Responsible Investment Supplement 2023

Building stronger foundations

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

cbus super

Contents

Responsible investment reporting

The Responsible Investment Supplement reports on the activities that the Trustee undertakes to incorporate material[1] Environmental, Social and Governance (ESG) risks and opportunities as one input into its investment decision making processes.

Our responsible investment approach is central to our capacity to generate strong and sustainable value for our members over the long term.

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

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

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

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 63 to 64.

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

Online supplements

We have provided more detailed information about Cbus in our online supplements. The Annual Integrated Report and the supplements have been prepared with reference to the Global Reporting Initiative's Sustainability Reporting Standards (GRI Universal Standards 2021). Our Responsible Investment Supplement reports with reference to the Task Force on Climate-related Financial Disclosures (TCFD) 2021 recommendations.

Responsible Investment

Provides information about our approach to responsible investment and transitioning to a climate resilient economy. Prepared with reference to the **GRI Universal Standards 2021** and with reference to the TCFD 2021 recommendations.

cbussuper.com.au/responsible-investment-2023

Cbus Property Sustainability Report

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

cbusproperty.com.au/sustainability

Annual Financial Statements

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) ('SIS') Act 1993 and Regulations and the provisions of the Trust Deed.

cbussuper.com.au/annual-financial-statements-2023

Online Supplements

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

Stakeholder Engagement and Materiality

Provides detail on our approach to engagement and how we determine what matters most to our stakeholders. The result of this engagement informs our value creation and assists in identifying the Fund's material issues. Prepared with reference to the **GRI Universal Standards 2021** and in line with the **International Financial Reporting Standards (IFRS) Foundation's Integrated Reporting Framework.**

cbussuper.com.au/engagement-materiality-2023

Governance

Provides additional information about the governance framework at Cbus and Cbus Property. Prepared with reference to the **GRI Universal Standards 2021.**

cbussuper.com.au/governance-framework-2023

GRI Standards Content Index

A table prepared with reference to the **GRI Universal Standards 2021.** We have reported where to locate the information linked to the standards within the Annual Integrated Report, Cbus Property Sustainability Report, our supplements and our website.

cbussuper.com.au/gri-standards-2023

KPMG

KPMG were engaged to provide limited assurance over the Responsible Investment Supplement in accordance with relevant internal policies and procedures developed by Cbus and the Task Force for Climate-related Financial Disclosures. The assurance report is presented on pages 63-64.

Executive summary

In Financial Year 2023, we are proud to have made meaningful progress across a range of key areas. As you will see from our achievements there has been a rise in the level of advocacy work we have undertaken or supported.

The Federal Government has been working hard to bring Australia in line with our global competitors when it comes to tackling economy wide risks such as climate change. The rate of policy development and consultation about sustainable finance, climate policy and transparency is unprecedented domestically. We have also seen the release of global sustainability reporting standards, which is certain to improve reporting and our understanding of a broader set of risks that we face at an operational and investment level.

Regulators, consumers and non-government organisations are scrutinising the legitimacy of the claims made by investors regarding their ESG ambitions, targets and achievements. We know that transparency builds trust and so have committed for several years to provide clear, balanced, externally assured reporting of our responsible investment activities.

Regulators such as the Australian Securities and Investments Commission (ASIC), the Australian Competition and Consumer Commission (ACCC) and the Australian Prudential Regulation Authority (APRA) have been vocal about their expectations regarding the management of climate change, investment governance and false and misleading statements. We are also seeing the shift to climate litigation.

The energy crisis driven by the invasion of Ukraine has led households to feel the brunt of the increase of energy prices in their hip pockets. While the world continues to tackle global temperature rises – the physical impacts of climate change are becoming increasingly evident with heat waves, wildfires and floods seen in FY23 particularly across the Northern Hemisphere.

In this environment where the responsible investment performance bar continues to be raised, we have enhanced the sophistication and robustness of our ESG approach through increased resourcing including seniority of roles, developed our 5-year strategy (initially focused on uplifting ESG data and ESG integration), improved governance frameworks, continued to deliver on climate change initiatives and stewardship programs, and our industry leadership in the areas of the built environment and responsible investment advocacy.

