 2016.

Our 2016 performance

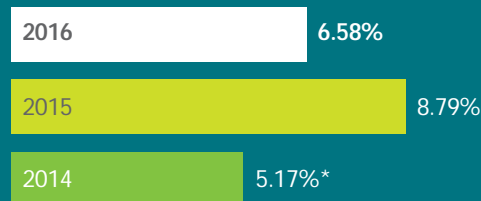
Superannuation returns
Growth (Cbus MySuper) DEFAULT OPTION

5.47%



Super Income Stream returns
Conservative Growth DEFAULT OPTION

6.58%



*For the seven months from December 2013.

Average member super account balance
at 30 June

\$46,160



Average Super Income Stream account balances
at 30 June

\$248,269



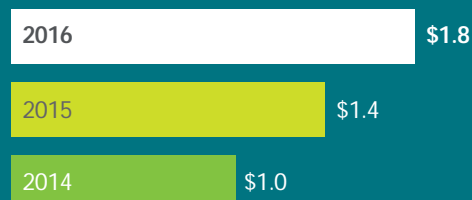
Total funds under management

\$34.0 billion



Super Income Stream
Funds under management

\$1.8 billion



Crediting Rates

When we talk about returns throughout the Annual Integrated Report, we are using Crediting Rates. Crediting Rates are the return minus investment costs and taxes; the Trustee Operating Cost and reserves. This excludes administration fees. Past performance is not a reliable indicator of future performance. All figures contained in this report are effective 30 June 2016, unless otherwise stated.

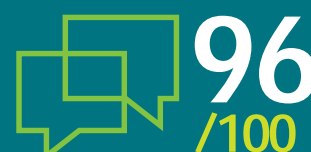
Member satisfaction



Employer satisfaction



Advice satisfaction



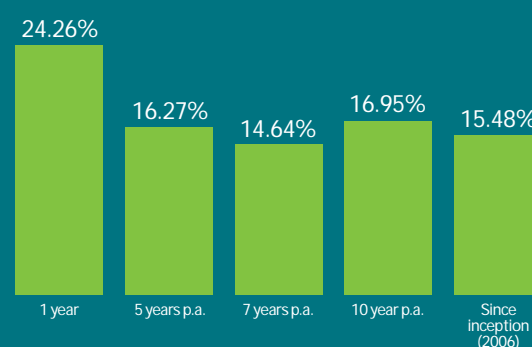
Growth (Cbus MySuper) returns

5.47%



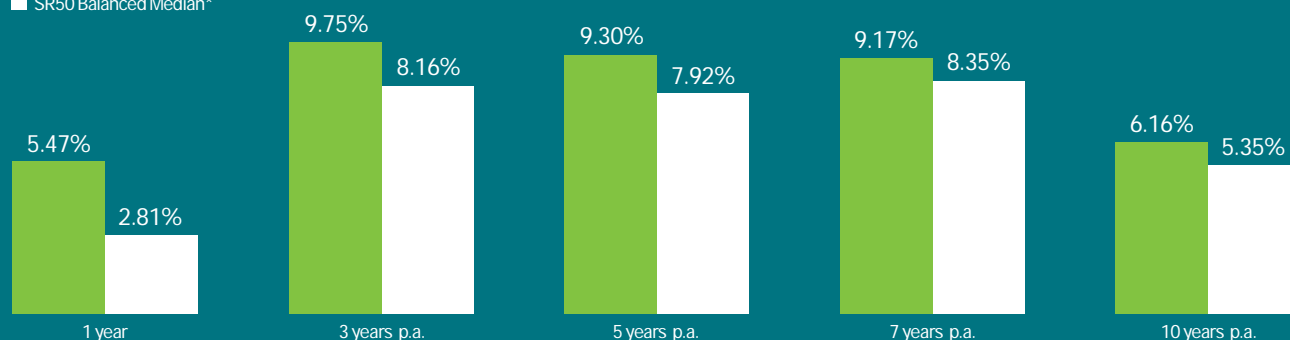
Cbus Property returns

24.26%



Growth (Cbus MySuper) outperforms SR50 Balanced Median

■ Growth (Cbus MySuper)
■ SR50 Balanced Median*



Note:

*The median fund return is from the SuperRatings SR50 Balanced Survey, June 2016. SuperRatings is a ratings agency that collects information from superannuation funds to enable performance comparisons. The SR50 Balanced Survey includes investment options that are broadly similar to the Growth (Cbus MySuper) option, as these funds are all diversified with an allocation to growth assets of between 60% and 76%.

Message from the CEO

Our sole purpose is to serve our members. We have no shareholders taking a slice; all profits are reinvested for members.

The Fund's performance is outstanding, this year achieving a return of 5.47 per cent¹ despite a challenging economic environment. Although we are proudly an industry fund for construction, building and allied workers and employers, we are open to all. The strength of our offering means we continue to grow with member and employer numbers up over the year.

We continue to focus on and anticipate the needs of our members in retirement. In addition to maximising fund returns, we help members build their retirement balances. For the last three years we have provided members with an indication of their projected super balance on retirement so that they can seek advice, make decisions to pay additional voluntary contributions or change their investment choice to match their risk profile.

Underpayment or non-payment of employer super contributions has a significant detrimental impact on our members' super funds. We are developing new systems and technologies to help members to monitor it, including member smartcards and a refreshed Cbus app. We are also working with regulators and policy makers to better monitor and ensure compliance with superannuation obligations.

The short termism of capital markets conflicts with the long-term investment horizon of our members. We tackle this by investing in unlisted assets and engaging directly with the listed companies we invest in. We seek to ensure they understand the factors which will impact on their long-term performance. The strategic decision to bring investment expertise in-house will

enable us to better manage the long-term performance of our investments.

We are also working with other institutional investors and organisations like the Australian Council of Superannuation Investors (ACSI) and the Principles of Responsible Investment (PRI) to address the need for longer term thinking. Linked to this, and with future generations in mind, we seek to contribute to the United Nations' (UN) Sustainable Development Goals which are relevant to our members.

During the year we recruited 77 new people, lifting our Trustee Office head count from 143 to 194. This recruitment has been undertaken to increase investment management expertise and so that we can better respond to the service needs of our members and employers.

This has included establishing a dedicated employer experience division in the Fund to assist businesses in choosing the right fund for their employees and to make administering their superannuation obligations easier.

We are very proud of these transitions but we are not resting on our laurels. We have a three-year plan in place to further enhance Fund growth and performance and our ability to serve our members' needs. The Board is strongly supportive of our work, but has also heightened its expectations around accountability and delivery. Our people have embraced the Board's challenge.

I continually monitor the balance between moving quickly enough to meet the needs of an ageing population, more members in retirement, members' changing expectations and carefully considering our approach. I am excited about the future for Cbus.

We will continue to develop our internal capacity to deliver to members and employers, and our people share my passion to continually respond to members' needs. Our sponsors, the industry trade unions and employer associations, are instrumental to the success of our Fund and helping us achieve our goal of addressing member and employer needs. They are a key plank in the outstanding success story of our Fund and remain central to our continued success.



David Atkin

Chief Executive Officer



¹ Growth (Cbus MySuper) default option.

Message from the Chair

We continue to deliver on our objective of CPI plus 3.25 per cent for our Growth (Cbus MySuper) option, ranking amongst the top 10 performing funds over 1, 3, 5, 7 and 10¹ years and averaging yearly returns of 9.16 per cent since inception in 1984.

I am immensely proud of the progress we have made in enhancing the experience of our members and increasing their retirement outcomes at the same time as improving the ease of involvement of employers.

Cbus has been identified as a market leader in attracting and retaining members and growing their balances by APRA (2016). With an eye to long-term, patient investment, we are broadening our mandates both domestically and overseas.

The Board welcomes the accountability which comes with regulation. All funds are now required to follow our leadership position on transparency in fees and costs and in disclosing the remuneration of Board members and the Executive Team.

During the year we continued to assist the Trade Union Royal Commission (TURC) and ASIC (Australian Securities and Investments Commission) with investigations into leaked member details. The TURC investigation findings led to the dismissal of two staff members. The Fund's own forensic audit and an Independent Privacy Governance Review, led by Professor Graeme Samuel, resulted in a series of recommendations, all of which are being implemented.

The Board is front and centre in determining strategy which is the prism through which we determine our budget. We hold an annual strategy review over a number of days. We have a cohesive and engaged Board with a single-minded focus on the best interests of members.

We regularly review our Board skills matrix and the Standing Orders of our sub-committees. This year we completed our Board Triennial Review in addition to annual Chair and Director performance reviews.

John Murray retired from the Board following an outstanding contribution over 16 years. We welcomed Stephen Dunne to the Board and as Chair of the Investment Committee. Prior to joining Cbus, Stephen was the CEO of AMP Capital and brings more than 25 years' experience in investment management. We particularly welcome his passion for sustainable investment and recognise his work on the Investor CEO Panel on Climate Change.

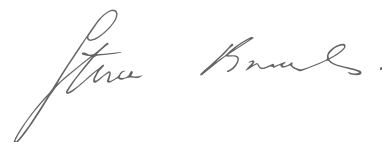
We have a strong management structure and a team of people led by our CEO David Atkin. We are proud of the collaborative, member-focused work culture he leads. The Executive Team serves the Board

well in providing clear and well researched input to strategy discussions.

Given our success, the policy pursuits by the Federal Government seeking to attack or disrupt the industry fund business model is bewildering. The continued success of our Fund and our contribution to the economy through investment in the built environment demonstrates that there is no logical metric underpinning such policy.

As a Board, we acknowledge our responsibility to ensure the integrity of this report. We considered and noted the proposed content of the report at our meeting on 22 August 2016. We considered the International Integrated Reporting Framework's approach to value creation in developing our strategy.

The outlook for Cbus is very positive. We will continue to grow as the construction, building and allied industry grows and as our strong performance attracts a greater diversity of workers, such as architects and engineers, as well as growing our traditional member base.



The Hon. Steve Bracks AC
Fund Chair



¹ SuperRatings SR50 Balanced Survey at 30 June 2016



Our strategy focuses on addressing issues we have identified as material to creating value for our members.

Stakeholder engagement and materiality

We have identified our key stakeholders and the issues of interest to them. Our strategy focuses on addressing issues we have identified as material to creating value for our members. Detailed information on issues of concern to all our key stakeholders and how we engage with them is available on our website.

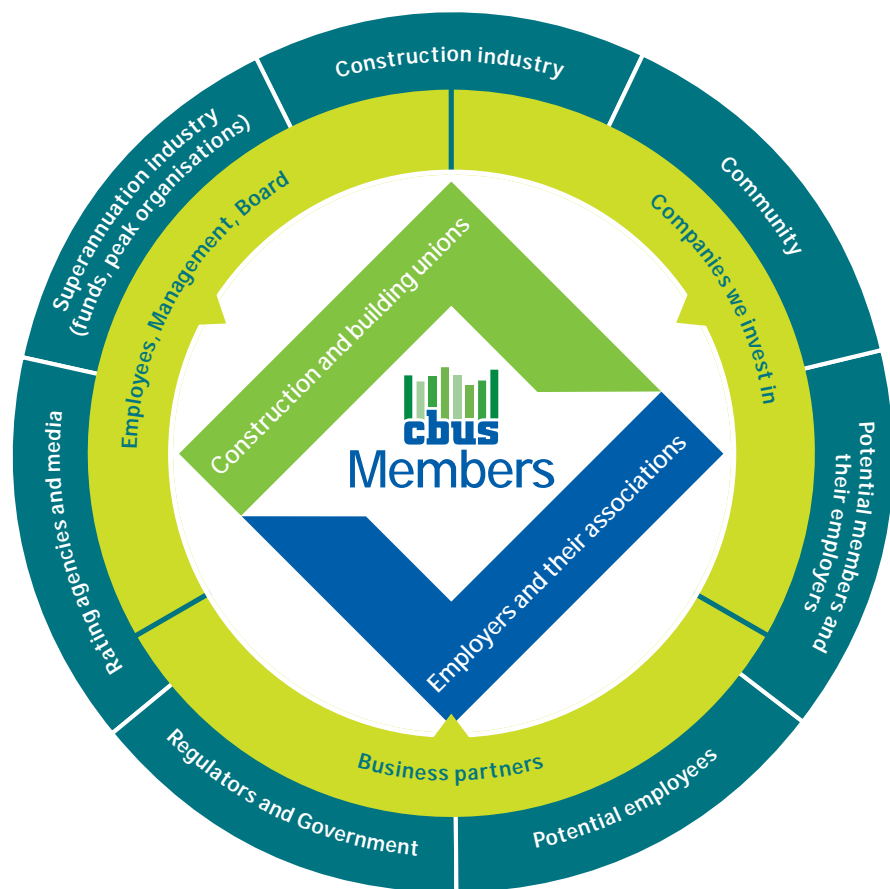
 www.cbussuper.com.au/sustainability



Material issues

The following stakeholder concerns are material to our approach to value creation:

- Member and employer service needs: **"Help me, make it easy, make it quick."**
- Members: An adequate retirement income built through working life to help fund retired life; access to advice provided in my best interest.
- Employers: Easy and efficient administration; a strong and responsive relationship.
- Members, employers and sponsors: Addressing Environmental, Social and Governance risks in our portfolio including climate change, Occupational Health and Safety and labour standards, and fairness in the superannuation system.

Our stakeholders



-  Stakeholders that provide inputs to our business model
-  Other stakeholders in our external environment that influence, or potentially influence, our inputs, outputs and/or outcomes

The superannuation sector is facing many challenges and opportunities both globally and locally.

