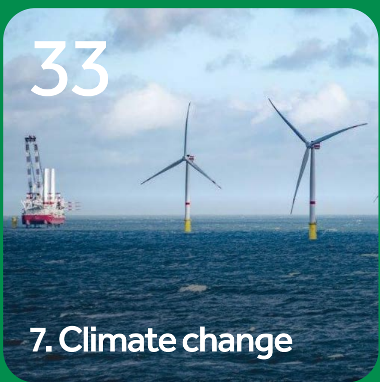
cbus super

Growing the future

Responsible Investment Supplement 2022

Contents

Responsible Investment Supplement 2022



Responsible investment reporting

The Responsible Investment Supplement reports on the activities that the Fund undertakes to incorporate material environmental, social and governance (ESG) considerations into its investment decision making processes.

Our responsible investment approach exemplifies integrated thinking in action and is central to Cbus' capacity to generate strong and sustainable value for our members over the long term. As part of our commitment to clear and concise reporting and rigorous transparency around our responsible investment approach, we have prepared this Responsible Investment Supplement and our disclosures using the Global Reporting Initiative Sustainability Reporting Standards 2016 (GRI Standards) and the Taskforce on Climate-related Financial Disclosures 2017 (TCFD) framework, considered the Australian Securities & Investments Commission's (ASIC) Greenwashing information sheet (INFO 271), and considered the Australian Prudential Regulatory Authority (APRA) Prudential Practice Guide CPG 229 Climate Change Financial Risks.

Cbus takes a 'whole of fund' approach, incorporating ESG principles across investment decisions rather than only applying them to a stand-alone ethical or socially responsible investment option. Our members, stakeholders and our governing bodies expect us to invest, protect and grow our members' retirement savings and Cbus believes a total portfolio approach and investing responsibly is in our members best financial interests. We use external benchmarks such as the Principles for Responsible Investment (PRI) and the Global Real Estate and Infrastructure Benchmarks (GRESB) to assess our ESG practices and evaluate their robustness. This Responsible Investment Supplement is a component of our reporting suite, expanding on our Annual Integrated Report and is subject to assurance.

The assurance report is presented on pages 54 to 55.

111 Castlereagh Street,
Sydney, New South Wales

A Cbus Property commercial development.

Online supplements

We have provided more detailed information about Cbus and our investments in our online supplements. This report and the supplements meet the core requirements of the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). Our Responsible Investment Supplement reports in accordance with the Task Force on Climate-related Financial Dislosure (TCFD) recommendations.

Responsible Investment

Provides information about our approach to responsible investment, including our active involvement in **Environmental, Social and Governance (ESG)** issues, contributing to sustainable development and transitioning to a climate resilient economy. Prepared using the **GRI Standards and TCFD recommendations.**

cbussuper.com.au/cs/responsible-investment-2022

Cbus Property Sustainability Report

Provides information on Cbus Property's approach to sustainability performance.

cbusproperty.com.au/sustainability-strategy

Annual Financial Statements

Sets out the financial statements for our regulators and other stakeholders. Prepared in line with the **Australian Accounting Standards; Superannuation Industry (Supervision) Act 1993 and Superannuation Industry (Supervision) Regulations 1994, the Corporations Act 2011 and Corporations Regulations 2011.**

cbussuper.com.au/cs/annual-financial-statements-2022

Stakeholder Engagement and Materiality

Provides detail on our approach to engagement and how we determine what matters most to Cbus stakeholders. The result of this engagement informs our value creation and assists in identifying Cbus' material issues. Prepared using the **GRI Standards** and in line with the **International Integrated Reporting <IR> Framework**.

cbussuper.com.au/cs/engagement-materiality-2022

Governance

Provides additional information about the governance framework at Cbus and Cbus Property. Prepared using the **GRI Standards**.

cbussuper.com.au/cs/governance-framework-2022

GRI Standards Content Index

Provides the location of information linked to the **GRI Standards** within the Annual Integrated Report, Cbus Property Sustainability Report, supplements and the Cbus website.

cbussuper.com.au/cs/gri-standards-2022

Annual Integrated Report

Our reports address the needs of our diverse stakeholders. The information we have provided reflects our commitment to operating with integrity and transparency. You can access the reports on our website.

cbussuper.com.au/aboutus/annualreport

KPMG

KPMG were engaged to provide limited assurance over the Cbus Annual Integrated Report pages 3 to 70 in accordance with the **International Integrated Reporting <IR> Framework**. The assurance report is presented on pages 76 to 77.

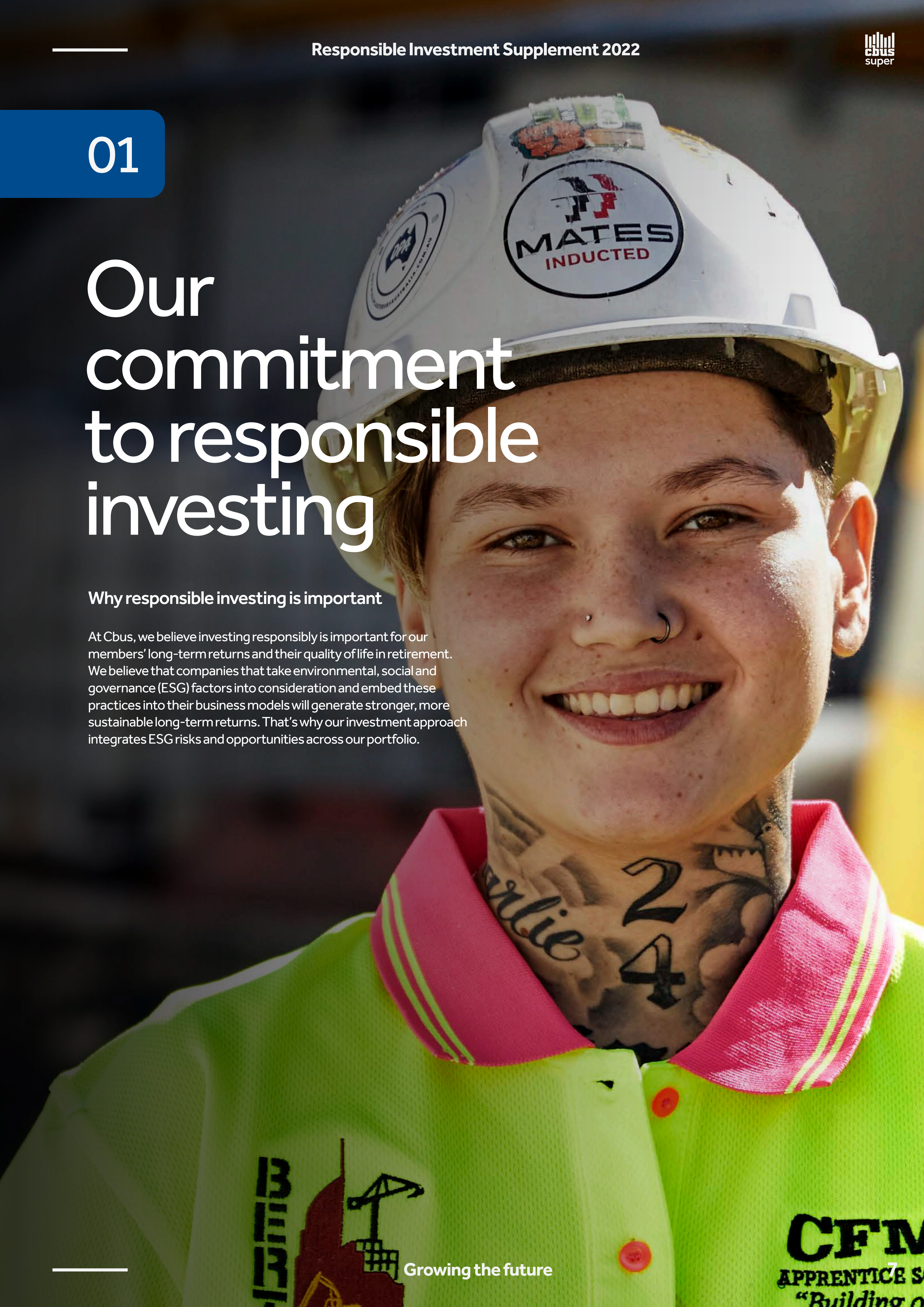
Our progress summary

While this financial year proved challenging from a team resourcing perspective due to COVID-19 disruptions and increased competition for people with responsible investment expertise, we are proud to have made meaningful progress across a range of key areas.

Areas of focus	Our progress	More information
Integration	Cbus' primary approach to responsible investment is through ESG integration, that is, incorporating ESG considerations as one input into investment decision making, across our portfolio. As part of our integration program, we have hired a new Head of ESG Integration. We have established a new governance forum which assists with prioritisation of integration related activities. This year we have also appointed a new Sustainable Development Goal (SDG) data provider, enhancing our ability to begin understanding how our portfolio is contributing to the SDGs, both positively and negatively. We have uplifted the capability of our internal teams through provision of training on our ESG dashboards, which assists the Investment team with the ongoing assessment and monitoring of our external investment managers on ESG matters. Implementation of Key Risk Indicator controls and actions established in FY21 has commenced, supporting our internal management and reporting of ESG risk exposures.	Page 12
Stewardship	Managing our members' retirement savings on their behalf is a key responsibility. This year, we have engaged with companies both directly and alongside others on a range of issues, including climate change, First Nations, modern slavery, and workplace safety. As a shareholder, we continued to use our voting rights at listed company meetings on a variety of themes such as climate change, remuneration and director elections, and assessed shareholder proposals. We attended several meetings (typically alongside the Australian Council of Superannuation Investors (ACSI) and with Non-government organisations (NGOs) and other stakeholders) which helped inform our voting positions and approach to relevant company engagements. We continued our involvement to work alongside peak bodies to achieve better outcomes. Our Chief Investment Officer, Kristian Fok, was appointed as Chair of the Board of the Australian Sustainable Finance Institute (ASFI), and Cbus sits on the steering committee of the ASFI Taxonomy Project. Other advocacy efforts focused on the 2022 Global Investor Statement to Governments on the Climate Crisis, and an investor letter to the International Sustainability Standards Board (ISSB) supporting sustainability disclosure standards.	Page 16
Workplace safety	Workplace safety remains a key area of focus and during the year we engaged with nine companies on safety performance.	Page 28

Areas of focus	Our progress	More information
Cultural heritage risk management	Our important work continues with chairing of ACSI's Working Group on Rights and Cultural Heritage Risk Management. The group's focus this year was on developing resources to assist investors in engaging with extractive companies on cultural heritage issues. We also attended several meetings (typically alongside ACSI) in relation to cultural heritage protection which helped inform our voting positions and engagements.	Page 30
Modern slavery	This is the third year Cbus will report against the *Modern Slavery Act*. Our Modern Slavery Statement includes our progress in terms of identifying and mitigating modern slavery risk. As part of our engagement activities on modern slavery and labour practices, we engaged with several emerging market investment managers to understand their progress in modern slavery risk identification and management. Through the investor led initiative, Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) of which Cbus is a signatory, we supported a series of engagements with companies in the Asian Pacific region to help address and prevent modern slavery, labour exploitation and human trafficking.	Page 32
Climate change	Climate change is a rapidly evolving and complex area, and we continue to build on our work to understand which investments are at risk of not transitioning, as well as identifying investment opportunities. We continue to invest in climate opportunities across our portfolio and also have a dedicated 1% of our total funds under management available for climate-related investments and we engaged with our top 20 Australian emitters as part of our climate engagement strategy.	Page 33
	Cbus has invested in several wind and solar energy opportunities, powering hundreds of thousands of households with clean energy. We invest in renewables and low emissions technology in Australia and abroad including our investment with *Star of the South* and Bright Energy Investments. With roots in the construction, building and allied industries, we support our members' industries and communities by investing in sustainable buildings that utilise technology and sustainable building practices. And through Cbus Property, we own one of the most energy efficient commercial property portfolios in the country as rated by NABERS[1].	Page 41-42
	We have improved our reporting and external transparency against the TCFD including conducting an internal review into Cbus' climate change work program to ensure alignment with regulatory and TCFD expectations.	Page 52
	We established a Climate Advisory Committee consisting' of senior leaders from across the investment team to further shape our strategic response to climate change. Our narrative scenario analysis work has deepened our understanding of the risks and opportunities Cbus may face under different climate futures.	Page 37
	We have built on our significant program of work in climate change through completing our second *Climate Change Roadmap: 2020 and Beyond* meeting all but two targets – which have been rolled over into our third *Climate Change Roadmap: Action and Measurement* which sets out our key climate change activities to 2024. We fostered team-wide knowledge sharing through regular education sessions with internal investment teams on climate change, focusing on scenario analysis, biodiversity, and insights from recent Intergovernmental Panel on Climate Change (IPCC) reports and real-world actions from companies in which we invest.	Page 10
Our recognition	We were also pleased to receive several external awards and acknowledgements for our responsible investment activities which included winning the Investor Group on Climate Change Climate Finance Award for *Outstanding Initiative by an Asset Owner* and Money Magazine's 2022 *Best-of-the-Best Diversified ESG Pension Product*.	Page 11

[1] NABERS rated Cbus Property the most energy efficient office portfolio in 2020 and 2021. In 2022, it was rated the second most energy efficient, visit https://www.nabers.gov.au/portfolio. Cbus Property was ranked in the top 1% in the Global Real Estate Sustainability Benchmark (GRESB) in 2021.



01

Our commitment to responsible investing

Why responsible investing is important

At Cbus, we believe investing responsibly is important for our members' long-term returns and their quality of life in retirement. We believe that companies that take environmental, social and governance (ESG) factors into consideration and embed these practices into their business models will generate stronger, more sustainable long-term returns. That's why our investment approach integrates ESG risks and opportunities across our portfolio.

Our Chief Investment Officer, Kristian Fok answers some of the frequent questions we receive on our approach to responsible investing.

Q: What are some of the key elements of Cbus' responsible investment approach?

A: An important element informing our approach to responsible investing is the knowledge gained from the industries that our members and employers work in. With roots in the building and construction industry, Cbus has a strong history of supporting investment in that industry and we learnt very early on that the development and ongoing management of greener buildings leads to better sustainable, long-term performance.

This knowledge also helped us when establishing our Responsible Investment Policy, committing to the Principles for Responsible Investment (PRI) in 2006 and commencing our work on climate change. As part of this work, we developed a series of iterative climate change roadmaps that outline our key climate change activities over two-year time horizons, allowing us to continue our progress towards our climate goals.