The Responsible Investment Team

Our progress summary

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

Areas of focus	Our progress	More information
Our commitment to responsible investing	Our Chief Investment Officer, Brett Chatfield answers some of the most asked questions about our responsible investing approach.	See page 9
Our recognition	We have highlighted some of our key responsible investing third-party acknowledgments and endorsements from the past 12 months, as well as Cbus Property's industry-leading sustainability certifications.	See page 10
Integration	This section provides key information about how we integrate material ESG risks and opportunities across our portfolio.	See page 12
Advocacy	Our advocacy efforts over the past 12 months have been focused on climate change and climate policy.	See page 16
SDGs	An update on how we contribute to a range of Sustainable Development Goals (SDGs).	See page 20
Stewardship	An overview of our stewardship activities for the last 12 months including our important work in advocacy, voting, engaging with companies (directly, through service providers and participating with industry partners and other investors).	See page 24
Human, community and labour rights	An update on our key areas of focus: human, community, and labour rights (including modern slavery, workplace safety, and First Nations).	See page 36
Investing in the real economy	We are committed to investing in projects and businesses that are important to our members and that will make a difference in the real world and to our members' retirement savings. This section includes ways in which we contribute to investing in the real economy through Cbus Property, our infrastructure portfolio and our investments in social and affordable housing.	See page 40
Climate change	Climate change is a rapidly evolving and complex area, and we continue to build on our work to understand how and where we can support and encourage an orderly, equitable and just transition.	See page 43
	Cohesive set of climate change principles developed.	See page 46
	1% climate change allocation framework developed, new investments within the climate change allocation sleeve. As at 30 June 2023, the 1% climate change allocation reached 0.59% (or $500M). In addition, we have identified that 10.5% of our portfolio was invested in climate investments.	See page 52
	Top 20 engagement outcomes.	See page 29
	Scenario analysis – building understanding of exposure to risk and limitations of data we have available.	See page 47-50
	Strengthened our governance framework by expanding our Climate Advisory Committee to include key leaders across the Investment Team.	See page 44
	Expanded carbon footprint analysis with inclusion of a subset of credit portfolio.	See page 54
	Continued to progress towards our 2030 carbon reduction goal. When we adjusted for growth in asset enterprise values between FY19 and FY22, our reduction in carbon intensity for FY22 was 20%.	See page 56
	From 2022, all of Cbus Property's office buildings in its portfolio are certified carbon-neutral under the Climate Active Carbon Neutral Buildings standard.	See page 10

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Our commitment to responsible investing

Why responsible investing is important and our approach

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

Albany Grasmere Wind Farm, Western Australia

(A Cbus infrastructure asset held through Bright Energy Investments)

How we invest responsibly

- **Through integration.** We assess how material ESG risks and opportunities are considered when choosing to invest in a company, or asset, or through an external investment manager and integrate these risks and opportunities as one input into our investment processes.
- **We are active stewards.** In FY23, through voting at annual meetings and through discussions with the company or manager, we aimed to improve practices so that companies we invest in are better run and provide more sustainable long-term returns. We also encourage the development of standards, guidelines and regulatory reform while also promoting a shift towards a sustainable finance system. Either directly or alongside others, we support the development of policies, and research and make submissions to government and regulatory consultations.
- **We are evidence driven.** We use a wide range of information and data to continuously evolve our evidence-based approach. We are involved in ongoing research to understand emerging issues, and provide evidence to measure and support our approach.
- **We are transparent.** We measure our activities and report on our progress, so our members can be confident that we do what we say we do.

You can read our Responsible Investment Policy here

Our key beliefs

We act in our members' best interest

We aim to apply a 'whole of fund' approach across our total portfolio

We advocate for a more sustainable future

435 Bourke Street, Melbourne

(A Cbus Property commercial office development - Artist Impression)

Our Chief Investment Officer (CIO), Brett Chatfield answers some of the more frequent questions about our approach to responsible investing.

Q. How do you invest responsibly?

A. Responsible investment is a key pillar of our overarching investment strategy. Our members, stakeholders and governing bodies expect us to invest, protect and grow our members' retirement savings.