Our external environment

At Cbus our strategy focuses on four key long-term trends and ongoing issues which we must be responsive to in order to continue to create value for our members. These trends also bring with them a range of other issues, such as changes in technology, which we continually monitor and adapt to through continuous engagement with our stakeholders. We briefly discuss the issues and how we are responding here. You will find further information on our responses to the changing environment throughout this report.

Key risks and opportunities

- ageing population and increasing longevity
 - global megatrends impacting investment returns and choices
 - increasing competition
 - regulatory changes.
-



Members attend the Annual Member Briefing (AMB) taking the opportunity to hear about their Fund and provide feedback to the Cbus Board and Management.

Our external environment continued

Ageing population and increasing longevity

The issue

While the average age of Cbus members is just 38, 11 per cent of our members are 55+ and considering transition to, or full retirement. The physical nature and casualisation of work patterns in our sector mean that 41 per cent of Cbus members retire early or unplanned, 36 per cent of those due to unemployment.¹ An ageing population raises fiscal challenges for governments and structural challenges for the superannuation industry, while increased longevity brings members concern that they will outlive their superannuation.

How we are responding

We are evolving the way we invest to maximise returns to members and we are providing members with information about their expected balance in retirement. We advocate for increases in the superannuation guarantee rate to assist members grow their superannuation, for stronger compliance with the payment of superannuation and we are turning our attention to whole of retirement solutions. We engage widely with our members, governments, industry and academics to examine the work/life experience of our members and how emerging technologies may impact the building and construction industry and its workforce. This may also lead to new investment opportunities that assist with sustaining the industry and in informing our contribution to superannuation policy considerations.

¹ Investment Trends Pty Ltd. October 2015 Retirement Income Report: Cbus Client Report



Global megatrends impacting on investment returns and choices

The issue

Geopolitical instability, high sovereign debt levels, low interest rates and volatile equities markets globally will continue to restrain investment returns. Medium-term returns for diversified portfolios are likely to be below the recent levels as a result of continuing high global debt levels and high pricing of assets.

Capital markets traditionally have a short-term focus, but superannuation funds like Cbus are interested in long-term investment and performance. The need to address climate change and meet greenhouse gas emission reduction targets will continue to place transitional pressure on the energy and fossil fuel sectors while providing opportunities in renewable and emerging clean energy sectors. We believe that the achievement of the Sustainable Development Goals set by the United Nations will have a positive impact on long-term investment returns.

How we are responding

Cbus constructs its portfolios on the basis of the medium and long-term investment outlook. We will increasingly seek to develop patient investment partnerships with companies that demonstrate a similar outlook. We monitor the carbon footprint of our investment portfolio and are increasing our capacity to engage with companies we invest in to ensure they are giving serious consideration to climate change in their business decisions. We believe that nations can and should establish ambitious targets for reducing greenhouse gas emissions and for renewable energy and clean technologies. These targets should be enduring, providing a fair and equitable transitional road map for industry and workers while creating new and stable investment opportunities.

We will monitor our contribution to the achievement of the Sustainable Development Goals for the long-term benefit of society and the global economy.

Cbus invests in the real economy and the built environment to create employment and wealth across the economy which is essential for the health of the superannuation system.

Super Income Stream members
Dennis and Glenis Fisher of Victoria.

Increasing competition

The issue

Competition is robust in the superannuation industry. The for-profit sector is increasingly seeking a larger slice of the superannuation market.

Many advisers continue to encourage clients to take up Self Managed Superannuation Funds (SMSF) despite evidence that SMSFs below \$500,000 have a zero or negative return on average over seven years and have underperformed the broader superannuation sector.¹

Digital advancements are providing easy to use solutions, allowing consumers greater access and confidence in consolidating and switching between funds.

How we are responding

We focus on being a market leading fund and providing our members and employers with the best experience through personalised engagement with them. We only provide advice that is in our members' best interest. We will underpin our commitment to member and employer ease of engagement with improved technology platforms, providing them with real-time access to the information they want.

1 ISA Submission to the Productivity Commission Superannuation Competitiveness and Efficiency May 2016

\$2.6 billion

A report by Tria Investment Partners in 2015 identified that \$2.6 billion per annum in compulsory super is not being paid across the economy

Regulatory changes

The issue

The size of the superannuation industry, now over \$2 trillion dollars, its compulsory nature and the taxation concessions afforded to it mean it is rightfully overlaid with regulation and regulators. Recent changes, such as the introduction of MySuper and SuperStream, have brought about significant changes to administration and product design as well as intensifying competition.

The Treasury and the Australian Securities and Investments Commission (ASIC) have announced further changes to Fee Disclosure and Portfolio Holdings reporting to enhance transparency. Other measures relating to taxation concessions thresholds in superannuation were announced in the 2016 Federal Budget but are yet to pass into legislation.

The Government has tasked the Productivity Commission to examine the efficiency of the superannuation system and alternatives to the current industrial award system for employers selecting default funds for workers who don't or can't make a choice.

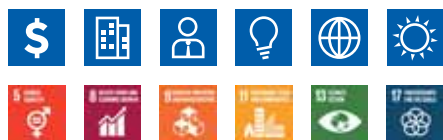
How we are responding

We support regulatory changes to increase transparency in the superannuation industry and have led the way in transparency of fees and cost in investments, including Directors' remuneration. We participated with our peak bodies in roundtable discussions with regulators on the implications of the fee disclosure and portfolio holdings changes. We have cautioned that changes must be applied consistently across the sector and be meaningful for members.

We continue to advocate for governments to bring forward the increase in the Super Guarantee from 9.5 per cent to 12 per cent and for better tax concessions to low and middle income earners.

Cbus commissioned research suggests some \$2.6 billion in superannuation goes unpaid by employers each year. We take seriously our role in working with employers, recovering owed superannuation and helping members to monitor their employer contributions.

We work closely with our sponsoring trade unions and employer associations to ensure that working people in construction, building and allied industries get the best outcomes for their retirement. We strongly advocate that a meaningful quality filter, based on members' best interests, be applied to the selection of default funds. The current industrial methodology for the selection of default superannuation funds has established this practice and it should be retained.



Our strategy focuses on how we create value for members through investing their superannuation contributions, returning all profits to members and providing solutions to help them achieve a dignified retirement.

Our strategy scorecard

1 Innovative investing for the long term to provide strong returns to members

2015/16 Achievements



Extend our investment research capabilities to extract greater value for members.
Broadened our infrastructure investment opportunities.
Continued structural changes to drive down investment costs (targeting 0.10–0.15% decrease) over the next five years.

2016/17 Priorities

Deliver new structure to increase direct investment, lower fees and enhance risk governance.
Extend the direct investment strategy in the 'built' environment, drawing on established capabilities.
Extend Carbon Footprint analysis and company engagement across the portfolio.
Evolve the Investment Risk Management Framework.

2 Providing solutions that address members' retirement needs and concerns throughout their working and post-working lives

2015/16 Achievements



Expanded the range of investment options for Super Income Stream members.
Provided capability for members to transact on Cbus Self Managed.
Introduced Professional category and Professional Insurance scale and optional Total & Permanent Disablement cover to age 70 for members.
Refreshed front counter strategy – first phase implemented in Melbourne Office.
Expanded Cbus digital platform including:

- delivery of an online calculator for members to make appropriate retirement plans
- launched a mobile and tablet-responsive website.

2016/17 Priorities

Shift more active members into adequate retirement savings level from the current 60%.
Bring Cbus Advice Team in-house.
Deliver operating model for complete transition and retirement advice, products and service referrals.
Develop and implement an Income Stream join online solution.
Roll out front counter strategy nationally.
Introduce new member card to aid compliance monitoring of payments.

3 Providing solutions for employers that make super administration easy and efficient

2015/16 Achievements



Created a new employer division responsible for relationship management, business development and marketing and communication.

Launched an employer online resource as part of the new website.

Continued to assist employers to become SuperStream compliant.

Maintained high employer satisfaction levels.

Commenced a review of the refunds and arrears processes.

2016/17 Priorities

Develop and deploy new tailored insurance solutions.

Enhance digital member and employer platforms including an employer app.

Develop improved employer sponsorships ensuring genuine and valued relationships.

Improve legacy administration processes to reduce the burden on employers.

4 Maintaining sound governance mechanisms and internal systems and processes to ensure reliability, transparency, stewardship and accountability

2015/16 Achievements



Developed and enhanced the governance, risk and compliance frameworks including:

- implemented and embedded policies and practices arising from the recommendations of the Independent Privacy Governance Review
- conducted Triennial Board Review in line with Prudential Standards
- conducted Triennial Review of Risk Management Framework.

Increased our technology capability to support the organisation's transformation.

Successfully migrated the administration function to new service provider.

Provided Cbus people with latest workplace technology, improving collaboration and mobility.

Implemented an Enterprise Performance Management framework to track the Fund's performance against strategy.

Gained our Australian Securities and Investments Commission (ASIC) licence variation to provide limited financial advice to enable the insourcing of the Cbus Advice Team.

2016/17 Priorities

Review and evolve the Investment Risk Management Framework.

Review and revise the Risk Appetite Statement.

Renew and implement Environmental, Social and Governance (ESG) policy framework.

Commence data governance and security project.

Maintain the research and insights to continue to drive strategy.

Our strategy scorecard continued

5 Attracting and retaining talented people through a commitment to a collaborative and flexible work environment that puts members first

2015/16 Achievements



Facilitated the attraction and recruitment of talented people to underpin the Fund's strategy.

Reviewed, revised and implemented a Flexible Work Policy to support a diverse workplace.

Developed and implemented Diversity and Inclusion Policy.

Developed and implemented General Manager development program.

2016/17 Priorities

Review our remuneration framework and seek Board endorsement.

Increase flexible work take up.

Increase gender diversity.

Expand our culture across our growing operation ensuring values underpin all we do.

6 Building strong partnerships and networks with members, their unions, employers and their associations

2015/16 Achievements



Developed a new employer marketing team to strengthen employer partnerships.

Enhanced responsiveness to member, employer and sponsor needs via regular engagement.

Continued Annual Member Briefing forums.

2016/17 Priorities

Invest in the built environment stimulating activity and creating jobs for members.

Research member work and retirement experience to build thought leadership and policy advocacy.

Cbus Property's
1 William Street, Brisbane.
75,000sqm targeting
5.0 Star NABERS Energy
rating. 4,904 workers
inducted over the course
of the project.



7 Contributing to social, environmental and economic sustainability

2015/16 Achievements



Continued to embed Environmental, Social and Governance (ESG) policy in investments decisions.

Construction of environmentally sustainable buildings.

Continued participation and partnership with Principles of Responsible Investments (PRI) and Australian Council of Superannuation Investors (ACSI) in developing, implementing and advocating ESG policy.

Developed future priorities including strategies for investing in the built environment.

2016/17 Priorities

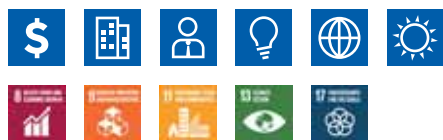
Renew and implement ESG policy including adoption of the UN Sustainable Development Goals.

Deeper engagement and long-term investment in companies that take seriously their sustainability practices.

Investment in the built environment – property and infrastructure.

\$50 billion

estimated funds under management by 2021



We create value for members through innovative investing for the long term to provide strong returns to members.

Our approach to investments

The investment environment

Our investment approach is constructed to navigate an increasingly challenging investment environment and to continue to generate effective returns for members.

Investors are facing an ever-increasing array of challenges in a global environment marked by heightened levels of risk and lower returns. Record low interest rates have been a feature of global markets in recent years and consensus estimates suggest these will persist for some time to come. Economic uncertainty in global markets has compounded the challenges for investors, fuelled by factors including a softening in China's economic outlook and increased risk in sovereign debt markets. This has contributed to significant share market volatility in recent times. These conditions are expected to continue in the year ahead, with slower economic growth in Australia and other developed nations forecast.

Demographic trends towards ageing populations are expected to place further pressure on economic growth and long-term investment returns as shown in analysis by the Treasury (Treasury's Medium-Term Economic Projection Methodology), the Productivity Commission (An Ageing Australia: Preparing for the Future) and our asset consultant, Frontier Advisors.

Our performance

In this environment, getting the best outcomes for our members requires balance. Our investment approach weighs a range of factors including our exposure to different asset classes, the amount of risk we take on, and the time horizons to generate returns. Investment horizons are important in balancing the risk reward equation. Superannuation is a long-term savings vehicle and we pride ourselves in taking a long-term view and not adding unnecessary risk in pursuit of short-term gains.

Around 90% of our members are in our Growth (Cbus MySuper) option. Despite a challenging year for global share markets, the Growth (Cbus MySuper) option delivered a 5.47% return over the year. This was underpinned by returns from the property and infrastructure portfolios, which experienced exceptional capital growth through positive revaluations, along with consistent income flows, and was further supported by the returns in cash and fixed interest. Cbus was ranked fifth in the SuperRatings Balanced SR50 Survey for the 2015/16 financial year, performing well above the median return of 2.81%. We have also exceeded the investment objective, with our ten-year return above CPI +3.25%.

The Conservative Growth (Super Income Stream) default option returned 6.58% over the year for retirement income members.