We know that ambitious progress in this space can't be achieved alone and that partnering with others can drive better outcomes, so we work with a range of different stakeholders (including our peers and key bodies) to achieve better engagement and advocacy outcomes.

We also play an active role in encouraging the shift to a more sustainable financial system by encouraging new sustainable finance rules and increased disclosures for all financial participants including super funds, fund managers, insurers and banks.

But more broadly on responsible investment, we apply a wider lens when thinking about what factors impact the value of our investments. We work to improve and enhance the long-term returns of our investments which in turn helps increase the quality of life in retirement for our members.

Q: Why don't you exclude fossil fuel companies?

A: We know the science, and we also understand both our members' and regulatory expectations. The balance we are striving for is driven by our obligation to ensure that the best financial interests and outcomes for our members are not compromised.

Climate change is a rapidly evolving and complex area, and we continuously build on our work to understand which investments are at risk of not transitioning and identifying investment opportunities that may benefit from a new energy economy. Our aim ultimately is to support the energy transition, and in doing so, help ensure the transition is as orderly as possible so that our members benefits are protected. If done well, the energy transition should include an equitable transition for workers and communities and lead to job creation and nation building, which is great for the economy and our members' returns.

We know from net zero scenarios that fossil fuel demand greatly reduces as we move towards 2050, but we also know that some demand remains and that a level of continued investment is required to ensure:

- the transition from fossil fuels to renewables is as smooth as possible,
- energy security is maintained,
- workers in these industries and impacted communities are supported through the transition, and
- the world maintains access to fossil fuels for those processes that will be some of the last to be decarbonised.

For all stakeholders, the planning and sequencing of the transition and decarbonisation of industries is key. We can be more constructive by remaining invested and where possible exercising the influence that brings, rather than divesting and 'losing our seat at the table'.

Our commitment to support the transition means that at times you will see our portfolio emissions profile increase because we are consciously investing in companies that are transitioning or that are needed to support the transition. That is why our work on measuring and understanding our exposures to climate change is so important, along with being able to articulate the principles under which we will invest and remain invested during the transition.

Cbus meeting emission reduction targets on our own will have little real world impact unless we meet those targets by both investing in climate opportunities, and investing and supporting companies transitioning to a low carbon future. You can read more about how we are progressing against our climate goals on pages 43 to 45.

Q: Why don't you have a sustainable or socially responsible investment (SRI) option?

A: We believe our 'total portfolio' approach to responsible investing is in the best financial interests of members and what our members expect when they invest with us. We consider material ESG risks and opportunities as a factor of our investment decision making process, applying those considerations across the portfolio, rather than only through a stand-alone SRI option. In this way, all our members benefit from our approach. We also know that SRI options can have higher investment fees, are resource intensive to administer and often have limited take up by members once offered.

Our approach to responsible investing

Our 'whole of fund' approach applies the same responsible and sustainable principles regardless of whether investments are managed internally by the Cbus investment team or through an external fund manager.

Our approach considers how ESG issues that we regard as material, or highly likely to affect business or investment performance, are managed as one input when making investment decisions and choosing investment managers, companies, and assets. We then monitor ESG performance over time.

We have a dedicated responsible investment team who help us understand emerging ESG issues and provide research and analysis to measure and support our approach.

We vote at annual general meetings (AGMs) and engage in discussions with companies or external fund managers to improve practices so that the companies or assets we invest in are better run, less risky and are able to provide more sustainable returns over the long term. Our approach to company engagement and voting is more active in Australia where we have larger investments and better access to companies. We also undertake advocacy work with the primary aim of influencing standards, guidelines and regulatory reform, to increase our ability to identify, measure and mitigate risk.

We know that individual actions alone are often insufficient, and so we work with a range of different stakeholders including our peers and key bodies to achieve better outcomes. Our Responsible Investment Policy details how we consider ESG risks and opportunities, and our approach is guided by our Investment and Board Governance frameworks.

You can read our Responsible Investment Policy here

435 Bourke Street, Melbourne, Victoria

A Cbus Property commercial development.

Climate Change Roadmaps

Climate change is complex and constantly evolving. At Cbus we use roadmaps to identify and track the specific actions we hope to achieve in this important area, over both the near and longer term. Each roadmap runs for a two-year period, ensuring we continue to demonstrate progress against identified actions, and allowing us to adjust our ambitions as climate science, policy, data, and our understanding evolves.

During this financial year we completed the actions within our second Climate Change Roadmap[2], which built on the foundation set by our inaugural 2018 roadmap. Our second roadmap, *Climate Change Roadmap: 2020 and Beyond,* focused on setting targets, and identifying metrics and measurement. We have outlined our progress against this roadmap **here**.

We have now developed our third roadmap, increasing our focus on action and implementation. To meet our ambitious 2030 target of contributing to a 45% reduction in real world emissions, we have proposed a range of goal-focused actions. Once fully complete, our third roadmap will include:

- enhancing frameworks for our 1% climate portfolio,
- developing climate principles to help articulate how we invest through the transition,
- developing a decarbonisation strategy,
- enhancing engagement and alignment with assets and managers, and
- expanding our scenario analysis and how we measure the progress of our portfolio targets.

Area of Focus	Outline of actions within our 2022 roadmap: *Action and Measurement*
Targets	Increase our transparency to connect progress in portfolio emission reductions to real world impact. Develop a 2040 target.
Metrics	Expand the metrics we use internally to demonstrate progress. Investigate forward looking metrics that demonstrate alignment of our portfolio companies with net zero. Enhance our ability to measure transition and physical risk across our portfolios.
Measurement	Include additional asset classes within our net zero and 2030 goals so that more of our portfolio sits within these goals. Measure Scope 3 emissions where possible.
Strategy	Develop a set of climate principles articulating how Cbus will invest in the transition. Develop a decarbonisation strategy. Increase engagement with managers and assets to develop decarbonisation strategies and demonstrate progress.
Scenario Analysis	Build on our narrative scenario analysis and begin quantifying the transition and physical risk Cbus could face under different climate futures.
Investments	Enhance the governance framework for the climate portfolio and increase its ability to finance the transition – support high emitting companies and assets with credible, demonstrable transition plans.
Stewardship	Expand engagement strategy to top 20 highest emitting ASX companies. Continue to actively vote on climate-related resolutions.
Risk Management	Review climate-related risk indicators as data and metrics evolve.
Research, Governance and Advocacy	Actively support peak climate change bodies, including PRI and ASFI, and contribute to industry-specific transition initiatives with a focus on industries that relate directly to our members.
Transparency	Continue to enhance reporting to remain aligned with local and global standards.

[2] All but two actions in the 2020 Climate Change Roadmap were completed. The two incomplete actions (setting a 2040 target and resilience planning across real assets) have been rolled over to our new roadmap.

Our recognition

While striving to achieve great financial outcomes for our members we have also had the great privilege of receiving multiple third-party acknowledgments and endorsements this year, providing comfort to our members that their retirement savings are in safe hands and managed responsibly.

Chant West

Cbus was honoured to win *Best Fund: Integrity 2022* for the second year running, and *Specialist Fund of the Year 2022* for the third year running at the 2022 Chant West Super Fund Awards. The awards recognise Cbus for doing the right thing by our members, as well as providing specific benefits and member services for our members with unique or specialised needs. Chant West noted Cbus' best practice approach to incorporating ESG principles across our portfolios and investment decision making processes.

Investor Group on Climate Change

As part of Cbus' climate commitment goal to contribute to a 45% reduction in real world emissions by 2030, with the ultimate objective of achieving net zero emissions by 2050, we were recognised by winning the IGCC Climate Finance Award for *Outstanding Initiative by an Asset Owner*. This award acknowledged our in-house modelling supporting the Fund's climate goals.

Lonsec

Cbus received the top ESG rating available from independent research house, Lonsec, on all our diversified investment options that are rated.

Money – CREATING FINANCIAL FREEDOM

We were delighted to win Money Magazine's 2022 *Best-of-the-Best Diversified ESG Pension Product* for our integrated approach to responsible investment.

RAINMAKER INFORMATION – INDUSTRY INTELLIGENCE

Cbus was recognised in the top 20 for Australia's most responsible super funds in 2021 Rainmakers inaugural ESG Superannuation Taxonomy study.

riaa Responsible Investment Association Australasia – Responsible Investment Leader 2022

Cbus was recognised as one of Australia's leading responsible investment super funds by RIAA based on RIAA's Responsible Investment Super Study, 2021 and RIAA's 2022 Responsible Investment Benchmark Report.

SUPER RATINGS

Cbus has received SuperRatings Infinity Recognised 2021. The Infinity rating aims to recognise Australian super funds leading the industry in sustainable behaviour by rewarding the funds that practice genuine responsible investment principles and openly communicate these processes with fund members. To be considered, these funds must also have sound internal sustainability practices underpinning their responsible investment practices.

More information about our ratings and awards can be found on our website here

02

Integration

Integrating ESG information into our investment processes, alongside traditional investment factors (such as cashflows, revenues, cost of capital), enables more informed investment decision making and improves risk adjusted returns. We do this by considering how material ESG issues – or those that are highly likely to affect business or investment performance – are managed when making investment decisions. We apply this approach to both our internally managed portfolios and when choosing and monitoring external investment managers, companies and assets.

We invest globally across a range of asset classes such as listed equities (stocks), bonds, private equity, infrastructure and property. Just as there are many ways to select investments, there are a number of ways to incorporate ESG factors into investment analysis. When integrating ESG factors, our goal is to ensure the practices adopted are appropriate for each different investment type.

The quality of ESG integration practices is an important consideration in the selection, appointment and ongoing management of our external investment managers, and we continue to develop the ESG capabilities that we apply to our directly managed investments. Our internal teams are actively involved in the development and implementation of our climate change roadmaps, providing input into voting and company engagement and the appointment of new data providers.

Cbus also has an ESG risk management approach which comprises:

- **Board and Management Governance frameworks for oversight and progress tracking of ESG programs including our climate change work.**
- **Incorporation of material ESG risks into the enterprise risk framework (including safety), with regular monitoring of key risk indicators across the portfolio and the Fund's operations by Board Committees. Performance against key risk indicators is monitored internally, and if applicable, material breaches reported.**
- **Regularly updating the Investment Committee (and Board) directly and through the CIO report.**
- **Holding regular training sessions for staff (and the Board annually) on a range of ESG issues, including climate change.**
- **Ensuring that Investment Management Agreements (IMA's) that govern our engagement with external fund managers set out clear obligations for ESG integration, engagement activity, reporting, and specific contractual remedies and are supported by annual IMA attestations.**
- **Exclusion monitoring through compliance systems.**

Exclusions when investing directly in shares

Whilst Cbus' primary approach to responsible investment is through ESG integration, there are occasions where we consider investment in particular companies and industries to be incompatible with the long-term requirements of our members.

We therefore exclude investments across both public and private markets in companies directly involved in certain controversial weapon manufacturing (specifically, cluster munitions, biological and chemical weapons, anti-personnel mines, depleted uranium, incendiary and white phosphorus weapons where involvement relates to core weapons components), and companies that earn more than 5% of revenues from tobacco product manufacturing. We may also employ refinements to some index-based emerging market mandates where we have limited ability to engage and influence companies with very poor ESG practices. Our current approach for these mandates excludes companies that have attracted the Sustainalytics highest controversy rating of "Severe" for a period of at least 12 months, with this list being reviewed annually.

A deep dive into ESG integration by the Global Quality Equities team

Q: How is ESG analysis integrated in the investment decision making process before a stock is selected?

A: The Global Quality Equities (GQE) team manages the Global Quality and Emerging Market Quality equity portfolios, which represents approximately 20% of Cbus' global equities and just over 5% of total funds under management (as at 30 June 2022).

GQE works closely with the Cbus Responsible Investment (RI) team on ESG matters and is aligned with the Fund's broader responsible investment and ESG policies and priorities.

In line with our over-arching investment philosophy, ESG factors are assessed during the investment research process for all our current and potential holdings and as part of our research and decision making and forms part of our engagement with investee companies.

The GQE research process analyses and compares ESG risk exposures and material issues of concern, as well as opportunities.

In line with Cbus RI policies and priorities, areas of ESG due diligence include:

- Understanding a company's performance across Cbus RI priorities
- Sustainability / Integrated Reporting
- Sustainability Accounting Standards Board (SASB) framework which identifies metrics deemed to potentially result in material financial risks on a sector / industry basis
- Proxy voting
- Remuneration policy

Our due diligence uses both qualitative and quantitative analysis and references a wide variety of data sources, resulting in an ESG Risk Rating template for each company.

Q: How are ESG risks monitored and managed on an ongoing basis?

A: Once a company has gone through the research and portfolio construction process and an investment has been made, the GQE team conducts a comprehensive review of ESG risks on an ongoing basis (at least annually). We also engage with company management either directly or via specialist service providers to address material ESG-related matters.

Q: Do you have an ESG engagement practice example?

A: During the year, the GQE team undertook a review of modern slavery risks within our Global Quality and Emerging Market Quality portfolios.

We considered both a company's inherent (material) risk exposure as well as management actions to mitigate these risks. We then assigned one of five levels of risk rating: Low, Low-to-Medium, Medium, Medium-to-High, or High.

Companies in Medium-High and High-risk categories were engaged on their policies, frameworks and goals for sound labour relations and practices, with the aim of influencing and seeking improvements where warranted.

In addition to deepening our understanding of investee companies, and building and cementing company relationships, this engagement supports better investment outcomes for our members having gained greater conviction around the competitive position of several investee companies, which has, in turn, influenced the size of our positions.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) are an integrated set of goals aimed at ending poverty, protecting the planet and ensuring all people can live in peace and prosperity by 2030. For investors, the SDGs are increasingly important in helping to identify future trends, regulations, and insights into investment risks, and the impacts investments may have on the society in which our members will retire.

Last year Cbus appointed a SDG data provider, the Sustainable Development Investments Asset Owner Platform (SDI AOP), and this year we began linking data from this provider to our listed holdings across the portfolio. The platform aims to establish a standardised approach to connecting individual investments to their SDG contribution and increases the data quality available. In time, this data will help us better identify how our portfolio is contributing to the SDGs, both positively and negatively. We continue to review and assess how we can most effectively contribute to the SDGs through our investments and operations and this platform moves us closer to that purpose.