Our approach considers ESG risks and opportunities that we regard as 'material', or highly likely to affect business or investment performance, when making investment decisions and choosing investment managers, companies, and assets.

While our core focus is on integration of material ESG risks and opportunities, we have identified key areas of focus: climate change and the energy transition and human, community, and labour rights (for example modern slavery and workplace safety). These areas of focus represent systemic risk, are aligned with our members' interests, and are topics where we believe we can measure, engage and report on our progress.

Importantly, we strive to demonstrate responsible investment leadership in asset classes where we invest directly and use our knowledge gained from the industries our members and employers work in. For example, investing in the real economy (including new properties and how we improve the sustainability of existing buildings), affordable housing, and supporting the energy transition (including an equitable transition for workers.)

Q. Why don't you have a sustainable investment option?

A. We believe our 'total portfolio' approach to responsible investing is in the best financial interests of all of our members and is what our members expect when they invest with us.

We consider material ESG risks and opportunities as one input into our investment decision making process, and aim to apply those considerations across the portfolio, rather than only through a stand-alone sustainable investment option.

In this way, all our members benefit from our approach. We also know that sustainable investment options can have higher investment fees, are resource intensive to administer and often have limited take up by members once offered.

Q. Why don't you divest from companies that invest in fossil fuels?

A. As the trustee of a super fund, we are subject to a number of strict statutory and general law obligations in the way we administer the Fund and how we invest for our members.

These obligations require us to invest for the purpose of maximising the retirement outcomes for all of our members and our members' best financial interests are the determinative factor when investing.

And what we do know from the International Energy Agency (IEA) net zero by 2050 scenario[2] is that fossil fuel demand greatly reduces as we move towards 2050, but some level of demand is likely to remain.

We don't believe a complete and sudden divestment from all fossil fuels is in the best interest of our members 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.

Within the legal framework discussed above, our aim ultimately is to contribute to the energy transition through our investments - for example, by investing in climate investment opportunities, investing in companies and assets that are actively transitioning, advocating and engaging to improve management of climate risk. In doing so, our aim is to help ensure the transition is as orderly as possible so that our members' benefits are maximised.

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

[2] Report released May 2021, https://www.iea.org/reports/net-zero-by-2050.

Our recognition

While striving to achieve great financial outcomes for our members we have also received the following third-party acknowledgments and endorsements during FY23.

Chant West^

Cbus was a finalist for the 2023 Best Fund: Responsible Investment Award from Chant West. This award acknowledges how funds are incorporating responsible investing into their core portfolios.

Lonsec+

With a more in-depth analysis on ESG this year, Lonsec gave us a 'High' rating for ESG across all investment options rated – this is the highest rating available for ESG.
This rating considers how rigorous, robust and structured our ESG process is and how well we integrate ESG into the overall investment process and policy and reporting framework.

Rainmaker

Cbus has been awarded an ESG Leader for 2023 by Rainmaker. The ESG Leader Rating is earned by Australia's best super funds that are implementing ESG principles to a high level, while having a track record of strong investment performance.

SuperRatings †

We have been **Generations Recognised** by SuperRatings which aims to recognise super funds leading the industry in sustainable behaviour.
This recognition was received because of our strong commitment to addressing the challenges faced by current and future generations.

^ Zenith CW Pty Ltd ABN 20 639 121 403 AFSL 226872/AFS Rep No. 1280401 Chant West Awards issued 17 May 2023 are solely statements of opinion and not a recommendation in relation to making any investment decisions. Awards are current for 12 months and subject to change at any time. Awards for previous years are for historical purposes only. Full details on Chant West Awards at https://www.chantwest.com.au/fund-awards/about-the-awards/.

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† The rating is issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit www.superratings.com.au for ratings information and to access the full report.

