

Built for all of us



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Important information

The Cbus Annual Report is issued by United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 RSE L0000604 as trustee for Construction and Building Unions Superannuation Fund ABN 75 493 363 262 (Cbus). The information is general in nature and does not consider the needs, objectives or requirements of any specific individual. Before making a financial decision, you should read the relevant product disclosure statement (PDS) and related documents and consider your own financial needs, objectives and circumstances. Copies of the PDS are available on cbussuper.com.au or by phoning 1300 361 784. All care has been taken to ensure the information contained herein is correct. Neither the Trustee nor its advisers accept responsibility for the content, any error or misprint or for any person who acts on this information. Past performance is not indicative of future performance. Case studies and focus points are provided for illustration purposed only. Any views expressed are those of the individual member.

Cover: Cbus members in Queensland working on a Cbus Property job, 1 William Street, Brisbane

Cbus members place enormous trust in their Fund. Cbus was at the centre of the creation of Australia's compulsory superannuation system.

We are one of the largest, truly national, industry and member-focused superannuation funds. Our heritage, business model, close involvement of our stakeholders, investment decisions and uncompromised focus on our members' best interests, combine to make sure we earn and keep that trust.



About this report

Our reporting framework

Our Board has acknowledged that 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 that drive value creation for members.

In late 2015, governments around the world agreed to 17 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

We also report using the Global Reporting Initiatives (GRI) Sustainability Reporting Standards.








This year we have also produced a Corporate Responsibility Report. This provides more detailed information on matters covered in this report. More information is available at:

 www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/Corporate-Responsibility-Report-2018.pdf

Our 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

Sustainable Development Goals that Cbus contributes to are:

	5. Achieve gender equality and empower all women and girls.
	7. Ensure access to affordable, reliable, sustainable and modern energy for all.
	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.

Obtaining a printed copy of this report

You can obtain a copy of the Cbus Annual Integrated Report 2018 by visiting www.cbussuper.com.au/AnnualReport, or by phoning the Service Centre on 1300 361 784.

Cbus is the only national superannuation fund for the building, construction and allied industries and is open to all working people. Maximising the retirement outcomes of our 777,987 members is at the heart of everything we do.

Who we are

Number of members
Up by 3.6%

2016	2017	2018
732,922	750,779	777,987

Number of employers
Up by 7.6%

2016	2017	2018
108,224	126,610	136,230

Average member age

39

Average member account balance

\$56,746
Up by 12.2%

Average Super Income Stream (SIS) member account balance

\$276,883
Up by 6.4%

Total funds under management

\$46.7 billion
Up by 16.8%

Cbus was established through the leadership of building trade unions and agreement from employers to maximise the retirement outcomes of construction and building workers.

Thirty-four years on, our successful member-first approach continues to be guided by our key sponsoring organisations – the unions and employer organisations of the building and construction industry.

Our members' retirement savings join a \$46 billion pool that gives them access to large scale, long-term, diverse and innovative investments. We also invest directly into the building and construction industry through our wholly owned subsidiary, Cbus Property. This unique offering creates jobs and contributes positively to the industry in which our members work.

We care about our members' financial wellbeing and that of future generations. We show care and prudence in how and where we invest with a focus on responsible and sustainable investing.

Cbus pays no commissions and all profits go back to members. Our members also receive default insurance cover (subject to eligibility) and access to premium discount health cover. Our financial advice offering is led by our inhouse team and provides advice only in the members' best interests.

Our members want an adequate retirement income and information relating to the performance of their fund. They want to be informed of any factors that might impact their financial wellbeing and they want us to evolve to meet their needs in an ever-changing environment.

We offer great service to our employers, providing confidence that their employees are with a top-performing Fund that continues to grow.

We enjoy the highest satisfaction ratings from members across all superannuation funds and many members choose to stay with Cbus after moving outside the construction industry.

We hold ourselves to high standards in terms of governance, transparency, reporting and risk management, and know that our members expect us to maintain high standards of integrity and fairness in the way the Fund is run.

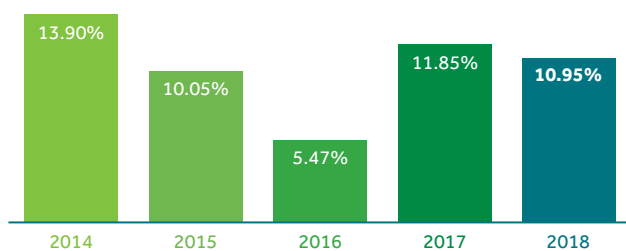
This year, Cbus delivered a strong return to members of 10.95%.¹



Our 2018 performance

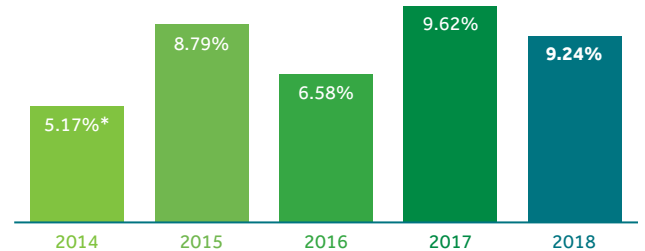
Superannuation returns

Growth (Cbus MySuper) DEFAULT OPTION



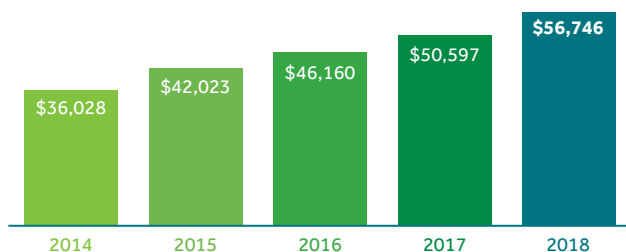
Super Income Stream (Fully Retired Option) returns

Conservative Growth DEFAULT OPTION



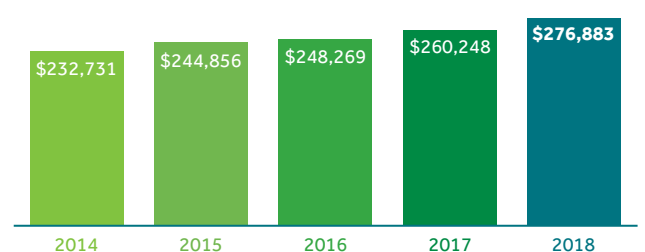
Average member super account balance

as at 30 June



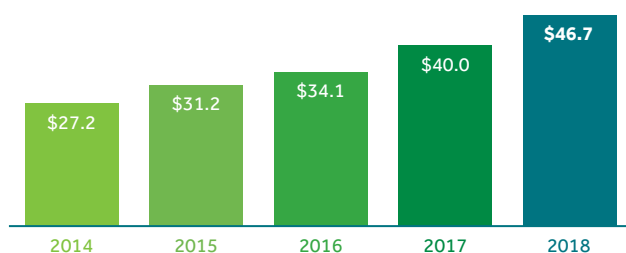
Average Super Income Stream account balances

as at 30 June



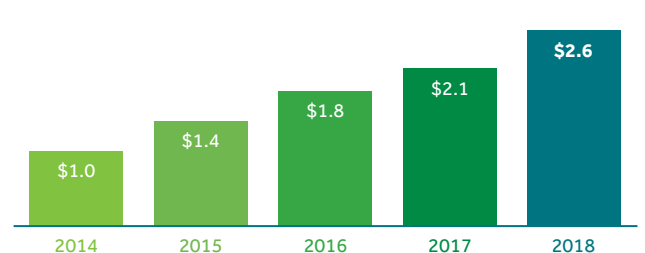
Total funds under management

\$ billion



Super Income Stream

Funds under management – \$ billion



Crediting rates

When we talk about returns throughout the Annual Integrated Report, we are using Crediting Rates. The Crediting Rates are the return minus investment costs and taxes, the Trustee Operating Cost and reserves. It excludes account keeping administration fees. Past performance is not indicative of future performance. All figures contained in this report are as at 30 June 2018, or based on the financial year 1 July 2017 to 30 June 2018 unless otherwise stated.

Member satisfaction²



86%

Employer satisfaction³

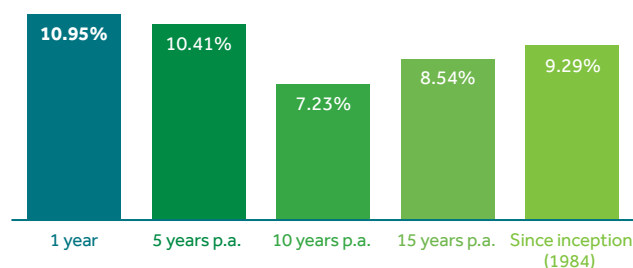


92%

Our performance

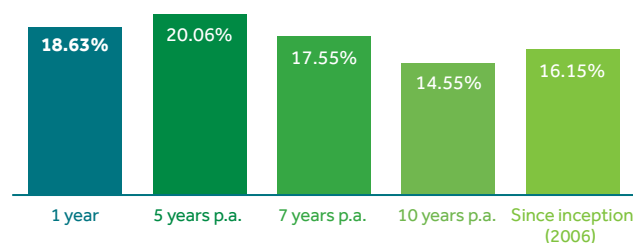
Growth (Cbus MySuper) DEFAULT OPTION

10.95%

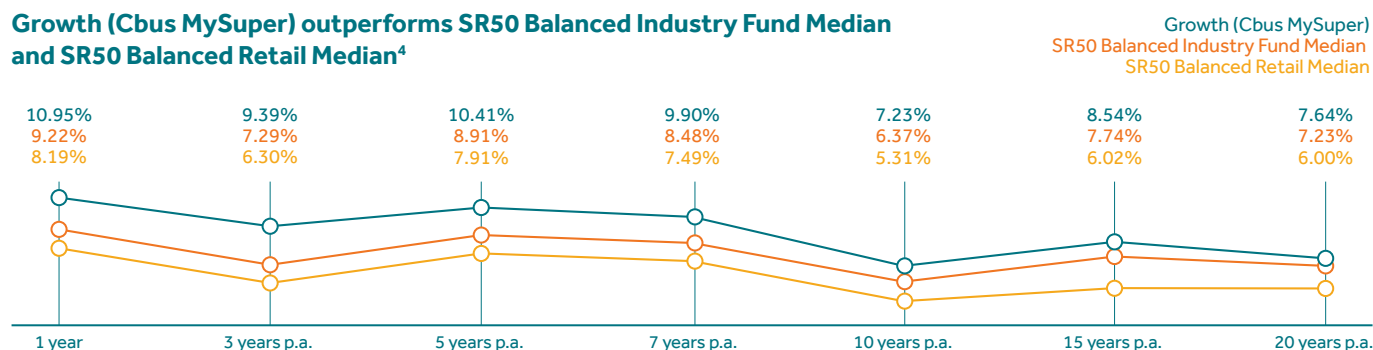


Cbus Property returns

18.63%



Growth (Cbus MySuper) outperforms SR50 Balanced Industry Fund Median and SR50 Balanced Retail Median⁴



1. Growth (Cbus MySuper).

2. Investment trends – Member Sentiment and Communications Report 2018 Survey conducted May 2018

3. According to feedback on Voice of Cbus, employers who interacted with the Employer Relationship Management team gave us a score of 9.2 for satisfaction in relation to their experience. The measurement period was 1/7/2017 to 30/6/2018.

4. The median fund is from the SuperRatings SR50 Balanced Survey, June 2018 and published 18 July 2018. 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 Chair

It's been a very strong year for Cbus and industry funds generally. Industry funds have again made up the majority of the top 10 performing APRA regulated superannuation funds in Australia. For Cbus, the default Growth (Cbus MySuper) product has made double digit returns and continues to be in that top 10 over the short, medium and longer term¹. Our performance averages 9.29% per year over the 34 years of Cbus' existence, which sees us continuing to provide for members in retirement. Cbus Property has earned the highest returns of our property investments at 18.63%.

Cbus' strategy serves members interests first, second and third. Our all profit-to-member ethos, strong association with the construction industry, strong support of our sponsoring organisations and remarkable brand strength and loyalty has seen us continue to grow both in members and among employers.

The Fund has met the challenges of the global economy through a broad and diversified range of investments, including in illiquid assets, such as infrastructure and property, at home and internationally.

As we've increased in size and scale, we've also turned our attention to investment opportunities and costs by bringing a proportion of our investment activities inhouse. We have built an infrastructure team and an international equities team

to take advantage of direct investment opportunities.

We are focused on investing in economically, socially and environmentally responsible ways, in order to maximise long-term returns to our members. We promote adherence to international labour laws and we consider environmental sustainability in everything we do, with a particular focus on climate change and carbon reduction. We aim to be certified carbon neutral for both the Trustee and Cbus Property offices.

I want to congratulate our CEO, Executive Team and staff who have overseen this significant transformation of Cbus in recent years to a Fund with greater inhouse investment and service capability.

We have a strong Trustee Board overseeing Cbus operations and management, and I want to thank retiring directors Ged Kearney and Peter Smith for their valuable contributions to Fund members. I would also like to recognise the contribution of Wilhelm Harnisch, who served as an MBA-nominated Director of the Fund and on many of the Board committees for 17 years.

I would like to welcome new directors Denita Wawn, Ray Sputore and Kara Keys, and our new independent Director, John Edwards. Our Board sub-committees have delivered on a number of oversight activities – for example, the Dynamic Risk Assessment and Risk Culture Program (Audit and Risk Management Committee) and the development of a new investment model and review of carbon risk exposure (Investment Committee).



During the last year we have seen a significant number of reports commissioned by the Commonwealth Government as it continues to push for legislative change to Trustee Board governance and nominations of default funds. The Productivity Commission's interim report suggests there should be a best-in-show list of 10 funds in which people can be defaulted and stay in for life. These changes have not yet become law and we continue to advocate for our members, highlighting our strong performance and the benefits of the industry fund model.

We acknowledge the Board's responsibility for our Annual Integrated Report, which we believe is prepared in accordance with the International Integrated Reporting Framework. At our July Board meeting we considered an outline for our Annual Integrated Report, and we approved the complete report in September. This year we engaged KPMG to provide assurance over some of the non-financial data and processes through which the report is developed.

A handwritten signature in black ink, appearing to read 'Steve Bracks'.

The Hon. Steve Bracks AC
Fund Chair

Message from the CEO



Our goal is to be the most trusted superannuation fund for those working in the built environment. This means performing well for members, making super administration easier for employers, and ensuring our brand promise is reflected in all their interactions with the Fund.

We are making a significant investment to further improve our members' experience and are continuing to take more control of how we invest, by moving away from outsourcing this function. This move from outsourcing will bring our staff numbers to approximately 500 by the end of next year – compared to 336 at 30 June 2018. We have made 132 new appointments during the year (and 117 in the previous year) to support our internalisation strategy. In addition, we are increasing our services to our members in retirement.

With so many new staff joining, we have taken a number of steps to embed our culture and holistic approach to creating value for our members. I speak to all new starters through our induction program briefing them on the importance of our heritage, our approach to investing and value creation for our members. I emphasise that it is a team effort and that we take a whole-of-organisation approach through a collaborative and supportive culture that respects individual points of view.

Through the development of the UN SDGs, governments around the world have identified issues that need to be addressed to create sustainable growth. Asset owners such as Cbus have an important role to play, and we have a strategy in place to contribute to them through the way we invest.

We are working with the Australian Council of Superannuation Investors (ACSI) to determine how far the companies we invest in have incorporated the SDGs into their strategy.

We continue to transform the Fund, navigating significant advances to our digital and data capacity. It is critical we get the foundations of the digital and data transformation right, in order to build the personalised service capability members want.

We are still witnessing some exits from our younger members, those aged 29 or under, who have been with the Fund for three years or less. In part, this is due to where they are accessing information about superannuation. We remain concerned that in exiting they may not be getting optimal outcomes, may not be receiving advice in their best interests and may be foregoing tailored insurance cover for their occupations. We will be rolling out education and engagement campaigns to assist them in making informed decisions.

More broadly, the Fund continues to grow in member numbers and roll-ins. This is particularly pleasing when many other Funds are beginning to see reductions in membership and are experiencing net cash outflows.

Looking ahead, we will continue to respond to members' changing needs and the key external challenges. We'll do this by being agile, innovative and by strengthening our relationships with members, trade unions and employers – as well as by building our internal capacity. We will be with our members to help them make the best decisions at different stages of their lives, so they get the best outcomes possible in their retirement.

Finally, it is important to acknowledge that integrated reporting provides a useful framework to articulate our business model and now, in our fourth integrated reporting cycle, we are reaping the benefits of a deeper alignment of our business planning with it.

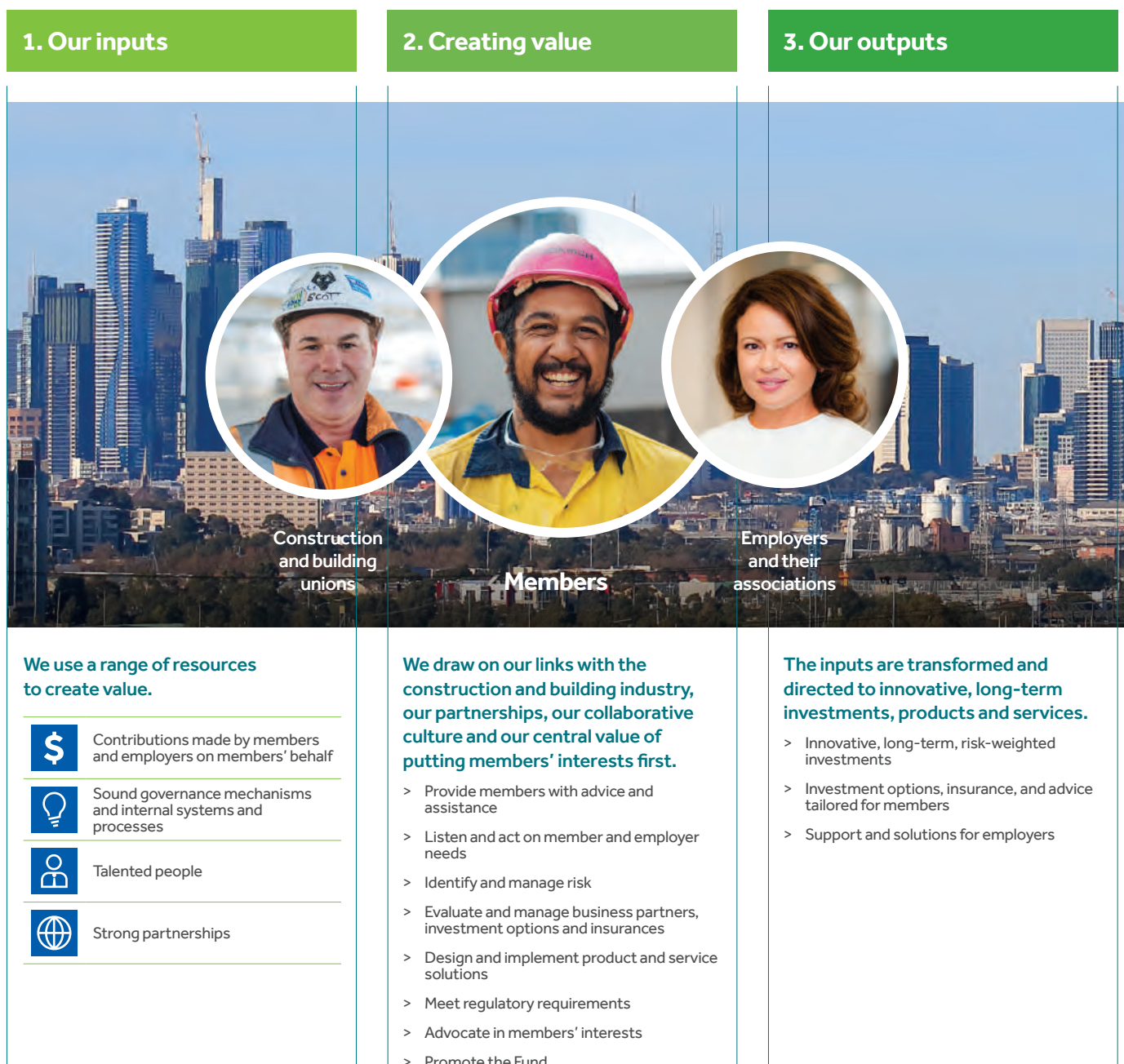
David Atkin

Chief Executive Officer

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



How we create value



External environment

We identify issues in our external environment that we must be responsive to in order to create value. These fall into four broad categories: ageing population, increased longevity and changes in the nature of work; global megatrends impacting investment decisions and returns; competition; and regulatory changes.

Our inputs

We use a range of inputs to create value, starting with the financial inputs from members and employers that are driven by our strong partnerships with construction and building unions and employers and their associations. Our team of talented people

work with our key stakeholders and international partners to optimise our outputs and outcomes.

The value creation process

We draw on our unique heritage and continued links with the construction and building industry. Our partnerships, our collaborative culture and our central value of putting members' interests first in everything we do – utilises, directs and transforms resources to create value for members.