We have identified seven SDGs that we believe we can make the most contribution to.

Gender equality
Achieve gender equality and empower all women and girls.

Affordable & clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

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

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

Sustainable cities and communities
Make cities and human settlements inclusive, safe, resilient and sustainable.

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

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

You can read more information on the SDGs at: sdgs.un.org/goals

03

Stewardship

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

Cbus' stewardship approach involves:

- Engaging with companies
- Voting
- Advocacy
- Considering the stewardship practices of our external managers

The goal of our engagement and voting activity is to improve companies' governance, oversight, policies, practices and disclosures to generate sustainable long-term returns for our members and improve retirement outcomes.

It is the company leadership who are responsible for approving strategy and setting the tone for workforce matters such as labour practices, culture and safety as well as climate change. So when voting at company meetings, we consider the company's leadership on these matters and determine whether to support issues related to governance such as executive pay and the appointment or re-election of directors who oversee management of the companies in which we invest.

A range of inputs inform our voting and engagement positions which we exercise in the best long-term interests of our members.

The Australian asset owners stewardship code is designed to promote greater transparency and accountability in relation to stewardship activities. You can read our stewardship statement which outlines how we meet the principles of the stewardship code at:

cbussuper.com.au/content/dam/cbus/files/governance/reporting/Stewardship-Statement

Engagement

Engagement with the companies, is one of the ways we exercise our stewardship responsibilities, in the best long-term interest of our members.

Through engagement with companies, we gather information on ESG issues to inform our voting positions, understand a company's perspective, and advocate for improvement in practices to protect or enhance long-term value.

Our approach to identifying focus areas and methods for engagement has not changed over the financial year. When developing our engagement strategy we consider the systemic nature of the risks, materiality of the issues, the level of our holdings, emerging regulatory requirements, and whether the matters are being covered by other initiatives/service providers.

We undertake three types of engagement:

1

Direct

Involves meetings with a company on financially material ESG issues.

2

Service providers

Through the Australian Council of Superannuation Investors (ACSI) for Australian shareholdings and through Federated Hermes EOS for our global shareholdings.

3

Participation

With industry partners and other investors. For example, through Climate Action 100+ initiative and Investors Against Slavery and Trafficking Asia Pacific (IAST APAC).

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

During the year we engaged with 43 companies a total of 95 times on climate, first nations, modern slavery, safety, strategy, culture, and remuneration.

Of those:

- 61 were alongside ACSI, Climate Action 100+ and IAST APAC
- 34 were direct

On climate, we engaged with our top 20 highest Australian emitters a total of 40 times (42% of total engagements). We engaged 9 companies in relation to safety performance and disclosures (see page 28). We also attended 13 meetings (typically alongside ACSI) with 8 NGOs or other stakeholders on climate change, cultural heritage protection, workplace culture and animal rights, which helped inform our voting positions and approach to relevant company engagements.

Cbus has recently joined ACSI's Just Transition Working Group aimed at creating a more detailed and streamlined 'equitable transition' engagement framework, deepening investor knowledge and identifying what a 'good transition' looks like.

Cbus has an escalation process when ongoing engagement has been unsuccessful, or a company has been unresponsive. To date escalation has involved partnering with fund managers and asset owners to raise issues with boards, meeting with alternative directors and holding directors to account through proxy voting. You can view more about our escalation process at cbussuper.com.au/about-us/sustainability/escalation process.

In addition to our direct engagement with companies, Cbus works with the following organisations:

We are a founding member of ACSI, who provide research on ASX listed companies and a strong voice on important ESG issues. In FY22, ACSI conducted 301 engagement meetings with 193 top ASX 300 listed companies. ACSI supports our work in understanding material ESG risks and in fulfilling our obligations as a responsible investor. During calendar year 2021, improvements were made in 78% of the priority areas identified by ACSI and over 40% of the 176 priorities raised have already improved in the 6 months to June 2022.

Key engagement priorities focused on material financial risks for investors including:

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

For more information about **ACSI** visit **acsi.org.au/**

Federated Hermes EOS undertake engagement on our behalf covering approximately 58% of Cbus' total global equity holdings. In FY22, EOS engaged with 378 global companies with progress made on approximately 49% of engagement objectives across climate change, human capital management, human and labour rights, and board effectiveness.

For more information about **Federated Hermes EOS** visit **hermes-investment.com/au/en/professional/about-us/**

Climate Action 100+ (CA100+) is one of the largest investor led engagement initiatives globally, with 700 investors managing $68 trillion in assets under management across 166 companies, and representing over 80% of global corporate greenhouse gas (GHG) emissions.

CA100+ focuses on governance, reducing emissions and improving disclosure. Cbus manages one engagement and actively supports several additional CA100+ engagements.

You can read further information about the achievements of the **Climate Action 100+** initiative at: **climateaction100.org/**

Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) is an investor led initiative that has been convened to engage with companies in the Asian Pacific region to promote effective action to find, fix and prevent modern slavery, labour exploitation and human trafficking.

IAST APAC comprises 37 investors with AU$7.8 trillion in Assets under Management (AUM), and works collaboratively with together with **ACSI, Walk Free and the Finance Against Slavery and Trafficking (FAST)**.

For more information about **IAST APAC** visit **iastapac.org/about/**

Engagement outcomes

Our service provider engagements:

Issues	ACSI and Federated Hermes EOS outcomes with listed companies	
	Australian Listed ASX 300 Companies	Global Listed Companies
Climate change	By the end of 2021, over 70% of priority companies had improved their climate-related practices – such as adopting improved short and medium-term targets and pathways to achieve net zero goals, as well as producing detailed scenarios and adopting science-based targets. Investor engagement has contributed to the sharp increase in companies setting net zero targets, with $1.59 trillion or 70% of the ASX 200's collective market capitalisation adopting net zero commitment (95 companies).	• 4 companies have introduced targets in relation to financing, emissions reduction and net zero targets. • 2 companies introduced decarbonisation strategies. • 5 companies improved their disclosures, e.g., against TCFD, emissions footprint.
Workplace safety, modern slavery	For the 2022 calendar year ACSI expanded its focus to 69 companies on social factors linked to workforce, modern slavery, safety, responsible gambling and cultural heritage. To the end of June 2022, ACSI has assessed 5 companies as having made significant improvements and a further 16 with partial improvements on social issues.	In relation to modern slavery risk management: • Through a UK investor initiative 'Find it Fix it Prevent it' a company welcomed feedback regarding the need to improve human rights due diligence processes and looked to include additional human rights risk management actions within the remit of a newly appointed director. • A retail/wholesaling company has appointed a third party to assess the recruitment and treatment of workers from seven different source countries, and increased expertise in the human resources function.
Governance	Women held almost 35% of all ASX 200 Board seats and comprise almost 34% of all ASX 300 Boards.	• Board independence, gender diversity and access to directors improved at five companies. • Three companies improved executive share ownership and one company improved its approach to CEO pay benchmarking. • One company lowered the threshold for shareholders to be able to call a special meeting.

Our participation in company engagements:

Climate Action 100+

In FY22 CA100+ updated their methodology used to assess companies against the International Energy Agency's (IEA) 2050 scenario for available sectors. The benchmark includes new indicators in relation to measuring an equitable transition and climate accounting and audit reflecting evolving investor priorities.

The benchmark assessments released in March 2022 highlighted some year on year progress, while more action is needed to support global efforts to limit temperature rise to 1.5 degrees, in particular in relation to:

- alignment of medium-term targets with 1.5 degrees
- scope 3 targets
- capex and decarbonisation in strategies; and
- climate accounting within financial statements.

The 15 Australian focus companies (representing 60% of Cbus' highest emitters) performed well on:

- **Setting net zero target by 2050 targets:** 14 of the 15 focus companies have set this ambition for at least their Scope 1 & 2 emissions. An increase from 11 companies in FY21. This was the most improved indicator year on year, with the Australian region outperforming the global average by 27%.
- **TCFD disclosure:** all assessed companies have committed to align their disclosures with the TCFD recommendations and/or are supporters of the TCFD.
- **Climate governance:** all companies have some level of Board oversight on climate change.

You can read more about the benchmarks and the report here: climateaction100.org/net-zero-company-benchmark/

During the year, two workstreams we established with IAST APAC and investors achieved the following:

Workstream 1:

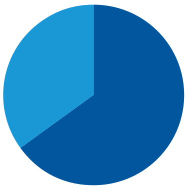
- Received responses to an investor statement sent to ASX 200 companies outlining investor interest in impacts of modern slavery and suggesting good practice to mitigate their modern slavery related risks. Almost half of respondents welcomed the initiative and having further engagement with it, at least 29% of these top 200 Australian companies committed to raise the investor statement with their Board and/or with senior management. Only one company directly addressed the specific points raised by it. The investor statement also resulted in a number of follow-up conversations with companies.
- Explored facilitating policy advocacy opportunities.

Workstream 2:

- During FY22, IAST APAC engaged with 24 focus companies across the consumer discretionary, consumer staples, technology and healthcare sectors as part of Workstream 2. Companies are listed on stock exchanges across Australasia. Due to the complexity of issues related to human rights in the supply chain, it is anticipated that this will be a multi-year initiative.
- Developed:
  - A framework for identifying focus companies
  - Guidelines for engagement
  - Engagement plans for focus companies including setting specific objectives and key milestones
- Held knowledge events.

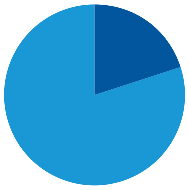
Our climate engagements

Our top 20 Australian contributors to financed emissions[3].



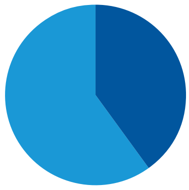
65%

have set a net zero target by 2050 covering Scope 1 & 2



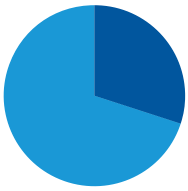
20%

have set a net zero target by 2050 covering Scope 1, 2 & 3



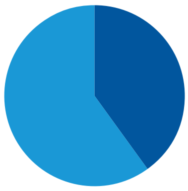
40%

of our highest emitters include climate metrics in remuneration



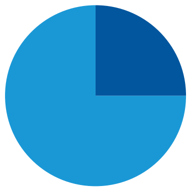
30%

have reported against the TCFD



40%

have adopted a say on climate advisory vote with a further 10% under consideration



25%

had made good progress over FY22, 15% had made partial progress and 60% have been assessed as limited progress

We are currently prioritising climate engagement for FY23 where we will focus on companies where there has been limited or slow progress and reflect on our updated analysis of our highest emitters noted on page 40. Our areas of focus include target setting (including Scope 3), development and implementation of decarbonisation strategies, capex strategies, equitable transition and say on climate advisory votes.

Say on Climate:

A core tenant of our responsible investing philosophy is to improve transparency and accountability via improved standards and reporting. As such, Cbus has been a strong supporter and advocate for the introduction in Australia of a Say on Climate (SOC) advisory vote which provides shareholders like Cbus with an opportunity to signal support for or raise concerns with a company's climate strategy and progress.

To date ten companies either provided or committed to a SOC advisory vote (in FY21, eight companies had committed to a SOC). A key focus for Cbus has been the frequency with which shareholders can vote on these matters. Cbus' preference is for annual advisory votes given the rapid transition underway, the reliance in some instances on yet to be proven technologies, the need for further articulation of capex, decarbonisation and equitable transition strategies and increasing regulation.

It is important that investors can frequently monitor how companies' strategies are evolving in such a fluid environment. These resolutions will improve discussion between companies and investors on climate strategies and will form an important point of engagement going forward.

[3] Financed emissions are the emissions Cbus owns or is "financing" via our investment activity.

Voting

In addition to engagement, voting at company meetings is another way we exercise our stewardship obligations. Cbus takes an active approach when voting on resolutions for Australian companies and our directly held global equities. The Fund's voting practices domestically and internationally are guided by ACSI corporate governance guidelines to ensure consistency of our voting process.

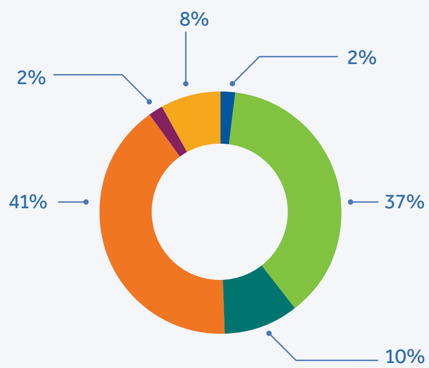
The Fund has a robust governance process for vote decision making which includes investment delegations, strategy reviews and reporting to the Investment Committee and Board. To ensure an informed view, in addition to considering voting recommendations from ACSI and CGI Glass Lewis, the Fund seeks a range of inputs from fund managers, service providers and other stakeholders and considers engagement progress and outcomes.

Australian share voting

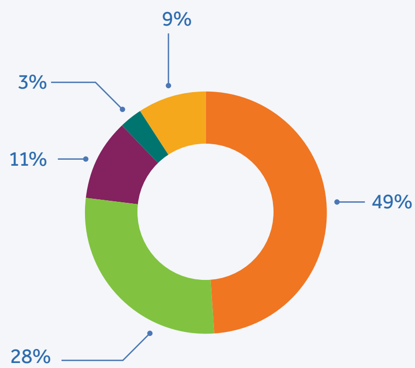
Cbus Proxy Voting outcomes for ASX holdings from 2018-2022

Financial year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2022	2605	87	12	1
2021	2249	86	12	2
2020	2206	87	12	1
2019	2187	87	12	1
2018	2133	87	12	1

FY 2022 Australian voting resolution by theme



FY 2022 Vote against by theme Australia



Audit/Financials · Election of Directors · Capital Management · Executive pay · Shareholder Proposals · Other

Our voting positions in Australia supported the following outcomes in FY22:

- Steady increase in the number of women on boards. Women held almost 35% of all ASX 200 board seats, and just under 34% of all ASX 300 boards.
- Several companies withdrew amendments to their constitution aimed at facilitating virtual only shareholder meetings which would have reduced shareholders ability to participate in meetings.
- 15 companies in the ASX 200 received a strike against their remuneration reports (≥25% Against), typically due to bonus persistence and outcomes versus performance.
- First Nations issues were included in shareholder resolutions at Origin Energy and Fortescue signaling the importance of cultural heritage risk management.
- There was an increase in focus by boards on climate change as evidenced by the first shareholder advisory Say On Climate (SOC) votes (see page 22 for more information on SOC). Santos and Woodside received 36.92% and 48.97% against their SOC resolutions. Cbus has communicated our position to both companies and raised concerns regarding exposure to climate risk, uncertainties around their plans, scope three targets, and capex strategies.