+5.47%

**Growth (Cbus MySuper)
12 month return to
30 June 2016**

Chart 1
2015/16 Financial Year Returns*
Super Investment Options

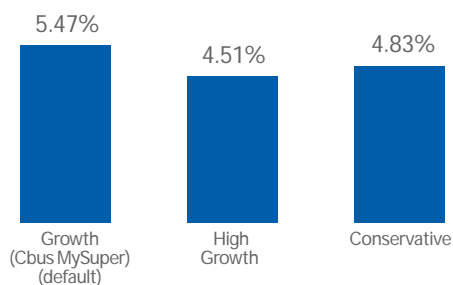
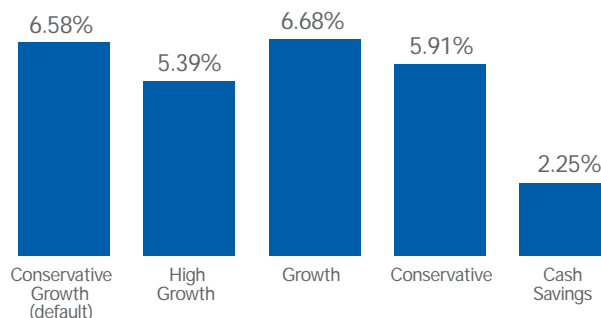


Chart 2
2015/16 Financial Year Returns*
Super Income Stream
Investment Options



*Based on the Crediting Rate, which is return minus investment costs and taxes, the Trustee Operating Cost and reserves. Excludes administration fees. Past performance is not a reliable indicator of future performance.

These strong returns delivered back to members are primarily due to the diversity in our investment portfolios, the fund managers we select, and our team's core skills and expertise.

Our investment objectives and asset allocation

Every year we review the objectives and asset allocations for our investment options to ensure they remain adequate for our members, our expectations of the economic environment and the expected long-term returns of the different asset classes.

This year, reflecting our expectation for heightened risk and slower economic growth, we lowered the return objectives for all investment options by 0.25%, effective from 1 November 2015. We believe it is more appropriate to lower our return objectives rather than maintain them and take on additional risk in the portfolio.

We also made changes to the long-term strategic asset allocation of the diversified investment options. We reduced our exposure to share markets, international private equity and opportunistic growth investments.

Investing for the future

Our projected growth from \$34 billion under management to an expected \$50 billion over the next five years provides new investment challenges and opportunities for the Fund. One of the challenges is that as our Fund grows we start to reach the limits of how much we can invest with our preferred fund managers. However, as we grow, we are also able to access investment strategies and opportunities that smaller sized funds are unable to access.

Expanding our internal capability

We are expanding our internal investment capabilities to enable Cbus to develop and implement new investment strategies. Former AMP Capital Chief Executive Stephen Dunne was appointed Chair of the Investment Committee during the year, and our investment team grew from 20 to 32 people, with further growth expected over the coming year.

The additional resources will enhance our external manager research and efforts to monitor corporate Environmental, Social and Governance (ESG) performance as well as providing further insights into the Australian and global economic conditions, risks and opportunities.

Providing long-term capital to companies

As a large asset owner, we think it is important to actively engage with companies to gain better insights into their business, current market conditions and to build long-term strategic relationships. The benefits are numerous; it provides us with valuable input into managing our exposures not only across Australian equities but also across all the other asset classes within the Fund.

We see this direct engagement as vital to our ability to take longer term views on our investments as well as identifying unique investment opportunities. Some of these opportunities may include investments across the capital structure of a company (i.e. equity and debt) or the sub underwriting of newly issued capital.

Over the year we have engaged with a number of corporates on a broad range of issues. Many of these discussions have been focused on their appetite for direct and stable capital as well as the need to take longer term views on investments. Not surprisingly, many, if not all, of the corporates we spoke with were incredibly supportive of our intentions to be a long-term provider of capital to high-quality businesses and investments. Our discussions also covered broad macro-economic issues and themes such as the Australian housing market and the transition of the Australian economy from

Our approach to investments continued

Cbus invests via pooled infrastructure funds and direct into assets such as Port Botany.

a mining dependent economy to one with a greater emphasis on the service sectors of healthcare, tourism and education.

This strategy, which we are currently developing, will sit alongside our existing investments with external managers and will take advantage of our increasing size, as well as our competitive edge as a direct and stable provider of capital. We anticipate this strategy will increase long-term returns, save fees and increase investment opportunities.

Reducing portfolio risk

We are working to reduce risks across our portfolio. This year we developed an options program with QIC Global Diversified Alternatives to manage risk in listed equities. It involves the management of a portfolio of exchange-traded equity options for Australian and international shares which can be scaled up or down depending on how options compare to other risk strategies. We believe that working with QIC, which has shared investment values and is aligned with our member focus, allows Cbus to access broader strategies and ideas that may create future opportunities.

Fees and costs

Fees and costs are an important indicator of how the Fund is managing member's money. Once again, total Cbus fees and costs are below the median cost of the similar balanced growth funds. This year saw a modest increase for the Growth (Cbus MySuper) investment option, rising from 0.81 per cent to 0.84 per cent. Our objective is to reduce investment costs by between 0.10 per cent and 0.15 per cent over the next five years. Cbus is committed to transparency over our costs, and full details of the costs by investment option are found on page 44.



Fee assessment

SuperRatings benchmark assessment considers the Net Benefit, which measures returns less all fees and taxes, and the fees levied on a member, under a consistent set of assumptions.

Investment	1 year	5 year	Position
Net Benefit to member	\$5,111	\$36,087	Leading
PDS 50K	\$480	\$495	Leading

Cbus Net Benefit to members has outperformed the median fund over 1 and 5 years, while its fee on a \$50,000 account also shows a Leading trend, demonstrating that strong net outcomes have been delivered to members.

Source SuperRatings Benchmark Report 2016

Expanding our infrastructure investments

Infrastructure assets fit well with our strategy of long-term investing as they generate steady income streams over many years that increase in line with inflation. There are different approaches being considered for future investments in infrastructure. One is co-investment opportunities in infrastructure assets - which offer the ability to lower fees and diversify the composition of the Fund's portfolio. In addition, these opportunities bring flexibility to add more capital over time.

This year Cbus invested over \$140 million in the United States Indiana Toll Road alongside the International Infrastructure Fund managed by IFM Investors. The toll road is a 252 km highway that serves as a critical part of the Midwest and Northeast transportation network in the US between Chicago and Ohio. This investment balances the Fund's

exposure to domestic and international infrastructure assets and to toll roads. The Fund also holds a co-investment in New South Wales Ports.

Another strategy is to leverage our experience and success with Cbus Property into infrastructure developments. In particular, we are exploring greenfield infrastructure opportunities with a development component. This approach takes advantage of Cbus' strong association with the construction industry, enabling us to generate attractive direct investment opportunities and create jobs.

We hired an experienced infrastructure manager in early 2016 and a team of infrastructure specialists is being created to further develop our capabilities.

Importantly, investing in infrastructure and being a long-term asset holder interested in improving the value of the assets we hold, provides a broader dividend to our whole economy and



Cbus members have a \$140 million direct investment in the United States Indiana Toll Road.

society. Improving our built environment increases the productive capacity of our community, which drives economic activity and employment, improving members' quality of life during working years and in retirement.

We explore our contribution to the built environment further through our wholly owned subsidiary, Cbus Property on page 26 of this report.

Cbus Self Managed – more choice for members

The Cbus Self Managed investment option enables eligible members to invest part of their Cbus account in their choice of shares from the S&P/ASX 300 Index, a selection of Exchange Traded Funds and term deposits.

Built assets resonate with our members who are involved in building and construction across Australia. In July 2015, Cbus created a first for industry funds in offering managed investments in property and infrastructure through Cbus Self Managed.

- Cbus Self Managed Property – a diversified, professionally managed portfolio of listed and unlisted commercial property such as office, retail and industrial.
- Cbus Self Managed Infrastructure – a portfolio of listed and unlisted infrastructure holdings managed by experienced infrastructure managers. Infrastructure assets include roads, airports, and ports.

These investments are a significant enhancement to the Cbus Self Managed platform, giving eligible members the opportunity to invest in large-scale assets that they would not have access to as an individual investor.

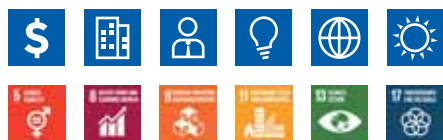
 www.cbussuper.com.au/cbusselfmanaged

Cbus Self Managed members also benefited during the year from the additional capability to transfer their options from super to pension without the need to sell down their assets.

+9.16%

average return per annum since inception of the Fund*

* Growth (Cbus MySuper) since 1984



Cbus has long been committed to principles of sustainability in our investment framework and across our operations.

Environmental, Social and Governance issues

We take the view, as do many Australian and international investors, that addressing Environmental, Social and Governance (ESG) issues is critical to long-term stability and success in business and investing.

Our focus is to actively engage with the companies we invest in around their ESG practices because we want them to continue to provide strong, sustainable returns to members over the long term.

In addition to having a focus on company engagement, Cbus is also active in proxy voting. For Australian shareholdings, Cbus actively considers how it will vote at company meetings for the S&P/ASX 300. These are the biggest 300 companies by market capitalisation on the Australian Securities Exchange (ASX). Cbus considers advice from the Australian Council of Superannuation Investors (ACSI) and, at times, advice from fund managers before voting at company meetings. For international shares, Cbus votes across a number of developed markets. Cbus subscribes to a proxy voting service provided by Glass Lewis based on the ACSI guidelines.

As part of our commitment to being transparent, we publish a monthly summary of proxy voting activity. This and further information and reports on our proxy voting and engagement activities are available on our website.

While our core focus is on engagement, in its direct holdings Cbus excludes companies involved in tobacco products and the manufacture of controversial weapons in line with the Convention on Cluster Munitions and the UN Anti-Personnel Mine Ban Treaty.¹ We also screen high-risk companies in emerging markets.

ESG practices improve each year across the superannuation industry, as managing ESG issues becomes more mainstream and as more research and data on ESG is made available. We are currently enhancing our ESG approach across our investment portfolio. For example, we will be working more closely on ESG screening of fund managers with our asset consultant who assists us in their selection and appointment. Additionally, in-house investing requires us to increase our direct management of ESG issues. We will be placing a greater focus on direct active ownership (engagement and proxy voting) and integration of ESG into our own investment teams.

A full copy of our ESG policy is available on our website.



www.cbussuper.com.au/esg

¹ www.un.org/Depts/mine/UNDocs/ban_trty.htm

180*

formal engagements on ESG issues with 135 individual S&P/ASX 300 companies during the year.

Cbus and the Principles of Responsible Investment (PRI)

Cbus has been a signatory to the PRI since 2006. The PRI provides a globally recognised framework for incorporating Environmental, Social and Governance (ESG) issues into the investment process.

The six Principles of Responsible Investment		Our response
1	We will incorporate ESG issues into investment analysis and decision-making processes.	Our fund managers are required to consider ESG issues within their investment decisions. This is mandated during the selection and appointment process. Unlisted pooled investments in property and infrastructure have annual monitoring requirements. These detail ESG risks and opportunities such as health and safety and potential physical impacts of climate change on the assets.
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	We engage with companies primarily through the Australian Council of Superannuation Investors (ACSI). This year, the key focus was on board diversity, climate change, labour standards, human rights and governance. Proxy voting supports our engagement activities and enables us to have our say on matters of concern.
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	We encourage disclosure for both companies and investors alike. We were the first Australian investor to sign the Global Statement on Investor Obligations and Duties, which calls on international and national policymakers to clarify and give effect to ESG obligations for investors.
4	We will promote acceptance and implementation of the principles within the investment industry.	During the year, we contributed to several industry panel discussions on ESG including social and affordable housing and ESG integration. We also openly shared our approach on climate change. We are on the Member Council for the Investor Group on Climate Change (IGCC) and ACSI and the Board of Directors for ACSI.
5	We will work together to enhance our effectiveness in implementing the principles.	
6	We will each report on our activities and progress towards implementing the principles.	The PRI survey is completed on an annual basis and our results were above the median across all aspects of ESG. We also participate in numerous other surveys to support information sharing and disclosure. Our engagement, proxy voting and PRI survey disclosures are published on the Cbus website.  www.cbussuper.com.au/sustainability

*Engagements conducted via ACSI

Environmental, Social and Governance continued



Cbus Property's 1 Bligh Street, Sydney. 5.0 Star NABERS Energy rating. Full height atrium for natural lighting and ventilation combines with double skin façade and external louvers to reduce cooling and energy requirements.

195

countries, including Australia, signed the Paris Agreement to restrict global warming and reduce emissions.

Climate change

Climate change is one of the global challenges facing investors, business and governments. The signing of the Paris Agreement this year, by 195 countries, was recognition of the significant action required to transition the world to a low carbon economy. Individual country policies, in combination with new technologies and investment, are required to address this complex issue.

As a long-term investor, Cbus is aware of both the risks and opportunities arising from this transition on future investment returns. Last year we joined 15 major global pension funds in research conducted by Mercer to examine investment risk and return under a range of climate change scenarios. The insights we have gained from this project led us to developing our Climate Change Position Statement.

This position statement will guide and shape our risk management and investment decisions to protect members' assets and take the opportunities presented by transition. This will be available shortly on our website. Our progress implementing the position statement will be reported throughout the coming year.