Cbus Property

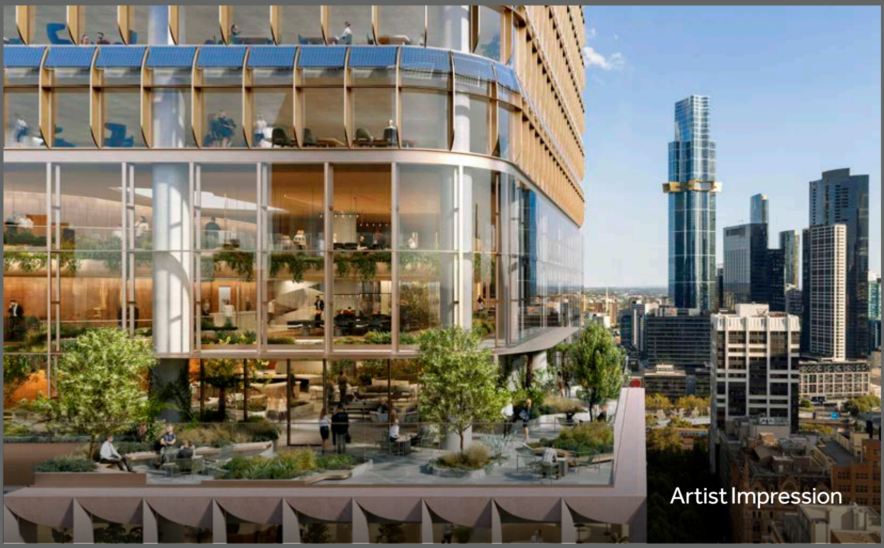
We are proud to support Cbus Property in its aspirations to deliver Australia's most sustainable office portfolio including its industry-leading certifications below:

- Average Green Building Council of Australia 6 Star Green Star Performance rating across office portfolio
- Leader in the NABERS Sustainable Portfolios Index 2023 and nationally ranked first for NABERS Waste and fourth for NABERS Energy and Indoor Environment
- International WELL Building Institute (IWBI) Health Safety ratings achieved across office portfolio

In addition, Cbus Property's office portfolio achieved net zero carbon status in 2022, eight years ahead of its 2030 target, as certified by the Climate Active Carbon Neutral Building Standard; and again received global recognition in the annual Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment. Cbus Property was awarded the Regional Sector Leader title for Standing Investments (Oceania, Diversified - Office/Retail). These achievements highlight Cbus Property's approach to integrating sustainability across all sectors of its business, from managing real assets to the way new projects are designed and constructed.

*** Cbus Property's certifications speak for themselves**

* Refers to portfolio ratings for Cbus Property's office portfolio (not ratings for individual buildings held in the portfolio). The Green Star logo refers to a Green Star Performance Portfolio rating for Cbus Property's office portfolio, which contains seven out of eight buildings that have achieved a 6 Star Green Star Performance rating.



Artist Impression

435 Bourke Street, Melbourne

(A Cbus Property commercial office development)

Designed to feature one of the world's first solar skin facades.

Photo credit: Trevor Mein

83 Pirie Street, Adelaide

(A Cbus Property commercial office development)

Delivered as one of Australia's first all-electric office towers.

720 Bourke Street, Docklands

(A Cbus Property commercial office development)

Achieved IWBI Platinum WELL v2 pilot certification.

For more information on our ratings and awards, visit: cbussuper.com.au/awards

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Integration

Integrating material ESG risks and opportunities into our investment processes, alongside traditional financial analysis (such as revenues, expenditure, cashflows and cost of capital), enables more informed investment decision making and seeks to improve risk adjusted returns over time. We do this by considering how material ESG risks and opportunities may impact individual investments and portfolios - the ESG factors that have the potential to affect business or investment performance.

There are a number of ways to incorporate ESG risks and opportunities into investment analysis. Accordingly, we tailor our integration approach given that we invest globally across a range of asset classes such as listed equities, credit, infrastructure, property, and private equity, and utilise both internal and external investment managers and internal investment managers for portfolio implementation.