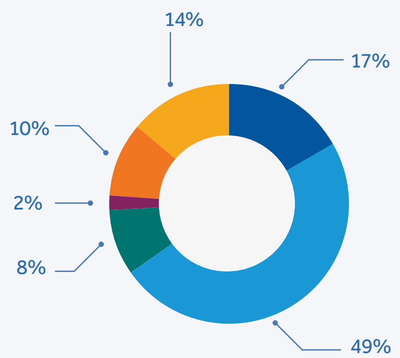
Global share voting

Cbus Proxy Voting outcomes for Global holdings from 2018-2022

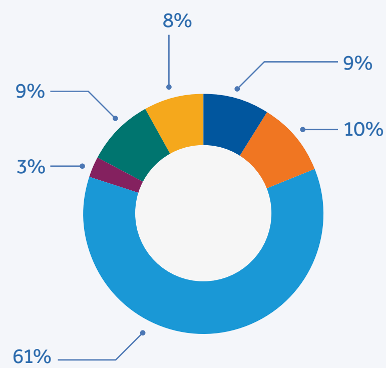
Financial year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2022	21,150	82	16	2
2021	24,278	81	17	2
2020	31,694	84	15	1
2019	31,601	79	15	2
2018	31,754	73	22	2

In years before 2020, data included the count for Take No Action and No Vote in the total figure. From 2020, the total is based on For, Against and Abstain.

FY 2022 Global voting resolution by theme



FY 2022 Vote against by theme Global



Audit/Financials · Board Related · Capital Management · Executive pay · Shareholder Proposals · Other

Shareholder proposals

Shareholder proposals (SHPs) are another tool we use to raise concerns with a company on ESG issues. They are put forward by shareholders rather than by the company's board. Cbus assesses SHPs on a case-by-case basis based on a range of inputs and our position can vary year on year, depending on a company's progress on an issue.

For the ASX 300, there were 43 SHPs in FY22:

- 21 were environmental resolutions predominantly climate-related. Typically, we did not support climate related shareholder proposals where we had the opportunity to raise concerns through a Say On Climate vote.
- 3 social-related resolutions (including First Peoples and cultural heritage related issues)
- 19 governance-related resolutions (i.e. typically constitutional amendments which are needed for a shareholder proposal to be effective).
- No constitutional amendments were passed that would require boards to act on the conditional shareholder proposals.

There continues to be a steady increase in the number of SHPs globally. Of the 408 SHPs (including Australia) raised at Cbus investee companies in FY22, resolutions covered climate, human capital management, board governance, skills and diversity, human rights and lobbying:

64 environment-related resolutions

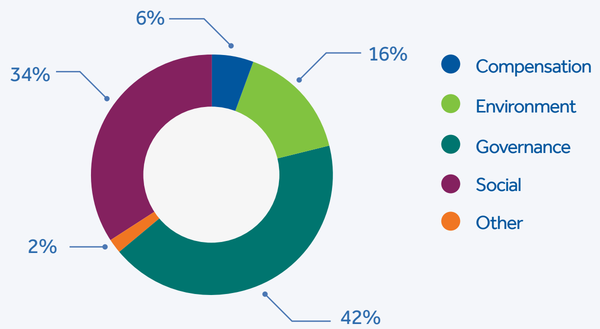
139 social-related resolutions

198 governance-related resolutions*

** other equals 7*

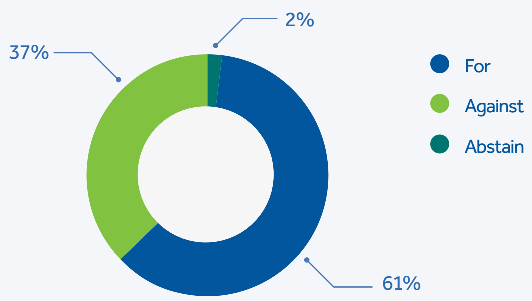
FY 2022 Global shareholder proposals by theme

including Australia



FY 2022 Global shareholder proposals by vote

including Australia



Cbus supported 96% of all global environmental shareholder proposals during the year (excluding Australia) the majority of which related to climate change. We also supported 73% of all social-related global shareholder proposals, such as reporting on racial equity audits, equal employment opportunities and human-capital management, political and charitable contributions and employment practices.

Typically, we have voted 'against' where:

- we have had concerns regarding the drafting of the resolution i.e., too prescriptive and stepped on management prerogative or where the proponents' motivations are unclear,
- our view on risk to shareholder value or exposure to the risk differed from the proponent of the resolution, or
- the company's existing policies or practices and disclosures were adequate, or sufficient commitments have already been made by companies to make meaningful change.

Advocacy

Cbus undertakes advocacy where we believe it will support long-term value creation for our members' retirement. Our goal is to influence the broader market and promote a shift towards a sustainable financial system. We primarily focus on influencing standards, guidelines and regulatory reform in order to increase our ability to identify, measure and mitigate risk. Cbus monitors the advocacy activities of our member organisations through participation on committees, board representation and via reviews.

Cbus was a supporter of the Australian Sustainable Finance Institute (ASFI) when it was an initiative of the Responsible Investment Association of Australasia (RIAA). ASFI has since been incorporated as a stand-alone organisation, with Cbus' CIO Kristian Fok appointed as its Chair.

In the 12 months since its incorporation, ASFI has welcomed 27 members and established a board. A key achievement during the year was the commitment to the development of an Australian Sustainable Finance Taxonomy which will provide criteria or definitions for 'green' or 'sustainable' products and investments. ASFI is also assisting with the testing of the Task Force Nature-Based Financial Disclosures (TFND) framework. Whilst being an industry led process, ASFI enjoys significant interest from the Treasurer's office and Treasury, together with key industry bodies, regulators and industry member organisations.

In addition to the advocacy work undertaken by ACSI and its Working Group on Rights and Cultural Heritage Risk Management noted on page 30, Cbus has supported:

- **the 2022 Global Investor Statement to Governments on the Climate Crisis**
- **an investor letter to the International Sustainability Standards Board (ISSB) welcoming their approach to the development of sustainability disclosure standards.**

Australian Sustainable Finance Institute

The Australian Sustainable Finance Institute

The Australian Sustainable Finance Institute (ASFI) has been established to help realign the finance sector in creating a more sustainable and resilient financial system. The intent of ASFI is to help direct capital to support greater social, environmental, and economic outcomes consistent with the roadmap it has developed.

Cbus will play an important role working closely with industry organisations, regulators and government in helping facilitate an orderly transition to a net zero, resource efficient and inclusive economy.

The ASFI Taxonomy Project

The ASFI Taxonomy Project is an industry led initiative, working closely with others to develop an Australian sustainable finance taxonomy. Sustainable finance taxonomies are a set of common definitions for sustainable economic activities. These can then be used to credibly and transparently define sustainable investments.

A taxonomy will help guide the transition of the economy, financial portfolios and economic activities by providing clear and consistent definitions of what is classified and as a sustainable activity.

You can read more about ASFI and the Taxonomy Project here:

https://www.asfi.org.au

Setting up industrial regions for net zero

Australian Industry Energy Transition Initiative

Cbus continued its involvement in the Australian Industry Energy Transition Initiative (ETI) this year. Convened by Climateworks Centre and Climate-KIC Australia, the ETI brings together 18 key industry participants and finance participants to accelerate action towards achieving net zero emissions in supply chains by 2050[4]. The ETI focuses on five heavy industry supply chains (iron and steel, aluminum, liquefied natural gas, other metals and chemicals) in the Australian regions of Pilbara, Kwinana, Hunter, Illawarra and Gladstone.

In June of this year the ETI released their report **'Setting up industrial regions for net zero'** which shows that it's possible for the five key supply chains to achieve an 88 per cent reduction in current emission across the five industrial regions.

This is the equivalent to removing all emissions from cars and light commercial vehicles across Australia.

The required renewable energy infrastructure, green hydrogen and energy storage has the potential to create job opportunities for 178,000 to 372,000 Australians. The report finds that the investment in these regions and enabling infrastructure will be in the order of $50 to $100 billion.

The report shows industrial regions can contribute to reaching state and national net zero emissions targets by 2050, while driving employment growth and building Australia's climate resilience.

You can read more on the ETI here: https://energytransitionsinitiative.org

It's possible for these regions to achieve an 88% reduction in their current emissions - the equivalent to removing all emissions from cars and light commercial vehicles across Australia.

Bubble size is related to total potential abatement.

> **"The Australian Industry ETI plays an important role in finding pathways forward to decarbonise hard to abate sectors. Collaboration is key across industry, government and finance to realise the scale required for these decarbonisation projects. The report highlights significant opportunities for Australia to develop renewable resources and technology. Our combined efforts will reduce investment risk, increase employment and investment opportunities within Australia."**

Kristian Fok,
Chief Investment Officer

[4] The Australian Industry ETI Includes Australian Gas Infrastructure Group, APA Group, Aurecon, AustralianSuper, BHP, BlueScope Steel, bp Australia, Cbus, the Clean Energy Finance Corporation, Fortescue Metals Group, HSBC, Orica, National Australia Bank, Rio Tinto, Schneider Electric, Wesfarmers Chemicals, Energy & Fertilisers, Westpac and Woodside Energy.

04

Workplace safety

Safety disclosures and practices provide insight into a company's operational performance and culture. Serious safety incidents have a significant personal cost to employees and their families and financial costs to employers. They can impact productivity and performance and expose the company to compensation, litigation, and reputational damage[5].

Where we become aware of fatalities or poor safety performance, we engage with companies to help inform our proxy voting activity and encourage improved management and disclosure of safety practices. During the year we engaged with nine companies on safety performance. We supported seven of the nine remuneration reports at annual meetings where actions, accountability through remuneration reductions or investigations were ongoing and voted against where disclosure regarding response or remuneration outcomes were unclear. We will continue to monitor these companies' safety performance.

[5] https://acsi.org.au/wp-content/uploads/2020/09/ACSI-Safety-Research-2020_Sep20.pdf

Safety - spotlight still on RIO

This year, following the release of Rio Tinto's (RIO's) report into workplace culture, our focus on engagement with the company extended beyond physical safety. The report uncovered that sexual harassment, sexual assault, bullying and racism were widespread globally, and that poor practices were often more likely to occur in Fly in Fly Out (FIFO) operations. While the findings were shocking, the commissioning and release of this culture report was welcomed. Investors now have more information to track RIO's safety performance. Cbus, along with other investors, had called for a broader cultural review in response to the destruction of rock shelters at Juukan Gorge. At the time of the release of the report, a Western Australian Parliamentary inquiry was also examining sexual harassment against women in the FIFO mining industry more broadly.

Cbus engaged with RIO's Executive, Board and other stakeholders on several occasions regarding the implementation of the culture report recommendations. During the period RIO also increased its disclosure of potentially fatal incidents and, for the first-time, disclosed safety issues in their supply chain. This transparency is another welcome development. Cbus ultimately supported the remuneration report and director elections (noting board and management turnover since Juukan Gorge), acknowledging the need to encourage a speak up culture versus consequence management. Engagement will continue in relation to safety at FIFO camps in particular. ACSI, on our and other members behalf, are also engaging more broadly with mining and energy companies in relation to psychological safety.

Juukan Gorge, Hamersley Range, Pilbara region of Western Australia

05

Cultural heritage risk management

Last year we reported on Cbus co-chairing ACSI's Working Group on Rights and Cultural Heritage Risk Management (the Working Group). This followed the tragic events at Juukan Gorge, highlighting the consequences for companies, communities and investors when engagement with First Nations People is inadequate and genuine consent is not achieved. It can increase the risk of legal costs, project delays, regulatory risk and reputational harm, impacting our members' investments. Cultural heritage risk management and engagement with First Nations People are matters that apply to any company that operate on cultural lands hosted by First Nations People.

ACSI and the Working Group have undertaken substantial work in terms of advocacy including:

- Making submissions to the Inquiry into Juukan Gorge, a Parliamentary Inquiry into corporate engagement with Aboriginal and Torres Strait Islander peoples, and a Senate Inquiry on the implementation of the UN Declaration on the Rights of Indigenous People in Australia.
- Participation in consultations processes, namely the review of Aboriginal Cultural Heritage legislation in Australia at the Commonwealth level and at the State level in Western Australia and reform of Western Australia's cultural heritage legislation.

Another significant output from the Working Group is the production and release of ACSI's **research and policy papers** developed to better understand the investment risks involved in company engagement with First Nations People, and to clearly outline investor expectations of companies that engage with First Nations People. In doing so the Working Group worked closely with First Nations People leaders and consulted with relevant experts (academics, investors, associations, companies) in Australia and overseas. These documents are now being used to support ACSI's engagement with at-risk companies to evaluate their progress in renewing relationships, reviewing and rewriting agreements (including elimination of 'gag' clauses), and ensuring that their heritage teams are both appropriately resourced and sufficiently empowered to minimise the risk for investors. These documents provide a useful guide for companies and investors alike.

Cbus has used these documents and information gained through the Working Group and direct engagement to support shareholder proposals relating to First Nations People consultation at annual meetings for Origin Energy and Fortescue Metals.

While none of the shareholder proposals were passed, engagement continues with these companies.

06

Modern slavery

We report against the *Modern Slavery Act* which aims to increase business awareness of the risks of modern slavery in the production and supply chains of Australian goods and services, recognising that modern slavery can occur in many forms. This financial year marks the third year Cbus will be reporting against the Act.

Cbus is committed to minimising the risk of modern slavery in our operations and supply chains. A summary of our key achievements over the year, are below:

- Continued to support ACSI, Federated Hermes EOS and AIST APAC engagement with listed companies in which we invest in discussions regarding modern slavery.
- Engaged with external emerging markets fund managers with portfolios assessed as potentially higher risk. Through this engagement we learned about plans to enhance engagement with portfolio companies on modern slavery risk identification and management. We will continue to monitor progress in relation to evolution of processes, approach, and outcomes from engagement.
- Held meetings with a external managers to understand current industry best practices in relation to identification of strategies and tools that can be applied to our Factor (quantitative/systematic) strategies. Work continues to determine an appropriate approach that can be applied to our internal Factor strategies.
- Developed a framework for reviewing existing key investment supplier contracts to include modern slavery requirements. The process involves reviewing investment supplier contracts (excluding fund managers, as a separate process was undertaken to update Investment Management Agreements) through existing review or renewal processes. In addition, we have prioritised Core Suppliers using a value of spend threshold.