Our outputs

The inputs are transformed and directed to innovative, long-term investments with particular emphasis on investing sustainably in the real economy and built environment.

We tailor products, services and solutions – such as advice, insurance and support – to meet the needs of our members and employers.

Our outcomes

We provide strong, long-term returns to members while contributing to a strong economy and sustainable development. Our buildings are designed to maximise eco-friendliness, and during their construction provide employment and economic activity in our industry. We are satisfying our members' and employers' requirements. We are attracting, retaining and engaging talented people and continuing to evolve our internal systems and governance mechanisms.

4. Our outcomes



We provide strong, long-term returns to members while contributing to a strong economy and sustainable development.



Strong long-term returns to members



Employment opportunities for members through Cbus Property's construction work



Growth in the Fund



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



Strong economy and sustainable development through our investment policies



Buildings designed to minimise environmental impacts

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

What matters most to our stakeholders

We have identified our key stakeholders and the issues of interest to them. Members are at the heart of everything we do, but we recognise that we have a range of stakeholders. These include employers, potential members and their employers, building and construction trade unions and employer associations, our employees, media, rating agencies, the Australian Government and Regulators, the superannuation industry and industry associations, non-government organisations and civil society groups.

We group their issues across four major themes. We explain what capitals we need to address them and which of the UN SDGs we contribute to or impact by addressing them. More detailed information is available on our website at:



www.cbussuper.com.au/sustainability

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



Material themes and issues	Inputs	SDG impact
1. Having enough income in retirement		
<ul style="list-style-type: none"> Adequacy and longevity Investment performance, net benefit and fees (including insurance premiums) Universal application of superannuation (gender gap, contractors, unpaid super, arrears compliance) Government policy, including selection of Default Funds Multiple accounts and how that impacts final outcomes Concerns about having to retire early from construction Concerns about a downturn in the construction cycle Concerns about the economy (lower wages and lower fund returns) 	  	  
2. Member and employer product and service needs		
<ul style="list-style-type: none"> "Clear and transparent. Be on the lookout for me. Unburden me. Show me you care." Products that are fit for purpose, a suitable number of options, accessible and affordable (e.g. advice, insurance, products to address longevity risk) Insurance in super (claims payment, coverage and education) Advice (accessible, guidance and education, retirement planning) Seamless service and a simple administration process including resolving problems, queries and claims Helping members transition to become employers Member and employer visits, a single point of contact – face-to-face contact (e.g. front office, Coordinators, Employer Relationship Manager) Education, training and informing stakeholders about regulatory updates – changes and impacts Social contribution (member health and wellbeing) 	   	
3. Responsible investment		
<ul style="list-style-type: none"> A whole-of-fund approach, including managing climate change transition, active ownership (supply chain and human rights – modern slavery, occupational health and safety and legal payment of wages) Nation building (job creation and investing in the built environment) Green buildings Affordable housing Environmental impacts of Cbus Trustee Office and Cbus Property office 	   	      
4. Strong, reliable and innovative Fund		
<ul style="list-style-type: none"> Corporate culture and values – members first, transparency, honesty and accountability Industry super fund and not for profit Integrity, competence and capability of Cbus governance Governance model Privacy and data security obligations, including cybersecurity Financial stability and scale (size of Cbus relative to other funds) Inclusion and equality – diversity 	   	  

Cbus members and their employers have a unique set of needs, based on the industries in which they work. As an industry Fund, we tailor our product offering and distribution approach to directly meet these needs, ensuring we can maximise member benefit in everything we do.

Industry partnerships: Cbus in the workplace





In keeping with our strong link to the building and construction, and allied industries, our partnerships with trade unions, employer associations and other industry organisations allow us to promote the Fund and assist our members and their employers directly through their workplaces.

The industry partnership program offers a range of high value, targeted, acquisition and retention activities, delivered at a low-cost. The program activity includes workplace visits, member education, industry events, and brand and marketing promotion – all delivered in conjunction with partner organisations that are trusted by Cbus members and their employers. These opportunities to engage members and prospective members directly enable Cbus to meet business objectives in a way that is not possible through traditional marketing and promotion activity.

In 2018, we focused on working with our partners to drive growth for the benefit of all members of the Fund. We have done this by undertaking targeted activity and working with partners to promote the Fund as the leading fund for those working in building and construction, and allied industries. In the next year, we plan to leverage further opportunities for partnerships.

Engaging with young workers and apprentices

As part of our commitment to retaining young members and improving their financial literacy and retirement outcomes, we use the range of opportunities provided through our partnerships to connect with young workers and apprentices about the importance of saving for retirement. We raise awareness through presentations to apprentices, pre-apprentices and TAFE teachers when they come together for group training, career days and apprentice awards.

Next year, we intend to expand our engagement nationally with apprentices and younger members.

Cbus as an industry leader

In June, Cbus played a leading role in the Master Builders Australia's National Political Summit in Canberra. The summit allowed us to engage as an industry leader to influence future policies that will impact the building and construction industries. Our keynote speaker spot allowed us to showcase our investment approach and gain positive media exposure outside of the event, as well as ensuring we were strongly positioned at the event alongside the MBA, working with them in the interests of our industry and members.

Cbus' industry partnerships are delivered through commercial contracts that provide the following:

	Opportunities for member education, engagement and other member benefits
	Opportunities to retain and grow the Fund's member base
	Direct advertising and brand benefits
	Growth in the level of member and employer trust and support for Cbus
	Activities that promote members and their employers' engagement with superannuation

Our members are at the heart of everything we do and we strive to deliver services they want. Our members can trust that Cbus offers value for money with market-leading returns for more than 30 years. We work to improve the quality of members' lives now and in their retirement.

Putting our members first



Cbus members working on 1 William Street, Brisbane



Our objective is to continue to be the most trusted fund for all those working in the built environment. To remain strong and ensure growth, we are looking and listening to what our members are telling us they need and want. We engage with our members through a range of targeted marketing activities as well as direct communication via member publications, social media channels and through our industry partners. We engage with them on performance, policy and regulatory issues that have an impact on their retirement income.

Through Voice of Cbus, we receive constant feedback on our members' experience so we can act quickly and respond accordingly. On a larger scale it enables us to evaluate the way we operate and make improvements for the benefit of members.

Expanding our digital presence to better serve members

Cbus' transformation is crucial in providing members with an integrated technology that allows them to easily engage with us via the platforms they prefer.

The expansion of our digital capability is continuing apace in order to make managing super easy for our members.

Video account statements, which were introduced as another tool to fulfil our reporting obligations to members in a practical and accessible way, enable us to engage with members in a different format. This year we sent video statements to 200,000 members up from 70,000 in the previous year.

The retirement income estimate is sent to members to help them understand what their likely income in retirement will be, so that they can make informed decisions. Last year, it was sent to 408,906 members.

More of our members are joining online with a total of 30,227 online applications in the last year, up from 24,548, which amounts to a 23% increase in 2017–18¹.

Reaching out to new members

In order to engage more deeply with members and facilitate better retirement outcomes, We are reaching out to members when they first join the Fund.

The program consists of communicating with members more frequently in the first 12 months after they join. This is designed to promote the benefits of consolidating superannuation to avoid unnecessary fees and insurance costs that can erode retirement savings.

The program is constantly reviewed and will evolve as the Fund grows and new digital platforms are implemented.

Number of account video statements sent

200,000

Number of retirement income estimate statements sent

408,906

1. This year's online join reporting has been baselined using Adobe Analytics data, rather than the previous methodology of a combination of Adobe Analytics and administrator-sourced data.

Putting our members first continued



Cbus member Emily Northover and Coordinator Phil Milne in Perth

Super recovered on behalf of our members in the 2018 financial year

\$90.2 million

2017

\$74.6 million

Recovering our members' super

Cbus is active in ensuring compliance with the payment of superannuation, and that our members receive their legal entitlements. We monitor companies that fall into arrears, work with them so they can meet their legal obligations and we pursue unpaid super on behalf of our members.

Last year we recovered \$90.2 million on behalf of our members.

As part of our superannuation payment compliance initiatives and following a pilot program in Victoria last year, we have rolled out new member cards to every member of the Fund. The cards enable members to check their superannuation payments to ensure they are correct and up to date.

Following the introduction of the member cards, we have developed a Super Payment Checker App, which is being piloted in Victoria and New South Wales with other states to follow in the next financial year.

The app allows onsite checking of employer compliance with superannuation payments assisting in addressing the problem of underpayment, or companies failing to pay super for all members on sites.

Face-to-face

We continue to provide a personalised service to members through our dedicated team of Workplace Coordinators and our Front Counter operations. This highly regarded service sees Workplace Coordinators visit members on their worksites, when they are attending training courses or at other events, to provide information and assistance as well as discussing wider issues relating to superannuation.

Our Workplace Coordinators also provide one-on-one assistance to members and their families on matters relating to superannuation payments, financial literacy, accessing financial advice through the Fund and with insurance cover and claims.

Our Workplace Coordinator team has increased from 21 to 23 with the appointment of an additional coordinator in both the ACT and NSW.

The Front Counters are now operational across the country with Brisbane being the most recent office to establish this service in late 2017. We provide face-to-face services related to payments and other transactions, assistance with filling in forms and general information for both members and employers.

In the last financial year, 4,723 members and employers utilised the Front Counter services.

A better way of handling complaints

Part of building trust is understanding we don't always get it right, and in listening and fixing member concerns.

Since bringing our complaints handling service inhouse in 2015, we have expanded our team to improve the complaints experience for members through the allocation of dedicated Complaints Resolution Officers and personalised complaint responses.

The team deals with complaints relating to Cbus administration, disability claims, insurance and death benefit distribution complaints.

As a result of insourcing, we are identifying the root causes of complaints and implementing corrective measures and actions to mitigate and prevent those issues from reoccurring.

The number of complaints received during the year was 520, representing 0.07% of the total membership¹.

Retirement Readiness Index

We utilise actuarial advice to measure how effective we are being at moving members to a retirement readiness measure. The target income of \$27,800 is calculated through a combination of researching our members' needs and the 'comfortable' target of Association of Superannuation Funds of Australia(ASFA)².

We are continuing to see a positive trend in overall retirement readiness and in the last financial year with 69.8% of members on track to reach the target income. This is up from more than 67%, which was reported last year.



Cbus member Brennan Bingham working on Lahey Construction's Terrace Gardens in the Northern Territory

Looking after retired members

For the past 30 years Cbus' main focus has been in assisting members with the accumulation of superannuation assets for retirement. With the maturation of the superannuation system and the ageing population, we are expanding our focus on providing members with services, advice and products for retirement.

The Retirement Spending Planner has been in use for over 12 months and 4,435 members have used it. The planner helps members model their expenses, take into account their pension and see the impact on their income across a changing timeline.

Attendance at Retiree Information Forums continues to increase. The forums are popular with retired members who want to keep informed and updated on fund performance, investments and legislative changes. As part of providing a more holistic service, health experts have also delivered presentations at the forums, and the member feedback on these sessions has been overwhelmingly positive.

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. Thus, 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, telephone 1300 361 798 or visit their website at ausfund.com.au

Temporary residents' benefits transferred to the 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.

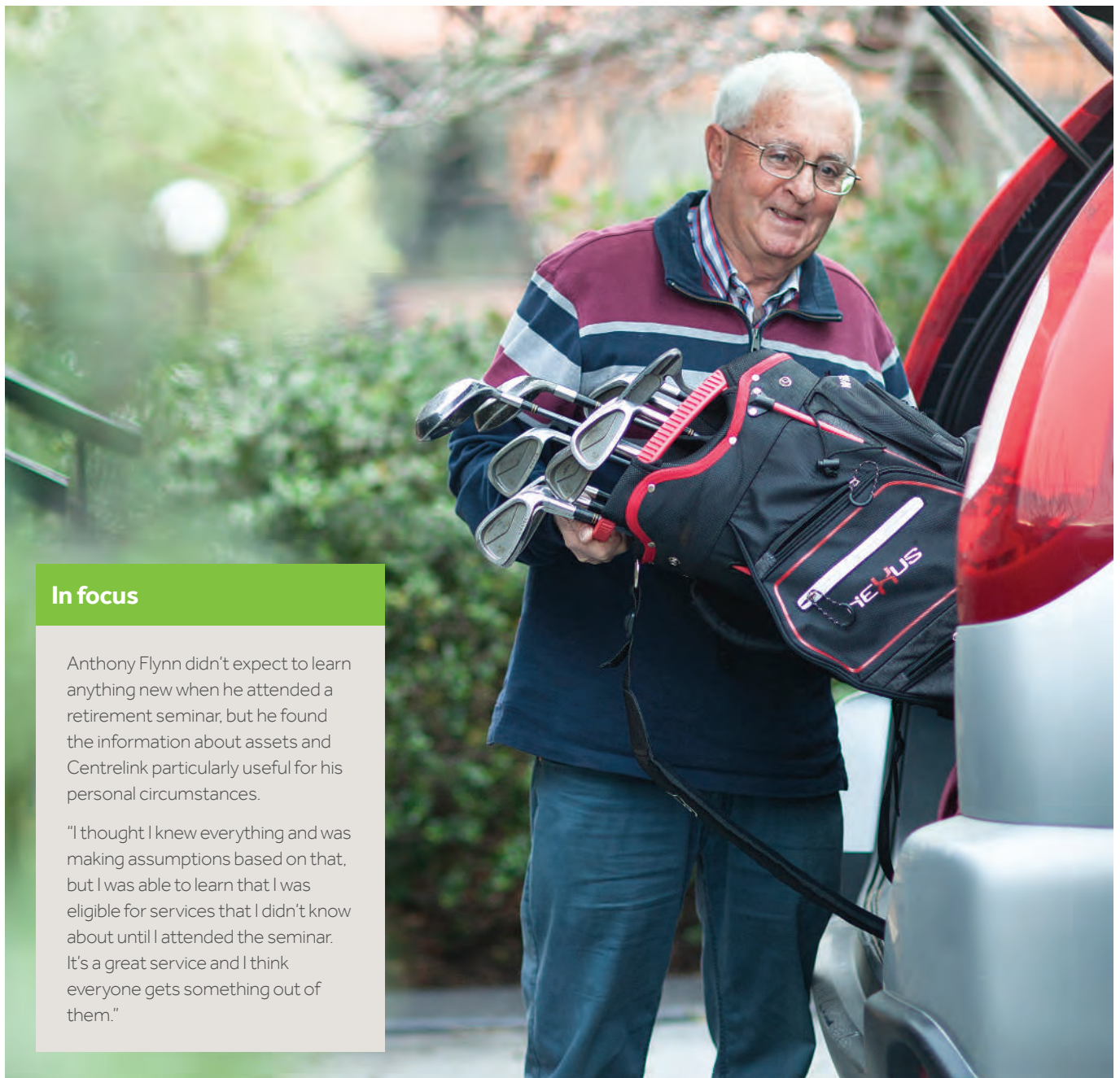
1. A complaint is an "expression of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required".

AS ISO 10002:2014 (Guidelines for complaint management in organisations).

2. Retirement Readiness Index, Report for Cbus – Willis Towers Watson, October 2017.

As part of responding to members' demand for quality and independent advice, Cbus' comprehensive range of services focus on delivering high-quality outcomes for members nationwide.

Advice and retirement services



In focus

Anthony Flynn didn't expect to learn anything new when he attended a retirement seminar, but he found the information about assets and Centrelink particularly useful for his personal circumstances.

"I thought I knew everything and was making assumptions based on that, but I was able to learn that I was eligible for services that I didn't know about until I attended the seminar. It's a great service and I think everyone gets something out of them."



Our leading service model focuses on advice that is in the members' best interest. We provide advice that is non-conflicted and not driven by the need for product incentivisation.

The suite of professional services includes a large team of qualified advisers who help members with advice over the phone, a national retirement planning seminar program, retiree information forums, workplace presentations and a landmark referral program with the Financial Planning Association (FPA) for members seeking comprehensive financial advice.

Advice over the phone

This year, our team of qualified advisers conducted 25,478 conversations with members over the phone across all states and territories assisting with a variety of service requests including general financial issues, investment queries, guidance on superannuation and retirement planning, personal financial advice and referral to a participating FPA Professional Practice in the Cbus and FPA Member Referral Program.

Currently, the advice service helps members who phone Cbus seeking information and advice on super and personal finance issues, such as debts and mortgage management. To support our success in this area, we aim to introduce a dedicated outbound call program for members starting in October 2018. We are doing this to raise awareness among a greater number of members that the advice service is freely available to them.

Member satisfaction for this service continues to be strong. Cbus members who had an interaction with a Cbus Superannuation Adviser rated their overall satisfaction as 9.2 out of 10.

Retirement Planning Seminar Program

Since 2006, Cbus has held retirement planning seminars across Australia for its members. For the 2017 program, 49 seminars were conducted nationally, enabling Cbus to help members with information and advice on how to prepare for retirement and key financial issues at this stage of their life.

Retiree Information Forums

The Retiree Information Forums provide a great opportunity for our fully retired Cbus Super Income Stream members and their partners to receive information about Cbus investment performance, product and service updates, Centrelink matters and legislative changes. We recently introduced a session on mental health issues in retirement by a specialist practitioner from SuperFriend. This session resulted in positive member feedback and highlighted member interest in this subject.

In 2017 we conducted three forums specifically for retirees, with a total attendance of 201 members.

Overall satisfaction rating from members who attended a forum was 9.03 out of 10.

Cbus and Financial Planners Association (FPA) Member Referral Program

Cbus' partnership with the FPA enables the Fund to connect our members who need comprehensive personalised financial advice to a large network of over 40 accredited FPA Professional Practices nationwide. The program is unique to the financial services industry and allows Cbus to provide this service with strict quality controls, monitoring and supervision. This is to ensure that our members receive advice that is in their best interests and free of conflicted product incentives.

In November 2017, Cbus sponsored the FPA National Congress in Hobart. It was an opportunity to showcase our brand, services, products and commercial presence to a large gathering of industry participants and a broad cross-section of financial planning service representatives, including the FPA Practices, who have been approved by Cbus and the FPA to provide advice to our members.

Cbus Retirement Planning Seminars – 2017

Total members who attended a seminar	2,303
Average attendance per seminar, members and partners	76.5
Average satisfaction rating from members who attended a seminar (out of 10)	9.33
Total financial planner meeting requests (FPA Professional Practices) from members who attended a seminar	642

After lowering the cost of insurance and expanding our insurance product offering in 2017, we implemented new support services as part of our ongoing commitment to provide better insurance for members.

Building better insurance for members





Our members work in a physically demanding, hazardous industry and having meaningful insurance cover, provided on a default basis through their superannuation fund, is important to them and their families.

We recently commissioned an independent benchmarking of our insurance products by Rice Warner Actuaries, which found that:

"Cbus may be the only option to obtain insurance cover, or one of a very limited number of options for members working in a range of hazardous occupations. We believe this is a particularly valuable service to these members¹."

Research has demonstrated that our members highly value the default cover provided by Cbus. Two-thirds of members recognise the group buying power benefit of Cbus obtaining insurance on their behalf. In addition, three-quarters of members trust Cbus to put in place the right levels of insurance². Cbus was also the third highest ranked fund for our insurance options in a nationally representative sample of 6,720 Australians³.

As a result of our findings we are advocating on behalf of members excluded from default insurance by a range of measures announced in the 2018 Federal Budget. We know that these changes will have a negative impact on our members. Read more about our advocacy on page 61.

Insurance in Superannuation Voluntary Code of Practice

As part of our commitment to providing fair insurance for members that meets their needs on cost and service, Cbus became a signatory to the Insurance in Superannuation Voluntary Code of Practice in December 2017.

The Code came into effect on 1 July 2018 with a three-year transition period for funds to fully comply. The Code was a result of extensive consultations across the financial services industry by a working group that consisted of the Australian Institute of Superannuation Trustees; the Association of Superannuation Funds of Australia; the Financial Services Council; life insurers; consumer advocates and super funds, including Cbus.

The Code sets out best practice standards for insurance within superannuation and addresses some of the problems associated with insurance including opting out provisions, multiple insurance policies, and inappropriate fee erosion of account balances. It also calls for improved assistance to members in the claims process.

Cbus already meets many of the requirements and aims to be fully compliant well ahead of the transition time frame.

Members who recognise the group buying power benefit of Cbus obtaining insurance on their behalf

66%

1. Rice Warner report for Cbus, Review of Insurance Offer, 16 May 2018.

2. Cbus Insurance Product Development Report, EY Sweeney 2015.

3. Investment Trends May 2017 Member Sentiment & Communications Report, based on a survey of 6,720 super fund members.

Building better insurance for members continued

Claims paid in 2018*

93%

Benefits paid to members in 2018*

\$244.38 million

*All claims are assessed on their merits.

Claim	Paid claims for 2017–18 FY		
	Number of claims	Number of claims paid	Total insurance benefits paid
Death	845	845	\$110,988,575
Terminal illness Benefit	223	223	\$29,581,700
Total and Permanent Disability	1,470	1,304	\$103,809,131
Total	2,538	2,372	\$244,379,406

Faster and better response to claims

We have now built an inhouse team of Claims Assist Officers who are available to members to help them understand the claims process and provide better oversight in the management of their claims.