The quality of ESG integration is an important consideration in the selection, appointment, and ongoing monitoring of our external investment managers. The Responsible Investment Team provides guidance and support to our investment team evaluating external manager investment practices through the following processes:

- Before appointment, undertaking ESG specific due diligence of each new investment manager and the proposed investment mandate documentation that sets out portfolio management obligations.
- Before appointment, providing guidance and appropriately tailored amendments to incorporate ESG requirements and reporting obligations in investment mandate documentation.
- Once appointed, monitoring the ESG risk profiles in investment manager portfolios utilising internal dashboards and third-party data sources where available.
- Continuing to engage with external investment managers at regular intervals to refresh our knowledge of portfolio risk exposures, the investment manager's ESG integration approach and to share insights to support continuous improvement.

The Responsible Investment Team also develops and supports the ESG integration capabilities applied to both our internal investment portfolios and directly managed investments. For example, our internal investment teams continue to be actively involved in voting and engagement activities, in our climate change roadmap development, reviewing independent rating information relating to our holdings (e.g. FairSupply, GRESB, Sustainalytics)[3] and evaluating future ESG data needs of the organisation.

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 stewardship and engagement programs as well as our climate change work.
- Incorporation of material ESG risks into the enterprise risk framework (including safety), with regular monitoring of key risk indicators and process controls across the portfolio and the Fund's operations by Board Committees, where material breaches are reported.
- Regularly updating the Investment Committee and Board directly and through the CIO report.
- Holding regular training sessions for staff and the Board on a range of ESG issues, including modern slavery and climate change.
- Ensuring that our investment managers benefit from clear and relevant contractual obligations set out in investment mandates to appropriately govern the expectations for ESG integration, engagement activity and regular reporting.
- Exclusion monitoring through compliance systems.

[3] https://fairsupply.com.au/, https://www.gresb.com/nl-en/, https://www.sustainalytics.com/

Exclusions when investing directly in shares

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

We 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. For public markets, our compliance system incorporates data from globally recognised third-party data sources to make this determination[4], while our private market managers are contractually required to make this determination prior to investment.

We may also employ investment mandate limitations to some index-based emerging market portfolios where we have limited ability to engage and influence companies with very poor ESG practices. Our current approach for these investment mandates excludes companies that have attracted the Sustainalytics highest controversy rating of "Severe" for a period of at least 12 months, with this list being reviewed annually.

Over the year we have also developed an Exclusions Governance Framework to guide future portfolio-wide exclusion category recommendations to the Investment Committee, and regularly report to the Investment Committee on potential exclusions categories to ensure we remain responsive in this important area.

ESG integration in action

Q. How are our direct investments integrating ESG risks and opportunities into investment decision making?

A. A good example exists within our infrastructure portfolio, where we hold a minority equity interest in Forth Ports, an owner and operator of eight commercial ports across the United Kingdom (UK).

Forth Ports is playing a key role within the transition to a low carbon economy, specifically through its important support to the UK offshore wind industry, via seven ports in Scotland and one in London.

Britain's offshore wind industry is one of the big success stories of the country's transition to decarbonise its electricity grid. From modest beginnings in the early 2000s where small onshore turbines were repurposed for the sea and generated a mere 2 megawatts (MW) of electricity generation capacity, the sector has boomed. There were 1,300 MW of wind power in British waters by 2010 and today, there are 14,000 MW.

According to *The Economist*, Britain had more offshore wind capacity installed than any other country in the world until 2021, when it was overtaken by China[5].

The North Sea holds vast potential for offshore wind and once a powerhouse of the oil and gas industry, the shallow coastal areas and stable wind speeds across the coast of Scotland are turning its waters into a major resource for the offshore wind industry. Scotland has nearly 2,000 MW of offshore wind capacity already operational and another 3,650 MW consented, with 2,000 MW of this currently under construction. By 2030, this could reach 40,000 MW.

Forth Ports is playing a key role in this transition investing in a new Renewables Hub at the Port of Dundee.

The Renewables Hub, the size of 28 soccer pitches, is currently supporting the construction of the Neart Na Gaoithe wind farm with 450 MW capacity[6]. In 2022, Inch Cape Offshore Limited selected the Port of Dundee Renewables Hub as the pre-assembly and marshalling site for the construction of the 1,100 MW Inch Cape Offshore Wind Farm, which will be Scotland's largest offshore wind project when commissioned later this decade[7]. Once built, it will feature the tallest turbines ever deployed in Scottish waters, with consent for tip heights of up to 291 metres.