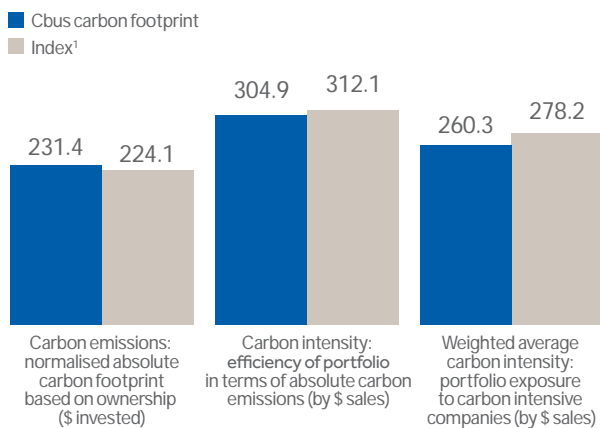
Carbon footprint

We are gaining insights into our portfolio through measuring our carbon footprint. This is a measure of the amount of carbon dioxide released into the atmosphere as a result of the activities of the organisations in which we invest. At this stage we have measured the carbon footprint of our listed companies, which comprise 47 per cent of our total investments. We compare our carbon footprint with that of a global index, which acts as a benchmark.

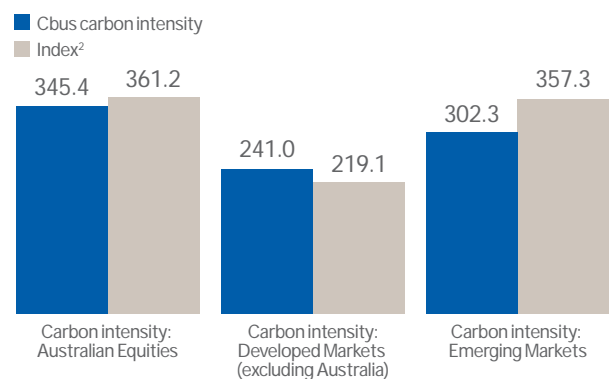
The carbon footprint measures enable us to examine our investment portfolio in more detail, including specific sectors and how they contribute to emissions (for example, the energy sector), right down to specific companies. The analysis will help us to better understand the risks and opportunities facing companies and their industries and, importantly, it provides us with a starting point for further dialogue and engagement with companies with a high carbon footprint.

There are currently several metrics used to measure a fund's carbon footprint. No one single metric is currently

Equity carbon footprint 1 July 2015 / 30 June 2016 tonne CO₂/US\$m



Equity carbon footprint breakdown between Australian, Developed and Emerging markets tonne CO₂/US\$m revenue



recognised globally as the best measure. We therefore believe that best practice is to disclose our outcomes using all three common measures (see chart top left). These measures also have limitations. They are not a complete measure of climate change risk in the portfolio. It is conducted as a point in time measure; both the benchmark and our own portfolio's footprint can change based on a number of factors, including some that are unrelated to carbon emissions.

The second chart (top right) shows a breakdown of the carbon footprint between international and Australian shares using the carbon intensity metric.

Property and infrastructure

We will also look at how best to measure and report against climate change data for debt and unlisted assets such as property and infrastructure.

Our pooled property fund managers participated in the 2015 Global Real Estate Sustainability Benchmark (GRESB) Survey for outstanding performance in ESG and ranked in the top 15 per cent of all 688 real estate and fund managers assessed worldwide. Cbus Property recently commenced participating in

GRESB and their ranking outcome will be included in next year's annual report.

Our infrastructure fund managers are already investing in assets that support the transition to a low carbon economy. For example, Industry Funds Management (IFM) owns 40 per cent of 50Hertz that transmits at least 47 per cent wind power through its transmission network in Germany.

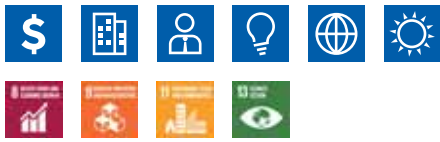
Advocacy

We continue to play a role in climate change policy advocacy. We are in direct dialogue with policy makers and influencers, both domestically and internationally, to persuade them to adopt sound policy to promote the reduction objectives while providing a stable investment environment for transition.

We actively support the Investor Group on Climate Change (IGCC) in their work to influence government climate change policy action in Australia and overseas. We also advocate for a just transition to ensure workers, communities and our members are treated fairly with access to decent work during the transition to a low carbon economy.

1 For the total we have calculated a combined index based on the weight of our portfolio. The weights applied were: Australian Equities (55%), Developed markets (34%) and Emerging Markets (11%).

2 Australia Equities is the ASX 300, Developed Markets is the MSCI All Countries World (Ex-Australia) Index and Emerging Markets is the MSCI Emerging Markets index.



Cbus Property is a wholly owned subsidiary of Cbus that directly invests in commercial and residential property development across the nation, creating strong returns, jobs and eco-efficient buildings.

The built environment – Cbus Property



The Residence. Recognising the move to more livable cities. 87 apartments just a few minutes walk from the heart of Sydney's CBD

+15.48%

Cbus Property's average annual return to members since inception in 2006 to 30 June 2016

1 MSCI/IPD Australian Property Pooled Index

At Cbus Property we believe that our approach to the design and construction of commercial and residential property is critical to the well being of communities and workers while also providing strong investment returns for members.

In 2015/16 Cbus Property achieved a return of 24.26 per cent, compared to an industry average of 12.7 per cent over the year.¹ Since inception in 2006, Cbus Property has generated returns (profits) of over \$1.5 billion, averaging 15.48 per cent per year and has created over 70,000 direct and over 55,000 indirect jobs in the building and construction industry.

Our competitive advantage of being a fully owned investment arm of a \$34 billion super fund enables us to be one of the few property sector participants with capacity to develop large-scale quality

projects, and in the case of commercial office buildings, retain these as long-term investments.

As a part of the industry super fund for building and construction workers, Cbus Property has a special relationship with the men and women working on our developments. Furthermore, our expertise and experience means our partners and clients are confident that we deliver on time, on budget and to their satisfaction. Our small and nimble team of 33 people, combined with an accessible and engaged Board, enables us to transact on opportunities much quicker than our competitors.

Our Charter of Selection and Conduct Criteria for Consultants and Principal Contractors guides our business practices and outlines our expectations of our partners on our projects. The tender selection process requires companies to identify how they will comply with the Charter. A full copy of the Charter can be viewed on our website.

 www.cbusproperty.com.au/About-Us#Builders-Suppliers-43

We remain at the forefront of sustainability practices in the commercial office sector. Our goal is to create highly eco-efficient and employee responsive workplaces of the future. This influences the entire development and design process. This approach is aligned to the expectations of our many stakeholders and tenants who often require Environmental, Social and Governance (ESG) considerations

Cbus Property has created over

70,000
direct jobs*

*Estimated jobs since 2006 to June 2016 based on completed and committed developments

171 Collins Street, Melbourne.
First commercial building in
Victoria to achieve a 6.0 Star
NABERS Energy rating.



to be at the forefront of our decision making. Cbus Property has created an enviable 'green' office investment portfolio with a minimum 5 Star Green Star rating for design across its portfolio of seven properties. All our commercial buildings have been designed to operate at a minimum of 4.5 – 5 NABERS Energy rating.

Cbus Property's 171 Collins Street, Melbourne (co-owned with Charter Hall) is an excellent example of our ability to deliver and maintain high-performing and eco-efficient buildings. Since its completion in mid-2013, 171 Collins Street has attracted several significant design and sustainability awards. Recently, the building became one of the first office properties in Australia to achieve a 6 Star NABERS Energy rating.

Future buildings will need to provide appropriate and resilient workspaces that allow workers to flourish and work pro-actively in the global economy. Sustainability initiatives within the industry therefore will continue to evolve and we expect even greater advancements over the next five years through innovation in technology and design. This provides opportunity for Cbus Property to further enhance its track record in this area and also apply our learnings in future residential developments.

As we face increasing competition in the Australian market from overseas investors and developers, our competitive advantages remain key to our success. Though our focus has previously centred

on our commercial development and investment business, our residential portfolio, which currently makes up 25 per cent of our total portfolio, is experiencing strong growth.

At 30 June 2016, the Cbus Property portfolio totals \$3.25 billion. We have \$4.5 billion of future development work, which positions us well to continue to deliver strong results for members.

Governance

Cbus Property is run under the direction of its own Board and Management Team. The Directors of the Cbus Property Board are Mark Ford (Chair), The Hon. Steve

Bracks AC, Georgina Lynch, Anthony McDonald, Dave Noonan, John Murray, Ian Costley and Allan Davison.

The fees payable to Cbus Property Directors who are also Directors of Cbus are disclosed on the Cbus website.

 www.cbussuper.com.au/governance

Adrian Pozzo
CEO Cbus Property

Our major successes this financial year include:

- the completion of two major office developments (5 Martin Place, Sydney and 50 Flinders Street, Adelaide) adding a further 55,000 square metres of quality commercial space to the current investment portfolio
- the acquisition of six residential development sites located in Queensland, New South Wales and Victoria
- the successful pre-sale of all apartments at our 88 Alfred Street, Milsons Point, NSW development. The project will be completed in mid-2017
- the progression of development works at our first Queensland commercial office development located at 1 William Street, Brisbane. This development of 75,000 sqm, tenanted by the Queensland State Government, will be completed in late 2016
- obtaining planning approval for the proposed development of a \$1.25 billion commercial office, hotel, residential and retail development at 447 Collins Street, Melbourne, with development anticipated to commence in late 2016
- the leasing of approximately 80,000 sqm of commercial space, resulting in a portfolio occupancy of approximately 98 per cent.



We create value by providing solutions that address members' retirement needs and concerns throughout their working and post-working lives.

Looking after our members

87%

of our members rate us as good or very good

We know that understanding superannuation can be daunting. That is why our experts work with members to find the best ways to provide for their retirement. We recently achieved the second highest level of customer satisfaction by members in the 2016 Investment Trends Pty Ltd Member Sentiment Report, with 87 per cent of members giving Cbus a good or very good overall rating.

Engaging members

We help members understand how superannuation works for them and how much money they are likely to retire with by including an estimate of their retirement balance with their Annual Benefit Statement.

Cbus was one of the first superannuation funds in Australia to provide members with a Retirement Income Estimate. The provision of this information is valued by members with surveys showing a 70 per cent recall of receipt. Members are also increasingly likely to contact the Fund or check their balances online as a result of receiving the statements, with many seeking out further advice.

Education

We offer retirement planning seminars to help our members understand how to make their money work harder and the amount of assets they will require for retirement. Last year we conducted 18 seminars across Australia with attendance

up 11 per cent from the previous year. During these seminars, 23 per cent of attendees asked for a referral to meet a Cbus approved financial planner. The members who attended our seminars gave them an overall rating of 9 out of 10.

Advice over the phone

Our members have free access to a team of qualified financial advisers who can provide advice over the phone on topics such as superannuation products, investment options, contributions, insurance and retirement planning. These advisers also connect our members to our financial planning network if more specific advice is needed.

Last year our advice team conducted 46,223 member conversations for advice, following through and closing out actions on behalf of members in 99.59 per cent of cases. 96 per cent of members, who self-nominated to provide feedback, expressed satisfaction with our phone advice service. It's our intention to introduce much greater depth in member feedback and satisfaction measures in our advice offering over the next year.

We referred over 2,000 members seeking personal financial advice to our FPA partners. From October we are bringing our phone advice service in-house with the aim to further build the excellence of this service. We are recruiting 28 advisers and two team leaders for this purpose.



Advice allows Alan to prepare for retirement

Advice from financial planners

We want to ensure that members who need more comprehensive personal financial advice get the best possible advice. That is why we have partnered with the leading financial planning body, Financial Planning Association (FPA) of Australia, to provide advice to our members.

This means that our members can be confident that a Cbus approved Certified Financial Planner has met additional checks to ensure that they are acting in the best interest of members. These checks mean that the planner will not accept sales commissions, offers an initial meeting for free, is certified and has a 12-month review of their product list.

The advantage of this system means that we now have a broad network of 55 financial planning practices across Australia and that members pay only on a user basis. Of the more than 2,200 members who have used the service, 96 per cent describe it as "positive experience".

In retirement

Transition and retirement require significant adjustment both financially and personally for members. A large portion of Cbus members arrive at retirement forced out of paid employment through circumstances outside of their control, such as illness, disability and unemployment. Even after retirement, needs continue to evolve through retirement as health, mobility and cognitive function become issues that require management.

Cbus has initiated a project to assess the holistic planning and adjustment needs of its members and their partners through the transition and retirement phase to identify appropriate service, advice and products.

Whilst there will be solutions that Cbus will be able to deliver directly, other solutions will require Cbus to develop strong partnerships with likeminded organisations.

We have developed a series of seminars for our retired members to provide access to further advice and to other services provided by our partners. Topics include health and well-being, community connectedness and relationships.

The 186 members who have attended the Retiree Information Forums in Perth, Melbourne and Sydney rated the event a 9.2 out of 10.

Getting advice from a financial planner has helped long-time Cbus member, Alan Cameron, better prepare for his retirement.

After attending a Cbus retirement planning seminar in Frankston (Victoria), Alan was referred to a Certified Financial Planner (CFP®) who is accredited to participate in the Cbus & Financial Planning Association (FPA) Member Referral Program.

The semi-retired, former pipeline construction worker had only good things to say about his advice experience.

"There should be more programs like this available," he said. "It was a positive experience and I will keep recommending it to others."

He said he was charged a one-off fee for the advice he received.

"There were no hidden agendas or costs; everything was up front," Alan said.

Alan and his wife, Wendy, are both looking forward to doing some travel in the future, working for six months of the year and travelling for the rest.

Looking after our members continued



\$62m

in unpaid super recovered by Cbus on behalf of members during the financial year

Insurance

We know that our members work in a risky environment and that insurance is important to them. Group Life and later Total & Permanent Disablement (TPD) insurance were introduced into the Fund in the interest of fairness to members and their families who, as a result of death or incapacity, lost their earning capacity.