Claims Assessors now follow up with members by phone, rather than mail as was the practice previously. This means we acquire information we need faster.

The team is proactive and members receive regular updates on their claims, rather than simply being informed when the next stage has been reached.

In the six months since these services were in place, the average decision time for claims has halved, meaning members and their families can access insurance benefits more quickly.

No change in premiums

Cbus seeks to maintain access and affordability of insurance cover for members, including ensuring claim conditions that recognise physical and mental impacts of working in the construction and building industry.

The group buying power of insurance by Cbus means we have maintained conditions to access coverage while providing significant premium reductions for Death and Total and Permanent Disability Cover for all members that came into place in September 2017.

We continue to review premium levels and await the outcome of the Government's proposed measures to assess their potential implications for cost and coverage.

In focus Andrew Di-Meri

In 1985 when Andrew Di-Meri was starting a family and building a home, before superannuation was compulsory, he was talked into taking up income protection by an insurance agent who was a friend of a friend.

He thought it was a good idea at the time, given that, as an electrician, he worked in high-risk situations.

"I needed protection," he says.

"I had a young family and if something happened to me, I was worried about not being able to provide for them."

Several years after taking out the policy, Andrew fell two storeys, temporarily paralysing him from the waist down. Unable to work for 18 months, he put in a claim only to find that the insurance agent had lied on the form about Andrew's pre-existing injury.

"I was completely upfront about the pre-existing injury, but without me knowing, he decided not to put it in," he says.

Andrew was initially paid, but after a routine visit to the doctor his payments were cut off. Shocked and angry he decided to take his complaint to the ombudsman.

"I told them I had been completely honest and through no fault of my own, I ended up on my arse with no pay.

"Eventually, the agent ended up in jail. He had engaged in fraudulent activity, but that didn't help me."

Having recovered, Andrew returned to work where he first heard about Cbus' insurance offer onsite from a Cbus Coordinator.

"He explained all the ins and outs and I took up extra units because I knew what it was like to be out of work with no money."

Nearly 30 years later, when Andrew was diagnosed with cardiomyopathy – a condition that left him unable to work, he was grateful for the 10 units of Total

and Permanent Disablement (TPD) insurance cover.

"I was coming home exhausted every day like I'd run a marathon. Eventually when I took myself off to a doctor and they ran tests, they sent me straight to hospital. The left side of my heart was working at 22%. I was on death's door and had no idea."

On top of that disastrous news, Andrew's wife was diagnosed with an autoimmune disorder at the same time.

He considers the insurance offering at Cbus one of the best things about the Fund.

"I can't believe the Government is moving to get rid of default insurance for young people. It's so important for people in our industry."

"I was told I was lucky to be alive. You don't know what life can throw at you and I know what it's like to be in the cruel world," he says.

Andrew says if it weren't for Cbus' TPD insurance, he doesn't know where he would be now.

"Cbus has done good for me. I know the people in there are looking out for my interests. And that's what we fought for – not to be thrown on the scrap heap."

Andrew Di-Meri and his wife Carolyn



Our employers play a crucial role in the success of Cbus. Their businesses provide the economic basis for the growth and employment in our industry and the payment of both wages and superannuation.

Employer experience



Annette Jebb from Lee Brothers Fencing Group, Victoria



We work hard to provide our employers with a seamless administrative experience and we're developing a range of value-added services to help them run their businesses more efficiently.

Our employers know their employees are with a top-performing super fund with tailored products and services for people working in the built environment.

The competitive dynamics in the superannuation sector and regulatory changes present challenges to Cbus' business model. The distribution via the industrial relations system is being contested as a result of a review by the Productivity Commission. This requires Cbus to make significant changes in the way we acquire and retain both employers and members.

With growth being pivotal to the ongoing success of the Fund and our ability to best serve our members, our aim is to make Cbus the preferred super provider for 50% of employers in the building and construction industry.

Our employer organisations already advocate and promote Cbus and are an increasingly important part of our distribution model. Over the past year, we have deepened our collaboration with employers and are building stronger ties in the industry in order to meet our goal.

Growth through marketing campaign

For the first time, Cbus embarked on a digital marketing campaign to attract employers to the Fund. After a six-week trial in May 2017, the campaign was launched in October 2017 with an initial goal of 2,000 new employers.

After a series of targeted ads that focused on simplifying super for employers, a total of 3,927 employers had joined by end of June 2017. The campaign was successful with a wide range of small and large employers.

Supporting our employers

We are constantly looking at ways to improve our service to employers, to ease the administrative tasks for them so they can look after their businesses.

The insourced dedicated Employer Relationship Management team continues to serve our largest employers through workplace visits, a dedicated phone line and direct email communication.

We are continuing our face-to-face visits with employers to answer questions, assist with systems set-up and to talk to professional and white-collar staff about joining Cbus.

The team has also become more proactive in focus, reaching out to employers to stay connected about what matters to them and ensuring that we are constantly evolving to meet their needs.

Our Business Development team undertook 3,615 contacts with prospective employers during the year. This was slightly down on the 4,000 figure reported last year due to employee changes and internal promotions.

We are continuing our secondment program with the Master Builders Association that embeds our Business Development Team in MBA offices where they see the day-to-day issues faced by employers in the industry.

Employer satisfaction – Employer Relationship Management Team

92%

Employer satisfaction – Service Centre*

(Provided by our administrator)

79%

*According to feedback on Voice of Cbus, employers who contacted the Cbus Service Centre gave us an overall satisfaction score of 7.9. This metric was for the measurement period 3/08/2017 to 30/06/2018.

Employer experience continued

Partnering with leading organisations

Cbus has teamed up with QuickBooks, the global leader in accounting software, and Square, a mobile payment service, to offer value-added services to Cbus employers.

Employers tell us they spend a significant amount of time 'on the books', taking them away from their core business and time with their families. Both Quickbooks and Square are tools that will make it easier for employers to accept business payments, manage and pay bills and administer payroll functions. This is particularly useful for smaller employers.

Our partnerships are created in response to employers' needs so they have more time to focus on their businesses.

Building the Cbus brand

We use all available partner channels to build the Cbus brand and drive retention and acquisition outcomes.

We were involved in more than 200 events including tradeshow, awards ceremonies, workshops and seminars. Event fulfilment took the form of attendance, guest speakers and presenters and branding.

Trade expos

In order to showcase our Fund, Cbus joined more than 100 trade suppliers at the 2018 **Bunnings Trade Expo**.

The event attracted approximately 8000 attendees in Perth, Adelaide, Melbourne, Sydney and the Gold Coast in May and June 2017.

The event provided Cbus with brand exposure and an opportunity to connect with, and acquire, new members and small employers.

Cbus also shared a booth with MBA WA at the **Perth Tradie Expo** in June 2018.

Boardroom events

Cbus is a true industry fund and, as such, we are at the heart of the building and construction industry. We value our stakeholders and are keen to foster and strengthen our relationships with them.

The Cbus Boardroom events are important in strengthening relationships with existing employers and developing new relationships that show the value of Cbus to prospective employers.

Industry events offer Cbus an opportunity to showcase the evolution of the Fund and the new initiatives and services we are developing to assist employers with their superannuation administration. In addition, there are presentations on the investment environment, particularly in relation to the property market and overviews of the Fund's overall performance and strategy.

2017 MBA National Conference

Cbus' sponsorship of the MBA National Conference from 23–25 November in Hobart gave us the opportunity to explain our responsible investment and our approach to the United Nations SDGs. It was an opportunity to inform employers about the Fund's strategy and performance.



Steve Balmaves and Anthony DePietro,
Vast Electrical, Victoria

Our members' retirement savings join a \$46 billion pool that gives them access to large-scale, long-term, diverse and innovative investments.



Our approach to investment



Ongoing construction at 443 Queen Street, Brisbane

Our approach to investment

Performance

Growth (Cbus MySuper) return

10.95%

Annual average over 34 years

9.29%

We weigh the risk and return benefits of investment opportunities with a focus on delivering strong, long-term returns for members. We invest responsibly to maximise long-term value for members and the society in which they work and retire.

Responsible investments are part of our heritage and are consistent with our long-term investment horizon. We are committed to 'just transitioning' of industry and workforces as we move towards a low-carbon economy and meet the challenges of climate change. Focus areas for our approach include labour rights, occupational health and safety, product supply chains and cognitive diversity.

Cbus invests in developing the built environment. We are a leader in direct investment in property, creating a virtuous circle where part of our members' retirement savings are invested into their industry, creating employment for 90,000¹ people and delivering strong returns.

We are proud that our default investment option, Growth (Cbus MySuper) in which more than 90% of our members have their superannuation savings, has delivered average annual returns of 9.29% to them over the past 34 years.

Our performance

The 2018 financial year saw another year of double-digit returns to members, with Cbus' Growth (Cbus MySuper) option returning 10.95%.

The Growth (Cbus MySuper) option has outperformed the average balanced super fund by 1.73% over the year. Longer-term performance remains strong with the default option returning 10.41% p.a. and 7.23% p.a. over the past five and 10 years, respectively.

Australian shares were the strongest contributor to the financial year return followed by international shares. Cbus' investments in property and infrastructure also contributed to overall performance, with another strong return from Cbus Property.

Although global share markets, including Australia, have been a driver of favourable returns, it's not been without volatility. After a strong start to the financial year, share markets retreated in late January amid rising US inflation fears and heightened global trade tensions, particularly between the US and China. Despite these concerns, share markets finished the year on a positive note.

Low bond yields have driven modest returns from fixed interest investments. With the Australian official cash rate at 1.5% at 30 June 2018, cash returns remain low.

The Growth option's investment objective is to return 3.25% above inflation over rolling 10-year periods 75% of the time. This objective has been met.

For more information on investment option returns and their performance against objectives, refer to page 64.

1. Estimated employment since 2006 to June 2018 is based on onsite inductions, using actual inductions reported by Cbus Property and estimated inductions sourced from data provided by Deepend Consulting for committed developments based on direct development comparisons, average percentage of labour allocated to development projects, ABS earnings data and Deloitte Access Economics projected wages growth data.

Our approach to investment

How we invest

We invest members' funds across a wide range of asset classes including shares, infrastructure, property, fixed interest, cash, private equity, alternative debt and opportunistic growth assets. See page 64 for the asset allocation of each option as at 30 June 2018.

Over the year, we invested 88.2% of members' funds through external fund managers with 55 Australian and international investment managers investing across 105 investment strategies. We continuously monitor our investment managers. During the year, there have not been any significant breaches of our investment guidelines by our external

managers. The remainder of funds are managed internally, as portions of the cash, international equities and infrastructure portfolios, and we have a significant direct investment in property through Cbus Property (5.4% of the Fund).

The investment objectives for our investment options are reviewed every year to ensure they remain adequate for members. We consider our member demographic, expectations of the economic environment and the expected long-term returns of the different asset classes. No changes were made to the investment objectives this year.

We also periodically adjust the targeted asset allocation for each option, considering the Fund's views on shorter to medium-term risks and opportunities arising in investment markets. Over this financial year, Cbus modestly raised the Growth (Cbus MySuper) allocation to growth assets, from 70.5% at 30 June 2017 to 71.0%. The major change across asset classes was to raise the allocation to international equities and fixed interest (each by 2.5%), by lowering the allocation to cash, alternative debt and private equity asset classes. This reflected a rise in bond yields, which made valuations for fixed interest more attractive, while the lowering of the allocation to alternative debt reflected concerns over credit over the medium term.

Target portfolio allocations

Growth (Cbus MySuper)	Target portfolio allocations (%)				
Asset class	May 2017	Aug 2017	Nov 2017	Feb 2018	May 2018
Australian equities	25.0	25.0	25.0	25.0	25.0
International equities	21.5	22.5	23.0	23.0	24.0
Alternative growth	9.0	8.5	8.5	8.5	8.0
Private equity	5.5	5.0	5.0	5.0	4.5
Opportunistic growth	3.5	3.5	3.5	3.5	3.5
Infrastructure	11.0	11.0	11.0	11.0	11.0
Property	11.0	11.0	11.0	11.0	11.0
Alternative debt	8.0	7.5	7.0	7.0	6.0
Fixed interest	6.0	6.0	6.0	7.5	8.5
Cash	8.5	8.5	8.5	7.0	6.5
TOTAL	100.0	100.0	100.0	100.0	100.0
Growth assets (%)	70.5	70.8	71.0	71.0	71.0

Our approach to investment

How we invest continued

Investment decision-making



Cbus believes that being a long-term investor has an advantage over other investors that may have a shorter time horizon. This focus on the long-term allows investment in illiquid assets that provide benefits such as illiquidity premiums, diversification of risk factors and a reduction in volatility. Exposure to less liquid assets introduces risks that Cbus manages through its Risk Management Framework, which is designed to ensure the Fund retains sufficient ability to manage asset allocations, meet ongoing financial obligations and discharge liabilities.

The Risk Management Framework includes explicitly considering liquidity when setting and reviewing asset allocations for each option; monitoring key indicators of changes in net member cash flow, switching activity, and/or investment markets; regularly testing liquidity in the Fund over a range of stressed scenarios; and maintaining a Liquidity Action Plan for managing liquidity crisis events.

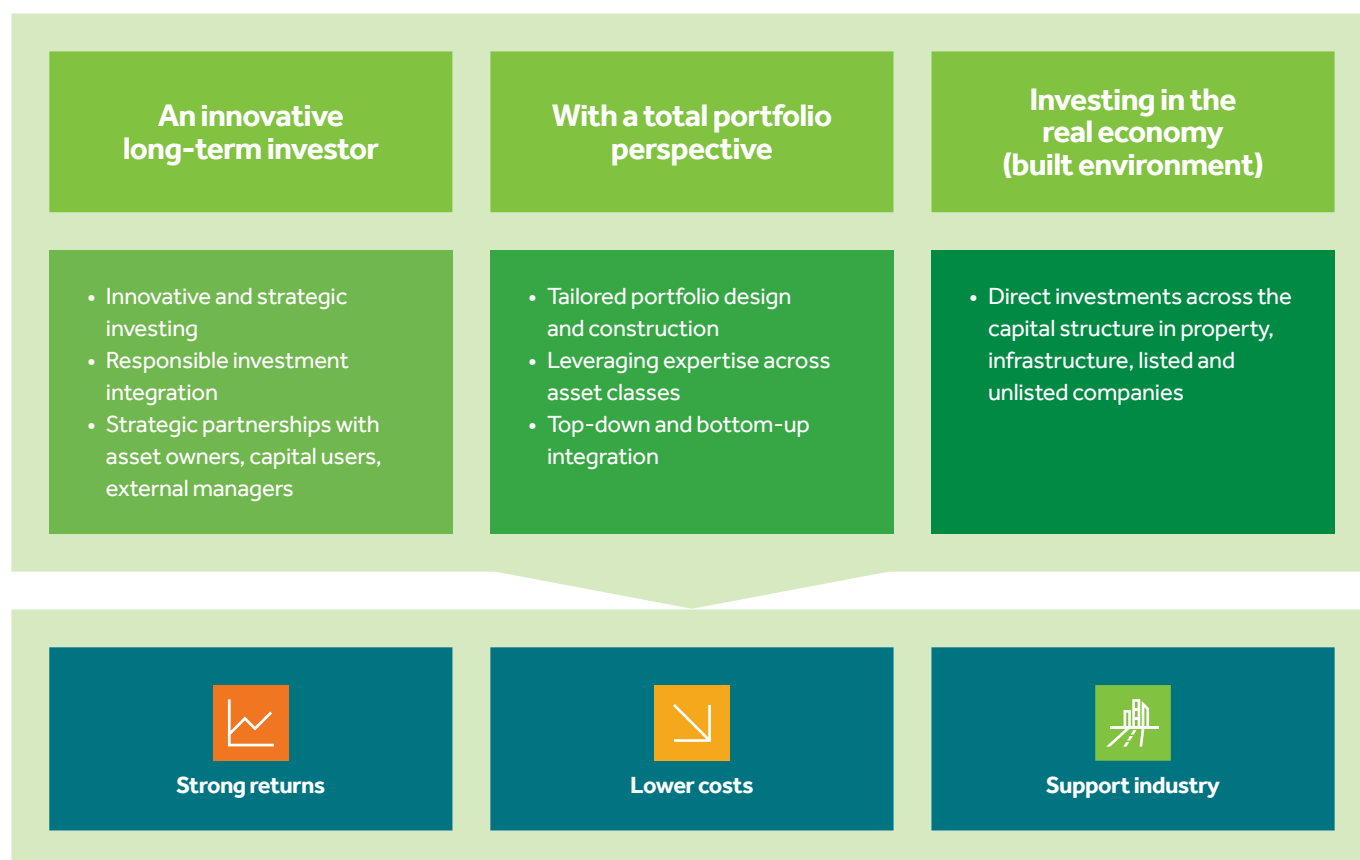
This year our investment costs were rebased, following legislation and ASIC guidance requiring all superannuation funds to disclose indirect transactional and operational costs (such as brokerage and the cost of buying and selling assets). The new disclosures are reported progressively, from Product Disclosure Statements in October 2017, to member statements for the 2018 financial year. The reporting of these indirect costs does not affect members' net return outcomes. Investment costs for FY 2018 for the Growth (Cbus MySuper) option were 0.81%. Page 66 provides investment costs across our range of investment options.

Our approach to investment

New investment model

New investment model

Over the year we substantially built our new investment model, which combines internal and external investment management and is designed to deliver strong long-term returns through investing directly in targeted strategies, and bolstering our capacity in portfolio design and construction, responsible investing and innovation. Expanding our investment capability, we have grown our team from 52 to 71, under CIO Kristian Fok.



At 30 June we internally managed 11.8% of the Fund's assets. We expect this to grow to at least 25% as we expand inhouse capacity across equities, direct debt, fixed interest and cash portfolios. We are targeting a fall in investment costs of up to 0.15% by 2021 from the level at where we commenced deploying the New Investment Model in 2016. We are targeting cumulative savings of around \$200 million for members. The fall in costs is expected to occur mostly over 2019 and 2020.

Our approach to investment

Responsible investment

Responsible investment is a fundamental investment belief we consider necessary to deliver long-term value creation for our members.



Cbus Property job, Bligh Street, Sydney

Building on our responsible investment heritage

We believe that responsible investment practices are consistent with our long-term return objectives and with acting in our members' best interests. Our focus on the built environment gives us a unique position on issues that are important to our members, including labour rights, occupational health and safety, gender diversity, supply chains, products and materials, and a just transition for communities as we move towards a low-carbon economy.

For Cbus, responsible investment means taking into account environmental, social and governance sustainability risks and opportunities in the investment decision-making process, exercising positive influence through Fund investments and the operations of the Fund itself.

We contribute to the UN SDGs through our investments and our strategic activities to help shift the global economy to a more sustainable footing. Their achievement will reduce the volatility in financial markets brought about by climate change, social and economic inequality and unequal access to resources such as energy, water and food. See page 42 for more information on how we contribute to the SDGs.

More details on our responsible investment activities including our active ownership and proxy voting disclosure, PRI Assessment Report and our Climate Change Roadmap are available in our Corporate Responsibility Report.



www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/Corporate-Responsibility-Report-2018.pdf

Enhancing our Responsible Investment processes and frameworks

Over the past year the Responsible Investment team has set the Responsible Investment Framework and developed a new Responsible Investment Policy and Principles. This replaces our former Environmental, Social and Governance (ESG) Policy, recognises the significance of the SDGs and our responsibility to contribute to a sustainable economy.



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

We reviewed how responsible investment is integrated into investment decision-making by our external investment managers, setting a baseline that will enable the team to engage with external managers over policy and process improvements.

Our equities team has developed processes for integrating sustainability risk into our first directly managed equities strategy. The Global Quality Equities strategy has a natural alignment with our responsible investment approach given the focus on quality companies that produce sustainable returns over the long-term.

A detailed review is undertaken as part of company stock research and due diligence. This informs the investment decision, as well as our engagement and voting intentions. Other direct investment strategies are also applying our Responsible Investment Policy and Principles, as we continue to build our internal investment capability.

Construction safety is an important issue for our members and we seek to encourage best practice. We also believe that workplace safety is important for a company's long-term financial viability. We collect safety statistics from our property and infrastructure fund managers, which are reported to relevant Board committees. We continue to work with our fund managers to ensure any safety issues identified are thoroughly investigated in addition to meeting regulatory requirements.

There has been a significant lag on 'social' disclosure by companies compared with environmental and governance issues and Cbus is working collaboratively to influence change. Through our membership of Responsible Investment Association Australasia (RIAA), Cbus joined the Human Rights Working Group of the global Workforce Disclosure Initiative (WDI). The focus of the working group is to encourage the top 50 ASX companies to provide greater disclosure on social issues in their supply chains. Cbus became a signatory to the WDI in July 2018.

Our approach to investment

Active ownership

Cbus has a long history of active ownership, commencing engagement and voting over 15 years ago. Cbus engages with a broad range of stakeholders, including investment managers and listed and unlisted companies to promote sustainable value creation in the companies in which we invest. Engagement is undertaken directly, in collaboration with other investors, and through external service providers.