07

Climate change

We believe that climate change is one of the most significant challenges we face as a society today, and that tackling climate change needs to be done collaboratively with a focus on real world impact. From an investment perspective, climate change creates both risks and opportunities that we need to assess and understand to ensure we achieve the best financial outcomes for our members. We also need to consider how the balance of risks and opportunities may change depending on how the world responds to climate change, and how successful we are at limiting global warming.

Cbus Climate Change Commitments – The Journey

We began considering the risks of climate change with our memberships of ACSI and the Investor Group on Climate Change (IGCC). We have accelerated our actions each year, expanding our view of climate change to ensure we are incorporating both risks and opportunities. This acceleration has culminated in the development of our third Climate Change Roadmap in 2022 which focuses on action and measurement.

2022

- Cbus closes out actions from 2nd Climate Change Roadmap and releases 3rd *Climate Change Roadmap: Actions and Measurement*

2021

Cbus developed a number of key initiatives including:

- Collection and analysis of data
- Strengthened internal capability
- Developed extensive internal scenario analysis
- Set and measured baseline emissions covering 70% of the portfolio
- Increased dedicated climate investments
- Improved risk management
- Annual climate disclosures externally assured
- Climate activities reviewed by KPMG against APRA Climate Guidance

2020

- Cbus releases 2nd Climate Change Roadmap
- Cbus set climate goals targeting net zero by 2050 and 45% reduction in real world emissions by 2030
- Cbus updates its Climate Change Position Statement

2019

- Cbus' Investment Committee Chair was appointed to the Chair of the Investor Group on Climate Change (IGCC)
- Cbus joined the Australian Sustainable Finance Association Steering Committee

2018

- Cbus launches 1st Climate Change Roadmap
- Cbus commits to net zero in Property portfolio by 2030 and similar commitment for infrastructure
- Asset Consultant - Frontier reviewed effects of different policy scenarios
- 1% of total funds under management allocation to climate related investment opportunities
- Expanded investment in Bright Energy
- Commenced reporting against the TCFD

2017

- Cbus was the 1st Australian superannuation fund to support the Sustainable Development Goals (SDGs)
- Cbus joined the Climate Action 100+

2016

- Cbus acknowledged and aligned beliefs based on Paris Agreement
- Cbus developed its 1st Climate Change Position Statement

2015

- Cbus participated in the Mercer Climate Change Project helping develop in-depth modelling and scenario analysis

Our climate goals

Net zero portfolio carbon emissions by 2050

Our net zero target refers to Scope 1 and 2 emissions and currently encompasses over 70% of Cbus' portfolio including listed equities, property and infrastructure. While we will work to expand the asset classes covered by our net zero goal, with a near-term focus on credit, debt and private equity, certain asset classes are currently excluded:

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

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

(Compared to a 2019 baseline)

Our 2030 target focuses on a connection to real world decarbonisation. We use carbon 'intensity' to track our progress (rather than 'absolute' carbon emissions) because this allows us to account for growth in our portfolio over time. However, the challenge with measuring carbon intensity is that it constantly changes as investment markets fluctuate.

Given our commitment to transparency, and our desire to ensure we measure our real-world impact, we adjust for changes in asset valuations to ensure our carbon intensity reductions are not overstated. This more conservative approach ensures we correct the potential overstating or magnifying effect that growth in asset valuations can have on our reported carbon intensity reduction.

1% allocation to climate change investments

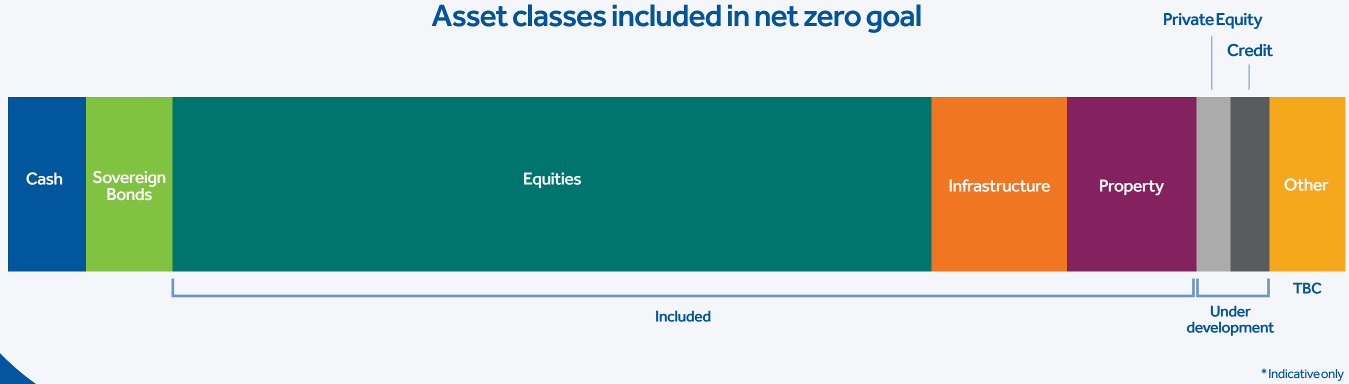
(and increased exposure to climate-focused investments across the portfolio)

Our 1% allocation to climate change investments allows Cbus to invest in the technologies needed for a low carbon economy. It also aims to finance the transition, by supporting companies and assets in hard to abate sectors and which need investment to facilitate their decarbonisation. This allocation is specifically designed to accommodate investments that do not fit within the broader risk/return profiles of existing portfolios, and ensures we support the transition to a low-carbon economy.

Engage with our top 20 highest Australian listed emitters

Our climate engagement strategy list of focus companies is updated annually and covers approximately 50% of our financed emissions. This is achieved through direct engagement and by working alongside others.

Asset classes included in net zero goal



Momentum

Since we released our second Climate Change Roadmap in 2020, the momentum around "net zero" and limiting global warming to 1.5°C has increased significantly. 90% of global greenhouse gas emissions are now covered by a net zero commitment of some sort.

Locally, the Australian government has increased the ambition of its 2030 target and has joined governments around the world in looking to make climate disclosures mandatory for companies and investors alike.

The latest reports from the Intergovernmental Panel on Climate Change (IPCC) make it clear that the physical impacts of climate change are already occurring and that it now seems likely we will exceed 1.5°C of warming within the next 10 years. However, they also emphasise that every fraction of a degree matters – every fraction of global warming that can be avoided, helps reduce the impacts we will see over the next 30 years, and beyond.

Climate change risks

Transition Risk

Policy changes
Technology innovation
Social adaptation

Disruption from the adjustment to the low carbon economy

- Impacts on pricing and demand
- Stranded assets
- Defaults on loans

Physical Risk

Changing climate conditions
Extreme weather events

This can lead to direct damage to assets or property

- Lower asset value
- Increased insurance claims
- Supply chain disruption

Liability Risk

Stakeholder litigation and regulatory enforcement

Not responding to the impacts of climate change

- Business impact resulting from litigation
- Penalties resulting from litigation

Climate change – systemic nature of risks and opportunities

Climate change has the potential to create both investment risk and opportunity.

Traditionally, climate risk is viewed through the lens of physical, transition and liability risk, while opportunity is often viewed as arising from the development of new markets, services, products as the energy transition unfolds.

It's easy to think about the physical risks of climate change as extreme weather events, such as floods, wildfires, heatwaves. However, these extreme weather events are just the starting point. Climate risks are systemic and can be far reaching, where a single event can have cascading impacts across economic, social, environmental and government levels.

Based on current global and domestic government policies, the world is on track for around 3°C of warming by the end of the century. As highlighted by the recent IPCC report[6], as temperatures increase, we will see increasing impacts across chronic/mental health and mortality, labor productivity and worker safety, involuntary migration, water and food security, biodiversity loss, and business continuity as businesses face disruption to their own operations, their labor-supply, global supply chains and operating costs. The wide-ranging nature of these impacts will make it very hard for any business to shield themselves from the effects of climate change in a 3°C world.

When we consider the risks we may encounter during the energy transition, we should be comparing these to the risks we will experience in a 3°C world. We should also keep sight of the systemic benefits we will realise if the world is successful in mitigating climate change.

[6] IPCC (2022), Climate Change 2022: Impacts, Adaptation and Vulnerability. https://www.ipcc.ch/report/ar6/wg2/

Narrative Scenario Analysis – the risks and opportunities

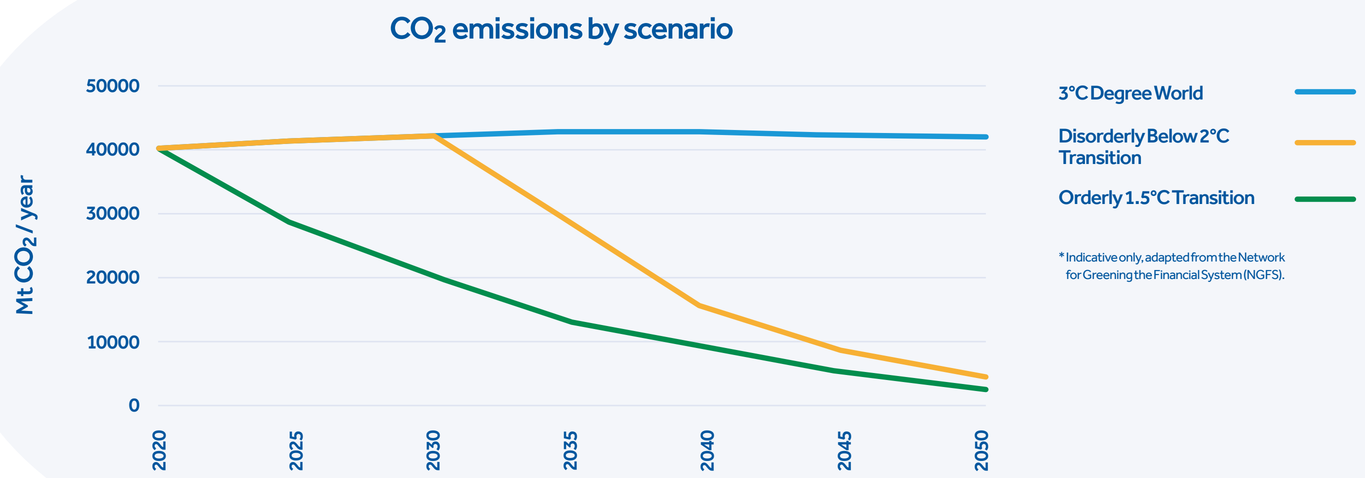
Although global action to strive for net zero carbon emissions continues to increase, the exact path the world is on remains uncertain. There are a range of 'futures' that are possible depending on how the world moves in terms of addressing climate change over the next decade. The risks and opportunities that exist for Cbus and our members vary depending on which path the world takes, and how we position our portfolio.

To ensure we can best protect our members' long-term retirement savings while also taking advantage of opportunities, we need to understand what the risks and opportunities look under different possible futures. We started this work with a comparison and understanding of the systemic physical risks seen under a 1.5°C versus 3°C future (see previous section). We then extended this work with a narrative scenario analysis, whereby we used credible research to identify key differences in the risks and opportunities that could exist depending on how the world responds to climate change.

Our initial narrative scenario analysis has focused on 3 different futures/scenarios:

- **an orderly transition that sees the world limit global warming to 1.5°C**
- **a disorderly transition where the world takes limited action out to 2025/2030 and then abruptly tries to decarbonise, limiting global warming to 2°C or below 2°C**
- **a 3°C temperature rise where the world does little beyond what is currently in progress**

This work has demonstrated the importance of tracking 'how' the world is transitioning as the risks and opportunities will differ. Within our new Climate Change Roadmap, we aim to enhance our scenario analysis by starting to quantify the magnitude of the risks and opportunities under the different scenarios.



<table>
<tr><th></th><th>Orderly 1.5°C Transition
Risks and opportunities largely short/medium term</th><th>Disorderly 2°C/below 2°C Transition
Risks and opportunities largely medium/long term</th><th>3°C World
Risks/opportunities largely longer term</th></tr>
<tr><td>Direct Impacts</td><td colspan="3">As temperatures rise, we will see an increase in severity and regularity of extreme weather events.
We also see an increase in compound events – when multiple events combine – increasing damage and reducing our capacity to respond.
If global warming stabilises some climate impacts will be stopped, some will be slowed, but some are irreversible for centuries to come.</td></tr>
<tr><td>Policy</td><td>- Policies/regulations introduced that favour low carbon technologies and penalise high emitters.
- Policies support all consumers to participate in low carbon transition.
- Fossil fuel companies face gradual removal of subsidies as they are shifted to low carbon technologies.
- Increased focus on greenwashing by companies and investors.</td><td>- Divergent policies emerge across regions.
- Subsidies to fossil fuel companies quickly removed.
- Companies forced to invest in new equipment ahead of renewal cycles.
- Companies forced to retire equipment ahead of schedule.</td><td>- Governments do little beyond what they have already implemented to address climate change.
- Over time governments could become more protectionist in nature as climate impacts grow.
- Certain locations become uninsurable.</td></tr>
<tr><td>Economy</td><td colspan="3">Economic damage is already evident in climate-exposed sectors (agriculture, forestry, energy, tourism), those sectors requiring outdoor labor, and where location has increased exposure to climate hazards.
Climate change also causing economic/societal impacts across national borders via supply-chains, markets, and natural resource flows.
Modelling suggests either a small reduction or small increase in global Gross Domestic Product (GDP) out to 2050 with an orderly transition. vs Modelling suggests a significant reduction in GDP by 2050 in a 3°C world.
Likely to see higher inflation across all scenarios – stemming from the energy transition in a 1.5/2°C world or from the systemic impacts of climate change undermining the balance of supply and demand across multiple industries in a 3°C world.</td></tr>
<tr><td rowspan="2">Technology</td><td>- Companies involved in low carbon/ energy efficient solutions benefit from increasing scale and demand.
- Over time, high-emissions technologies that fail to transition become less competitive.
- Companies have to balance transitioning to new technology prior to cost parity being reached.</td><td>- Technologies may be phased out before substitutes exist.
- Failure to appreciate systemic interdependencies – transitioning one system before another linked system is ready could lead to production shortages.</td><td rowspan="2">- Early-stage clean technology innovation/development stagnates, growth in mature clean technology doesn't eventuate.
- Businesses already on path to transition may find they have over-invested in the transition compared to competitors.</td></tr>
<tr><td colspan="2">- Pressure for immediate or quick divestment from fossil fuel companies will produce supply constraints, energy price instability and a reduction in energy security, while increasing geopolitical risks.
- Supply disruptions of metals/minerals essential for low carbon technology.</td></tr>
<tr><td>Construction Industry</td><td>Industry may face increased regulation/ stronger building codes around efficiency/building materials.</td><td>- Sudden increase in regulation/stronger building codes around efficiency/ building materials.
- Increased price of materials with high embodied carbon.
- Location feasibility becomes important.</td><td>- Worker safety and productivity would be impacted by increasing extreme weather.
- Delayed construction/lost productivity.
- Build costs increase – adaptation needs, insurance, disruption.
- Location feasibility becomes key.</td></tr>
<tr><td>Capital</td><td>- Capital flows into sustainable funds and low carbon solutions.
- Cost of capital increases for emissions-intensive industries/those not seen to be transitioning, reduces for low carbon solutions.</td><td>- Abrupt flow of capital into sustainable funds and low carbon solutions.
- Cost of capital increases sharply for emissions-intensive industries/those not seen to be transitioning, reduces for low carbon solutions.</td><td>- Capital flows out of sustainability funds and low carbon opportunities.
- As physical damages increase, capital is redirected to resilience/rebuilding rather than supporting growth.</td></tr>
<tr><td>Biodiversity</td><td>- Adaptive ability of ecosystems is maintained, biodiversity helps increase resilience to climate change.</td><td>- Adaptive ability of ecosystems is exceeded at 2°C, ability of biodiversity to protect against climate change is reduced.
- Carbon offsets involving single species plantations can lead to increased biodiversity loss.</td><td>- Global warming will exacerbate biodiversity loss (and biodiversity loss exacerbates climate change), >50% global GDP moderately or highly dependent on nature.</td></tr>
</table>