Group insurance inside superannuation makes this personal risk cover accessible and affordable to construction and building workers who prior to 1984 had little or no cover other than workers compensation or common law claims. It is for this reason we are working to expand our insurance coverage. We appointed a new insurer, TAL, effective from 1 November 2015. This appointment is designed to improve our service and

technology in our insurance offering. Our aim is to make it easy for members to apply for a change in cover and to streamline the processing of their claims.

We have also changed our insurance including introducing exemptions for pre-existing conditions coverage options to allow more people to get cover. We are now offering tailored insurance coverage for our members depending on whether they do manual, non-manual or professional work.

We were one of the first funds to move to expand our claim rules for members with terminal illness. Members are now eligible to claim if their life expectancy is less than 24 months (an increase from 12 months). As a consequence we have been able to provide a benefit to more members during their life.

We have an 80 per cent acceptance rate of member claims for members who have insurance cover and are eligible to make a claim. We are reviewing our claims practice with the aim to cut the amount of time taken to make a decision on a claim. To assist members with their claims, we are improving the ways we communicate to members and the steps needed to be taken to make a claim.

- Last year we paid out \$122m in death benefits and \$84m in disability to 2,018 members.
- In total there were 2,268 claims for an insured benefit and 2,018 of them were accepted as meeting the insurance requirements and paid.

Complaints

Cbus welcomes feedback from members in relation to their experience in dealing with the Fund. Both positive and negative feedback are received across the year and both are used to improve the Fund's services. In 2016 the Fund received 481

Supporting our members

complaints, with the majority of these related to insurance claims. As well as Cbus' own internal dispute resolution processes, members are able to escalate complaints to the Superannuation Complaints Tribunal (SCT) for conciliation and determination.

Supporting our members onsite

At Cbus we visit our members at their place of work to help them with any questions about their superannuation and insurance. This financial year we have visited the majority of building sites across Australia. With a team of 22 worksite coordinators, we have been able to extend our services further than ever before to even more remote locations in far north Queensland and are also attending smaller building sites.

Our online presence

Over 75,000 of our members use our mobile app which allows them to view their superannuation contributions. We are working on developing the next generation of this app to allow members to securely update their details and switch investments.

We have reviewed and reworked our website to make it easier to navigate. We have reduced the amount of unnecessary content by 80 per cent. We are also rebuilding our online calculators to make them more user-friendly and less complex. We have also redeveloped our website so more members can connect and interact with us via smart phones or tablets. Mobile usage now makes up over 30 per cent of our website traffic, up from around 20 per cent.



The Cbus Front Counter

We like to be accessible to all of our members in whatever way is easiest for them to contact us. In response to member needs for face to face service we have opened up a counter in our Melbourne office. Any member and employer can come and ask us questions about their superannuation. Since we launched this service, the number of visits has risen from around 100 visits a month to 300 by word of mouth alone. We now have two full-time staff members who can help members with concerns such as how to make additional payments to their account or where to find certain information. By the end of 2016 we intend to have a front counter service in Western Australia, South Australia, Queensland and New South Wales.

John Kranz worked at Keppel Prince in Portland up until about six months ago when he decided it was time to retire. John has enjoyed dealing with real people face-to-face in setting up his Income Stream account through Cbus' Front Counter service.

John says, "Cbus has its members at heart. You can go to the Cbus head office and you can have a confidential discussion with people who care about your interests. It's not like a bank or a company run for shareholder profits; it's all about the members and satisfying their needs."

We have redeveloped our website so more members can connect and interact with us via smart phones or tablets.



We create value by providing solutions for employers that make super administration easy and efficient.

Employer experience



We help 108,755 employers to understand and respond to their superannuation responsibilities. Our employers are supported through a team of relationship managers, our dedicated service centre and our online services. To be able to respond to our employers more effectively, this year we established an in-house Employer Experience division within Cbus.

The majority of our employers join Cbus via our website with over 1,000 employers joining Cbus every month over the last financial year.

In response to a more competitive environment in superannuation, the changes we have made to our employer services have resulted in an 11 per cent increase in our employer numbers this year. According to consumer research conducted by Forethought this year, our employers with more than 150 members rate us 8.4 out of 10 for overall satisfaction.

Employer relationship managers

We have relationship managers in every state in Australia, which allows our employers to ask us questions face to face. They provide continuous support through education and general advice via telephone and face-to-face meetings. They also meet new employers who are using Cbus as a default super provider for the first time. Our managers help our employers on issues such as their

Relationship Manager Activity 1st Nov 2015 to 30th June 2016

Calls in to our phone service	3,498
Proactive outbound calls	2,265
Email queries responded to	6,576
Number of site visits	52

superannuation obligations, insurance, financial advice referral, administration and the products and services available.

Over the year we have expanded our employer relationship team, now at 11 staff members, with the intention to hire another six people later in 2016.

We are focused on obtaining feedback from our employers from every point of interaction with us, whether through our call centre, website or relationship manager. Any employer who uses our call centre is provided with the opportunity to give feedback on how the call was conducted and if the necessary information was provided. This feedback is responded to by our relationship managers weekly. The manager then assists the employer to resolve the issue or will let them know what steps will be taken.

Our involvement with employer associations

Since January this year, we have focused on building our relationships with employer organisations such as the Master Builders Association. We now have Business Development Managers in Queensland, Western Australia, New South Wales and Victoria and plan for this team to grow by a further six this year. Since January, our managers have spent around 58 days meeting with these organisations. We have started a pilot program in Western Australia where our Business Development Manager is



seconded one day a week to the Master Builders Association office, with a view to rolling this program out nationally in the financial year 2016/17.

Online support

Our website has been changed to make it easier for employers to log in, understand our offering and to send us questions. We provide our employers with tailored monthly information on different topics such as apprenticeship information, insurance and advice services at Cbus. Employers can also register for a monthly newsletter to keep them up to date with changes around their obligations. We are launching the Employer Mobile App in September 2016, to make it easier for employers to access information on their employee super obligations.

SuperStream

Over the financial year Cbus has worked to ensure its employers become SuperStream compliant. Over the first six months of 2016 more than 50,000 employers were moved to a SuperStream compliant payment method. The Cbus employer non-compliance number is well below the industry average (10 - 11 per cent) at around 6.5 per cent.

50,000

**employers became
SuperStream compliant
during the first six months
of 2016**



We create value for members by attracting and retaining talented people through a commitment to a collaborative and flexible work environment that puts members first.

Our people



Left to right

Michelle Boucher, Stephen Spiller, Kristian Fok, Angela Thurstans, Johanna Neilsen, David Atkin, Jarrod Coysh, Keith Wells-Jansz and Trish Donohue

Executive Team

The Cbus Executive is charged with the responsibility of overseeing the execution of and reporting against the strategy determined by the Board. Collectively they are responsible for delivering on our strategy to create value for members, with each executive responsible for delivering on outcomes with respect to one or more of the integrated reporting capitals.

The Executive Team reports directly to the CEO and the organisational structure of the Fund has remained stable for this year as the Fund has continued to refine the focus on our members and employers. The Cbus organisational structure and biographies of the Executive Team are available on our website.

 www.cbussuper.com.au/management

All executives are employed on ongoing contracts and are excluded from the Cbus

industrial agreements. No executive, including the CEO, has any termination payments included in their contract. Executives are entitled to accrued entitlements in the event of resignation and are required to give six weeks' notice. The CEO is required to give six months' notice of resignation. All executives are required to possess a minimum level of tier 1 skills as set out in the Fund Governance Policy.

 www.cbussuper.com.au/governance

Remuneration of executives

Members of the Executive Team, excluding the CEO, are entitled to receive a performance bonus of between 0 and 6 per cent of their remuneration package. Performance assessment is based on the achievement of the Cbus strategy and Business Plan objectives and is determined by the CEO. The CEO's recommendations are subject

to endorsement by the Remuneration Committee and to ultimate approval by the Cbus Board.

All executive salary packages, including that of the CEO, are benchmarked annually against a market of our peers utilising externally sourced data. Salary increases are subject to endorsement by the Remuneration Committee and subject to approval by the Board. Full remuneration disclosure of the CEO and the Executive Team is available on our website.



www.cbussuper.com.au/management

A summary of the Cbus Remuneration Policy is also available on our website.



www.cbussuper.com.au/governance

Talent acquisition

Across the organisation we have been expanding our teams and bringing more services in-house in our Employer Relationship Management, Business Development Management, Compliance Line and Complaints teams. This year we hired 77 people made up of 63 permanent staff and 14 contract staff. Our voluntary turnover rate was 2 per cent, down from 5 per cent in 2014/15.

Cbus will continue its expansion in 2016/17 and beyond as the Fund rapidly grows and capability is required to meet the objectives of our strategy. We will look to continue to attract the talented, expert and values-driven people that are critical to our success.

Diversity and inclusion

We are focused on ensuring we have an inclusive workplace to attract a diverse pool of talent. At 30 June 2016, 44 per cent of our Executive Team and 30 per cent of our General Management



Team were women. Further information on the gender breakdown of our people is set out on our website.



www.cbussuper.com.au/careers

Our recent period of growth increased our focus on our hiring procedures to ensure we maintain a gender balance. In March 2016 we introduced our new Cbus Diversity and Inclusion Policy. The policy ensures we have gender-balanced candidate shortlists where possible for financial year 2016 and our hiring selection panels include male and female representatives. All Cbus job advertisements are screened via an online 'decoder' to ensure they are gender neutral in tone. We have also increased our presence on online job boards such as Diverse City Careers that attract a more diverse candidate pool. Fifty-four per cent of all new appointments have been female.

44% of our Executive Team and 30% of our General Management Team are women.

For the financial year 2017 we have set targets within the KPIs of the Executive Management team in relation to improving the gender diversity of the Fund. The Board have set a 30 per cent target for future directors (with a multi-year time frame).

We have a 30 per cent target for the Investment Strategy team, 50 per cent for Investment Management team and a 50 per cent target at the total organisational level.

Our people continued



87%

of our people say they are proud to work at Cbus

Workplace flexibility

We provide everyone at Cbus with the right to request flexible working arrangements. Currently 23 per cent of our people work under flexible arrangements and we are aiming to increase this to 30 per cent by 2019.

We have been able to offer this through the introduction of new technology including providing transportable devices and remote system connectivity to all people. We have a Parental Leave Policy of 16 weeks that is paid to both men and women. We also have a Family Violence Policy to provide leave time and support in the event of domestic violence.

Professional development

At Cbus we invest in our people to build their capability to deliver on our strategy now and into the future. All staff participate in regular performance and

development discussions and reviews and set annual performance and professional development training goals. On average, non-representative Cbus team members completed 25.7 hours of training during the year.

We have put in place a new General Manager development program with the understanding that better training and education of our managers will drive the success of our growth phase and have flow on effects throughout the organisation leading to better outcomes for members.

Survey feedback three months into the program revealed all respondents felt they had changed the way they worked as a result of the program. This included making more time for team members, being more willing to delegate, showing greater empathy and being more focused on higher value activities driving member outcomes.

We exceeded our minimum requirement of providing authorised representatives of the Australian Financial Services Licence (AFSL) holder with 30 hours per year of continuous professional development. On average, our representatives completed 70.8 hours of training.

Remuneration of our people

All Cbus people (except Executives) are employed under collective Enterprise Agreement conditions which provided for a 3 per cent increase from 1 July 2015. Cbus does not administer bonus or performance-based incentive schemes for EBA employees. We continue to review our remuneration structure to ensure that it remains fit for purpose, reflects our values and is fair to all.

Great Place to Work survey

This table shows our key results from the Great Place to Work survey.

	2016	2015
Pride	83%	86%
Camaderie	82%	85%
Diversity and Inclusion	98%	93%
Respect	81%	82%
Fairness	76%	78%

It has been a year of growth and transformation for Cbus and our people have carried a significant load which has impacted on this year's survey results. In response, we have initiated a number of new programs to better support our people. This includes the General Manager development program and an employee reward and recognition program.

From next year we will introduce a new employee survey, which will allow managers to respond quickly to feedback from their teams. This will also mean a change in how we report employee satisfaction in the future.

Occupational Health and Safety and Wellness

Cbus is committed to providing a safe and healthy place for work. Incidents are reported to the quarterly meetings of the Occupational Health and Safety Committee, the Executive Management team and the Board. During the year there was one lost time incident. To support continued mental and physical health, Cbus sponsors our people to participate in health and wellness related activities.

Community involvement

Our people have the opportunity to take volunteer leave which they use to support organisations aiding the homeless, refugees, community care, animal welfare, and by donating blood. Our Melbourne based staff joined together for the third year in a row in December to donate gifts for disadvantaged children as part of The Smith Family Christmas Appeal. Cbus also continues to support the national Mother's Day Classic fun run. Fifty-two staff and family members participated and raised over \$7,000 for breast cancer research.

"A supportive environment and one truly committed to employees and our development and diversity."





We create value for members through having sound governance mechanisms to ensure reliability, transparency, stewardship and accountability.

The Board



From left to right

Anthony McDonald, Dave Noonan, John Dawkins, Scott Beynon, Glenn Thompson, Stephen Dunne, Rita Mallia, Peter Kennedy, Misha Zelinsky, Hon. Steve Bracks AC (Fund Chair), Anne Milner, Earl Setches, Peter Smith, Frank O'Grady, Wilhelm Harnisch and Ged Kearney



Alternate Directors from left to right
Anne Donnellan, Ben Davis, Allen Hicks

Full Board details are available on our website.



www.cbussuper.com.au/management

Board and Committee structure

The Trustee of Cbus is United Super Pty Ltd. The Board of the Trustee is responsible for the management of the Fund and delegates authority to management. The Board, in delegating its authority, has established four key committees to manage the Trustee business: Audit and Risk Management Committee, Member Services and Marketing Committee, Investment Committee and Remuneration Committee. The Trustee is governed by the Trust Deed and Articles of Association which are available on our website.



www.cbussuper.com.au/governance

Governance structure

The Cbus governance framework is articulated in the Fund Governance Policy (FGP).



www.cbussuper.com.au/governance

The FGP reflects the Fund's vision and values while ensuring legal and regulatory requirements are adopted into policy and decision making processes. Our representative trustee model means we maintain an affinity with building industry employers and workers.