Following the horrific fire in Grenfell Tower in London on 14 June 2017, with 72 fatalities related to the rapid spread of the fire due to flammable cladding material, we engaged with each of our property managers, including Cbus Property, to ascertain their exposure to similar types of cladding. Cbus Property, ISPT and AMP all acted quickly and responsibly, commencing independent building audits to identify any flammable material issues, assessing the level of risk and commencing remediation processes.

We are also engaging with our stakeholders and other non-government organisations to consider the problem of continued use and supply of asbestos-based building materials across the economy and what we can do to contribute to eradicating its use.

Over the financial year we directly engaged with 14 of the top 20 companies in our Australian equities portfolio (who make up 47% of the assets).

Key themes covered in our direct engagements included climate change; diversity; labour and human rights; health and safety; and product supply chains.

Some key highlights from ACSI's engagement over calendar year 2017 were:

- **Gender diversity:** Ten out of 13 priority companies appointed a female non-executive director in 2017. Engagement has helped improve the representation of women on ASX200 boards from 20 to 26.5 per cent since 2015.
- **Governance:** All 12 priority companies on remuneration improved pay practices to better align with shareholders' interests.
- **Labour human rights:** Engagement helped improve reporting and practices in fresh food and consumer goods supply chains at six priority companies. Franchisors were pressured on oversight of wages issues in their networks.
- **Climate change:** Eight of 16 priority companies committed to disclosing against the Financial Stability Board's Task Force for Climate Related Financial Disclosures (TCFD) reporting framework, and a further five are reviewing.

Cbus exercised its proxy voting of shares at 2,399 Annual General Meetings of Australian and international companies. A focus over the year in Australia was on Board gender diversity. Over the year, Cbus voted against four companies' director appointment resolutions where there were no women on the Board and where engagement with them on this issue failed to bring about change. For more information on how we engaged with companies and voted at company Annual General Meetings, see our Corporate Responsibility Report.

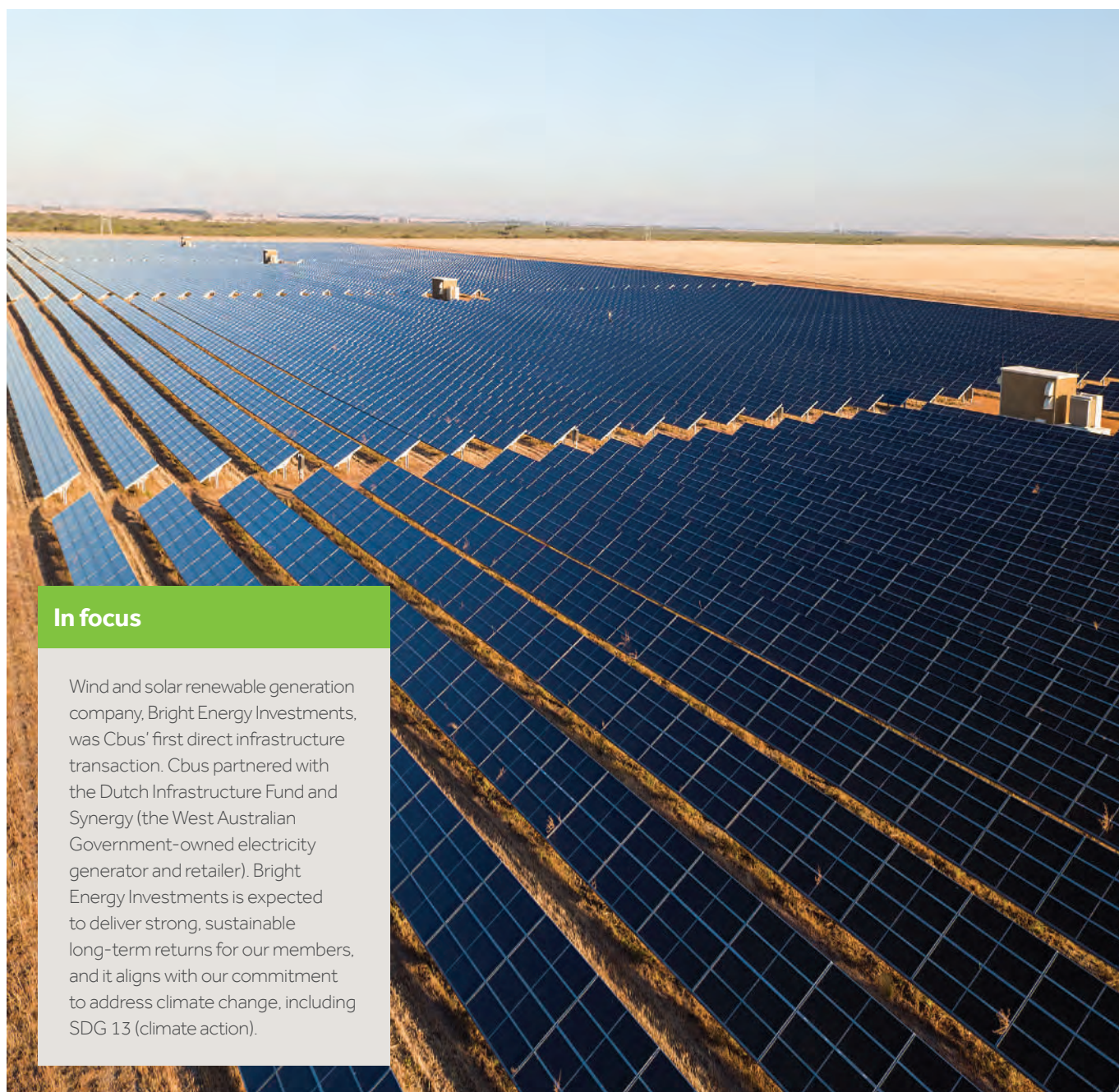
Active ownership in practice

Over the year, the Commonwealth Bank of Australia was fined by the federal financial intelligence agency, AUSTRAC, for multiple breaches of its anti-money laundering obligations. Of further concern to Cbus was the Board's level of responsiveness and accountability for the breaches. As an active owner, we engaged directly with CBA, and after careful consideration, voted against the CBA remuneration report and in favour of a Board spill at its Annual General Meeting. CBA is one of our largest Australian share holdings, with 5.23% of the Australian shares portfolio as at 30 June 2018. We continue to engage with the company on a range of cultural issues.

Our approach to investment

Climate change

Cbus has a deep interest in the transition to a low-carbon economy and is acutely aware of workforce and community impacts that need to be managed.



In focus

Wind and solar renewable generation company, Bright Energy Investments, was Cbus' first direct infrastructure transaction. Cbus partnered with the Dutch Infrastructure Fund and Synergy (the West Australian Government-owned electricity generator and retailer). Bright Energy Investments is expected to deliver strong, sustainable long-term returns for our members, and it aligns with our commitment to address climate change, including SDG 13 (climate action).

Our approach to investment

Climate change continued

Climate change, our portfolio and transitioning to a low carbon economy

We believe investors have an important role with respect to climate change, through the way we invest, our engagement with companies and our collaboration with policy groups. Cbus has a deep interest in the transition to a low-carbon economy and is acutely aware of workforce and community impacts that need to be managed. As a long-term investor we have a responsibility to ensure the transition process meets global environmental targets while

minimising economic dislocation. We view this as being aligned with our fiduciary duty as long-term investors.

Our first preference is to engage with companies rather than divestment, to enable companies and their workforces to transition effectively.

We are continuing to develop our strategic approach to climate change, including how we can improve portfolio resilience, mitigate exposure to climate change risk and positively contribute by investing and advocating for change.

We have developed our share voting process over the year to consider how we can better support climate change-related shareholder resolutions. We directly engage with key community organisations to understand their concerns and to share our process and views. Generally, we will support shareholder resolutions where they are well constructed, are not seeking a company constitution amendment (in Australia) and the target company has not already committed to providing an appropriate response.

In focus – Rio Tinto

There were two shareholder resolutions put forward to the Rio Tinto Annual General Meeting on 2 May 2018. The first related to a constitutional amendment, and the second related to a climate change and energy advocacy report that would provide transparency on Rio Tinto's lobby group memberships.

The Responsible Investment team received voting intentions and information from several

parties including ACSI, fund managers, the company and the proponent of the resolution. Cbus attended two engagement meetings prior to the Rio Tinto AGM to discuss shareholder proposals in detail.

In the absence of progress (in those engagement meetings), on the 25th of April Cbus publicly went on record to say we would vote in favour of the resolution relating to the climate change and energy

advocacy report.¹ On 26 April, Rio Tinto formally agreed to provide more disclosure on their memberships.

On 2 May 2018, the outcome of the vote was that the constitutional amendment did not pass. The second resolution was, therefore, not applicable but we note it had received 18% of votes in favour of it.

1. Williams, Ruth. (2018) 'Super funds put heat on Rio Tinto over lobby groups', *Sydney Morning Herald*, 25 April 2018)



This year we have committed to reporting against the recommendations of the Task Force Climate Related Financial Disclosure (TCFD), which contributed to the development of our Climate Change Strategy Roadmap. The roadmap outlines our climate change governance framework and supports our ongoing commitment to SDG 7 (affordable and clean energy) and 13 (climate action). The roadmap sets out actions and targets for the next two years, to ensure we continue to develop our approach to managing investment risks and opportunities. More detail can be found in our Corporate Responsibility Report.

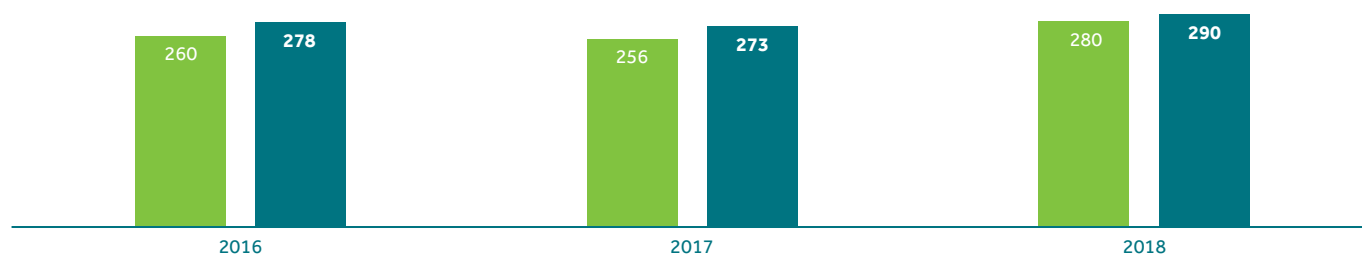
We measure and monitor the carbon footprint of our investment portfolio, which was one of the recommendations of the TCFD. This is a measure of the amount of carbon dioxide released into the atmosphere as a result of the activities of the organisations in which we invest.

The following chart shows the average weighted carbon intensity for our combined Australian and international equities portfolio, which comprises around 50.3% of our investments.

Weighted carbon emissions

Scope 1 and 2 intensity, in t/USD million sales

Cbus listed equities ■
Blended benchmark ■



Source: 2018 MSCI ESG Research LLC. Reproduced with permission.

Blended Benchmark Carbon Intensity exposures are calculated by taking the Long Term Strategic Asset Allocation weights to Australian, Global and Emerging Market Equities and applying those weights to the Carbon Intensity exposures of each of the corresponding sectors' indexes (ASX 300 55%, MSCI ACWI ex Aus 37%, MSCI EM 8%).

Disclaimer: Although Cbus information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The 12-month increase in carbon intensity was largely driven by an Australian Materials company. This footprint analysis helps us to understand where the risks and opportunities are within our portfolio. Importantly, it provides a starting point to investigate and, where applicable, undertake further dialogue and engagement with companies.

Climate Action 100+

Climate Action 100+ is a five-year initiative designed to drive collective investor engagement with the highest carbon emitting 100 listed companies to improve their governance on climate change, curb emissions and strengthen climate-related financial disclosures. The 100 companies are responsible for up to 66% of global industrial greenhouse gas emissions, presenting a substantial opportunity to transform the global energy system and help achieve the goals of the Paris Agreement. Cbus is a signatory to the initiative, alongside 287 investors with nearly USD \$30 trillion in assets under management. As we engage through this commitment, we will be seeking to understand how those companies are considering workforce planning that contributes to a just transition.



www.climateaction100.org/

Cbus Property is a wholly owned subsidiary of Cbus and contributes to the local economy through the development and ownership of high-quality property investments, while providing employment for our members in the building and construction industry.



Cbus Property



Interior of 720 Bourke Street, Melbourne

Message from the Cbus Property CEO



We are delighted with our results this year, achieving a return to Cbus members of 18.63%. This means that, since our inception in 2006, we have generated annual returns averaging 16.15% per year.

We are a unique investor and developer within the Australian property market, backed by the strength of a \$46 billion superannuation fund. We achieve these results as a direct investment vehicle and extract value for members by reducing intermediary costs.

Our small, highly talented team of 39 employees provides us with the expertise and agility to identify opportunities, develop, and complete projects on time and on budget.

Highlights throughout the year include the completion of our residential developments Volaire in West Melbourne and 88 Alfred Street, Milsons Point in New South Wales. We also commenced development of 443 Queen Street, Brisbane; Newmarket in Randwick, New South Wales; 447 Collins Street and 311 Spencer Street in Melbourne – as well as Holme in Collingwood, Victoria.

Our 720 Bourke Street property was the first existing property to receive WELL Gold Certification in Australia and we now boast one of Australia's largest Green Star portfolios in the country.

We create a virtuous investment circle through our proud history of creating jobs and completing quality projects. The teams of construction workers we appoint take enormous pride in what they are building because, as members of Cbus, they own it and it's a product that they will be associated with for many, many years.

We enjoy a reputation and record for being trustworthy, of being a partner who listens, who collaborates with all stakeholders and who delivers as promised, making us a partner of choice in the property industry.

Our people's passion for property development reflects Cbus' philosophical commitment to investing in the built environment, driving economic activity, jobs and the infrastructure we need for the future.

The current property market environment varies on a state-by-state basis. In the commercial office sector, Sydney and Melbourne office vacancy rates continue to tighten, Brisbane tenant demand is showing signs of improvement, and we expect solid demand for new style A-grade buildings in Adelaide, while in Perth vacancy levels are slowly decreasing.

As at 30 June 2018, our commercial office portfolio is 98.9% occupied, enjoying a weighted average lease expiry of 8.5 years, with in excess of 50% of the portfolio leased to State and Commonwealth Government departments and/or agencies providing quality tenant covenants.

In the residential apartment market, lending conditions for investors and foreign buyers have tightened considerably; however, the continuing population growth will underpin residential development in Brisbane, Sydney and Melbourne.

Property markets are constantly changing, but our disciplined approach to purchasing development opportunities to create the most innovative, sustainable and flexible commercial office work spaces and liveable residential places has provided us with a \$4.5 billion development pipeline for the future.

We have acquired two new commercial development opportunities in Pirie Street, Adelaide and 150 Queen Street, Melbourne and a further residential development opportunity at 17 Spring Street, Melbourne.

Our focus is mainly on Australian capital cities, targeting premium quality sites for future development opportunities. However, our development pipeline also provides us with the capacity to explore strategic opportunities beyond our core target markets.

The Cbus Property Board has determined our strategy to continue delivering superior, risk-adjusted returns to Fund members, targeting outperformance of the relevant benchmarks against which we are measured.

Adrian Pozzo
CEO Cbus Property

Cbus Property continued

Return for 2017/18

18.63%

Average annual return since inception in 2006

16.15%

Gross asset value

\$3.9 billion

Net asset value of property

\$2.5 billion

Investment pipeline

\$4.5 billion

Employment created since inception in 2006

90,000

Cbus Property contributes to retirement adequacy, the built environment and the provision of employment in the building and construction industry.

The unique proposition of being backed by a \$46 billion fund with a philosophical commitment to, and understanding of, the construction and property market allows us to extract value through the various stages of the market cycle, while creating a virtuous investment circle of creating employment for the Fund's members.

Since its inception in 2006, Cbus Property has created employment for an estimated 90,000 people.

How Cbus Property operates

Cbus Property has its own constitution established under the Corporations Act and an Investment Management Agreement (IMA) with Cbus. It is appointed by Cbus to undertake and manage direct property investments and developments, securing appropriate risk-adjusted returns for members.

The Cbus Property Board reviews and prepares a strategic business plan annually that is subject to endorsement by the Cbus Investment Committee and approval by the Cbus Board.

Cbus Property manages a portfolio of approximately 50% of Cbus' property asset allocation by acquiring, disposing, undertaking development and managing direct property investments in accordance with best practice in the Australian Property industry.

Managing risk

Cbus Property manages risks throughout the business cycle. Risk is managed in commercial office developments by undertaking rigorous risk analysis and implementing mitigants such as designing buildings that are sustainable, innovative and that provide flexible workplaces. We select the best builders to undertake construction work and look to pre-

committing/pre-leasing a considerable component of the office building prior to construction commencement.

In residential developments, the product provided is one that the purchaser can call home. With tightening lending restrictions, deposits are obtained from purchasers at contract exchange, and regular communications are provided throughout the development cycle of the project.

A 'Charter of Selection and Conduct Criteria for Consultants and Principal Contractors' is applied, which encourages the highest standards on Cbus Property developments and investments to achieve better procurement practices, high-quality construction work, safer construction sites, better working conditions and the elimination of malpractice. The Charter can be viewed here:

 www.cbusproperty.com.au

A Green Star Portfolio in Australia, the envy of many

Since inception, Cbus Property has completed 16 Green Star projects, as certified by the Green Building Council Australia, amounting to 550,000 square metres of commercial office accommodation around the country. It is also developing a further 150,000 square metres of commercial office space, targeting a 6-Star rating – the highest rating currently available.

In October 2017, it launched its Green By Design mandate, which puts sustainability at the core of its design and development approach. It specifies 10 guiding principles that boost sustainable performance of new and existing commercial office buildings.

In alignment with SDG 11 – making our cities more sustainable – its commercial office developments consist of lighter environmental footprints, which meet the current and future demand of corporations for sustainable and flexible workplaces, resulting in higher occupancy rates.

This results in minimal 'downtime' within the commercial office marketplace

WELL Certification

Cbus Property's 720 Bourke Street was the first existing Australian property to receive a WELL Gold Certification after enhancing wellbeing features, such as increasing natural air and community gardens to enable workers to grow their own food.

The WELL standard is the first to consider buildings in relation to how they support the health and wellbeing of their occupants.

Building the future today

Cbus Property is targeting zero net carbon emissions across its commercial office portfolio and is constructing buildings today with an eye to a future ambition of a positive carbon portfolio. To achieve this, we are proposing to engage with universities and building partners in areas of technology development and innovation in building materials to evaluate these opportunities. Current projects, at 447 Collins Street, Melbourne, and 140 Queen Street, Melbourne are already incorporating innovations such as converged networks and car-parks equipped with electric car rechargers allowing these developments to absorb future technologies.

As technology becomes further advanced, Cbus Property would expect to see a greater use of photovoltaic vision panels and cladding, which generate renewable

energy; building plant rooms that are adaptable for the arrival of battery technology that can store the renewable power generated; advanced heat mapping technology to more specifically provide individual air temperature / circadian lighting; and generally approaching future design to ensure our office developments have the flexibility to fully utilise technologies that will emerge in future decades – including the facilitation of drone delivery access and driverless vehicles.

This year has seen the completion of:

- Volaire in West Melbourne
- 88 Alfred Street in Milsons Point, New South Wales

Work has commenced on:

- Holme in Collingwood, Victoria,
- 443 Queens Street in Brisbane
- Newmarket Randwick, New South Wales
- 447 Collins Street in Melbourne
- 311 Spencer Street in Melbourne
- Presales have commenced for the Langston in Epping, New South Wales.

Acquisition of new development opportunities:

- Pirie Street in Adelaide (Commercial)
- 17 Spring Street in Melbourne (Residential)
- 150 Queen Street in Melbourne (Commercial)

Awards

5 Martin Place, Sydney

Award of Merit – FIDIC

140 William Street Perth

Shopping Centre Council of Australia Marketing Awards – Mini Guns (140THURSDAY: Celebrating Harmony Week)

Assembly, North Melbourne

Victorian Architecture Award for Residential Architecture – Multiple Housing (Australian Institute of Architects – Victorian Chapter)

Cbus Property and ESG Integration

Cbus Property assesses its ESG performance against peers in the Global Real Estate Sustainability Benchmark (GRESB). GRESB Outcomes for Cbus Property are below:

	2017*	2018*
GRESB Score	92/100	97/100
Rank in Australia for office/non-listed	3 rd of 19	3 rd of 22
Rank globally for global/office/non-listed	4 th of 131	3 rd of 189
Rank globally out of all GRESB categories.	19 th of 823	3 rd of 874

*Year results announced

Contributing to the achievement of the SDGs is important to the long-term returns of our members.