[4] We currently use the Morningstar Inc. Sustainalytics platform data for this purpose.
[5] https://www.economist.com/britain/2022/11/24/why-britain-is-a-world-leader-in-offshore-wind
[6] https://www.forthports.co.uk/latest-news/the-port-of-dundee-confirmed-as-marine-hub-for-major-offshore-wind-project-with-edf/#:~:text=NnG%20has%20a%20capacity%20of,commissioning%20will%20complete%20in%202023
[7] https://www.inchcapewind.com/port-of-dundee-renewables-hub-selected-as-pre-assembly-base-for-construction-of-inch-cape-offshore-wind-farm/

The Port of Leith team in Edinburgh is also working hard to provide a bespoke offshore wind berth and a significant land bank for laydown and marshalling of offshore wind farm components. In late 2022, the port signed a reservation and collaboration agreement with bp and EnBW as the marshalling port for the 2,900 MW Morven offshore wind project located off the east coast of Scotland. Once completed, the project is expected to have a generating capacity of 2,900 MW, sufficient to power more than 3 million homes[8].

The Port of Leith and the Port of Dundee provide an integrated service offering to the offshore wind market. The infrastructure they offer and the team's expertise and capability in dealing with logistical challenges, are instrumental in achieving the UK's net zero targets over the next two decades. This makes Forth Ports the partner of choice for the renewable energy sector in Scotland.

More recently, the Port of Tilbury, RWE and Mitsui have signed a memorandum of understanding for two green hydrogen projects to investigate green hydrogen to decarbonise port operations. This includes a small-scale proof-of-concept plant and an initial study into a 10 MW green hydrogen plant to support port operations with a goal to expanding further through time.

Q. How are ESG risks monitored and managed on an ongoing basis for a direct investment?

A. Our ongoing risk monitoring at Forth Ports led by our infrastructure team is conducted in partnership with an experienced investment management firm providing specialist asset management guidance and advice.

As part of regular annual work, the firm also performs an annual asset health check that covers broader business performance and approach with particular focus on governance and specific ESG initiatives including ongoing safety investigations, and external benchmarking (e.g. GRESB reviews). The detailed information also assists our nominee director on the Board of Forth Ports.

Q. What themes will be important in forward engagement with infrastructure businesses?

A. A key pillar of our forward engagement with infrastructure investment managers and infrastructure businesses is to encourage shared learning of best practice for modern slavery risk management.

Over time, we believe there is opportunity to encourage explicit leadership commitments by infrastructure investment managers and businesses to disseminate best practice approaches to both key customers and wider users of infrastructure given their critical role in supply chains.

Q. Do you have an ESG engagement practice example?

A. During the year, the Responsible Investment Team engaged with the specialist investment management firm to understand the potential for modern slavery risk at Forth Ports. We recognise that the ports infrastructure is central to the shipping supply chain which is unfortunately associated with elevated risk of facilitating modern slavery.

We note that Forth Ports reports against UK modern slavery reporting requirements, provides publicly available documentation on its approach, and has an established auditing policy.

Forth Ports has also secured the Certificate of Achievement in Corporate Ethical Procurement & Supply from the Chartered Institute of Procurement & Supply ('CIPS'). This is a rigorous exam-based assessment for all procurement staff and is recertified on an annual basis. It requires every member of its procurement team to have an understanding of the three key topics covered: 'Sustainability', 'Human Rights' and 'Fraud, Bribery and Corruption'. As a result of this accreditation, Forth Ports is also listed on the CIPS Ethical Register.

[8] https://www.forthports.co.uk/latest-news/port-of-leith-signs-reservation-agreement-for-multi-billion-pound-morven-offshore-wind-project/

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Advocacy

As stewards of our members money, we have a role to play in shaping the systems in which we operate and invest, driving better outcomes for our members' and the world in which they will retire. Some of the biggest issues facing the world today, such as climate change, cannot be solved by individual action alone.