Strategy and regulatory requirements

A Registrable Superannuation Entity (RSE) licence from the Australian Prudential Regulation Authority (APRA) and an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC) are essential components to the compliance regime in which Cbus operates. Cbus recognises that to fulfil its strategic objective of maximising the retirement savings of its members, it needs to assume levels of risk while ensuring transparency and accountability is applied across the business systems and operations. Compliance with

industry regulation, together with a commitment to Environmental, Social and Governance (ESG) issues, ensures that Cbus governance goes over and above legal requirements to deliver a safe and accountable fund.

Skills

The FGP details the skills required in the running and management of Cbus (investments, property, operational, audit and financial, governance and risk management, remuneration and people) and details the different tiers within these skilled areas. Cbus understands that to fulfil its strategic objectives it requires particular skills to manage a sustainable and successful fund in the short, medium and long term.

Remuneration of directors

Cbus does not pay a bonus or performance-based incentives to Directors. Full remuneration disclosures are available on our website.

 www.cbussuper.com.au/governance

Ethics

Accountability of the Trustee, its Board and committees is reiterated by a range of initiatives designed to reinforce the Cbus values while fulfilling its strategic objectives. The FGP is reviewed annually or as new legislation may require. It ensures all aspects of the business are open and transparent by virtue of a range of public reporting (i.e. Interest and Duties Register) and publication of internal policies that impact business operations and performance (i.e. online audit reports and information on the risk management systems).

The Code of Conduct and Whistleblowing Policy is detailed in the FGP and reflects the Cbus vision and values. The open and transparent way in which Cbus governance is structured ensures that the Trustee is held accountable for all aspects of management and the way in which it carries out business.

Trust Deed amendment

As a result of the Board decision to appoint TAL Life Ltd as new Group Life Insurer from 1 November 2015, the Trust Deed was reviewed and amended. Certain terminology within the Insurance, Benefit Payment and Definition sections of the Deed were standardised to reflect that used in the *Superannuation Industry (Supervision) Act 1993* and the Regulations.

An example was the removal of the term Total & Permanent Disablement and the inclusion of the terms Permanent and Temporary Incapacity. In addition, the Trust Deed was updated to incorporate a change to the release of superannuation benefits on the grounds of a Terminal Medical Condition.

Triennial Board performance review

As required under the Prudential Standards (Practice Guide 520), the performance and effectiveness of the Trustee Board, all Board Committees and every Trustee Director must be reviewed annually.

Every three years, this review and that for the Fund Chair, must also be conducted by an independent external party. In 2015, this 'triennial review' was conducted by Blackhall & Pearl and was also extended to include an assessment of the collective skills of the Board.

The review reaffirmed the strong governance foundations of the Board and its Committees, the qualities and experience of the Fund Chair, and the continued evolution of the Board in improving its performance and effectiveness. The report also identified improvement opportunities for the Board's consideration relative to the Fund's strategic outlook and ambitions.

Following receipt of the report, Board and management have been working progressively to implement various improvement initiatives emanating from the review. The initiatives implemented to date have largely involved enhancing the Board's meeting practices, e.g. agenda constructs, approach to strategy

discussions, meeting pack content, holding in-camera sessions etc. This work will be ongoing over the coming financial year, with the Board also actively engaged in new and emerging governance developments and practices more broadly.

Triennial Conflicts Management review

In 2015, the Board commissioned the Fund's first review of its Conflicts Management Framework and Policy.

As required under the Prudential Standards (via Practice Guide 521), the Fund's conflicts framework must be independently and objectively reviewed every three years. The Review was conducted by Mills Oakley, and concluded that Cbus' framework, relative to best practice and the requirements of the Prudential Standards, was satisfactory, given its size and the complexity of operations.

The Mills Oakley report included best practice recommendations and operational enhancements for the Board's consideration.

The Fund has been progressively working towards implementing these recommendations, which included transitioning the conflicts framework more extensively throughout the business. This has included the development of an annual calendar of conflicts education events, refresher courses, and a Fund-wide comprehensive face-to-face training program on identifying and managing conflicts of interest.

Conflicts identification and management are a pivotal part of the Fund's everyday business activities and risk management culture.



Cbus is committed to continuous improvement in its risk management and governance processes, systems and capabilities.

Risk management and governance

Supporting strategic delivery

Risk management has enabled the delivery of major strategic initiatives over the last year, most notably:

- transition of insurance arrangements to new group life insurer TAL
- migration of all member administration data onto the AAS aaspire platform
- implementation of new cloud-based technology infrastructure to support Cbus business operations.

Each project was supported by robust project governance, application of Cbus risk appetite and contingency planning including internal and external assurance programs.

Risk culture

Cbus views risk culture as an important element of how the Fund conducts its business. During the year, Cbus continued internal dialogue on risk culture with Management and Directors, including reporting on results from the 2016 annual risk culture survey and agreeing actions to enhance and reinforce expected behaviours. Further risk culture initiatives will be developed over the 2017 financial year.

Comprehensive review of Risk Management Framework

During the year, KPMG conducted a comprehensive review of the Cbus Risk Management Framework. This is the first triennial review since the commencement of Prudential Standards for Superannuation, to assess the appropriateness, effectiveness and adequacy of Cbus' Risk Management Framework.

The comprehensive review involved:

- considering Cbus risk management policies, internal controls, risk reporting and monitoring and adequacy of resources in the management of risk
- risk culture survey of Directors, the CEO and Executives
- interviews of key stakeholders including selected directors, the CEO and Executives
- maturity benchmarking assessment against the industry better practices.

The testing did not identify any deficiencies against the Prudential Standard requirements and noted that Cbus had actively managed its Risk Management Framework as required by the Prudential Standards.

KPMG recommended a number of future enhancements designed to further mature the Cbus Risk Management Framework in line with its strategy, changes in business operations and

increasing stakeholders' expectations with respect to governance and risk management. These development areas will inform the Fund's risk management strategy over the next two to three years.

Future enhancements

Cbus is committed to continually evolving the Fund's Risk Management Framework to support the Fund's strategy, with financial year 2017 focus areas outlined below.

Risk appetite

Cbus risk appetite framework will be enhanced to increase alignment of business decisions to the achievement of Cbus strategy. This will help inform, guide and empower the business in executing strategy and foster a strong risk culture within Cbus.

Risk culture

Cbus will further develop risk culture initiatives across the organisation to better align risk management accountability with performance management and promote more effective organisational wide decision making for the benefit of members.

Risk governance

Cbus will continue to formalise and embed the three lines of the risk governance model to improve clarity of responsibility and accountability of business units for managing risks.

Data governance and cyber security

Cbus recognises that the types of information it collects and shares is becoming increasingly valuable and sensitive and subject to greater customer and regulatory expectations around its quality, privacy and information security. As such, Cbus has engaged PwC to assist in developing an integrated Cyber Security and Data Governance Framework.

The framework will allow Cbus to optimise the value of its data as a strategic asset and will enable greater business opportunities whilst balancing risk and the needs of regulators and other stakeholders.

Triennial Investments Governance Review

APRA Prudential Standard SPS 530 Investment Governance requires that an RSE licensee must ensure that the appropriateness, effectiveness and adequacy of its Investment Governance Framework are subject to a comprehensive review by an operationally independent, appropriately trained and competent person at least every three years.

During the year, Ernst & Young completed a review of our Investment Governance Framework and reported that it complies with the requirements of SPS 530, and is considered adequate to manage investments in a manner consistent with the interests of beneficiaries, is appropriate to the size, business mix and complexity of Cbus' current investment operations and structure and enables effective investment governance.

Pleasingly, several components of Cbus' Investment Governance Framework are considered better practice in comparison to those of other superannuation funds. These included: the investment governance structure at Board and Committee management levels; the clear delineation of roles of the strategy and investment management teams providing clear segregation of duties; the comprehensive capture of risk controls through the Archer risk management

tool; the depth and quality of the Fund's Investment Governance Framework policies; and the level of investment due diligence performed.

Further best practice opportunities were identified by Ernst & Young, many of which Cbus had already commenced, whilst others are scheduled for financial year 2017. An example is the implementation of an enhanced training system, which Cbus implemented in the second half of 2016 with the Cbus Learning Management System (CLAIR), enabling the investment team to load and track all staff training requirements.

Comprehensive review of the Insurance Management Framework

In accordance with APRA Prudential Standard SPS 250 Insurance in Superannuation, the Trustee is required to have its Insurance Management Framework (IMF) reviewed at least every three years by an operationally independent, appropriately trained and competent person. KPMG undertook the first comprehensive review of the IMF during mid- 2016. The comprehensive review involved:

- consideration of the Fund's insurance documents, policies and internal controls
- interviews with key stakeholders including Cbus Executives and Management
- maturity benchmarking assessment against the industry better practices.

The testing noted that, based on the scope of the work conducted, the IMF appeared to be operating effectively given the size, business mix and operational complexity of the Trustee's business operations. It also noted that the IMF is relatively mature compared to the average state of maturity across the superannuation industry. Testing did not identify any deficiencies against the Prudential Standard requirements but a number of opportunities were identified which could support the enhancement of the IMF. Management have agreed to adopt these recommendations over the next 24 months.

Royal Commission and Privacy Governance Review

During 2014 and 2015 Cbus was the subject of investigations by the Royal Commission into Trade Union Governance and Corruption (TURC). The Royal Commission revealed that two employees of the Fund had committed a privacy breach and gone to great lengths to cover up their actions.

Cbus responded by dismissing the employees, strengthening our two policies and practices regarding data privacy and arrears management and commissioning Professor Graeme Samuel and Robert Van Woerkom to conduct an independent privacy governance review. That review brought forth 17 recommendations to the Cbus Board, all of which have been or are in the process of being fully implemented.

The work we have undertaken is on our website.

 www.cbussuper.com.au/sustainability

In December 2015, TURC Commissioner Dyson Heydon QC submitted his findings to the Federal Government in which he referred the Cbus matter to the Australian Securities and Investments Commission for them to examine whether the actions constituted a breach of Sections 182 and 183 of the *Corporations Act 2001*.

The Cbus Board is satisfied, following an internal forensic investigation by KPMG and the independent privacy governance review referred to above, that the incident was isolated to the activities of the two employees.

A Board sub-committee continues to monitor the implementation and effectiveness of the corrective measures outlined in the recommendations to ensure the Fund controls are operating effectively regarding data, privacy and arrears management.

Superannuation options

			Default Option	
	Cash Savings	Conservative	Growth (Cbus MySuper)	High Growth
Risk /return				
Risk level/(band) ¹	Very low	Low to medium	Medium to high	High
Investment objective ²	Inflation plus 0.75% a year over rolling 10-year periods	Inflation plus 1.75% a year over rolling 10-year periods	Inflation plus 3.25% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
Likelihood of negative annual returns	0 in 20 years	1 in 20 years	3 in 20 years	5 in 20 years
Actual number of negative annual returns	0 in 7 years	1 in 16 years	3 in 32 years	5 in 18 years
Actual performance average return over 10 years ending 30 June 2016 ⁴	This figure is unavailable as this option was introduced on 1 April 2009	5.71% (inflation plus 3.34% p.a.)	6.16% (inflation plus 3.79% p.a.)	5.82% (inflation plus 3.45% p.a.)
Annual investment return (Crediting Rate %) at 30 June 2016				
Annual return since inception (p.a.) ⁴	2.87% (1/04/2009)	6.16% (1/10/1999)	9.16% (1/07/1984)	6.96% (1/01/1998)
Asset allocation ³ (%)				

Table notes:

1 Risk level: The Risk Level is based on an industry wide Standard Risk Measure, which relates to the number of expected negative annual returns over a 20-year period. Risk band: The Standard Risk Measure ranges across seven risk bands, from 1 (very low risk) to 7 (very high risk). The Standard Risk Measure is not a complete assessment of all forms of investment risk. For more information about the Standard Risk Measure, go to www.cbussuper.com.au/risk






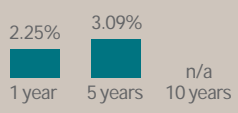

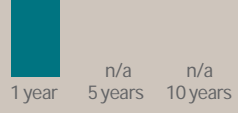



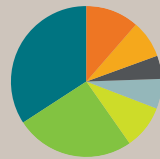


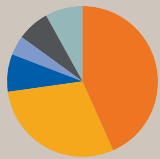
2 For all investment option objectives: Cbus expects all investment options to achieve their targeted after-tax returns 75 per cent of the time.