Cbus and the sustainable development goals

Achievement of the SDGs will enable a sustainable economy and has the capacity to drive economic growth¹. Our new Responsible Investment Policy² recognises the significance of the SDGs and our responsibility to contribute to a sustainable economy. As a responsible investor there are several ways we contribute to the achievement of the SDGs – through direct investment, through engagement with our Fund managers and with the companies in which we invest, and through advocacy and initiatives with other investors.

This year we commenced mapping our investment portfolio against the SDGs. This is a complex process, given there are 169 underlying targets and the guidance and metrics for these targets are still being developed globally. Deeper work in examining the SDGs and their relationship with our investment portfolio will continue to be undertaken in coming years.



SDG 5

Achieve gender equality and empower all women and girls

People and culture issues

Diversity and inclusion policy see 'Our people' section on page 55

We directly engage with the companies we invest in and also through the Australian Council of Superannuation Investors (ACSI) to increase women on Boards and management to improve company performance.

Cbus engaged, through ACSI, with 15 companies specifically on Board gender diversity. Where Boards both lacked diversity and took no action to improve Board gender diversity, we used proxy voting to vote against director elections on three occasions over the financial year.

Our CEO sits on the Australian Institute of Company Directors Working Group of the 30% Club; is a member of Male Champion of Change Institute and is a Workplace Gender Equality Agency Pay Equity Ambassador.



SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all

We directly and indirectly invest in renewable energy, this year making our first direct infrastructure investment in wind and solar farms in West Australia via a 40% stake in Bright Energy Investments.



SDG 8

Sustainable economic growth, full and productive employment, decent work

Through our investments we are generating returns and creating employment. Cbus Property alone has created employment for more than 90,000 people directly and over 70,000 indirectly in construction since inception in 2006. Our investment in Bright Energy Investments will see an initial creation of 200 construction jobs in constructing solar farms.

We are committed to our responsibilities for Occupational Health and Safety as set out in our Environment, Social and Governance (ESG) Policy. Further information is provided in our Corporate Responsibility Report.

We were one of the first signatories to the PRI-led investor statement in support of a Modern Slavery Act in Australia. Introduction of a Modern Slavery Act would improve transparency in how companies are managing modern slavery risks in their operations and supply chains.



SDG 9

Build resilient infrastructure

We invest over \$4 billion in infrastructure in Australia, the US, the UK and Europe.

The Bright Energy infrastructure investment into renewable energy will include further construction of solar and wind farms.



SDG 11

Make cities safe, resilient and sustainable

We support the development of sustainable buildings within our property portfolio.

Our commitment is set out in our Responsible Investment Policy.

Cbus Property targets a minimum 5-star 'Design & As-Built' rating. Cbus Property has built 16 Green Star-rated properties since 2006, covering some 550,000 square metres of commercial office space.

Cbus Property's 720 Bourke Street was the first existing Australian property to receive a WELL Gold Certification. The WELL standard rates buildings on the extent to which they support the health and wellbeing of their occupants.



SDG 13

Urgent action to combat climate change and its impact

We believe we have an important role to play in tackling climate change through the way we invest (direct investment in renewable energy and construction of eco-friendly buildings), our engagement with the companies we invest in and our collaboration with policy and advocacy bodies.

Our Board issued a Climate Change Position Statement including the requirement for 'just transitions' of workers in 2016.

We support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and this year are reporting our disclosures in our Corporate Responsibility Report.

We measure and monitor the carbon footprint of our investment portfolio, which informs our engagement with the companies we invest in.

We have developed a Climate Change Strategy Roadmap outlining our climate change governance framework.

We joined the Climate Action 100+ initiative to improve governance on climate change, curb emissions and strengthen disclosure.

We are signatories to the Global Investor Statement on Climate Change.



SDG 17

Global partnerships for sustainable development

We work in partnership with a number of national and global organisations on developing guidance and measures for investors and companies on contributing to the SDGs. This includes supporting development of the Sustainable Development taxonomy by leading Dutch funds APG and PGGM that support the work of the UN Global Compact. We also work with GRI and PRI on supporting corporate reporting for the SDGs working with the Monash Sustainable Development Institute and ACSI to support the SDG Transforming Australia Project.

1. For example, reducing income inequality has been shown to boost economic growth. Refer to www.oecd.org/newsroom/inequality-hurts-economic-growth.htm
 2. www.cbussuper.com.au/about-us/how-we-run/investment-policies

At Cbus we identify key long-term trends and issues that we must be responsive to in order to continue creating value for our members.

External environment

1

Global megatrends impacting investment decisions and returns

We expect global growth to be robust in the coming year, although it is likely to slow moderately reflecting the lagged impact of rising interest rates, particularly in the US. In contrast, Australian economic growth is expected to modestly pick up over 2019. Looking past 2019, we believe there is the risk of a more material slowdown globally, as US inflation pressures build.

In China, we expect broad economic growth near-term to remain around its current pace, easing gradually over the medium-term as China transitions toward a more consumer and service-orientated economy.

In Europe, economic conditions are generally favourable. Consumer confidence remains strong, though business conditions have eased somewhat. Unemployment has come down and wages are starting to rise. The exception is Italy, where political instability, high-debt levels and poor economic performance present a key structural risk to the European market.

Volatility is expected to remain higher than in 2017, as markets grapple with rising interest rates resulting in a slowing, but still positive, growth outlook. US-China trade tensions are not expected to have a large impact on the global economic and investment outlook, but will contribute to higher volatility.

Asset valuations are in the fair to expensive-value range, which suggests that returns over the medium term are likely to be lower than the returns we have enjoyed over recent years.

Global commitments to the Sustainable Development Goals and the Paris Agreement on Climate Change require the attention of Cbus as a global investor and provide both risk and return opportunity over the medium and longer-term.

2

Competition, industry consolidation and consumer preferences

Australia's superannuation system is maturing with net assets of \$2.6 trillion as at December 2017. This year, growth has been achieved by increased contributions, helped by changes to the Superannuation Guarantee legislation and strong returns. However, benefit payments are increasing.

A recent industry trend is the withdrawal from wealth management, including superannuation, by Australia's major banks.

Increased merger activity among funds is emerging as the regulator – the Australian Prudential Regulatory Authority (APRA) – strengthens its testing of funds offering MySuper products to identify poor performers and ensure benefits of scale are being realised by Fund members.

Research¹ suggests that fund size has a favourable impact on not-for-profit fund performance outcomes, indicating that larger fund size leads to greater member benefits, not only in net returns, but in services and engagement.

Cbus is the 14th largest Australian superannuation fund and the sixth largest industry fund in terms of funds under management, and it continues to enjoy growth. This places us in a good position to meet heightened member and employer expectations around advice, service and engagement; digital innovation; investment in technology creating personalised, integrated and secure experiences; and rising expectations of responsible and ethical investment and long-term sustainability.

1. Rose, S 2016 'Ambachtsheer to super funds: size matters'. *Investment Magazine*
Cummings, JR 2012: 'Working Paper: Effect of fund size on the performance of Australian superannuation funds' APRA.



3

Ageing population, increasing longevity and changing nature of work

Australia's population is ageing with the proportion of the population aged 65 years and over reaching 15.5% in 2017, and expected to increase to 17.6% by 2027.

Working-age Australians, as a proportion of the total population, is in decline and is expected to shrink further in decades to come. Together with the growing proportion of the population aged over 65 years, the decline in the working age population will place strain on the Australian retirement system, as well as the labour force and fiscal economy.

In addition, Australians are living longer, with the number of people over 85 years of age almost doubling over the past decade from 1.1% to 2%. This is expected to continue increasing to 2.3% by 2027.

Construction and building workers face significant gaps in employment across their working lives and are often forcibly retired early as a consequence of physical strain, or unemployment. While the average balance of Cbus members in the retirement age zone has exceeded \$120,000, 98.4% of our members will still rely on the Age Pension to make up more than 20% of their retirement income.

Employment growth across the construction industry was robust in 2017, with growth to November 2017 at 8.5%. However, this growth is expected to cool significantly, with the forecast annual average growth to 2023 at a relatively stagnant 0.3%.

Australia's compulsory superannuation system was introduced in 1992 and was largely predicated on male full-time employment. Since that time the nature of work and the demographics of the workforce have changed enormously.

The tech-enabled 'gig-economy' is shifting the workforce away from traditional employment models. The construction industry has a high proportion of sole traders and self-employed workers with around 60% of businesses in construction falling into this category.

Research by NMG Consulting commissioned by Cbus and Australian Super estimates that 2.3 million individuals are not making or receiving sufficient superannuation contributions for their retirement, creating an annual \$10 billion hole in retirement savings.

4

Regulatory environment

Having enough money in retirement is a key issue for Cbus members. While the superannuation system is maturing, compulsory superannuation has only been around since 1992, and only reached 9% contribution levels in 2002. In the last 16 years it has only risen by 0.5%. The superannuation guarantee contribution level remains frozen at 9.5% until 2021, and will not reach 12% until 2025.

The ATO conservatively estimates the level of non-compliance in the payment of superannuation at \$2.85 billion. Industry Super Australia (ISA) and Cbus estimate the level of the problem is twice as bad at \$5.6 billion per annum.

The Government continues to support the current increase in the Age Pension Eligibility Age (APEA) from the current 65.5 years to 67 by 2023, but has jettisoned its policy for further increases to 70 years by 2035.

Insurance in super has been scrutinised by the Parliamentary Joint Committee (PJC) on Corporations and Financial Services. An industry working group was formed during the year and developed a voluntary code of practice to enhance the insurance process for members. The Government has introduced legislation that seeks to remove new members under 25 years of age and people with low balances or inactive accounts from default Death and Temporary and Permanent Disablement (TPD) insurance. This threatens valuable cover for those working in hazardous industries, such as construction and building.

The Productivity Commission released its draft paper on superannuation system efficiency and the selection of default funds. The Commission has recommended the removal of the default selection process from its current industrial relations settings, establishing a 'best-in-show' list of 10 funds. New entrants in the workforce would be defaulted into one of these funds selected via sequential allocation if they don't choose their own fund. The fund would follow them if they change jobs. A final report to the Government is due following further submissions and hearings.

The Royal Commission into Misconduct in Banking, Superannuation and Financial Services commenced during the year with hearings highlighting poor consumer outcomes in the banking sector. This included predatory sales and lending practices, and wrongful charging of consumers driven by conflicted remuneration and systemic cultural misalignment. The Royal Commission turned its attention to the superannuation sector in August. It is due to provide the Government with a full report in February next year.

Cbus is willing to accept risks in the pursuit of value for members as long as the risks are well understood and can be prudently managed within its Risk Management Framework.



Identifying and managing risk

An integral part of Cbus' business planning process is the consideration and active management of risk. We review Cbus' risk appetite and risk management strategy to ensure that risk and strategy are well-aligned.

Cbus conducts a dynamic risk assessment (DRA) to help identify, assess and monitor its material risks. DRA integrates two new elements into Cbus' risk framework, 'Connectivity' and 'Velocity', which provide a multi-dimensional view of Cbus' material

risks. This is an important step in ensuring a strong risk framework to enable strategy.

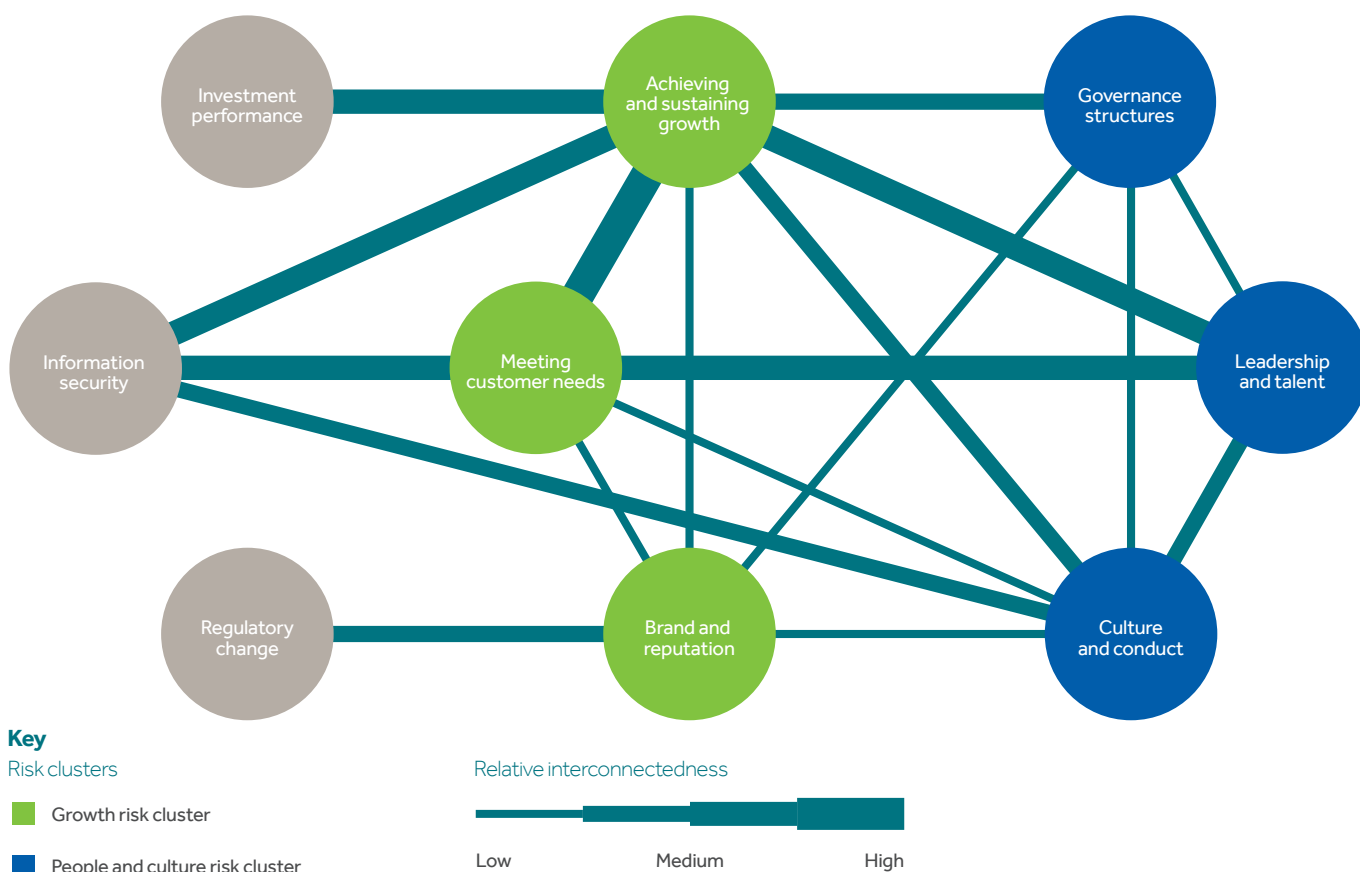
To guide decision-making at Cbus, our Board has expressed its risk appetite for each material risk including a risk setting, based on the risk reward trade-off:

- **Conservative** – risks that Cbus wants to avoid or minimise.
- **Neutral** – risks that Cbus accepts in pursuit of strategy and takes on a controlled basis.

- **Expansionary** – risks that Cbus actively takes in a sustainable and controlled manner.

The DRA identified two risk groups as the most systemic risks to the Fund, namely people and culture risks, and growth risks. Investment performance carries the most critical impact to Cbus objectives while information security has the highest velocity in the Cbus risk network. Additionally, regulatory change poses a volatile risk in the network.

Risk clusters and interconnectedness



Description	Context	Response
Achieving and sustaining growth  Expansive	Our ability to achieve and sustain growth may be constrained by regulatory changes. Growth may also be impacted by increasing competition, industry consolidation and changes in both consumer expectations and downturn activity in the building and construction industry.	Activities designed to optimise strategic relationships and meet customer needs include: <ul style="list-style-type: none"> • monitoring and responding to Productivity Commission outcomes • exploring inorganic growth opportunities • improving employer service efficiency
Meeting customer needs  Expansive	Cbus must strive to provide great customer experiences, including leveraging data and technology to meet customer expectations and remain competitive in a digital world.	<ul style="list-style-type: none"> • delivering the Accelerate program – developing digital capability and the omni channel contact centre • developing member outcomes assessment for FY2019 • <i>Voice of Cbus</i> measurement • Increasing engagement with sponsoring organisations to drive member growth
Brand and reputation  Neutral	In order to grow and maintain our market share, Cbus must protect and promote its brand in the market. Cbus Property amplifies the Cbus brand in the market as it is a significant differentiator to peers, generates strong risk adjusted returns and provides employment in the construction sector.	<ul style="list-style-type: none"> • continuing brand strategy and marketing activities, including social media • continuing advocacy activities aligned to our members' best interests • optimising brand reach via industry partnerships • ensuring best practice in labour rights, safety and supply chains in building projects
Governance structures  Conservative	Cbus must continually review the appropriateness of its governance structures ensuring timely and effective decision-making, accountability and capability to oversee organisational growth and changes to its operating model.	<ul style="list-style-type: none"> • Nominations Committee established • Remuneration Committee expanded to Remuneration, People and Culture Committee • a decision-making framework review • AIST Governance Code adoption • Board, Committee and Fund Chair Triennial reviews • Conflicts Management Triennial Review
Leadership and talent  Neutral	Cbus must attract the right people and leverage their unique talents to engage and retain employees for the success of the Fund and its members.	<ul style="list-style-type: none"> • Fund-wide leadership development program • the development of a Fund-wide capability framework • review of the Cbus Learning and Development program • Fund-wide succession planning • refining the Performance Management Framework
Culture and conduct  Conservative	Cbus needs to ensure that its culture supports its stated organisational values, risk appetite and its duty to act in members' best interests.	<ul style="list-style-type: none"> • communicating and implementing the Risk Appetite Framework • Risk Culture Program • development of frameworks that influence culture and behaviours: remuneration, Code of Conduct, performance management, risk accountabilities • embedding the revised Incident Management Framework
Investment performance  Neutral	Cbus' ability to deliver strong returns will continue to be challenged by economic and global volatility, environment, social and governance factors and demographic changes.	<ul style="list-style-type: none"> • the implementation of a new investment model • competitive and sustainable value in the reduction of investment management costs • extracting greater value through new innovative investment approaches • mitigating risks through responsible investment strategies, including climate change action
Information security  Neutral	Malicious cyber activity is a significant threat to both Cbus and its members and, if eventuated, could result in financial, reputational and privacy impacts.	<ul style="list-style-type: none"> • developing security operating model, policies and standards, training and awareness, cloud governance and metric reporting • developing real-time threat surveillance and intelligence capability • uplifting identity and access management • continuing to develop crisis response capability
Regulatory change  Neutral	Regulatory settings or changes to regulations can profoundly impact the Fund and its members.	<ul style="list-style-type: none"> • proactively influence regulatory change in a coordinated manner • advocate policy positions that are in the long-term best interests of Cbus' entire membership.

We develop strategy to create value for our members taking into account the external environment. Our strategy scorecard looks back at what we said we'd do and what we actually did.