While we need the companies we invest in to respond and adapt to these issues, we also need change across political, social and economic systems. We play an active role in advocating in our members' best financial interests with a focus on influencing policy, reporting standards, and regulatory guidelines.

The bulk of our advocacy efforts over the past 12 months have been focused on climate change and climate policy, and this has been driven by the increased climate ambitions of the Australian Government. As per the latest Intergovernmental Panel on Climate Change (IPCC) report, barriers currently exist to redirecting capital towards climate action. Reducing these barriers requires clear signaling and support by governments, including lowering real and perceived cost, regulatory and market barriers and risks, and improving the risk-return profile of investments[9].

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

- Safeguard Mechanism – we signed a joint statement from the Finance Sector peak bodies supporting reforms to the Safeguard Mechanism and also contributed to the Australian Council of Superannuation Investors (ACSI) response to the Government's consultation on these reforms.

  The Safeguard Mechanism Amendment Bill was passed in March 2023.

- Net Zero Authority – we were a signatory to an Australian Council of Trade Unions (ACTU) letter calling for the establishment of an Energy Transition Authority to support workers through the energy transition.

  The 2023-24 Federal Budget announced the establishment of the Net Zero Authority.

- Australian Industry Energy Transition Initiative – the third report from this initiative was published in FY23. It outlined pathways for the decarbonisation of key industrial supply chains.

  The Australian Government has recently announced they will develop sectoral decarbonisation plans.

- Australian Sustainable Finance Taxonomy – we provided financial support to the Australian Sustainable Finance Institute (ASFI) Taxonomy Project Phase 1, as well as having representation on the Taxonomy Steering Committee.

  The Australian Government announced in April that they will co-fund Phase 2 of this project.

- Social and Affordable Housing - we participated in formally arranged working groups focused on supporting Community Housing Providers (CHPs) to deliver more social and affordable housing and the Treasurer's Investor Round Table, which led to Cbus supporting the National Housing Accord.

[9] IPCC AR6 Synthesis Report (2023), p35. https://report.ipcc.ch/ar6syr/pdf/IPCC_AR6_SYR_SPM.pdf

Our advocacy work snapshot

Direct Government engagement	
Climate Policy	Alongside the Investor Group on Climate Change (IGCC), we were one of six investors participating in Federal Government Round Tables on climate policy.
	We participated in the Federal Treasurer's Investor Round Tables.
	We participated in Australian Sustainable Finance Institute's sustainable finance Round Tables.
Initiatives where we provided financial support in members' best financial interests or were represented on key committees	
Australian Industry Energy Transition Initiative (ETI)	Funding partner. Member of ETI Steering Committee.
National Housing Accord	We participated in formally arranged working groups focused on supporting Community Housing Providers (CHPs) to deliver more social and affordable housing and the Treasurer's Investor Round Table, which led to Cbus supporting the National Housing Accord.
Australian Sustainable Finance Institute (ASFI)	Funding partner. Member of Board and Taxonomy Steering Committee. Financial support for ASFI Taxonomy Project.
International Sustainable Standards Board (ISSB)	Member of ISSB Investor Advisory Group (IIAG).
Sector Decarbonisation Pathways	Financial support for IGCC's Sector Decarbonisation Pathways research.
Signatories	
Australian Industry Energy Transition Initiative (ETI)	Signatory to joint statement accompanying release of the final report from the Australian Industry Energy Transition Initiative.
Net Zero Authority	Signatory to Australian Council of Trade Unions letter regarding the establishment of an Energy Transition Authority.
Safeguard Mechanism	Signatory to a Finance Industry joint statement on Safeguard Mechanism reforms, signalling support for Safeguard Mechanism reforms.
Energy efficiency – Home Energy performance	Signatory to ASFI joint statement on Home Energy Performance, aimed at accelerating key reforms within the National Energy Performance Strategy.
International Sustainable Standards Board (ISSB)	Signatory to IIAG joint statement supporting ISSB S1 and S2 disclosure standards.
Consultations where we provided feedback either directly or through one of our member organisations	
Climate change	Federal Government consultation on reforms to the Safeguard Mechanism (Department of Climate Change, Energy, the Environment and Water).
Climate change	Australian Sustainable Finance Institute consultation on the design of the Australian Sustainable Finance Taxonomy.
Climate change	Federal Treasury consultation on climate-related financial disclosures.
Biodiversity	Task Force on Nature Related Financial Disclosures (TNFD) consultation on the TNFD framework.
Social and affordable housing	Federal Treasury consultation on the establishment of the Housing Australia Future Fund.