<table>
<tr><th></th><th>Orderly 1.5°C Transition
Risks and opportunities largely short/medium term</th><th>Disorderly 2°C/below 2°C Transition
Risks and opportunities largely medium/long term</th><th>3°C World
Risks/opportunities largely longer term</th></tr>
<tr><td>Global Supply</td><td colspan="3">Extreme weather events will cause increasing disruption as temperatures increase, especially in certain geographies
Industries/business with exposure to global supply chains in high-risk areas will face increasing disruptions to productivity.
Businesses will need to increase resilience across supply chains.</td></tr>
<tr><td>Members / Society</td><td>- Long-term retirement savings protected from the systemic impacts of climate change.
- Health improvements as pollution decreases and temperatures stabilise.
- Cost of electricity may rise initially; tight supply of raw materials may lead to price volatility.
- Additional upfront costs may be needed to participate in the low carbon transition – electric Vehicle and new appliance prices.
- Cost of living decreases in the medium-long term – increased energy efficiency of appliances, increased building efficiency, reduced energy prices, reduced exposure to physical impacts of climate change.</td><td>- Long-term retirement savings somewhat protected from the systemic impacts of climate change but transition risk is higher.
- If policies fail, households will see increases in cost of living – increasing fossil fuel prices, increasing physical impacts, increasing transition requirements.
- Households could be left behind if their finances are impacted by aggressive transition measures and their purchasing power is diminished.
- Possible disruption to energy supplies where interdependencies haven't been addressed as transition proceeds.
- Inequalities could be exacerbated.</td><td>- Long-term retirement savings impacted by systemic impacts of climate change.
- Health outcomes decline as pollution and temperatures increase.
- Cost of living increases – increased energy needs/damage to property/ increasing insurance costs/businesses pass on increased operating costs/ commodity price spikes.
- Increased food and water insecurity.
- Reduced quality of life.
- Social inequity grows.
- Climate migration.</td></tr>
<tr><td>Equitable transition</td><td>- Planning and support needed for equitable transition – the transition leads to job creation but not like for like with some jobs lost.</td><td>- Unskilled workers, those employed in carbon-intensive industries that undergo a radical transformation are at greatest risk, even more so in an abrupt transition.</td><td>- Increasing temperatures mean certain sectors are no longer viable in current locations – resulting in displaced workers.
- Migration increases competition among workers.</td></tr>
<tr><td>Social license to operate</td><td>- Companies not seen to be taking appropriate action on climate change lose consumer support.
- Sustainable products/business models lead to increased demand/ consumer support.
- Companies not taking appropriate action may find it increasingly hard to attract staff.</td><td>- Transition could lose public support if it increases inequity, neglects impacts on land use, resources, nature or if grid stability becomes an issue.</td><td>- As climate impacts become more evident, likely there is an eventual call to action and the world attempts to reduce emissions through a delayed and disorderly transition. May occur too late.</td></tr>
<tr><td rowspan="3">Opportunities & Risks</td><td colspan="2">- Investment opportunities across the pillars of decarbonisation: electrification, renewables, energy efficiency, hydrogen, bioenergy, carbon capture and storage, required behavioural changes.</td><td rowspan="2">- Understanding exposure to physical and systemic risks across portfolio becomes key.
- Resilience of assets across operations and value chains becomes increasingly important.
- Central bank modelling suggests average companies will be less profitable and more highly leveraged.
- Investments in renewables and clean technology may not meet returns as they struggle to compete with fossil fuels.
- Increased resilience/adaptation will be needed across infrastructure, buildings, homes – job creation.
- Increased resilience and improved efficiency across healthcare, water, food, energy will be needed – financing opportunities.</td></tr>
<tr><td>- Companies /sectors involved in low carbon/ energy efficient solutions benefit from increasing scale, demand, and government policies.
- 2020 to 2030 is the "clean energy decade" – financing opportunities.
- Buildings with high energy efficiency would be able to attract premium tenants/higher rents.
- Need to increase efficiency of building/ install low carbon technology would create jobs.
- Need expertise to understand which technologies are likely to become commercially successful - understanding risks of obsolescence/ leapfrogging/ competitive advantage.</td><td>- Understanding of exposure to transition risk across portfolio becomes key.
- Impacts from physical risk differ across assets, asset classes, geographies – becomes increasingly important to understand.
- Investments in fossil fuel-related industries/assets become stranded.
- Investment in new technologies could fail to reach scale/profitability.
- Risk that transition falters, putting pressure on investments in renewables/ low carbon technologies.
- Decarbonising our portfolio ahead of the economy means we may experience periods of under/out performance.</td></tr>
<tr><td colspan="3">How super funds respond to climate change is important to staff, members, and investment partners.</td></tr>
</table>

Climate engagement – Looking forward to FY23

Our climate engagement strategy is focused on our top 20 Australian emitters where Cbus aims to engage with all companies in this list either directly or through participation with others (pages 18-22). Each year we review our top 20 emitters and adjust our strategy where needed, tracking ambition and action to identify areas of focus. Via our global service providers, we also aim to engage with global emitters on climate and the adequacy of their transition plans. Our new Climate Change Roadmap includes the development of strategies to enhance our climate engagement with both assets and managers that sit outside the listed equities space.

Our FY22 analysis has again demonstrated the concentrated nature of our portfolio. Although we hold thousands of assets within our portfolio, our top 20 emitters consistently contribute around 50% of our financed emissions. This concentration is also seen when we examine our Australian holdings, with our top 20 emitters within our Australian equities portfolio consistently contributing almost 45% of our financed emissions (across equities, infrastructure and property).

The list below will be used to guide our climate engagement strategy for FY23.

Top Australian holdings contributing to Cbus financed emissions

Asset Name	Sector	Cbus Engagement
Origin Energy	Utilities	Yes
Santos	Energy	Yes
BHP Group	Materials	Yes
Alumina	Materials	Yes
BlueScope Steel	Materials	Yes
South32	Materials	Yes
AGL Energy	Utilities	Yes
Woodside Energy Group	Energy	Yes
Cleanaway Waste Management	Industrials	New to top 20
Incitec Pivot	Materials	Yes
Coronado Global Resources	Materials	New to top 20
Orica	Materials	New to top 20 (already engaging)
Qantas Airways	Industrials	Yes
Newcrest Mining	Materials	Yes
Iluka Resources	Materials	Yes
Rio Tinto	Materials	Yes
Ampol	Energy	Yes
Woolworths Group	Consumer Staples	Yes
Coles Group	Consumer Staples	Yes
Mineral Resources	Materials	Yes

* Data above represents the 20 Australian companies contributing most to Cbus' financed emissions. For this analysis holdings data is from June 30 2022 while carbon data is from our FY21 model. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio (across equities, property and infrastructure) has the available data to inform this calculation. Data sourced from MSCI, investment managers, individual assets and company disclosures. Further information on our financed emissions calculations and methodology can be found at cbussuper.com.au/cs/FY2021-financed-emissions-methodology. MSCI's analytics and data were used in the preparation of this report.

Divestment – no quick fix

Divesting from these holdings would reduce our carbon footprint by 40-50% immediately. However, our Australian top emitters are dominated by companies that will need to decarbonise if the world is to reach net zero emissions. At Cbus we believe we can support the transition of such companies, we also believe divestment for the purpose of reducing our portfolio footprint has no real world impact. Our top 20 emitters list is dominated by companies in the materials sector. These companies have in important role to play in the energy transition. For example, the development of low carbon technologies is reliant on the supply of resources such as steel, lithium and nickel. Divesting from these companies ignores the investment required to help these companies to decarbonise their current processes, and fails to support the transition to a sustainable, low carbon world. In addition, divestment increases the risk of an inequitable and unplanned transition for the respective workforces and communities.

Stranded Asset Framework

Our approach to stranded assets continues to evolve as we increase our knowledge and understanding across the climate space. We currently apply what constitutes a stranded asset exclusion to some of our quantitative strategies where companies deemed to be at high risk of becoming stranded are weighted to zero.

Our new Climate Change Roadmap highlights that we are reviewing this approach, aiming to enhance climate awareness across both our quantitative and active managers. We will also develop climate principles, to better articulate how we plan to invest through the transition.

Built environment

While Cbus has a target of net zero portfolio carbon emissions by 2050, the investment managers within our unlisted property asset class are aiming for a more ambitious target, net zero by 2030 for emissions where they have operational control.

We are tracking the progress of our property portfolio on both financed emissions and carbon-intensity metrics. Through the actions of our property investment managers, the unlisted Cbus property asset class has reduced its financed emissions (tCO_2e) by 55% between 2019 and 2021 and has reduced its carbon intensity ($kgCO_2/m2$) by 46% across the same time period. In FY21 we saw significant progress in reducing scope 2 emissions through increased use of renewables via power purchase agreements and onsite renewable generation.

Cbus Property, a wholly owned subsidiary of Cbus, was able to achieve Climate Active Carbon Neutral certification for net zero operating emissions in their core office portfolio, eight years ahead of schedule.

Other achievements for Cbus Property in FY22 include:

- **NABERS portfolio results – (office) – a combined rating across the four NABERS areas of energy, waste, water and internal environment resulting in the highest rating in Australia.**
- **6 star Green Star office portfolio rating – this benchmarks the actual operational performance of buildings, not just design and 'as built'.**
- **WELL Portfolio Health Safety ratings, Platinum WELL pre-certified at 83 Pirie St and Platinum WELL certified at 720 Bourke St.**

With this pleasing progress in operational emissions across all unlisted managers within our property sector, our efforts will now turn to encouraging managers to engage with tenants on their emissions (manager scope 3 emissions), to focus on the resilience of the buildings in which they invest, and to reduce embodied carbon in the buildings they develop.

Cbus Property 435 Bourke Street

435 Bourke Street will be a $1 billion cutting-edge, architecturally designed, commercial office tower in the city of Melbourne and will be one of the first office towers in the world to feature a "solar skin" facade. In line with Cbus Property's climate commitments, 435 Bourke is designed to achieve Net Zero Carbon in operations, with 20 per cent of its fully electric base building electricity requirements generated on site by its "solar skin" design. The balance of the building will be powered by off-site renewable electricity.

The tower proposal comprises approximately 60,000 square metres of premium commercial office space across 48 levels, with 1,300 square metres of retail space, 116 car parks, a sky garden and several landscaped open-air or mixed-mode terraces. The Bourke Street site is anticipated to serve as a "vertical village" for more than 5,500 city workers.

435 Bourke is also targeting a 6 Star Green Star New Buildings rating, a 30 percent reduction in upfront embodied carbon, and a Platinum WELL certified rating. Construction commencement is anticipated for late 2022.

Star of the South

Cbus has acquired a 10% interest in *Star of the South* which is Australia's first and most progressed offshore wind project.

Star of the South is proposed to be located off the coast of Gippsland in Victoria and is being developed by Copenhagen Infrastructure Partners (CIP). CIP specialises in energy infrastructure investments, being one of the largest developers of offshore wind projects globally.

Star of the South is forging the way for a new local industry that is expected to reduce carbon emissions and create thousands of jobs in the Gippsland region. With a capacity of up to 2.2 gigawatt (GW), the project has the potential to power around 1.2 million homes, supplying up to 20% of Victoria's electricity needs and establishing a new clean energy sector in Victoria.

Key benefits of the project include:

- **The potential to create around 2,000 building andconstruction-related jobs in Victoria, including around 200 ongoing local jobs once the wind project is fully operational.**
- **Continuing the history of power generation in Gippsland and the Latrobe Valley, and building a new industry as coal fired power stations retire.**
- **Harnessing offshore wind, a new resource for Australia that typically provides a different weather profile compared with onshore wind generation helping to diversify Victoria's renewable energy generation fleet.**

Climate opportunities

A thorough assessment and understanding of climate change should enable us to identify both the risks and potential opportunities that arise as the world transitions to a low-carbon economy. At this stage Cbus has committed to investing 1% of funds under management (FUM) to climate investments in a dedicated fund that will grow as our FUM grows.

The table below shows our progress towards this 1% allocation and highlights other areas within the Cbus portfolio where climate investments are being made, where managers are explicitly building climate awareness into their strategies, and where managers have ambitious carbon reduction targets. Over time, we will continue to expand the metrics we use to identify climate investments across the portfolio.