Our strategy scorecard

Our strategy to 2020	Progressing	Achieved to date
Member		
To have 70% of active members at adequate retirement savings level	●	As at June 2017, 69.8% of members have achieved adequate savings level
Member Experience		
Deliver a member-focused capability and service delivery model	●	<ul style="list-style-type: none"> 25,478 advice calls handled 23% increase in member joins online 200,000 video statements issued \$90.2 million in unpaid super recovered 49 retirement planning seminars conducted 86% member satisfaction
Enhance the insurance claims experience	●	<ul style="list-style-type: none"> Introduced claims assist function 2,372 claims processed Over \$244 million in benefits paid
Implement personalised member portal	●	<ul style="list-style-type: none"> Completed service blueprint to design end-to-end service experience across all channels and touchpoints. Commenced data segmentation strategy to deliver personalised experience
Increase engagement with sponsoring organisations to drive member growth	●	<ul style="list-style-type: none"> Key speaking engagements delivered Additional events in key growth states Financial literacy and superannuation education program for young, apprentices and potential members
Employer		
To be preferred super provider for >50% of employers in the industry	●	<ul style="list-style-type: none"> 10,345 new active employers 92% employer satisfaction with Cbus ERM team 61.9 net promoter score
Employer experience		
Develop new product and service propositions for employers including advice and tools to assist members transitioning into their own business	●	<ul style="list-style-type: none"> Quickbooks cloud-based accountancy software program provided to small employers Square card reader and invoice solution for mobile phones rolled out
Implement an integrated employer portal	●	<ul style="list-style-type: none"> Completed service blueprint to design end-to-end service experience across all channels and touchpoints
Leverage our sponsoring organisations to drive growth	●	<ul style="list-style-type: none"> Over 200 employer association events attended Over 450 separate meetings conducted
Expand our national business development team	●	<ul style="list-style-type: none"> Expanded employer relationship and business development team by 4 FTE nationally or 21%
Develop a multi-channel digital acquisition capability	●	<ul style="list-style-type: none"> Digital acquisition campaign launched exceeding target by 100%

Retirement		
80% of current Cbus members who reach preservation age and continue to invest in superannuation products choose Cbus	●	<ul style="list-style-type: none"> 87.9% of members who reached preservation age over the 5-year period July 2013 to June 2018 remain with Cbus
Retirement services		
Deliver the transition and retirement product and service strategy	●	<ul style="list-style-type: none"> Analysis of Cbus Super Income Stream member behaviour and sustainability of income undertaken
Identify the strategy partnerships and capability required to deliver	●	<ul style="list-style-type: none"> Identified opportunities to improve current services and researching additional services for members approaching retirement New services to be trialled in 2018/19
Investments		
Returns in the top 25% of funds over 5-year rolling period	●	<ul style="list-style-type: none"> Top 10% of funds Growth (Cbus MySuper) return of 10.41% over 5-year rolling period. (source: SuperRatings SR50 Balanced Survey)
20% of portfolio investment inhouse	●	<ul style="list-style-type: none"> 11.8% investment inhouse (including Cbus Property) – up from 8.5% last year
0.10% investment fee reduction	●	<ul style="list-style-type: none"> FY18 Investment fee 0.81%, down 0.05% on FY17
Investment strategy		
Actively assess opportunities arising from the built environment investment strategy	●	<ul style="list-style-type: none"> First direct infrastructure investment completed \$4.5 billion development pipeline Cbus Property
Enhance investment tax management, reduce agency costs and improve efficiency of portfolio management	●	<ul style="list-style-type: none"> \$13.3 million plus a one-off tax saving of \$5 million in benefits realised to date since commencement of new investment model in August 2016
Implement an investment research and development program	●	<ul style="list-style-type: none"> On hold – progressing in 2019
Technology and Business Architecture		
Enable technology and business architecture to deliver an integrated capability	●	<ul style="list-style-type: none"> Commenced implementation of information and cybersecurity roadmap Established Transformation Office and Technology & Digital Transformation teams Established data governance function Appointed Deloitte a strategic partner Developed and commenced implementation of holistic transformation roadmap covering people technology and process
People		
Organisational capability, people development and performance management.	●	<ul style="list-style-type: none"> 136 new employees recruited 11 corporate inductions Average of 17 hours training per employee Average of 72 hours training per Cbus Representatives Career Progression framework developed Mentoring, coaching and sponsorship programs implemented Employee engagement 73%
Industry thought leadership through our people	●	<ul style="list-style-type: none"> Leadership enhancement program implemented Uplift in Investment team media profile
Governance		
Evolve our Governance and risk model/capability	●	<ul style="list-style-type: none"> Nominations Committee established Remuneration Committee Charter expanded to Remuneration, People and Culture Committee Member and Employer Services Committee Charter expanded to incorporate policy and advocacy Risk Culture Framework developed Risk Culture survey undertaken Triennial review of Board and Committees underway
Financial		
Evolve financial and commercial frameworks to drive performance and support the increasing growth and complexity of the Fund	●	<ul style="list-style-type: none"> Procurement office established Accelerate (transformation program) budget approved Enterprise Performance Scorecard (EPS) enhanced 11 of 13 EPS indicators met or exceeded

Our strategy to 2021

How we will create value	Cbus creates value for members by investing their pooled superannuation contributions, returning all profits to them and providing solutions to help them achieve a dignified retirement			
Goals by 2021	Member A significant increase in member engagement with >70% of active members at an adequate retirement savings level	Employer Preferred super provider for >50% of the employers in our industry	Retirement 80% of members transitioning to retirement stay within the fund	Investments Returns in the top 25% of funds over a rolling 5-year period 25% of portfolio investment inhouse 0.15% investment fee reduction from FY2018 level
How will we win	We look after our members better than anyone else		We are an innovative, long-term and patient investor, with a proven track record of superior outcomes	
Key programs	Shifting the dial in member experience <ul style="list-style-type: none"> • Deliver a seamless omni channel capability where Cbus controls all member interactions across multiple channels. • Implement new member online join portal and mobile App. • Continue to develop insourced advice services and extend transition and retirement capability to improve retention. • Continue to leverage sponsoring organisations to drive member growth. • Optimise service delivery through LINK and TAL. • Build out Front Counter service offering. 	Building an industry leading employer experience <ul style="list-style-type: none"> • Develop an integrated offer that combines seamless administration with a range of value-added services. • Develop a flexible corporate insurance offer. • Improve and remediate arrears process. • Build digital acquisition capability including integrated employer portals and App. • Leverage sponsoring organisations' relationships to drive employer growth. • Develop a sophisticated tender and sales capability for larger and white-collar employers. 	Building an integrated transition and retirement capability <ul style="list-style-type: none"> • Deliver the transition and retirement product and service strategy. <ul style="list-style-type: none"> – Identify the required strategic partnerships and capability. – Establish an operating model that integrates our internal advice team, online capability and key strategic partners. • Develop and deliver a holistic approach that delivers to the 'community' of Cbus retirees. • Extend our product offering to a wider range of retirement services. 	Establishing the next generation investment framework <ul style="list-style-type: none"> • Deliver the new investment and operating model including the required infrastructure and resources. • Optimise the direct investment strategy and leverage the Cbus Property relationship. • Improve net investment outcomes through tax management, reduced agency costs and efficient portfolio management. • Enhance the Responsible Investing approach, including a climate change roadmap.
	Make Cbus the most trusted Fund for the built environment			
Brand and reputation	<ul style="list-style-type: none"> • Extend the reach of the Cbus brand. 	<ul style="list-style-type: none"> • Advocate on behalf of Cbus members. 	<ul style="list-style-type: none"> • Engage and retain members. 	<ul style="list-style-type: none"> • Develop an integrated fund narrative.
Capital inputs and capabilities	Technology  <ul style="list-style-type: none"> • Enabling technology and business architecture to deliver an integrated digital and omni channel capability. • Develop a fund-wide data strategy that supports the development of an insights-driven organisation. 	People  <ul style="list-style-type: none"> • Build an integrated approach to organisational capability, people development, career development and performance management. • Develop an inhouse strategy and sophisticated analytical capability. 	Governance  <ul style="list-style-type: none"> • Evolve finance, governance and risk processes and capability to drive efficiencies and align with the new organisational design. • Build out a fund-wide procurement capability. 	

We create value for members through sound governance mechanisms that build trust, reliability, transparency, stewardship and accountability.



Fund governance

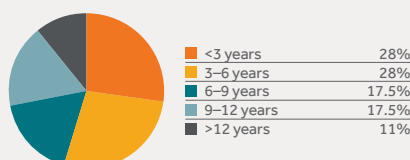


Above from left to right: Dave Noonan, Anthony McDonald, Scott Beynon, Kara Keys, Frank O'Grady, Misha Zelinsky, Glenn Thompson, Steve Bracks, Earl Setches, Denita Wawn, Peter Kennedy, Anne Milner, Ray Sputore, John Edwards, Stephen Dunne and Rita Mallia

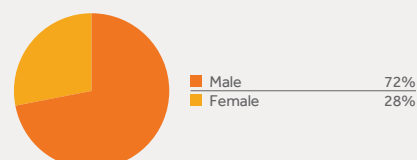
Left from left to right: Alternate Directors: Anne Donnellan, Ben Davis and Allen Hicks

About our Board*

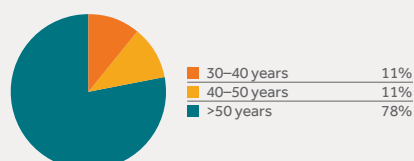
Tenure
%



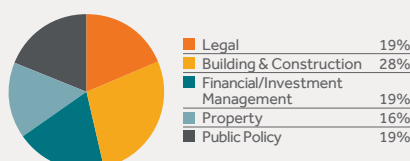
Gender
%



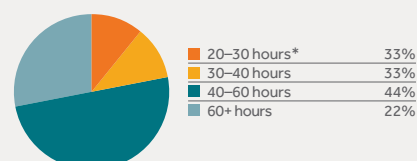
Age
%



Skills/experience
%



Training FY17–18
%



*Board statistics as at July 2018.

Fund governance continued

Governance framework

The Trustee's Governance Framework sets out how the Board oversees and exercises its authority in relation to the strategy and operation of the Fund. The Board is assisted in its role by five permanent committees: the Investment Committee; Audit and Risk Management Committee; People, Culture and Remuneration Committee; Member and Employer Services Committee; and the Nomination Committee.

The Board and each Committee has a Charter that sets out its roles and areas of responsibilities. All Charters are publicly available at:

 www.cbussuper.com.au/governance

An integral part of a good governance framework is ensuring the identification and management of conflicts of interest. All Directors must have the ability to recognise where there may be actual, perceived or potential conflicts of interest and to ensure they are appropriately managed or avoided.

Where there is a conflict of interest we must ensure priority is given to the interests of the beneficiaries of the Fund (members). Conflict of interest procedures are included as a standard agenda item for every Board and Committee meeting. Cbus maintains a public register of the other positions and interests held by the CEO, Directors and Senior Managers and this is updated regularly throughout the year. It can be found at:

 www.cbussuper.com.au/governance

During the year the Board held a Trustee Director update on conflict of interest management.

Director remuneration

Director fees are externally benchmarked against peer funds and other financial institutions at least every three years.

Cbus Directors are currently paid a base fee (regardless of attendance) and an additional fee for meetings attended.

Cbus does not pay its Directors performance-based incentives. Full remuneration disclosures are available at

 www.cbussuper.com.au/governance

Director tenure

Cbus has a Board Renewal Policy that sets out the terms and maximum tenure period for any director position. All Directors are appointed for a three-year term (and are reviewed at the end of each term) with a maximum tenure period of 12 years. Where the Board believes it is appropriate for a Director to remain beyond the maximum tenure, the Policy allows for this provided the circumstances are documented and reviewed by the Board. Cbus currently has two Directors who meet the circumstances prescribed in the Policy. Both Directors are subject to review in the 2018 calendar year.

Board gender composition

The Board has adopted a goal of achieving a minimum of 30% female Directors. Currently, the Board is composed of 28% female Directors, up from 22% last year.

Review processes

The Fund Governance Policy, is publicly available at:

 www.cbussuper.com.au/governance

It sets out all governance review processes of the Fund. The performance of the Board and its Committees are independently reviewed every three years. This review is being undertaken by Thoughtpost Governance Pty Ltd and is expected to be completed by the end of the calendar year.

Board's focus

Strategic review

The Board held its strategic review offsite in February over two days. The focus was on the changing environment and the implications for superannuation. Key topics discussed were technological trends, policy changes, workforce growth, our response to members' needs, retirement readiness, investment changes and our transformation plan to enhance our member and employer services.

The Board also approved expanding the functions of the Remuneration Committee to include oversight of People and Culture programs at the Fund to assist the Board in its role of monitoring and evaluating the culture of the Fund. The Charter for this Committee was substantially revised during the year to reflect its increased role.

Risk Culture Framework

The Board has overseen the development of a Risk Culture Framework in the Fund, which is focused on communicating and embedding good risk management practices in the decision-making and operations of the Fund. The framework links the Cbus values to the desired behaviours such as risk-aware and informed decision-making, learning from mistakes and building on successes – which should be exhibited by people at Cbus from the Board level down.

The Framework also seeks to measure and monitor the risk culture of the Fund through culture and conduct metrics and risk culture surveys. The most recent survey was conducted in June 2018 and the results will be used to inform numerous activities across the Fund, including training and education programs. The metrics are reported throughout the year to the Audit and Risk Management Committee.

Board Committees specific focus areas:

Committee name	The specific focus areas for this committee include:
Audit and Risk Management Committee	<ul style="list-style-type: none"> • endorsing a new Risk Appetite Statement and enhanced Key Risk Indicator reporting • endorsement of funding and oversight of the Transformation (Accelerate) Program of work • enhancement to the Fund's cybersecurity program including the formulation of a cybersecurity strategy and cyber insurance coverage • oversight of the internal audit program of work and reporting, and appointment of external auditors review of financial and budgetary reporting
Member and Employer Services Committee	<ul style="list-style-type: none"> • overseeing the delivery of an improved insurance offer to members including: <ul style="list-style-type: none"> – insurance premium rate and default cover changes, which provided for an overall reduction in premium rates for members of 25% – introduction of income protection cover for non-manual and professional occupational category members • improved member annual benefit statements and rollout of personalised statement videos • oversight of the Transformation (Accelerate) Program to enhance the services provided to members and employers
People, Culture and Remuneration Committee	<ul style="list-style-type: none"> • reviewing Director, CEO and Executive remuneration and performance-based pay • revised Charter expanding the role and responsibility of the Committee to include a greater focus on people and culture strategies • alignment of remuneration practices with the Fund's Risk Appetite • changing the committee's name to People, Culture and Remuneration Committee to better reflect the Committee's increased mandate and key focus areas
Investment Committee	<ul style="list-style-type: none"> • oversight of the development of the new investment model, including reviewing governance and decision-making frameworks to support the model, review of the team structure and required capabilities, and review of new and proposed internal strategies including direct infrastructure (note this includes review of internal equities – global equities strategy progress; proposals for Australian Small Caps and Australian corporate opportunities; direct infrastructure deal pipeline; internal debt strategy proposal; and social and affordable housing) • reviews of the market environment and investment objectives and asset allocation, asset classes and investment products and strategies, and Fund performance • evolving the Fund's Responsible Investment and climate change policies, including approving the environmental social and governance (ESG) principles and the Responsible Investment Policy and reviewing carbon risk exposure (note other activity included ACSI presentation and corporate governance guidelines, IGCC-coal report presentation, IFM presentation – infrastructure and ESG) • reviews of investment risk including investment risk appetite, liquidity, operational risk, interest rate risk, and reviews of investment policies.
Nominations Committee	<p>The Committee reviewed and endorsed to the Board the appointments of:</p> <ul style="list-style-type: none"> • Denita Wawn – replacing Wilhelm Harnisch • John Edwards – independent Director replacing John Dawkins • Kara Keys – replacing Ged Kearney • Ray Sputore – replacing Peter Smith • Changes to the Committee's composition were considered and endorsed to the Board based on the skill requirements of the Committees and skillsets of the individuals.

Fund governance continued



Cbus Property Board

Left to Right: Dave Noonan, Anthony McDonald, Scott Beynon, Georgina Lynch, Allan Davison, Mark Ford (Chair), The Hon. Steve Bracks AC

Cbus Property

Cbus Property has its own Board comprised of three independent Directors and four nominated Cbus Directors. The Cbus Property constitution requires that Board decisions must enjoy the support of the majority of independent Directors.

During the 2017/2018 financial year, Wilhelm Harnisch retired as a Director in December 2017 and was replaced by Scott Beynon. Ian Costley retired in March 2018, having served as an independent Director since inception.

The fees payable to Cbus Property Directors, who are also Directors of Cbus, are disclosed on the Cbus website and are available at the link below:



www.cbussuper.com.au/governance

For more information on Cbus Property governance please see our Corporate Responsibility Report.



www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/Corporate-Responsibility-Report-2018.pdf



Providing members with strong long-term returns and satisfying our stakeholders' requirements means we need to attract, develop and retain the right talent.



Our people



Our people continued

Number of people hired in 2018

132

2017

117

To meet our strategic objectives, Cbus is continuing its transformation program. This means a Cbus-owned, enriched, seamless service experience for members and employers and increased internalisation of our investments. A critical component in successfully executing the strategy is the Fund's ability to attract and retain talented and engaged people.

Over the past 12 months we have hired 132 people, growing the direct Cbus operation to 336 employees. Across the forward-planning cycle, we expect the Fund to grow to 500 employees as we continue to build expertise in our investment area and take ownership of more of the member and employer operations.

Our voluntary turnover rate was 5.90%, up from 3.93% last year which, while still low, is reflective of the transitional environment of the Fund. This is in comparison to an industry average of 13%. We listen to our people and are putting in place programs that encourage high levels of engagement and commitment.

Key highlights for the year included being recognised as a Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality; Winner of Australian Human Resource Institute (AHRI) 2017 Elizabeth Broderick Workplace Flexibility

Award; ranked 14th in the Best Australian Workplace for New Dads and runner up in the Champion of Flexible Work Award. We also completed the successful negotiation of two new Enterprise Bargaining Agreements setting the terms and conditions of employment for our people.

Executive update

The Group Executive Team is accountable for developing and leading the implementation of our strategy to create value for our members, employers and sponsoring organisations. Each Group Executive is responsible for delivering on outcomes with respect to one or more of the integrated reporting capitals. The Group Executive reports directly to the CEO.

The Cbus organisational structure supports the Fund's strategy and growth objectives, centering around our three core business areas: Member, Employer and Investments; and the critical enabling support functions: Brand, Advocacy, Marketing and Product, Finance, Governance and Risk, People, Technology and Enablement, and Strategy and Business Insights.

All Group Executives are employed on ongoing contracts and are excluded from the Cbus industrial agreements. No Group 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.



Cbus Executive Team

Left to Right: Michelle Boucher (Member Experience), Kristian Fok (CIO Investment Management), CEO David Atkin, Jarrod Coysh (Employers, Corporate Development and Strategy), Robbie Campo (Brand, Advocacy, Marketing and Product), Carrie Norman (Member Experience (Acting)) and Keith Wells-Jansz (Finance Risk and Governance).

Remuneration – Executives

The overarching Cbus benchmarking methodology is to use multiple data comparisons to examine Executive remuneration comprehensively and appropriately. The CEO conducts a review of individual performance and considers the remuneration market changes to determine appropriate pay levels for each Group Executive Team member.

Outcomes of performance reviews, remuneration market inputs and CEO recommendations are considered by the People, Culture and Remuneration Committee (formerly the Remuneration Committee) and subject to ultimate approval by the Board.

In 2017/18 we saw the introduction of a variable pay program offered to the CEO and Group Executive and select roles within the investment team. The program assesses the contribution to our central value of members being at the heart of everything we do – the achievement of the Cbus strategy and business plan objectives, divisional performance results and individual performance outcomes. The variable pay opportunity is between 0 – 30 per cent of the individual's total remuneration, with payments made progressively over a three-year period.

Full remuneration disclosure and biographies of the CEO and Executive Team is available at:



www.cbussuper.com.au/management

Fund area	Gender equity target	As at 30 June 2018
Whole of Fund	50%	50%
Cbus Board	30%	28%
Investment Team	40%	39%

Remuneration of our people

Cbus employees (other than Executives) are employed under collective Enterprise Bargaining Agreement (EBA) conditions.

Our new three-year agreements, effective 1 July 2017, were approved by the Fair Work Commission.

Remuneration increases under the EBA for the last financial year were:

- 3.00 % for staff with a total remuneration of \$150,000 or less and staff under the Coordinators Agreement
- CPI (2.1%) plus an additional 0.5% for staff with a total remuneration of more than \$150,000
- The opportunity for a once-off lump sum payment (between 0.5 and 1.5% of total remuneration) for staff with a total remuneration of more than \$150,000, paid to reflect excellent organisational performance.

We continue to review our remuneration structure to ensure that it remains fit for purpose, reflects our values and is fair to all.

Diversity and gender equality

We advocate for greater diversity on the Boards and in the management of the companies we invest in because we endorse the logic and research findings that high levels of workplace diversity are linked with improvements in organisational decision-making, performance, profitability, revenue generation and innovation.

As an employer, we focus on ensuring we provide an inclusive workplace culture to attract a diverse pool of talent so we can provide better outcomes to members and employers.

Our Diversity and Inclusion Policy seeks to remove barriers that prevent all genders from achieving equality in the workplace. Our talent acquisition program seeks to eliminate gender bias in the selection of our people through gender-balanced selection panels, gender-balanced candidate short lists and gender-neutral language in job advertisements.

We have set gender equity targets at the organisational level, Board level and for our investment team. Our targets are 50% equal representation across the organisation (tracking at 50%), 40% within our investment team (tracking at 39%) and 30% at our Board (tracking at 28%).

Our CEO is a member of the Male Champions of Change (MCC) Institute. The MCC works with influential leaders to redefine men's roles in taking action on gender inequality.

We have reviewed and further improved our eligibility for primary carers leave, providing 16 weeks paid leave to both men and women. We also provide superannuation payments to staff on Parental Leave, in addition to running keeping-in-touch and return-to-work programs.

Cbus played a central role in designing and implementing an industry-wide female investments' sponsorships program known as Elevate. The program connects senior male investment leaders (sponsors) with emerging female investment team members (participants) to create a network of support and broadened perspectives. Its focus is to improve inclusive and diverse leadership across the Fund and to facilitate the promotion of women within the Fund and the investment profession as a whole.

Our people continued



People returning from primary carers leave

100%

Gender pay equity

We reported our gender pay gap (as at March 2018) at 18% to the Workplace Gender Equity Agency (WGEA). This is a slight improvement from last year's March 2017 figure of 18.2% and we continue to work towards reducing the disparity. We have also recruited a Remuneration and Reporting Specialist who will actively manage the gender pay analysis ensuring gap reduction is a key focus.

We had previously reported our gender pay gap using a basic averaging of salary approach, rather than under the best-practice weighted-average methodology. We recognise that the best-practice approach is a more robust and accurate measure. We have restated our figures to align with the industry practice, which is calculated using a weighted-average methodology.