3 Cbus sets a Long-Term Strategic Asset Allocation and a Target Portfolio allocation. For more details, go to the investment section on www.cbussuper.com.au

4 Average returns are to the period ending 30 June 2016.

5 Formerly known as Credit.

Super Income Stream options

	Cash Savings	Conservative	Default Option Conservative Growth	Growth	High Growth
					
	Very low	Low to medium	Medium	Medium to high	High
	Inflation plus 1.25% a year over rolling 10-year periods	Inflation plus 2.25% a year over rolling 10-year periods	Inflation plus 3.0% a year over rolling 10-year periods	Inflation plus 3.5% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
	0 in 20 years	1 in 20 years	2 in 20 years	3 in 20 years	5 in 20 years
	0 in 7 years	0 in 7 years	0 in 2.5 years	0 in 7 years	0 in 7 years
These figures are unavailable as these options were introduced on 1 July 2009			This figure is unavailable as this option was introduced on 1 December 2013	These figures are unavailable as these options were introduced on 1 July 2009	
					
	3.45% (1/07/2009)	7.58% (1/07/2009)	7.98% (1/12/2013)	10.27% (1/07/2009)	11.21% (1/07/2009)
					
	<ul style="list-style-type: none"> Cash 100.0 	<ul style="list-style-type: none"> Australian shares 11.5 International shares 8.0 Private equity 0.0 Opportunistic growth 0.0 Infrastructure 5.0 Property 6.5 Alternative debt⁵ 9.5 Fixed interest 25.5 Cash 34.0 	<ul style="list-style-type: none"> Australian shares 19.5 International shares 13.5 Private equity 1.5 Opportunistic growth 0.5 Infrastructure 9.0 Property 10.5 Alternative debt⁵ 7.0 Fixed interest 14.0 Cash 24.5 	<ul style="list-style-type: none"> Australian shares 27.5 International shares 19.0 Private equity 6.0 Opportunistic growth 4.0 Infrastructure 11.0 Property 11.0 Alternative debt⁵ 7.5 Fixed interest 4.5 Cash 9.5 	<ul style="list-style-type: none"> Australian shares 43.5 International shares 29.5 Private equity 8.0 Opportunistic growth 4.0 Infrastructure 7.0 Property 8.0 Alternative debt⁵ 0.0 Fixed interest 0.0 Cash 0.0

	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High Risk	High Risk
Investment objective	Inflation +2.75%	Inflation +3.25%
To deliver an after tax and investment fees return, over 10-year rolling periods, which we expect to achieve at least 75% of the time, of at least:	Super members;	Super members;
	Inflation +3.0%	Inflation +3.5%
	Income Stream members	Income Stream members
To limit the likelihood of negative returns to:	4 or greater in every 20 years	4 or greater in every 20 years
Actual performance¹	13.18%	13.92%
since inception (29 July 2015)		

1 The return is not a Crediting Rate. It is the unannualised since inception return, net of investment management costs.

Investment option costs

Cbus incorporates the fees of the underlying managers (selected by our investment managers) into our investment costs. We do this because we believe members should be informed of total investment management costs when these are identifiable and measurable.

	High Growth		Growth (Cbus MySuper)		Conservative		Cash Savings	
	2015/16 %	2014/15 %	2015/16 %	2014/15 %	2015/16 %	2014/15 %	2015/16 %	2014/15 %
Investment Costs by Accumulation Option								
Base Fee	0.40	0.44	0.38	0.40	0.18	0.18	0.05	0.06
Performance Fee	0.09	0.08	0.09	0.06	0.03	0.02	0.00	0.00
<i>Direct Investment Manager Fees</i>	<i>0.49</i>	<i>0.52</i>	<i>0.47</i>	<i>0.46</i>	<i>0.21</i>	<i>0.20</i>	<i>0.05</i>	<i>0.06</i>
Underlying Fund of Funds Base Fee	0.12	0.12	0.10	0.10	0.00	0.00	0.00	0.00
Underlying Fund of Funds Performance Fee	0.03	0.05	0.03	0.03	0.00	0.00	0.00	0.00
<i>Underlying Fund of Fund Manager Fees</i>	<i>0.15</i>	<i>0.17</i>	<i>0.13</i>	<i>0.13</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Other Investment Costs</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>
Total Investment Costs	0.69	0.73	0.65	0.63	0.26	0.25	0.10	0.10

Super Option Crediting Rates								
Total Earnings¹	5.39	12.08	6.31	10.86	6.38	6.38	2.11	2.38
Less: Indirect Cost Ratio	0.88	0.91	0.84	0.81	0.45	0.43	0.29	0.28
Total Investment Costs	0.69	0.73	0.65	0.63	0.26	0.25	0.10	0.10
Trustee Operating Cost	0.11	0.10	0.11	0.10	0.11	0.10	0.11	0.10
ORFR	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
= Final Crediting Rate:	4.51	11.17	5.47	10.05	4.83	5.95	1.82	2.10

	High Growth		Growth		Conservative Growth ²		Conservative		Cash Savings	
	2015/16 %	2014/15 %	2015/16 %	2014/15 %	2015/16 %	2014/15 %	2015/16 %	2014/15 %	2015/16 %	2014/15 %
Investment Costs by Super Income Stream Option										
Base Fee	0.40	0.44	0.37	0.40	0.26	0.29	0.18	0.18	0.05	0.06
Performance Fee	0.09	0.08	0.08	0.06	0.06	0.04	0.03	0.02	0.00	0.00
<i>Direct Investment Manager Fees</i>	<i>0.49</i>	<i>0.52</i>	<i>0.45</i>	<i>0.46</i>	<i>0.32</i>	<i>0.33</i>	<i>0.21</i>	<i>0.20</i>	<i>0.05</i>	<i>0.06</i>
Underlying Fund of Funds Base Fee	0.12	0.12	0.10	0.10	0.02	0.02	0.00	0.00	0.00	0.00
Underlying Fund of Funds Performance Fee	0.03	0.05	0.03	0.03	0.01	0.01	0.00	0.00	0.00	0.00
<i>Underlying Fund of Fund Manager Fees</i>	<i>0.15</i>	<i>0.17</i>	<i>0.13</i>	<i>0.13</i>	<i>0.03</i>	<i>0.03</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Other Investment Costs</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>	<i>0.05</i>	<i>0.04</i>
Total Investment Costs	0.69	0.73	0.63	0.63	0.40	0.40	0.26	0.25	0.10	0.10

Super Income Stream Option Crediting Rates										
Total Earnings¹	6.19	13.57	7.42	11.93	7.09	9.3	6.28	7.07	2.46	2.82
Less: Indirect Cost Ratio	0.80	0.84	0.74	0.74	0.51	0.51	0.37	0.36	0.21	0.21
Total Investment Costs	0.69	0.73	0.63	0.63	0.40	0.40	0.26	0.25	0.10	0.10
Trustee Operating Cost	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
ORFR	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
= Final Crediting Rate:	5.39	12.73	6.68	11.19	6.58	8.79	5.91	6.71	2.25	2.61



¹ Total earnings are gross of indirect costs and net of investment taxes.

² The Super Income Stream's Conservative Growth option commenced in December 2013.


Investment managers

The following table provides a breakdown of Cbus total investments by investment managers.

 = Related parties

Investment Managers managing 5% or above of the total Fund's assets				
		At 30 June 2016	At 30 June 2015	At 30 June 2014
Industry Funds Management 		18.5%	18.9%	18.5%
Vanguard Investments Australia		8.7%	n/a	n/a
Colonial First State Asset Management		8.4%	6.6%	9.8%
Cbus Property 		5.2%	4.7%	6.5%



Over the financial year, Cbus became a substantial shareholder of AWE Ltd from 9 March 2016, and remains a substantial shareholder at 30 June 2016, with a holding of 6 per cent.

Cbus Total Investments	At 30 June 2016		At 30 June 2015	
	(\$ millions)	(%)	(\$ millions)	(%)
Australian Equities				
Industry Funds Management 	2,334.2	6.9	2,368.8	7.6
Paradice Investment Management	1,368.2	4.0	1,257.3	4.0
Perpetual Investment Management	916.4	2.7	925.7	3.0
Hyperion Asset Management	903.6	2.7	931.6	3.0
Ausbil Dexia	804.9	2.4	789.1	2.5
Ellerston Capital	771.6	2.3	742.2	2.4
Airlie Funds Management	660.2	1.9	684.3	2.2
Allan Gray Australia	600.2	1.8	534.6	1.7
Kinetic Investment Partners	163.5	0.5	151.2	0.5
Novaport Capital Pty Ltd	107.7	0.3	104.2	0.3
Other ¹	18.8	0.1	57.5	0.2
Total Australian Equities	8,649.3	25.4	8,546.4	27.4

International Equities				
Vanguard Investments Australia	1,265.5	3.7	-	-
MFS Institutional Advisors	837.7	2.5	822.3	2.6
Orbis Investment Management	831.3	2.4	669.0	2.1
Global Thematic Partners	805.5	2.4	725.0	2.3
Baillie Gifford Overseas	757.7	2.2	759.5	2.4
AQR Capital Management	752.1	2.2	672.4	2.2
Realindex Investments	682.1	2.0	489.1	1.6
Wellington Management Company	414.3	1.2	447.3	1.4
Citi International Transtion account	301.1	0.9	-	-
Genesis Emerging Markets Investment Company	250.4	0.7	262.3	0.8
Trilogy Global Advisors	182.2	0.5	188.5	0.6
First State Investment Management	140.6	0.4	139.2	0.4
Mesirow Financial Currency Management ²	23.6	0.1	-39.8	-0.1
Blackrock Investment Management Australia	5.0	0.0	1,281.5	4.1
Other ¹	1.2	0.0	198.2	0.6
Walter Scott and Partners	0.5	0.0	1.2	0.0
Altrinsic Global Advisors	0.4	0.0	0.4	0.0
Total International Equities	7,251.3	21.3	6,616.0	21.2

Investment managers continued

Cbus Total Investments	At 30 June 2016		At 30 June 2015	
	(\$ millions)	(%)	(\$ millions)	(%)
Property				
Cbus Property	1,748.4	5.1	1,463.7	4.7
ISPT	1,225.2	3.6	994.4	3.2
AMP Capital Investors	500.8	1.5	470.7	1.5
Resolution Capital	126.1	0.4	106.5	0.3
Franklin Templeton Investments Australia	4.9	0.0	6.0	0.0
Fortius Funds Management	4.5	0.0	129.9	0.4
Mesirow Financial Currency Management ²	2.8	0.0	-3.9	-0.0
Blackrock (formerly Macquarie)	0.6	0.0	3.5	0.0
Total Property	3,613.4	10.6	3,170.9	10.2
Infrastructure				
Industry Funds Management	2,499.9	7.3	2,265.1	7.3
Hastings Funds Management	949.2	2.8	702.3	2.2
Rare Infrastructure	180.8	0.5	175.1	0.6
Mesirow Financial Currency Management ²	8.8	0.0	-6.0	-0.0
Total Infrastructure	3,638.7	10.7	3,136.6	10.0
Private Equity				
ROC Private Equity	410.4	1.2	317.3	1.0
Siguler Guff & Company	235.3	0.7	211.3	0.7
Mesirow Financial Private Equity Advisors	204.9	0.6	232.9	0.7
Industry Funds Management	196.2	0.6	224.2	0.7
ME Bank	167.8	0.5	169.7	0.5
Newbury Associates	145.8	0.4	105.7	0.3
Performance Equity Management	115.3	0.3	111.8	0.4
Industry Super Holdings	87.1	0.3	71.4	0.2
LGT Capital Partners	83.0	0.2	97.7	0.3
Greenspring Associates	81.7	0.2	81.1	0.3
VenCap International	73.9	0.2	73.6	0.2
Stafford Capital Partners	65.3	0.2	94.4	0.3
Adveq Management	65.1	0.2	78.8	0.3
Lexington Partners	51.6	0.2	65.3	0.2
Weathergage Venture Capital	37.6	0.1	42.0	0.1
Pomona Australia	34.0	0.1	53.9	0.2
Mesirow Financial Currency Management ²	34.2	0.1	-75.7	-0.2
Wilshire Private Markets Group)	11.9	0.0	21.2	0.1
Continuity Capital Partners ³	4.8	0.0	0.0	0.0
Frontier Advisors	1.4	0.0	1.5	0.0
Total Private Equity	2,107.2	6.2	1,978.0	6.3

Cbus Total Investments	At 30 June 2016		At 30 June 2015	
	(\$ millions)	(%)	(\$ millions)	(%)
Opportunistic Growth				
Bridgewater Associates	843.1	2.5	845.3	2.7
Industry Funds Management 	91.4	0.3	62.3	0.2
TPG Opportunities Partners II	60.8	0.2	108.2	0.3
Oaktree Capital Management	28.9	0.1	35.9	0.1
Artwork	7.9	0.0	7.9	0.0
Mesirow Financial Currency Management ²	2.2	0.0	-13.1	-0.0
Total Opportunistic Growth	1,034.2	3.0	1,046.6	3.4
Fixed Interest				
Vanguard Investments Australia	1,710.2	5.0	-	-
State Street Global Advisors, Australia	16.3	0.0	1,590.5	5.1
Other ¹	2.4	0.0	1.3	0.0
Total Fixed Interest	1,728.9	5.1	1,591.8	5.1
Alternative debt				
Industry Funds Management 	904.9	2.7	728.0	2.3
Babson Global Loan Fund	632.6	1.9	617.2	2.0
Goldman Sachs Asset Management	319.0	0.9	319.0	1.0
ME Portfolio Management 	156.7	0.5	188.7	0.6
Hayfin Direct Lending	135.8	0.4	104.4	0.3
Mesirow Financial Currency Management ²	3.8	0.0	-1.4	-0.0
Total Alternative debt	2,152.9	6.3	1,955.9	6.3
Cash				
Colonial First State Asset Management	2,717.2	8.0	1,937.6	6.2
Internally managed 	856.1	2.5	946.9	3.0
Industry Funds Management 	254.0	0.7	247.6	0.8
Other ¹	30.5	0.1	63.8	0.2
Total Cash	3,857.8	11.3	3,195.9	10.2
Total Investments⁴	34,033.7	100.0	31,238.0	100.0

Notes

1 Other may include funds in transition, small holdings and outstanding fees on closed accounts, as well as Cbus Self Managed holdings in cash and Australian shares.