Climate investments across the Cbus portfolio	Value of investment ($M)	% Asset Class	% FUM
Dedicated Climate Investments Fund*	314	44%	0.44%
Infrastructure**	375	4.24%	0.53%
Equities***	1684	4.65%	2.38%
Investment strategies with climate overlays#	**Value of investment ($M)**	**% Asset Class**	**% FUM**
Equities Portfolio	7413	20.47%	10.46%
Real estate investments targeting net zero 2030^	**Value of investment ($M)**	**% Asset Class**	**% FUM**
Unlisted Property portfolio	6453	75.19%	9.11%

* *Dedicated climate fund targeting 1% of FUM*
** *Renewable investments within the Cbus Infrastructure Portfolio*
*** *Securities held within the Cbus Equities Portfolio that are classified as a 'solution' by the MSCI Low Carbon Transition Methodology*
# *Quantitative strategies within the equities portfolio that have implemented one or more climate overlays. These overlays include a carbon intensity constraint compared to benchmark, an asset stranding exclusion based on MSCI low carbon transition methodology, and a low carbon transition score constraint (again based on MSCI LCT methodology).*
^ *Property managers targeting net zero operational emissions by 2030.*

Climate metrics

Metrics are an important component of our responsible investment approach, helping us to understand our progress, and improve transparency and accountability. We currently report a range of metrics across our portfolio relating to our carbon footprint, adopting best practice principles and methodologies wherever possible. We also note that this is an area of significant evolution, with global standards and guidelines rapidly changing and improving, as they increase in sophistication and quality. We are committed to evolving our approach over time, in line with these developments. We are also committed, within our next Climate Change Roadmap, to expand the metrics we have available to better understand the risks and opportunities across our portfolio and how these are managed.

Note that carbon data lags by 12-18 months, therefore the latest data below is for FY21.

Carbon Metrics Summary

Financial Year	2021	2020*	2019*
Asset classes included in carbon metrics	Equities Property Infrastructure	Equities Property Infrastructure	Equities Property Infrastructure
% of total portfolio included in carbon metrics	71.66%	65.08%	65.87%
Total financed emissions (tCO_2e) (across equities, infrastructure and property)	1,690,834	1,568,213	1,986,565
$M invested (across equities, infrastructure and property)	46,996	35,261	34,645
Coverage of asset classes include in carbon metrics**	97.40%	97.16%	96.37%
Financed emissions intensity (tCO_2e/$M invested) (equivalent to EVIC weighted average carbon intensity)	35.98	44.47	57.34
Change compared to baseline (2019)	-37.26%	-22.44%	-
Adjusted financed emissions intensity (tCO_2e/$M invested) (financed emissions intensity adjusted for changes in asset valuations, more representative of our real world decarbonisation)***	51.16	55.02	57.34
Change compared to baseline (2019)	-10.79%	-4.04%	-
Targeted real world impact (based on 45% reduction by 2030 with 2019 baseline)	-10.30%	-5.29%	-
Property asset class carbon intensity ($kgCO_2e/m^2$) **Targeting net zero 2030**	**24.68**	**33.69**	**45.75**
Equities asset class revenue WACI (Revenue weighted average carbon intensity)	128.30	181.57	210.02
Equities asset class blended blenchmark revenue WACI (Revenue weighted average carbon intensity)	165.17	210.93	226.27

* *Data restated due to change in data provider, also for FY20 a more complete dataset is now available than reported in our FY21 Responsible Investment Supplement.*

** *An asset is excluded from the analysis if carbon or financial data is unavailable for the year of analysis and 2 previous years, cash and derivatives are excluded.*

*** *Please see below for an explanation as to why we adjust for changes in asset valuations in our financed emissions intensity. Further details can also be found at the link below.*

*Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2021-financed-emissions-methodology**.*

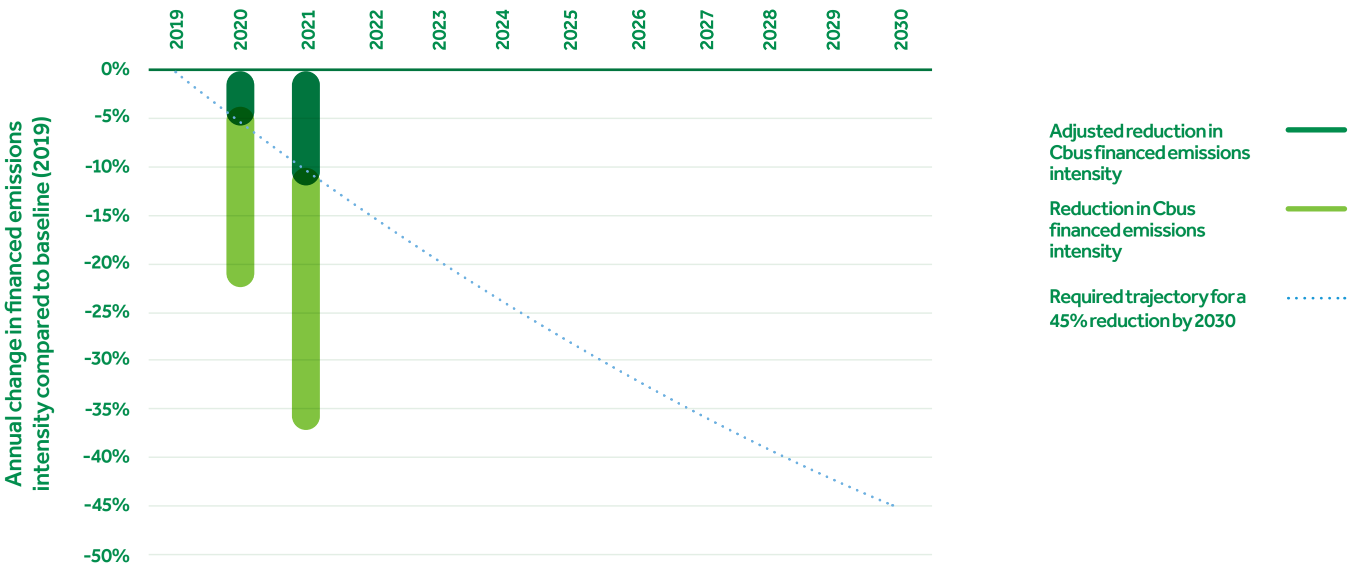
Tracking progress towards 2030 target

Each year we report our portfolio carbon intensity (tCO_2e/$M invested) to track our progress towards our 2030 carbon reduction goal. We use carbon 'intensity' to track our progress (rather than 'absolute' carbon emissions) because this allows us to account for growth in our portfolio over time. However, as recognised by the Partnership for Carbon Accounting Financials (PCAF), the challenge with targeting a reduction in carbon intensity is that it constantly changes as investment markets and the value of the assets we invest in fluctuate[7].

Given our commitment to transparency, and our desire to ensure we measure our real-world impact, we adjust for changes in asset enterprise values to ensure our carbon intensity reductions are not overstated. We have adopted the methodology proposed by the European Union (EU) in their minimum standards for EU Climate Transition Benchmarks and EU Paris-Aligned Benchmarks[8] and use this methodology to adjust for movements in asset valuations each year compared to 2019 (our baseline). This more conservative approach ensures we correct the potential overstating effect that asset valuations can have on our reported carbon intensity reduction. We will continue to monitor how such methodologies evolve and adjust our approach to remain consistent with best practice. Greater detail on our methodology and its limitations can be found at cbussuper.com.au/cs/FY2021-financed-emissions-methodology.

In FY21 the Cbus carbon intensity, across equities, infrastructure and property, was 35.98 tCO_2e/$M invested. This represented a 37% reduction compared to our 2019 baseline. When we adjusted for growth in asset enterprise values between FY19 and FY21, our reduction in carbon intensity for FY21 was 10.8%. We believe this is a better representation of our real-world impact – the actual reduction in emissions achieved by the assets in which we invest. This reduction was driven by the companies we invest in reducing their emissions and by shifts in capital allocation towards companies with lower emissions. Our adjusted FY21 result puts us in line with the trajectory required for us to contribute to a 45% reduction in real world emissions by 2030 (see figure below).

Progress towards 2030 carbon reduction target



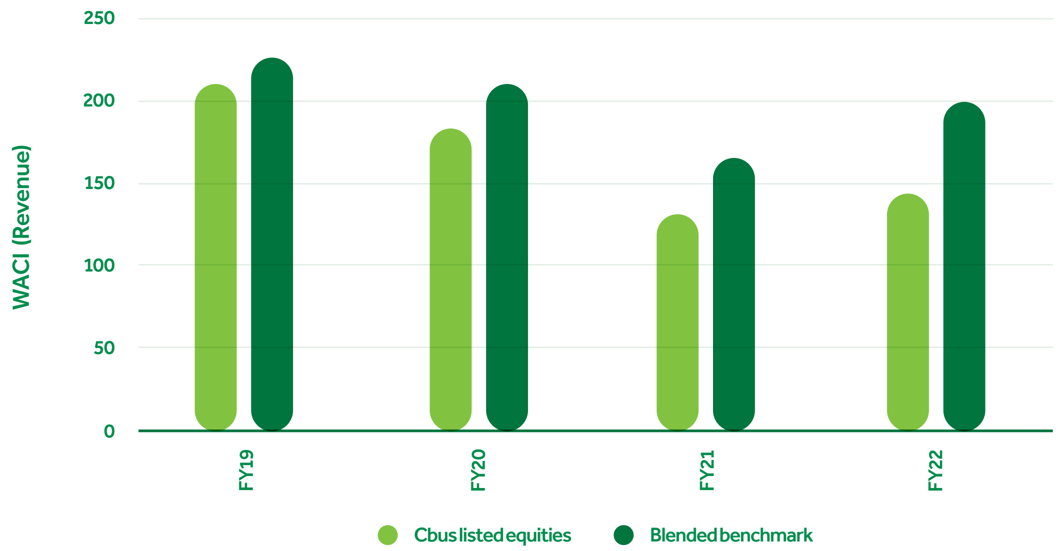
*The charts shows the 'real-world' trajectory required for Cbus to reach a 45% reduction by 2030 (dotted line). Cbus' actual reduction in financed emissions intensity compared to baseline (2019) is shown in light green, Cbus' adjusted reduction in financed emissions intensity compared to baseline (2019) is shown in dark green. We believe the adjusted reduction more closely represents our real-world reduction in emissions (actual reduction in emissions by the assets we invest in). Data represents equities, property and infrastructure portfolios at 30 June 2019, 2020 and 2021. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2021-financed-emissions-methodology**. MSCI's analytics and data were used in the preparation of this report.*

[7] https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf, page 57.
[8] EU Commission Regulation 2020/4757, Article 7(3).

Exposure to carbon-intensive assets

The following chart illustrates the revenue-based weighted average carbon intensity (WACI) of Cbus' equities portfolio at 30 June for the past 4 years. It demonstrates that our portfolio is less carbon intensive than the benchmark we measure against. In FY21, companies in the Cbus portfolio reduced their carbon intensity, a combination of decreasing their emissions and increasing their revenues. In conjunction with this decrease in carbon intensity, we also shifted our capital allocation toward companies that were less carbon intensive.

Weighted average carbon intensity across equities asset class (Scope 1 and 2 intensity in tCO_2e/$USD million sales)



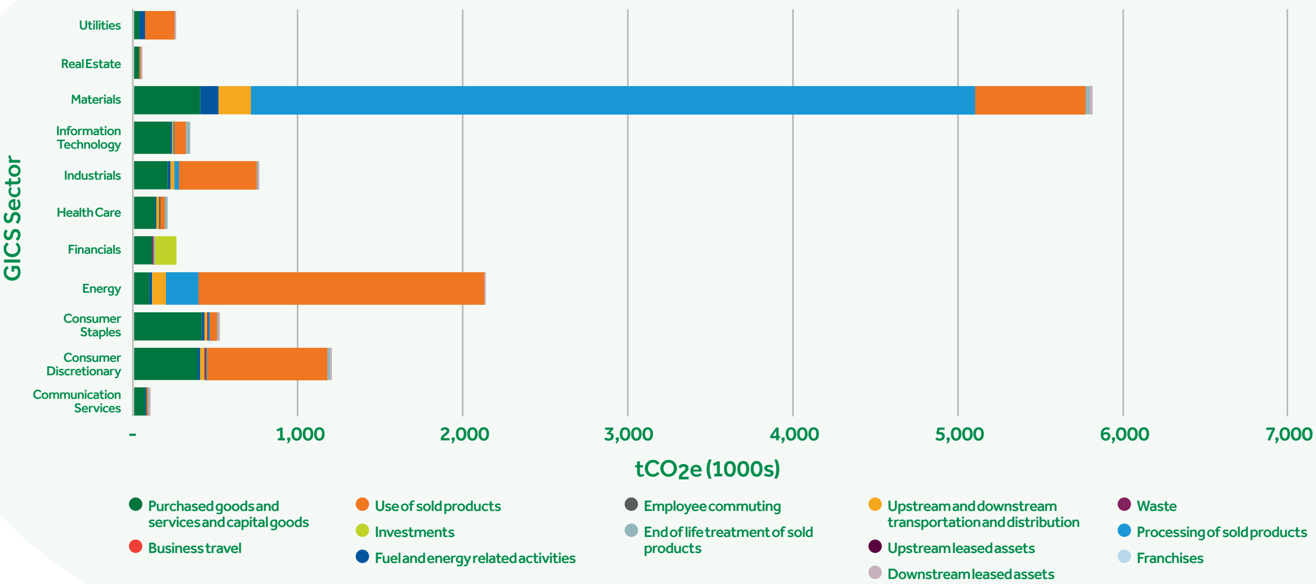
*Figures above represent Cbus' equities portfolio at 30 June each year. Carbon intensity values are calculated from MSCI data. Blended Benchmark Carbon Intensity exposures are calculated by taking the Asset Allocation weights to Australian, global and emerging market shares and applying those weights to the carbon intensity exposures of each of the corresponding sectors' indexes. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2021-financed-emissions-methodology**. MSCI's analytics and data were used in the preparation of this report.*

Scope 3 emissions

Scope 3 emissions are those emissions a company doesn't directly control, and include emissions in their supply chain, emissions arising from the transportation of raw materials and products, and the emissions generated by consumers using their products. An understanding of scope 3 emissions can identify companies and assets where climate risk resides in their value chain, rather than their direct operations.

Scope 3 emissions are not included in our net zero goal. However, within our new Climate Change Roadmap, we aim to continue to expand our ability to measure and engage on scope 3 emissions. We are currently able to measure scope 3 emissions across our listed equities exposure (equities, listed property, listed infrastructure).