While comparing favourably to the finance and insurance industry full-time employment pay gap of 31.9%, our objective is to work towards a target of zero.

Our CEO is a WGEA Pay Equity Ambassador.

Workplace flexibility

Cbus has removed the requirement for staff to provide a reason for why they are seeking flexible work arrangements. Workshops have been delivered for all our People Leaders, so they are equipped to support all flexible work requests. Cbus has a 30% organisational-wide target in relation to flexibility. Currently, we are sitting at 30.14% against that target, which is an increase from 22% in the previous year.

Cbus is also committed to retaining talent through various initiatives for expectant parents and staff on Parental Leave, including online coaching for both males and females and face-to-face keeping-in-touch events. Cbus partners with Grace Papers – an online program to support strategies to navigate through pregnancies, Parental Leave and a smooth return to work. Cbus currently has a 100% return from primary carers leave.

Professional development

All Cbus staff participate in regular development discussions to identify development opportunities and aspirations. Individual development plans form part of our performance planning process and are supported by monthly look forward meetings. Cbus employees completed an average of 17 hours of training throughout the year.

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, Cbus representatives completed an average of 72 hours of training for the year.

The intake of new staff members has seen us run 11 corporate induction sessions with a focus on aligning new staff to the organisational values and behaviours. Quarterly Product and Insurance sessions were offered to all staff as part of the process to continue building knowledge of these key product areas.

Cbus continues to offer development programs to our people that aim to increase corporate awareness of challenges faced in our broader community. This includes Mental Health and Family Violence awareness programs.

Listening to Cbus

The Listening to Cbus Employee Engagement 2018 Survey administered via the Culture Amp platform attracted a healthy response rate received with 76% of Cbus employees participating.

The 2018 engagement score was measured at 73%, which was 4% down on last year's rate of 77%.

An analysis of the results revealed that career development, better recognition and leadership continue to be the most important drivers of engagement for Cbus people. In response we are developing a Career Development Framework to foster opportunities in promotion, secondment and higher duties, along with mentoring, coaching and sponsorship programs. We are also making improvements to our employee recognition program and will continue to build capability across the leadership team through coaching and feedback.

Occupational health and safety

Cbus is committed to providing a safe and healthy place for work. Incidents are reported to the Group Executive and the Board. During the year there were no work-related lost time incidents. We are proactive in supporting health and wellness activities in order to support our staff's mental and physical health.

Community involvement

Cbus staff are encouraged to utilise their entitlement to two days of paid Community Service Leave to volunteer in the community to support organisations aiding the homeless, refugees, community care, animal care, animal welfare and by donating blood. Cbus staff have contributed approximately 300 hours of voluntary work to our community. For the fifth straight year, Melbourne- and Sydney-based Cbus staff joined together to donate gifts to disadvantaged children as part of The Smith Family Christmas Appeal. Cbus also continues to support the national Mother's Day Classic fun run raising valuable funds for breast cancer research.

Employee engagement

73%

2017

77%



Cbus is investing in its digital technology, its people and its processes to further support our members' retirement outcomes.

Building a more secure super future

Safeguarding data

As part of our commitment to data protection, we are undertaking a detailed tranche of work to upgrade our digital security so we can continue to protect members' and employers' confidential information.

This work includes the replacement of firewalls and a redesign of the network, onboarding a managed security services provider and the implementation of several new security tools (intelligence monitoring, network monitoring and email hygiene).

The Fund has been developing its digital capability for several years, but now the scope of this work has broadened to include people and process improvements.

The expanded program of work has been re-named to reflect its new, holistic remit, and it's now known as Accelerate.

It will deliver a fit-for-Cbus, Fund-owned experience that aligns to changing member and employer online expectations, making understanding and managing superannuation easy.

Accelerate will also help Cbus remain competitive in an increasingly challenging superannuation environment, building a culture of agility and innovation so we can continue to deliver the best outcomes for our members and employers.

For our members, Accelerate will mean a more meaningful experience of Cbus. Better member data and new digital tools will make members' interactions more relevant and tailored to their needs, including receiving information about specific products that may be better suited to their circumstances.

For our employers, Accelerate's technical upgrades will mean a seamless experience when contacting us. A new employer portal will give them a better view of their employees and provide a more secure and simpler way to fulfil their obligations so they can focus on managing their businesses.

To achieve this, we are:

- **building** the necessary capability and infrastructure to provide highly personalised interactions with our members

- **gathering** the data that enables us to know our members, moving from generic segmentation (based on demography), to individualised behavioural insights down to the member level
- **learning** who our members and employers are and what their needs are so we can consequently tailor our engagement with them
- **operationalising** our business to leverage information so we can support and assist members when they need it.

In the first half of 2018, a comprehensive 12-week discovery and definition phase explored the Cbus service experience and identified where and how we can best take advantage of new technologies and ways of working.

The work resulted in a defined roadmap for how we will deliver an improved and distinctive experience for our members and employers.

It showed that to achieve the best outcome, we need to make holistic changes. The program's scope includes not just technology, but people and process improvements as well.

To help deliver the expanded program of work Cbus appointed Deloitte as a strategic partner.

Deloitte has a track record of delivering similar projects and has demonstrated a strong understanding of Cbus and our goals.

Work has begun on the program's 'design' phase across the people, process and technology projects. The 'build' phase begins in the latter half of 2018 to create a distinct Cbus-owned experience.



Our members trust and expect us to work to ensure the superannuation system functions in their best interests, through shaping the debate on retirement and superannuation policy and by promoting the benefits of our industry fund model.

Policy and advocacy

We review the external environment and weigh risk and opportunity to identify those matters that could reduce or improve retirement outcomes for our members. The Australian superannuation system today holds some \$2.6 trillion under management. Rightly, it is subject to heavy regulation, public policy debate and legislation.

Our policy and advocacy work involves engagement with Government, regulators, media, our sponsors, the associations we are affiliated with and other stakeholders. We work with like-minded organisations in advocating and promoting sustainability in the companies we invest in.

Unpaid super – up to

\$5.6 billion

Adequate income in retirement

Having enough money in retirement remains the single biggest concern for members.

The Government has frozen further increases in the Superannuation Guarantee (SG) contribution rate until 2021, when it will increase by 0.5% per annum until reaching 12% in 2025. Cbus believes the SG contribution levels need to be increased sooner if the system is to reach the goal of providing Australians with financial security and dignity in retirement.

Despite SG contributions being compulsory by law, levels of non-compliance continue to increase. Non-compliance remains highest in the construction and building industry. The ATO is the responsible government agency to ensure compliance. It estimates that the level of non-compliance in the 2014/15 year was \$2.85 billion. Cbus, together with Industry Super Australia (ISA), commissioned research into the level of non-compliance, which estimates the figure to be up to \$5.6 billion, impacting 2.4 million people.

Cbus and ISA's advocacy work on the issue has drawn response from the Commonwealth Government, with legislation introduced into Parliament to close the loophole allowing employee's salary sacrifice contributions to count towards employer SG obligations and to increase penalties for directors of companies that don't pay. The Government has also proposed an amnesty from penalties should employers come forward and pay missing superannuation within 12 months.

Cbus continues to advocate that more needs to be done to address the issue of non-payment, including making sure superannuation is paid at the same time as wages. In our submission to the Senate Inquiry examining the Government's Bills, we cited Rice Warner research that showed some \$58 billion would be returned to members' accounts by 2057 through increased compliance associated with aligning payment of super with wages¹. Our submission can be viewed at:

 www.cbussuper.com.au/integrity-package

Cbus is also advocating for industry and stakeholders to come together to discuss the implications for retirement savings from the increased adoption of non-traditional ways of working. It is vital that a response roadmap is developed to ensure the super system is delivering for all.

The Government continues to support increasing the Age Pension Eligibility Age (APEA) from the current 65.5 years to 67, although recently jettisoning its policy to move APEA to age 70 by 2035. Modelling by Rice Warner of the impact on Cbus members of further increasing the APEA to 70 years shows a loss in today's dollars in retirement income of between 8.4% and 11.2% for males and 8.6% and 10.6% for females.

Cbus advocates against the continued increase in the APEA, which puts the Age Pension further out of reach of Cbus members, jeopardising their financial security and dignity in retirement².

1. Rice Warner Superannuation Guarantee Policy Modelling March 2018.

2. Rice Warner Impact of the increase in the Age Pension Eligibility Age and Superannuation Guarantee Rate on Cbus members 31 May 2018.

Policy and advocacy continued

In focus

Cbus member, Andrew, was 23 years old when he was injured at work, crushed by two glass pallets weighing over 1.6 tonnes. He sustained serious spinal injuries.

Andrew was hospitalised for over a month and had to be wheeled in to witness his wife give birth to their first child.

Andrew didn't even know he had insurance through his superannuation until his carers suggested he look into it. Because of Cbus' default insurance arrangements, Andrew was able to successfully make a Total and Permanent Disablement (TPD) claim.

Today, he is recovering well, but still experiences ongoing health issues. He says he cannot imagine where he and his family would be without the cover his insurance through superannuation provided.

System changes

In response to scrutiny of the value of insurance in superannuation by the Parliamentary Joint Committee on Corporations and Financial Services and the development of a voluntary code of practice by industry, the Government has proposed legislation to deal with erosion of retirement savings through multiple accounts, fees and charges and insurance premiums.

The Government's proposed changes seek to remove new members under 25, those with balances of less than \$6,000 and those determined inactive from default death and total and temporary disablement insurance. The Government also proposes automatic consolidation of accounts to the ATO where the balance is less than \$6,000 and the account has been inactive for 13 months.

Cbus has expressed strong reservations about the extent to which the Bill will remove and restrict access to default group insurance for those workers in more hazardous industries who require cover, or would not otherwise be able to access it. Cbus estimates that some 250,000 members would be removed from default insurance cover should the Bill become law. See page 20 for more on our insurance offering and our full submission can be read here:



www.cbussuper.com.au/protecting-super

In late May 2018, the Productivity Commission released its draft report into efficiency and competition in superannuation. The Commission's analysis confirmed that the default sector, largely industry or profit-to-member funds, systematically outperforms the rest of the sector. The Commission also highlighted that there were a lot of unintended multiple accounts eroding retirement savings

through multiple fees and costs, as well as 'zombie' insurance products that members are unable to claim on.

The Commission has put forward an alternative that would remove the default selection process from the industrial relations system, instead recommending that a government-appointed panel of experts select 10 'best-in-show' funds, based on performance criteria, to be chosen every four years. Members not exercising choice would be allocated to these funds sequentially, regardless of occupation and would be defaulted only once in their working life.

Cbus is supportive of a merit-based selection of funds to ensure only high-quality funds are offered to members as default funds. However, Cbus considers that the proposed alternative fails to recognise the benefits that have been derived for members through the current default arrangements in terms of the specific industry tailoring of insurance, products, services, and investment strategy and innovation, which have driven systematic outperformance. While Cbus is of the view that its historical performance and continued transformation to ensure members receive the benefits of the Fund's increasing scale would qualify it as one of the 'best-in-show' funds, we advocate that the industry fund model and the settings of superannuation in the industrial relations context deliver the best member outcomes. Read our full submission here:



www.cbussuper.com.au/assessing-efficiency

Investment advocacy

Cbus is a strong advocate for responsible and sustainable investment, working both directly and through strategically aligned partners and organisations.

During the year we made a submission to the Senate Inquiry on the SDGs advocating the need for a whole-of-Government approach to considering its contribution to attaining the SDGs and to assist the private sector in making its contribution. Read our submission here:



www.cbussuper.com.au/un-sdg

We supported the development of the Sustainable Development Investment taxonomy, developed by leading Dutch funds APG and PGGM, which seeks to translate the SDGs into investable opportunities. We also worked with the Monash Sustainable Development Institute and ACSI, to support the SDG Transforming Australia Project, which provides key information about how Australia is progressing towards achievement of the SDGs and supports the development of SDG metrics for Australian organisations. We provided input through an advisory group to a report³ that sets out an approach for companies and investors to develop a strategy to contribute to the SDGs.

Through our membership of the Investor Group on Climate Change (IGCC) we have publicly advocated for changes in government policy to enable greater investment in renewable energy. For more on our climate change actions and advocacy see page 35.

We have made several submissions to the Government to assist with the development of investment models that would allow us and other superannuation funds greater capacity to invest in much needed social and affordable housing.

Cbus was one of the first investors to sign the PRI-led investor statement in support of a Modern Slavery Act in Australia. As investors, we seek to support decent work and economic growth (SDG 8). The introduction of a Modern Slavery Act would improve companies' transparency on how they are managing modern slavery risks in their operations and supply chain, while providing information critical for informed investment decisions and for engagement with companies we invest in.

Disclosing fees and costs to members

On 24 July 2018, the Australian Securities and Investments Commission (ASIC) released the external report into Regulatory Guide 97 Fees and Costs Disclosure (RG 97). The report, prepared by independent expert Darren McShane, concluded that changes to the disclosure regime would be advantageous, and recommends a number of amendments to the way fees and costs are disclosed to ensure simplicity, comparability and better decision-making by members. These recommendations represent the strong advocacy consistently undertaken by Cbus throughout this debate on behalf of our members. ASIC has welcomed the report and will release a consultation paper setting out its detailed response to the issues raised in the report in the first half of the 2018–19 financial year.

Australian superannuation system funds under management

\$2.6 trillion

3. Adams, C A, *The Sustainable Development Goals, integrated thinking and the integrated report* IIRC and ICAS.

Superannuation options







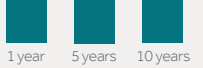



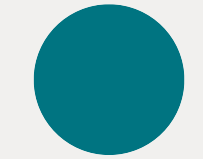
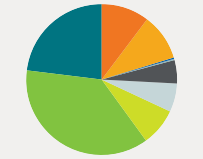
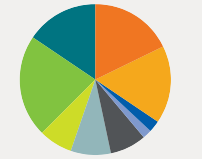
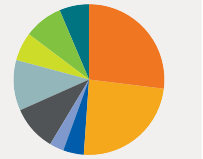
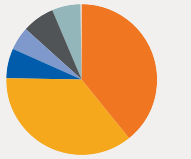






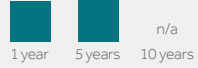

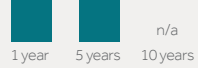
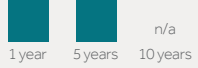
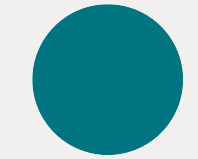
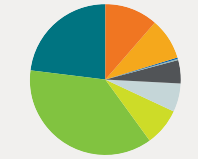
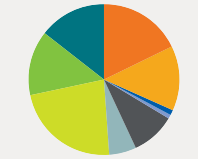
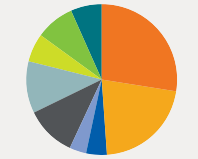
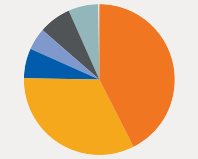
	Default option				
	Cash Savings	Conservative	Conservative Growth	Growth (Cbus MySuper)	High Growth
Risk/return					
Risk level/(band) ¹	Very low	Low to medium	Medium	Medium to high	High
Investment objective ²	Inflation plus 0.75% a year over rolling 10-year periods	Inflation plus 1.75% a year over rolling 10-year periods	Inflation plus 2.5% p.a. 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	2 in 20 years	3 in 20 years	5 in 20 years
Actual negative annual crediting rates since inception	0 in 9 years	1 in 18 years	0 in 1 year	3 in 34 years	5 in 20 years
Actual performance average return over 10 years ending 30 June 2018 ³	This figure is unavailable as this option was introduced on 1 April 2009	5.59 (Inflation plus 3.47 p.a.)	n/a option commenced 1 July 2017	7.23 (Inflation plus 5.11 p.a.)	8.00 (Inflation plus 5.88 p.a.)
Annual investment return (Crediting Rate %) at 30 June 2018					
Annual return since inception (p.a.) ³	2.57 (1/04/2009)	6.11 (1/10/1999)	7.74 (6/07/2017)	9.29 (1/07/1984)	7.64 (1/01/1998)
Asset allocation (%) ⁴					
	<ul style="list-style-type: none"> Cash 100.0 	<ul style="list-style-type: none"> Australian shares 10.40 International shares 10.10 Private equity 0.20 Opportunistic growth 0.20 Infrastructure 5.00 Property 6.10 Alternative debt⁵ 8.00 Fixed interest 37.00 Cash 23.00 	<ul style="list-style-type: none"> Australian shares 17.90 International shares 16.80 Private equity 2.40 Opportunistic growth 1.80 Infrastructure 8.00 Property 8.60 Alternative debt⁵ 7.00 Fixed interest 22.20 Cash 15.30 	<ul style="list-style-type: none"> Australian shares 27.02 International shares 24.17 Private equity 4.41 Opportunistic growth 3.10 Infrastructure 9.87 Property 10.81 Alternative debt⁵ 5.99 Fixed interest 8.36 Cash 6.26 	<ul style="list-style-type: none"> Australian shares 39.60 International shares 35.70 Private equity 6.40 Opportunistic growth 4.90 Infrastructure 7.00 Property 6.40 Alternative debt⁵ 0.00 Fixed interest 0.00 Cash 0.00

Table notes:

- 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
- For all investment option objectives: Cbus expects all investment options to achieve their targeted after-tax returns 75% of the time.
- Average returns are to the period ending 30 June 2018.
- 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
- Formerly known as Credit.
- Investment performance is the gross return minus investment costs. Excludes administration fees and taxes, which are applied by the Cbus Self Managed platform, where applicable. Past performance is not a reliable indicator of future performance.
- Since inception on 29 July 2015.

*For the Transition to Retirement (TTR) options' performance and objectives, see www.cbussuper.com.au/retirement/my-retirement-investment-options/transition-to-retirement-investment-options

Super Income Stream options

	Cash Savings	Conservative	Default option Conservative Growth	Growth (Cbus MySuper)	High Growth
					
Risk level/(band)	Very low	Low to medium	Medium	Medium to high	High
Investment objective	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
Likelihood of negative annual returns	0 in 20 years	1 in 20 years	2 in 20 years	3 in 20 years	5 in 20 years
Actual negative annual crediting rates since inception	0 in 9 years	0 in 9 years	0 in 4 years	0 in 9 years	0 in 9 years
	These figures are unavailable as these options were introduced 1 July 2009.		These figures are unavailable as this option was introduced on 1 December 2013.	These figures are unavailable as these options were introduced 1 July 2009.	
Annual investment return (Crediting Rate %) at 30 June 2018					
Annual return since inception (p.a.)	3.10 (1/07/2009)	7.29 (1/07/2009)	8.61 (2/12/2013)	10.77 (1/07/2009)	12.20 (1/07/2009)
Asset allocation (%)	 ■ Cash 100.0	 ■ Australian shares 11.40 ■ International shares 9.10 ■ Private equity 0.20 ■ Opportunistic growth 0.20 ■ Infrastructure 5.00 ■ Property 6.10 ■ Alternative debt ⁵ 8.00 ■ Fixed interest 37.00 ■ Cash 23.00	 ■ Australian shares 19.00 ■ International shares 14.70 ■ Private equity 1.20 ■ Opportunistic growth 1.00 ■ Infrastructure 9.00 ■ Property 10.10 ■ Alternative debt ⁵ 6.00 ■ Fixed interest 24.30 ■ Cash 14.70	 ■ Australian shares 27.50 ■ International shares 21.50 ■ Private equity 4.50 ■ Opportunistic growth 3.50 ■ Infrastructure 11.00 ■ Property 11.00 ■ Alternative debt ⁵ 6.00 ■ Fixed interest 8.50 ■ Cash 6.50	 ■ Australian shares 42.60 ■ International shares 32.70 ■ Private equity 6.40 ■ Opportunistic growth 4.90 ■ Infrastructure 7.00 ■ Property 6.40 ■ Alternative debt ⁵ 0.00 ■ Fixed interest 0.00 ■ Cash 0.00

Accumulation	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High Risk	High Risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 2.75% p.a.	inflation + 3.25% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:^{6,7}	12.09%	12.42%
Super Income Stream	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High Risk	High Risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 3% p.a.	inflation + 3.5% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:^{6,7}	12.09%	12.42%

Investment option costs

Crediting rates are the investment earnings after fees and tax are deducted (shown as a percentage) for each Cbus investment option. These are applied to member accounts when the final crediting rate for the full financial year is declared. Cbus also charges an Account Keeping Fee, which is deducted from member accounts (for superannuation accounts: \$1.50 per week; for super income stream accounts: \$2 a week plus 0.08% a year of member account balances capped at \$640.)