2 Mesirow Financial Currency Management manages the currency hedging for Cbus.

3 Previously Wilshire Private Markets Group.

4 Figures are subject to rounding.

Cbus annual financial reports

The Cbus Annual Financial Report is based on the Fund's general ledger balances and Custodian investment and taxation reports, together with members' funds information sources from Link/AAS administration systems. The report includes the Fund's Financial Position, Operating Statement and Statements of Cash Flows, and Notes to these Financial Statements. It also includes a Trustee Declaration, Auditor's Independence Declaration and Auditor's Report.

The report is prepared in accordance with Australian Accounting Standards and other relevant requirements and is subject to an independent audit by the Fund's external auditor. It is reviewed and endorsed by the Trustee Board. The report will be available on our website.

 www.cbussuper.com.au/AnnualReport

In this Annual Report the figures shown in the Statement of Financial Position and Operating Statement are abridged.

Financial statement inputs

There are several different inputs that support the completeness and accuracy of the Financial Statements.

Existence

An independent audit of the existence and valuation of the Fund's investments held under custody by the Custodian is completed by the Custodian's external auditor and the audit report is provided to the Fund. The investments audited are reflected in the Financial Statements and Notes to the Financial Statements.

Custodian administration controls

An independent audit of the internal controls and procedures the Custodian has over custody, investment administration, accounting and tax reporting, unit registry and related information technology services is completed by the Custodian's external auditor and the audit report is provided to the Fund. The internal controls and procedures audited, support the investment-related information reflected in the Financial Statements and Notes to the Financial Statements.

Administrator's control

An independent audit of the internal controls and procedures the Administrator has over superannuation and pension member administration is completed by an independent accounting firm and the audit report is provided to the Fund. The internal controls and procedures audited support member-related information reflected in the Financial Statements and Notes to the Financial Statements.

Tax review

A tax review of the key tax file numbers in the Financial Statements and Notes to the Financial Statements is completed by the Fund's internal tax specialists in conjunction with its external auditor to provide assurance over these numbers. In-house tax expertise assists in maintaining comprehensive tax management and accuracy of tax expense within the Fund.

External audit

The Fund's external auditor (PwC) conducts an independent audit of the Financial Statements and the Notes to the Financial Statements to provide an opinion on whether the financial statements are presented fairly. The external auditor performs procedures in accordance with Australian Auditing Standards to enable it to form its opinion.

Internal audit

The Fund's internal auditor (KPMG) completes reviews of internal controls and procedures over key Fund transactions that are represented in the Financial Statements and Notes to the Financial Statements.

The Fund's internal auditor attends all Audit and Risk Management Committee meetings and has unfettered access to the committee. The committee, in turn, must ensure that the internal and external auditors have access to all data, information and staff in respect of the Trustee's business operations that the auditors reasonably believe necessary to fulfil their role and responsibilities.

The internal audit function is responsible to the Board through the Audit and Risk Management Committee. Through the execution of an internal audit program, the internal audit function is responsible for:

- assessing the Fund's Risk Management Framework
- reviewing the effectiveness of internal controls with particular focus on operational, financial and compliance risks and controls


The internal audit program is ongoing and also covers the operations of Cbus Property.

Trustee insurance

The Trustee holds indemnity insurance providing cover to protect the Fund, its Directors and Officers from the costs and liabilities that may arise from legal action.

Management of derivatives

Cbus allows some of its investment managers to use derivatives to reduce the risk and/or enhance efficiency. The managers must use derivatives within strict parameters, including that they are not used to gear the Fund and that there are sufficient cash assets to back the derivatives exposures at all times. The derivatives charge ratio (the percentage of the Fund being used as security for derivative investments) was less than 0.5 per cent during the financial year. The Derivative Management Plan and other investment-related policies are located on the Cbus website.

 www.cbussuper.com.au/about-us/how-were-run

Super surcharge payments

The superannuation contributions surcharge applied to certain super contributions made after 20 August 1996 and before 1 July 2005. Although it was abolished from 2005, the surcharge is still paid for any outstanding or amending assessment by the ATO. Surcharge payments (if any) are deducted from members' accounts and paid to the ATO.

Eligible rollover fund

Cbus may transfer accounts to an eligible rollover fund (ERF) if no contributions have been received for 12 months and the account balance is less than \$1,000. As a result, any insurance cover will cease and members may be charged fees by AUSfund (the ERF chosen by Cbus).

To contact AUSfund, write to PO Box 543 Carlton South Vic 3053; email: admin@ausfund.net.au; phone: 1300 361 798 or visit their website: ausfund.com.au

Temporary residents' benefits transferred to the Australian Taxation Office (ATO)

If a former temporary resident employee has left Australia and their visa has expired or been cancelled, Cbus is required to pay their benefit to the ATO if it has not been claimed from the Fund within six months of departure. Visit www.ato.gov.au for more information about superannuation for temporary residents. Cbus relies on ASIC's class order relief in that we are not obliged to notify or give an exit statement to a non-resident in the above circumstances. However, this information is available on request.

Statement of financial position as at 30 June 2016	2016	2015
	\$'000	\$'000
Assets		
Investments (funds under management)	34,033,679	31,238,004
Current assets	259,289	260,060
Non-current assets	12,596	6,796
Total assets	34,305,564	31,504,860

Liabilities		
Tax payable	527,089	587,775
Benefits payable	43,168	39,434
Other liabilities	155,409	131,771
Total liabilities	725,666	758,980
Net assets available to pay benefits	33,579,898	30,745,880

Represented by:

Members' funds		
Growth (Cbus MySuper)	29,032,748	26,901,539
High Growth	1,344,251	1,258,243
Conservative	750,583	658,248
Cbus Super Income Stream	1,769,662	1,411,108
Cbus Self-Managed	28,798	16,568
Cash Savings	482,667	409,073
Total members' funds	33,408,709	30,654,779

Operational risk reserve	83,950	57,649
Insurance reserve*	55,622	14,088
General reserve account	31,617	19,364
Liability for accrued benefits	33,579,898	30,745,880

*increase required to ensure we meet financial obligations of the Partnership Sharing Model with the Fund's insurance provider

Cbus annual financial reports continued

Operating statement for the year ended 30 June 2016	2016	2015
	\$'000	\$'000
Revenue		
Contributions by employers	2,468,559	2,378,107
Contributions by members	280,157	320,545
Transfers from other funds	675,114	668,981
Investment income (net of investment expenses)	1,820,534	2,879,892
Proceeds on insurance claims	204,046	212,998
Other revenue	1,014	1,533
Total revenue	5,449,424	6,462,056
Expenditure		
Administration and management costs	129,695	126,528
Insurance costs	344,297	373,600
Taxation expense	339,299	433,517
Total expenditure	813,291	933,645
Benefits accrued after tax	4,636,133	5,528,411
Movement in liability for accrued benefits		
Accrued benefits at the start of the year	30,745,880	26,925,715
Benefits accrued after tax	4,636,133	5,528,411
Benefits paid and payable	-1,802,115	-1,708,246
Accrued benefits at the end of the year	33,579,898	30,745,880

Members' funds and reserves

Members' funds

Members' funds represent benefits accrued to members at 30 June 2016.

General reserve account

The purpose of establishing and maintaining the general reserve account is to set aside monies to meet unexpected and unforeseen events other than operational risk events and to meet any other expenses which the Trustee deems ought to be met from the general reserve account rather than directly from member accounts.

The Trustee Board has determined that the general reserve account is to be maintained within a range of 0.05–0.25 per cent of Fund net assets. The factors considered in setting this range include:

- the operational running costs of the Fund
- tax and other liabilities of the Fund
- the Fund's operating processes and internal control environment
- the Fund's business planning and budgeting process
- current business mix and complexity of the Fund.

The level of the general reserve account will be set annually as part of the Fund's annual financial statements and review process.

The investment strategy for the general reserve account is the strategy for the combined investment options.

In practice, this is predominantly the investment strategy for the Growth Option, which is reviewed as part of the annual review of the Fund's investment strategy.

Members' funds and reserves

The table below shows the general reserve balance for the past five years.

Year (as at 30 June)	\$'000	% of Fund assets
2012	36,757	0.20
2013	55,739	0.25
2014	29,996	0.11
2015	19,364	0.06
2016	31,617	0.09

The following table below shows how net assets of the Fund are attributed across the Fund's investment choice and reserves.

	At 30 June 2016	At 30 June 2015
Members' funds and reserves	%	%
Growth	86.46	87.50
High Growth	4.00	4.09
Conservative	2.24	2.14
Cbus Super Income Stream	5.27	4.59
Cbus Self-Managed	0.09	0.05
Cash Savings	1.44	1.33
Operational risk reserve	0.25	0.19
Insurance reserve	0.17	0.05
General reserve account	0.09	0.06

Operational risk reserve

Under Prudential Standards, all Registrable Superannuation Entities, like Cbus, are required to maintain an operational risk reserve to meet any potential losses arising from its business operations. Cbus reviews the adequacy of this reserve annually or in response to material changes in its business operations. The target amount for this reserve was set at 0.25 per cent of Fund net assets since the introduction of this obligation in 2013. Cbus reached this initial target amount at 30 June 2016.

In light of the Trustee's strategic initiatives and planned business activities for the next twelve months, Cbus considered it appropriate to revise the target level of this reserve to 0.28 per cent. The additional 3 basis points reflects changes in the Fund's operational risk profile resulting from the insourcing of a number of business functions.

Insurance reserve

The insurance reserve is funded from premiums deducted from members' accounts, tax benefits derived from the payment of premiums to the insurer and investment earnings on the Reserve.

The Fund utilises the reserve to:

- pay the insurer its premiums
- pay for the operating and administration costs for insurance and claims
- provide premium price relief to insured members
- set aside monies to meet the financial obligations of the Partnership Sharing Model with the Fund's insurance provider
- fund its insurance claims reduction strategies aimed at generating a long-term improvement in the claims ratio
- fund development and implementation costs associated with the delivery of improved insurance offerings.

The target level of the reserve is set at 20 per cent of the annual premiums paid to the insurer.

Glossary

arrears

Unpaid superannuation.

asset

Resource determined to hold current and future value or benefit.

benchmark

The standard measured against.

Consumer Price Index (CPI)

Common measure of inflation.

Crediting Rate

Return on investment minus investment costs, taxes, Trustee Operating Costs and fund reserves.

Custodian

A financial institution that holds the Fund's assets for safekeeping and provides investment administration.

Default option

The investment option nominated for members who do not make another choice.

Environmental, Social and Governance (ESG) issues

Issues, beyond financial, requiring attention to build sustainability in business practices.

fund manager

An organisation that selects and manages assets for Cbus or for a group of funds including Cbus.

income stream

Allocated pension scheme for members transitioning to or in retirement.

infrastructure

Essential service and facility systems such as transport, water, electricity and telecommunications.

integrated reporting

Reporting on how an organisation creates value over the short, medium and long term.

investment options

Different options available to members to meet their risk and return preferences.

materiality

A matter or amount of significance.

MySuper

APRA accredited superannuation funds or investment options that qualify as default options.

outperformance

Performance of a higher level than benchmark or peers.

remuneration

Pay for services rendered.

risk appetite

The level of risk the Trustee is willing to expose itself to.

related parties

Entities that Cbus has ownership in and which provide services to Cbus.

short termism

A focus on immediate or short-term outcomes often creating risk or undermining sustainability.

sponsors

Organisations that sponsor the Fund – ACTU, AMWU, AWU, CEPU, CFMEU and MBA.

stakeholders

Organisations or groups of people that have an interest or relationship with the Fund.

stewardship

Responsible management and investment of member's superannuation.

SuperStream

Government initiative to standardise electronic data and payment transfers of superannuation by employers.

sustainability

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Trust Deed

Legal document stating the requirements and governance rules of the Fund.

Trustee

Collective description of the Board of Directors and their delegated representatives responsible for managing and administering the Fund in accordance with the Trust Deed.

Awards

Blue Ribbon Award



SuperRatings Awards



Chant West Apples Fund Rating

Cbus has been recognised with 5 Apples for:

- Superannuation product
- Super Income Stream (Pension product)
- Corporate Super

The Chant West Awards are about recognising and rewarding those funds that have achieved excellence and are doing a great job for their members.

Sustainability Disclosures

Sustainability for Cbus is about ensuring that Cbus can continue to provide superannuation services to current and future generations of members.

We focus on sustainability issues that are considered material to our stakeholders. Our disclosures include information on:

- the Environment, Social and Governance (ESG) issues that impact our investment portfolio, including Cbus Property;
- our direct and indirect economic impacts (for example retirement income for members, jobs in our member's industry, supporting the built environment);
- our governance; and
- our people management.

The framework we use is the Global Reporting Initiative's (GRI) G4 Framework. This Framework is widely used around the world, to enable greater organisational transparency. A listing of our GRI G4 disclosures, including the links to their location in this report and various locations on the Cbus Website is in the 'Cbus 2016 GRI Content Index', at



www.cbussuper.com.au/sustainability

Thank you

Cbus wishes to thank our many members, employers, families and staff who kindly allowed their photos to be included in this Annual Report

Cbus National Office

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We welcome your thoughts

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and invite you to send any comments
or queries about this report to
annualreport@cbussuper.com.au

You can also review this report online.



www.cbussuper.com.au/AnnualReport