Cbus scope 3 financed emissions by category across listed equities

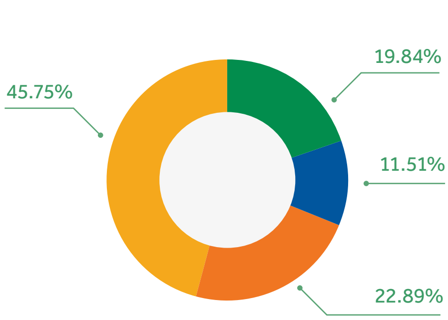


The chart above represents Cbus' equities, listed property and listed infrastructure investments as at June 30 2021. Data sourced from MSCI. It should be noted that the materials sector includes mining, and the industrials sector includes transportation. MSCI's analytics and data were used in the preparation of this report. Copyright 2022 MSCI. All Rights Reserved.

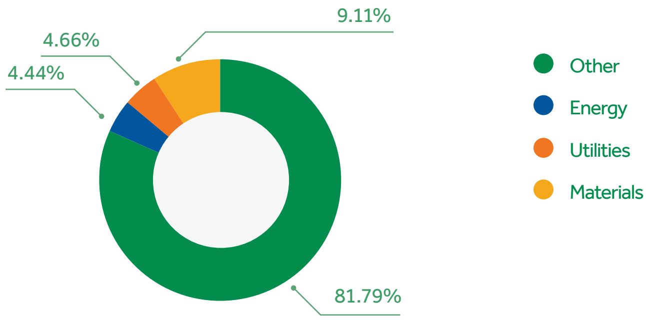
Sector emissions exposure

The following charts shows the concentrated nature of Cbus' financed emissions within the materials, utilities and energy sectors. These sectors contribute 80% of Cbus' financed emissions yet make up just 18% of the measured portfolio (listed equities, property and infrastructure). This represents a reduction in the concentration of emissions within the Cbus portfolio compared to FY20. Our exposure to the materials, utilities and energy sectors increased in FY21, but the financed emissions attributed to these investments was reduced.

Contribution to financed emissions



Market Value



*Data represents equities, property and infrastructure portfolios at 30 June 2021. The "other" category includes real estate, information technology, industrials, healthcare, financials, consumer staples, consumer discretionary, communication services. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2021-financed-emissions-methodology** MSCI's analytics and data were used in the preparation of this report. Copyright 2022 MSCI. All Rights Reserved.*

Key terms

Financed emissions

Calculates the emissions that Cbus is responsible for through ownership or financing of a company or asset. Cbus follows the Partnership for Carbon Accounting Financials (PCAF) and proposed TCFD methodology with ownership being shared between equity and debt holders. The Cbus investment value in a company is divided by the company's enterprise value including cash, this is then multiplied by the company's absolute Scope 1 and 2 emissions.

tCO2e

tonnes of CO_2 equivalent. A standard unit for counting greenhouse gas (GHG) emissions regardless of whether they're from carbon dioxide or another gas, such as methane.

Emissions per $M (equivalent to WACI-EVIC)

Calculates the emissions Cbus is responsible for per million Australian dollars (AUD) invested. The financed emissions associated with the measured portfolio are summed and then divided by the measured portfolio value in millions.

Carbon data

There is currently a lag in the availability of carbon data of approximately twelve to eighteen months. This is based on the time it takes for companies to report their emissions and for these disclosures to be reviewed and accepted by data providers. For this reason, any metric relating to Cbus' financed emissions will be reported with a 12-month lag. For each asset we have endeavored to use the most recent carbon and financial data available.

Revenue-based weighted average carbon intensity (WACI)

Indicates exposure to carbon intensive companies. The carbon intensity (emissions/ revenue) of each company is multiplied by the company weight in the portfolio.

Carbon provider

Carbon data for listed assets is provided by MSCI.

Carbon data for unlisted assets is provided by relevant external investment managers and individual assets.

Accuracy and disclaimer

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

Full details on our methodology can be found at cbussuper.com.au/cs/FY2021-financed-emissions-methodology

Climate Change Roadmap: Beyond 2020 - Metrics and Targets

✓ Completed
↻ Completed and ongoing
⊕ Captured in 2022 roadmap

Action	2020-2022 Performance Indicators	Status	2022 Progress
1. Targets			
Portfolio commitment	Explicit public commitment to net zero greenhouse gas (GHG) emissions by 2050 in line with Paris Agreement	✓	Commitments announced August 2020
	Develop interim 2030 and 2040 targets	✓ ⊕	2030 commitment announced 2040 target development included in new roadmap
Increase investment in climate change related opportunities	Target 1% of capital to climate change solutions strategy	↻	Allocation towards 1% continues. Strategy includes multiple asset classes across equities, infrastructure and private equity
Portfolio scenario analysis	Preliminary scenario analysis and stress testing incorporated into asset allocation annual review	✓	Scenario analysis incorporated into expected return assumptions Analysis updated as new data and models become available
2. Asset class pathways			
Asset class pathways	Develop relevant asset class and sector carbon transition pathways	✓	2030 commitment announced Portfolio baseline measured Scenario analysis performed to identify how different asset classes decarbonise towards net zero
Stranded assets	Develop stranded asset framework	↻	Transition risk metrics incorporated into all relevant equities factor systematic strategies A framework beyond factor strategies is in progress
Investment manager engagement	TCFD reporting and climate change reporting requirements incorporated into all relevant mandates	✓	All relevant agreements include TCFD and climate risk reporting
	All relevant internal and external managers benchmarked and engaged on climate change	↻	Incorporated into manager engagement and reviews
Physical risk assessment	Conduct physical risk assessment for relevant portfolios	✓	Data provider appointed Property and infrastructure assessments undertaken by external managers Physical risks incorporated into due diligence for direct real assets

- ✓ Completed
- ↻ Completed and ongoing
- ⊕ Captured in 2022 roadmap

Action	2020-2022 Performance Indicators	Status	2022 Progress
Equities			
Factor strategies	Incorporate stranded asset risk management metrics in all relevant equities factor systematic strategies	✓	See stranded assets on previous page
Stewardship	Develop engagement strategy with ten highest emitting ASX companies	✓	Strategy developed and implemented
	Actively consider all ASX climate change shareholder resolutions	✓	In FY 2022, all ASX climate-related shareholder proposals were actively considered
Unlisted Property			
Australian property net zero 2030 commitments	Property investment managers develop strategy and demonstrate progress for net zero emissions by 2030	✓	All managers committed to net zero by 2030 and progressing against the target
Australian property embodied energy	All new developments measure embodied carbon and commit to a reduction by 10% in line with Green Star rating	✓	Process for measuring embodied carbon incorporated into new development processes
International property net zero commitment	International property investment managers commit to net zero emissions by 2050	✓	International property investment manager committed to net zero
Unlisted Infrastructure			
Infrastructure net zero commitment	Infrastructure investment managers commit to net zero emissions by 2050	✓	Managers have committed to net zero by 2050
Resilience plans for real assets	All infrastructure and property investment managers have physical risk resilience plans in place	⊕	Captured as part of new climate roadmap
Internally managed due diligence	Update directly managed asset class due diligence processes	✓	Due diligence for all new investments developed

- Completed
- Completed and ongoing
- Captured in 2022 roadmap

Action	2020-2022 Performance Indicators	Status	2022 Progress
3. Advocacy, Governance and Transparency			
Advocacy			
Actively support peak industry climate change bodies	Including Investor Group on Climate Change (IGCC), Principles for Responsible Investment (PRI)	✓	Chair, IGCC management committee Chair, IGCC transition to net zero working group
	Participate in Asset Owner Alliance (AOA) / Climate League 2030	✓	Completed Cbus remains steadfast in our commitment to meeting our climate goals and supporting the transition to a net zero economy. During FY22 we made the difficult decision to focus our resources on our internal climate change activities and have not renewed our membership of the AOA
Just Transition	Co-chair collaborative research project on Just Transition	✓	EY research report published July 2021 'Empowering Communities: How investors can support an equitable transition to net zero'
	Member of PRI Just Transition Investor Working Group	✓	Member of PRI just transition working group
Governance			
Governance	Board approval of revised Climate Change Position Statement	✓	Completed
	Review climate change Governance Framework following release of APRA regulatory guidance	✓	Alignment with APRA guidance reviewed, actions identified and implementation of these actions is underway
Risk management	Key climate related risk indicators and risk tolerances established consistent with the Fund's risk appetite	✓	Completed
Training	Provide regular information sessions to all staff on climate change	✓	Regular presentations to investment teams, fund wide teams
Transparency			
TCFD reporting	Reporting against Taskforce for Climate-related Financial Disclosures 2017 (TCFD)	✓	Annual TCFD reporting complete
Trustee office carbon neutral	Annual carbon neutral certification	✓	Recertification underway

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Taskforce on Climate-related Financial Disclosures (TCFD) Index

The table below summarises Cbus' reporting against the recommended Taskforce on Climate-related Financial Disclosures 2017 (TCFD). This is our fifth year of reporting, and we recognise our disclosures will continue to evolve over time in accordance with our Climate Change Roadmap. Please note that while Cbus has reported against the 2017 TCFD guidance, where possible we have also reported against the 2021 TCFD guidance - both the supplemental guidance for asset owners and the cross-industry metrics and we will continue to expand our disclosures and align with the updated guidance.

TCFD Pillar[9]	Disclosure	Reference to activities
Governance	Describe the board's oversight of climate-related risks and opportunities.	https://www.cbussuper.com.au/about-us/sustainability/board-governance-framework
	Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Refer to the **narrative scenario analysis – the risks and opportunities** on page 37-40. Refer to the **climate metrics** section on page 44-47.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Refer to the **integration** section on page 12-15. Refer to the **Stranded Asset Framework** on page 41. Refer to the **Climate Change Roadmaps** section on page 10. Refer to the **climate goals** section on page 35-36. Refer to the **narrative scenario analysis – the risks and opportunities** on page 37-40.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Refer to **impact of climate change on investment returns** in our FY21 Responsible Investment Supplement on pages 24-25. Refer to the **narrative scenario analysis – the risks and opportunities** on pages 37-40.

[9] TCFD, October 2021

TCFD Pillar[9]	Disclosure	Reference to activities
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Refer to the **integration** section on pages 12-15. Refer to the **stewardship** section on pages 16-22. Refer to the **engagement** section on page 18-22. Refer to the **our climate engagements** section on page 21-22.
	Describe the organisation's processes for managing climate-related risks.	Refer to **CIO Q&A** section on pages 8. Refer to the **Climate Change Roadmaps** section on page 10. Refer to the **integration** section on pages 12-15. Refer to the **Stranded Asset framework** section on page 41.
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Refer to the **integration** section risk management on page 12.
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Refer to the **climate goals** section on page 35-36. Refer to the **climate metrics** section on page 44-47. Refer to the **stranded asset framework** on page 41. Refer to the **climate opportunities** section pages 43. *Data for TCFD 2021 supplemental guidance for asset owners on alignment is not currently available.*
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Refer to the **climate metrics** section pages 44-47. *As per TCFD 2021, financed emissions and revenue-based WACI are provided where data is available. Further disclosures will be made as data availability improves. Cbus has also chosen to disclose a carbon intensity metric (financed emission per $M invested).*
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Refer to the **climate goals** section on pages 35-36. Refer to the **climate metrics** section on pages 44-47. Refer to the **built environment** section on pages 41. Refer to the **climate opportunities** section on page 43.

TCFD 2021 Cross-industry metrics	
GHG emissions – absolute scope 1, scope2, scope3; emissions intensity	Refer to the **climate metrics** section pages 44, 46.
Amount and extent of assets vulnerable to transition risk	Refer to the Sector emissions graph within the **climate metrics** section page 47.
Amount and extent of assets vulnerable to physical risk	Not currently available.
Proportion of assets aligned with climate-related opportunities	Refer to the % of FUM invested in climate opportunities within the **climate opportunities** section on page 43.
Amount of financing or investment deployed toward climate-related risks and opportunities	Refer to the $ invested in climate opportunities within the **climate opportunities** section on page 43.
Internal carbon price	Not currently available.
Proportion of executive management remuneration linked to climate considerations	Not currently available.

[9] TCFD, October 2021

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

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Cbus Annual Responsible Investment Supplement 2022 for the year ended 30 June 2022 (the Responsible Investment Supplement), which has been prepared by Cbus in accordance with the relevant internal policies and procedures developed by Cbus and the Recommendation of the Task Force on Climate-related Financial Disclosures from 2017 (TCFD Recommendations), as disclosed in the Responsible Investment Supplement.

Information Subject to Assurance

Information subject to assurance comprises the content of the Responsible Investment Supplement.

Criteria Used as the Basis of Reporting

The criteria use as the basis of reporting is the relevant internal policies and procedures developed by Cbus and the TCFD Recommendations, as disclosed in the Responsible Investment Supplement.

Basis for Conclusion

We conducted our work in accordance with Australian Standard on *Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000). 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 Responsible Investment Supplement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

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

- Interviews with senior management and staff responsible for preparation of the Responsible Investment supplement content
- Assessment of the suitability and application and extent of disclosure of the relevant internal policies and procedures developed by Cbus and the TCFD Recommendations in respect of the Responsible Investment Supplement. This included an analysis of relevant content elements of the Responsible Investment Supplement compared to the TCFD Recommendations;
- Reviewing Board minutes to check consistency with the Responsible Investment Supplement;
- Agreeing the Responsible Investment Supplement to the relevant underlying documentation on a sample basis;
- Analytical procedures over the key metrics in the Responsible Investment Supplement;
- Review of the Responsible Investment Supplement in its entirety to check it is consistent with our overall knowledge obtained during the assurance engagement.

How the Standard Defines Limited Assurance and Material Misstatement

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. 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. The Standard requires our report to be worded around what we have not found, rather than what we have found.

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.

The Limitations of our Review

The Responsible Investment Supplement includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Responsible Investment Supplement.

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

Management's Responsibility

- determining that the criteria used as the basis of reporting is appropriate to meet their needs;
- preparing and presenting the Responsible Investment Supplement in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the Responsible Investment Supplement that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Cbus Annual Responsible Investment Supplement 2022 for the year ended 30 June 2022, 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

KPMG
Melbourne

Julia Bilyanska

Julia Bilyanska
Partner, KPMG
Melbourne

27 October 2022