Super		High Growth	Growth (Cbus MySuper)	Conservative Growth	Conservative	Cash Savings
		2018/17 %	2018/17 %	2018/17 %	2018/17 %	2018/17 %
Total Earnings¹		14.69%	11.91%	8.47%	6.09%	1.73%
Less:	Total Investment Fee	0.95%	0.81%	0.58%	0.34%	0.07%
	Base fee	0.50%	0.43%	0.30%	0.17%	0.03%
	Performance fees	0.20%	0.14%	0.09%	0.04%	0.00%
	Transactional and operational costs	0.14%	0.14%	0.10%	0.07%	0.00%
	Other costs	0.11%	0.10%	0.09%	0.06%	0.04%
Less:	Trustee Operating Cost²	0.15%	0.15%	0.15%	0.15%	0.15%
Equals: Final Crediting Rate		13.59%	10.95%	7.74%	5.60%	1.51%
Super Income Stream – Fully Retired		High Growth	Growth	Conservative Growth	Conservative	Cash Savings
		2018/17 %	2018/17 %	2018/17 %	2018/17 %	2018/17 %
Total Earnings¹		16.30%	13.06%	9.87%	6.84%	2.06%
Less:	Total Investment Fee	0.95%	0.82%	0.54%	0.34%	0.07%
	Base fee	0.49%	0.44%	0.27%	0.17%	0.03%
	Performance fees	0.21%	0.14%	0.08%	0.04%	0.00%
	Transactional and operational costs	0.14%	0.14%	0.11%	0.07%	0.00%
	Other costs	0.11%	0.10%	0.08%	0.06%	0.04%
Less:	Trustee Operating Cost²	0.09%	0.09%	0.09%	0.09%	0.09%
Equals: Final Crediting Rate		15.26%	12.15%	9.24%	6.41%	1.90%

The Cbus Self Managed option offers Property and Infrastructure Managed investments. The Investment Fees that applied over the 2018 financial year, excluding transaction costs, were:

- CSM Property 0.31%
- CSM Infrastructure 0.86%.

For information on CSM and fees and costs, refer to the Cbus website.

1. The total earnings are gross of investment fees, trustee operating costs and net of investment taxes
 2. The trustee operating costs includes 0.01% contribution to the Operational Risk Reserve

Investment managers

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

Investment Managers managing 5% or above of the Fund's total Assets		
	At 30 June 2018	At 30 June 2017
Industry Funds Management	17.3%	17.8%
Vanguard Investments Australia	11.1%	10.4%
Cbus Internally Managed	6.4%	3.2%
Cbus Property	5.4%	5.3%
Colonial First State Asset Management	4.3%	6.9%

Cbus Total Investments	At 30 June 2018		At 30 June 2017	
	(\$ millions)	(%)	(\$ millions)	(%)
Australian Equities				
Industry Funds Management	3269.6	7.0	2640.3	6.6
Paradice Investment Management	1912.7	4.1	1550.1	3.9
Perpetual Investment Management	1350.9	2.9	1059.6	2.6
Hyperion Asset Management	1192.1	2.6	964.0	2.4
Ausbil Dexia	1167.6	2.5	923.6	2.3
Airlie Funds Management	1117.8	2.4	736.3	1.8
Ellerston Capital	1083.6	2.3	907.1	2.3
Allan Gray Australia	865.5	1.9	738.2	1.8
Novaport Capital Pty Ltd	213.1	0.5	119.3	0.3
Kinetic Investment Partners	204.2	0.4	166.5	0.4
Cbus Self Managed	38.5	0.1	25.4	0.1
SSGM Equities Exposure	27.1	0.1	0.0	0.0
Other ¹	5.1	0.0	10.0	0.0
Citigroup Global Markets Australia Equities Exposure	0.0	0.0	189.8	0.5
Mesirow Financial Currency Management ²	-19.6	0.0	3.5	0.0
Total Australian Equities	12428.2	26.6	10033.8	25.1
International Equities				
Cbus Internally Managed	1550.2	3.3	0.0	0.0
Global Thematic Partners	1435.8	3.1	1026.0	2.6
Realindex Investments	1428.6	3.1	896.2	2.2
Orbis Investment Management	1287.8	2.8	1109.6	2.8
Baillie Gifford Overseas	1229.7	2.6	1105.6	2.8
AQR Capital Management	1055.1	2.3	793.6	2.0
Vanguard Investments Australia	990.5	2.1	1546.8	3.9
Wellington Management Company	628.8	1.3	550.7	1.4
SSGM Equities Exposure	489.9	1.0	0.0	0.0
Genesis Emerging Markets Investment Company	324.8	0.7	287.5	0.7
Trilogy Global Advisors	302.6	0.6	268.8	0.7
Stewart Investors (formerly First State Investment Management)	214.4	0.5	192.5	0.5
Invesco	200.9	0.4	0.0	0.0
Other ¹	10.0	0.0	12.2	0.0
MFS Institutional Advisors	2.1	0.0	988.3	2.5
Citigroup Global Markets Australia	0.0	0.0	45.5	0.1
Mesirow Financial Currency Management ²	-100.3	-0.2	22.7	0.1
Total International Equities	11050.8	23.7	8845.9	22.1

Investment managers

continued

Cbus Total Investments	At 30 June 2018		At 30 June 2017	
	(\$ millions)	(%)	(\$ millions)	(%)
Property				
Cbus Property	2531.0	5.4	2109.8	5.3
ISPT	1589.9	3.4	1437.1	3.6
AMP Capital Investors	561.4	1.2	535.1	1.3
Resolution Capital	139.7	0.3	126.2	0.3
Franklin Templeton Investments Australia	2.7	0.0	3.2	0.0
Other ¹	0.0	0.0	4.4	0.0
Mesirow Financial Currency Management ²	-6.0	0.0	2.3	0.0
Total Property	4818.7	10.3	4218.0	10.5
Infrastructure				
Industry Funds Management	3176.8	6.8	2804.8	7.0
Hastings Funds Management	1036.7	2.2	1017.5	2.5
Rare Infrastructure	206.8	0.4	199.1	0.5
Cbus Internally Managed	0.0	0.0	0.0	0.0
Mesirow Financial Currency Management ²	-13.2	0.0	3.9	0.0
Total Infrastructure	4407.1	9.4	4025.4	10.1
Private Equity				
ROC Private Equity	537.2	1.2	479.2	1.2
Siguler Guff & Company	235.4	0.5	231.5	0.6
ME Bank	225.1	0.5	186.0	0.5
Newbury Associates	181.6	0.4	138.6	0.3
Industry Funds Management	132.0	0.3	163.2	0.4
Industry Super Holdings	149.6	0.3	104.4	0.3
Mesirow Financial Private Equity Advisors	119.7	0.3	147.0	0.4
Performance Equity Management	99.9	0.2	102.4	0.3
Greenspring Associates	79.4	0.2	75.1	0.2
VenCap International	69.6	0.1	68.4	0.2
LGT Capital Partners	49.5	0.1	58.7	0.1
Stafford Capital Partners	46.1	0.1	65.0	0.2
Adveq Management	45.8	0.1	57.5	0.1
Weathergag Venture Capital	30.1	0.1	32.2	0.1
Lexington Partners	22.2	0.0	38.0	0.1
Pomona Australia	9.8	0.0	17.1	0.0
Wilshire Private Markets Group	6.7	0.0	7.5	0.0
Continuity Capital (previously Wilshire Private Markets Group)	2.2	0.0	3.3	0.0
Frontier Advisors	1.9	0.0	1.4	0.0
Mesirow Financial Currency Management ²	-52.8	-0.1	18.5	0.0
Total Private Equity	1991.0	4.3	1995.0	5.0
Opportunistic Growth				
Bridgewater Associates	1130.5	2.4	1039.0	2.6
Industry Funds Management	230.8	0.5	179.0	0.4
TPG Opportunities Partners II	30.4	0.1	46.8	0.1
Artwork	8.3	0.0	8.3	0.0
Oaktree Capital Management	3.8	0.0	19.8	0.0
Mesirow Financial Currency Management ²	-2.1	0.0	1.6	0.0
Total Opportunistic Growth	1401.7	3.0	1294.3	3.2

Cbus Total Investments	At 30 June 2018		At 30 June 2017	
	(\$ millions)	(%)	(\$ millions)	(%)
Fixed Interest				
Vanguard Investments Australia	4204.1	9.0	2611.8	6.5
Cbus Self Managed	2.1	0.0	3.6	0.0
Other ¹	0.3	0.0	0.3	0.0
Total Fixed Interest	4206.5	9.0	2615.7	6.5
Alternative debt				
Industry Funds Management	989.9	2.1	1068.0	2.7
Barings (previously Babson)	943.9	2.0	902.9	2.3
Goldman Sachs Asset Management	335.6	0.7	338.6	0.8
T Rowe Price	300.0	0.6	297.8	0.7
ME Portfolio Management	35.7	0.1	61.9	0.2
Hayfin Direct Lending	24.9	0.1	75.0	0.2
Maxcap	13.5	0.0		
Mesirow Financial Currency Management ²	-1.7	0.0	-1.1	0.0
Total Alternative debt	2641.7	5.7	2743.1	6.9
Cash				
Colonial First State Asset Management	2016.7	4.3	2585.6	6.5
Internally managed	1441.4	3.1	1286.2	3.2
Industry Funds Management	265.0	0.6	259.6	0.6
Other ¹	30.2	0.1	129.9	0.3
Cbus Self Managed	13.7	0.0	9.5	0.0
Total Cash	3767.0	8.1	4270.7	10.7
Total Investments	46712.7	100.0	40041.8	100.0

Notes

1. Other may include operational cash, options, funds in transition, small holdings and outstanding fees on closed accounts, and funds held in the Administration account.
2. Mesirow Financial Currency Management manages the currency hedging for Cbus.
3. 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, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, Statement of Cash Flows and Notes to these Financial Statements. It also includes a Trustee Declaration and the Independent Auditor's Report on the Financial Statements. The Annual Financial Report is reviewed and endorsed by the Trustee Board and is available at:



www.cbussuper.com.au/AnnualReport

Financial statement inputs

There are several different inputs that support the completeness and accuracy of 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 a copy of the audit report is provided to the Fund.

An independent audit of the existence and valuation of the Fund's investments, held under custody by the Fund's Custodian, is completed by the Custodian's external auditor and a copy of the audit report is provided to the Fund.

The internal controls and procedures and the independently audited existence and valuations support the investment-related information reflected in the Financial Statements and Notes to the Financial Statements.

Administrator's controls

An independent audit of the internal controls and procedures the Fund's

Administrator has over superannuation and pension member administration is completed annually and a copy of their audit report is provided to the Fund. The audited internal controls and procedures 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 the external auditor, to provide assurance over these numbers. Inhouse tax expertise assists in maintaining a comprehensive tax management framework and accuracy of tax-related matters within the Fund.

External audit

The Fund's external auditor (PwC) conducts an independent audit of the Fund's Financial Statements and the Notes to the Financial Statements, to provide an opinion on whether they are presented fairly and comply with Australian Accounting Standards and other relevant requirements. 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 processes and procedures 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 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 focus on operational, financial and compliance risks and controls.

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

Trustee insurance

The Trustee holds indemnity insurance that provides 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 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 always. 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. The ATO has announced it will stop issuing super surcharge assessments from August 2017; however, any assessments issued prior to this date will remain due and payable. Surcharge payments (if any) are deducted from members' accounts and paid to the ATO.

Financial statements

In this Annual Report the figures shown below are a summary of Cbus's financial statements for the past two financial years, taken from audited accounts.

Statement of Financial Position as at 30 June 2018

	2018 \$'000	2017 \$'000
Investments	47,035,157	40,096,381
Cash at bank	33,334	39,346
Other assets	22,687	18,079
Less: Liabilities	(1,490,686)	(938,194)
Net assets available for member benefits	45,600,492	39,215,612
Less: Member benefits	(45,182,953)	(38,904,478)
Net assets	417,539	311,134
Equity		
General reserve	(102,370)	(77,888)
Insurance reserve	(187,488)	(123,442)
Operational risk reserve	(127,681)	(109,804)
Total equity	(417,539)	(311,134)

Income Statement for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Revenue		
Interest revenue	181,822	139,681
Distribution and dividend revenue	1,564,900	1,477,465
Changes in fair value of financial instruments	3,204,798	2,772,476
Other income	64,218	51,716
Total revenue	5,015,738	4,441,338
Expenses		
Investment expenses	(233,440)	(145,586)
Administration and operating expenses	(154,037)	(141,362)
Total expenses	(387,477)	(286,948)
Income tax expense	302,484	185,578
Results after income tax	4,325,777	3,968,812
Less: Net benefits allocated to members accounts	(4,219,372)	(3,877,329)
Operating result after income tax	106,405	91,483

Members' benefits and reserves

Members' benefits

Members' funds represent benefits accrued to members at 30 June 2018.

Statement of changes in member benefits for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening balance of member benefits	38,904,478	33,350,779
Add		
Contributions received	3,217,005	3,074,138
Transfers from other superannuation plans	1,314,439	997,321
Net investment earnings	4,280,953	3,937,921
Insurance proceeds	244,819	231,788
Less		
Benefits paid	(1,985,732)	(1,870,862)
Administration and other fees	(61,581)	(60,592)
Insurance premiums	(304,004)	(371,118)
Income tax on contributions	(427,424)	(384,897)
Closing balance of member benefits	45,182,953	38,904,478

Statement of changes in reserves for the year ended 30 June 2018

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total reserves \$'000
Opening balance as at 1 July 2016	84,368	55,622	83,950	223,940
Net transfers to/from reserves	(28,627)	-	24,338	(4,289)
Operating result	22,147	67,820	1,516	91,483
Closing balance as at 30 June 2017	77,888	123,442	109,804	311,134
Net transfers to/from reserves	(5,936)	-	5,936	-
Operating result	30,417	64,047	11,941	106,405
Closing balance as at 30 June 2018	102,370	187,488	127,681	417,539

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 that 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 the 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.

Operational risk reserve

Under Prudential Standards, all Registrable Superannuation Entities, such as 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.

In light of the Trustee's strategic initiatives and planned business activities, Cbus considered it appropriate to set the target level of this reserve at 0.28 per cent for the 2018 financial year.

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 insurance reserve is only used for insurance-related purposes to:

- collect deductions and pay the insurer the 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 Fund's insurance providers
- fund its insurance claims reduction strategies aimed at generating a long-term improvement in the claims experience
- fund development and implementation costs associated with the delivery of improved insurance offerings.

The contractual arrangement between Cbus and the Fund's insurer is one where favourable claims experience, relative to premiums paid against contracted levels, provide a payment from the insurer to the Fund and unfavourable claims experience against contracted levels provide a payment from the Fund to the insurer. Any payment from the Fund is limited to 10 per cent of premium paid for any one year.

Any payment made to Cbus under the contractual arrangement can only be used for insurance-related services.

The Fund received claims experience adjustments during the 2017/2018 financial year of \$38,155,241. However, the Fund paid \$710,745 to the prior insurer as a claims experience adjustment after a recalculation of claims experience during the 2016/2017 financial year.

The target level of the reserve is 20 per cent of the annual premiums paid to the insurer, plus any contingent liability to insurers, with a minimum level of the actuarially assessed figure required to meet any contingent liabilities for potential claims experience adjustments.

At 30 June 2018, the contingent liability to insurers was \$126,562,195, and the insurance reserve has an additional \$60,925,805.

The level of insurance reserves as at 30 June 2018 was higher than the target level, and part of the reserve is being used to reduce premiums for insured members. Each year the level of insurance reserves (including the application of any premium rate subsidy) is reviewed. The situation in relation to the subsidy from September 2017 is currently expected to apply until at least June 2021.

Independent Limited Assurance Report to the Directors of Cbus



Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Information Subject to Assurance, which has been prepared by United Super Pty Ltd as trustee for Construction and Building Unions Super Fund (Cbus) in accordance with the Global Reporting Initiative (GRI) Standards and the basis of preparation disclosed in the Cbus 2018 Annual Integrated Report for the year ended 30 June 2018 (Cbus Report).

Information Subject to Assurance

The Information Subject to Assurance as presented in the Cbus Report comprised the following:

Cbus Report Section	Selected data and text statements	Page
Who we are	<ul style="list-style-type: none"> 777,987 number of members in 2018 136,230 number of employers in 2018 Average member account balance of \$56,746 	3
Our 2018 performance	<ul style="list-style-type: none"> Average member account balance 2018 of \$56,746 Member satisfaction score of 86% Employer satisfaction score of 92% Our performance (Growth Cbus MySuper default option) 	4, 5
Putting our members first	<ul style="list-style-type: none"> 30,227 online applications 520 complaints AU\$90.2 million super recovered on behalf of members in 2018 and 'Face to face' disclosures 	15, 16, 17
Advice over the phone	Member satisfaction score of 9.2	19
Building better insurance for members	Total insurance benefits paid of AU\$244 million and 2,372 claims processed	22
Employer experience	Employer satisfaction score of 92% and 'Supporting our employers' disclosures	25
Our approach to investment: Performance	<ul style="list-style-type: none"> Growth Cbus MySuper return of 10.95% (1 year), 10.41 (5 years p.a.), 7.23% (10 years p.a.) and annual average over 34 years of 9.29%, and 1.73% outperformance Employment created for 90,000 people 	28
Our approach to investment: Climate Change	Weighted carbon emissions Scope 1 and 2 intensity 2018	37
Cbus Property	<ul style="list-style-type: none"> Employment created for 90,000 people Global Real Estate Sustainability Benchmark score of 92/100 and ranking outcomes 	40, 41

Cbus Report Section	Selected data and text statements	Page
Our strategy scorecard	<ul style="list-style-type: none"> • 23% increase in members joining online • Member satisfaction score of 86% • 2,372 claims processed • Over \$244 million in benefits paid • 92% employer satisfaction with Cbus ERM team • Top 10% of funds Growth (Cbus MySuper) return of 10.41% over 5 year rolling period • Average 17 hours of training per employee • Average 72 hours training per Cbus Representative • Employee engagement score of 73% 	48, 49
Fund governance	Board gender composition	52
Our people	<ul style="list-style-type: none"> • Voluntary turnover rate of 5.90% • Performance against gender targets • Average 17 hours of training per employee • Average 72 hours of training per Cbus representative • 'Workplace flexibility' and 'Professional development' disclosures • Employee engagement score of 73% 	56, 57, 58, 59

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting include the GRI Standards published by the GRI and the basis of preparation disclosed in the Cbus Report prepared by the Directors and Management of Cbus.

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In gathering evidence for our limited assurance conclusion our procedures comprised:

- Interviews with executives, certain Board members, senior management and relevant staff;
- Assessment of the suitability and application of the criteria in respect of the Information Subject to Assurance;
- Evaluation of the design and implementation of the key processes, systems and controls for collecting, managing and reporting the Information Subject to Assurance and review of certain controls for collecting, managing and reporting the Information Subject to Assurance;
- Assessment of the reasonableness of the assumptions underlying the forward – looking statements set out in the Cbus Report as relevant to the Information Subject to Assurance; and
- Agreeing the Information Subject to Assurance to relevant underlying sources on a sample basis.
- In accordance with the Standard we have:
 - used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Information Subject to Assurance, whether due to fraud or error;
 - considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
 - ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Independent Limited Assurance Report to the Directors of Cbus continued

How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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

Use of this Assurance Report

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

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs and the needs of the intended users;
- preparing and presenting the Information Subject to Assurance in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the Information Subject to Assurance that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Information Subject to Assurance for the year ended 30 June 2018, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.



KPMG

Partner

Melbourne

24 September 2018



Dean Waters

Glossary

arrears

Unpaid superannuation.

asset

Resource determined to hold current and future value or benefit.

assurance

Providing certainty.

benchmark

The standard measured against.

built environment

Manmade environments including buildings and infrastructure and those who plan, build, utilise and maintain them.

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.

gig economy

Describes non-traditional ways of working including short-term casual, labour hire, contract or self-employment.

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.

multi-channel

An array of facilitated communication or interaction platforms ranging from face-to-face, telephone, web-based, social media, programmed or artificial intelligence (e.g. Robo calls).

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.

reserves

Monies set aside, by regulatory requirement or Trustee determination, to meet unexpected or unforeseen events, operational risk or insurance related services.

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 members' superannuation.

SuperStream

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

Sustainable Development Goals (SDGs)

The United Nations (UN) Sustainable Development Goals

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.

unpaid super

Members compulsory or voluntary contributions that are not paid by employers.

Cbus National Office

Level 28, 2 Lonsdale Street, Melbourne VIC 3000

For more information:

Phone our Service Centre on 1300 361 784
from 8.00am to 8.00pm Monday to Friday (EST)

Write to: Locked Bag 5056, Parramatta, NSW 2124

Visit: www.cbussuper.com.au

Download the Cbus app: www.cbussuper.com.au/app

Follow us:



www.facebook.com/cbussuperfund



www.linkedin.com/company/2735200



www.youtube.com/user/CbusSuper



Fund awards

SuperRatings Awards



Chant West Apples Fund Rating



2018 Risk Professional for the Year

Winner – Wade Martin,
Head of Risk Management



2017 Elizabeth Broderick AO Workforce Flexibility Award

Winner



Workplace Gender Equality Agency



The Best Australian Workplaces for New Dad's Award

Winner



Reporting awards

Australian Institute of Superannuation Trustees Awards

Best Corporate Report



Corporate Register Reporting Awards

Voted in the top ten, internationally
for the Best Integrated Report



Australasian Reporting Awards

Silver award



Responsible Investor Awards



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

We welcome your thoughts

As always we value your feedback 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