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

We monitor the advocacy activities of our member organisations through participation on committees, Board representation and via reviews. We are a Board member of the:

- Australian Council of Superannuation Investors (ACSI),
- Australian Sustainable Finance Institute (ASFI) and
- Investor Group on Climate Change (IGCC), who all actively advocate for system wide standards, guidelines, and regulatory settings.

The following table illustrates the alignment of our climate change goals with those of our key advocacy partners. Our climate change goals can be found on page 45.

Partners	ACSI	IGCC	ASFI	PRI
Membership	Yes	Yes	Yes	Yes
Board representation	Yes	Yes	Yes	N/A
Committee membership	Member Advisory Council	Chair of IGCC Board Chair of IGCC Transition to Net Zero Working Group	Chair of ASFI Board ASFI Taxonomy Steering Committee	N/A
Working Groups involvement	Chair of ACSI Working Group on Rights and Cultural Heritage Risk Management Member of Working Groups: Governance Guidelines, Just Transition, Member Campaigns, Social Factors	Member of Working Group: Corporate Engagement, Policy and Advocacy	Member of Working Group: Transformation Leadership	Member of Working Group: SDGs
Aligned commitments - Cbus, Partners	Engage with companies to encourage: - Net Zero by 2050 targets - Support and contribute to the SDGs - Encourage medium-term climate targets	Support investors to engage with heavy emitting companies and encourage: - Net Zero by 2050 - Medium-term targets by 2030	Work towards Net Zero transition	Assist investors: - Align practices with UN SDGs - Incorporate ESG factors including climate goals (Net Zero by 2050)

Further information regarding our advocacy achievements are on page 29. For further information on ACSI's engagement in relation to First Nations, please see page 39.

4

Sustainable Development Goals

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

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

111 Castlereagh Street
Sydney, New South Wales
(Cbus Property residential developments)

We assess how we contribute to the SDGs in two ways, the first way is through the review of our behaviours in how we operate as a Fund, and the second way is through a review of how we contribute to the SDGs via the Sustainable Development Investments Asset Owner Platform (SDI-AOP).

Our contributions to the SDGs via our behaviour

Through our commitment to our members and the industries they work in, being an employer of choice, and engaging and advocating across our key responsible investment focus areas (including climate change) means that each year we contribute to a range of SDGs.

Our contribution to the SDGs

SDG	SDG Target	Our actions during FY23
5 GENDER EQUALITY	**5.4** Recognise and value unpaid care and domestic work.	Our workplace policies: gender equal parental leave, superannuation on unpaid parental leave, flexible working arrangements. Our advocacy to reduce inequities in the superannuation system: super on unpaid parental leave, removal of the $450 minimum monthly threshold for superannuation contributions.
	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels.	Our gender pay gap target. Industry partner and involvement in Future Impact aimed at increasing female participation within investment management. Our voting practices on Board diversity. Engagement on Board diversity via ACSI and Federated Hermes EOS.
7 AFFORDABLE AND CLEAN ENERGY	**7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.	1% climate change allocation – mitigation investments. Australian property investment managers net zero 2030 goals. Renewable energy investments within our infrastructure portfolio. Cbus Property renewable energy targets – 100% by 2025. Engagement on clean energy via Federated Hermes EOS.
	7.3 By 2030, double the global rate of improvement in energy efficiency.	Our advocacy on home energy efficiency. Cbus Property minimum energy rating targets – NABERS Energy 5.5 stars for new commercial, NatHERS 7.5 stars for residential.
8 DECENT WORK AND ECONOMIC GROWTH	**8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.	Engagement on modern slavery via ACSI and Federated Hermes EOS. Engagement on modern slavery as a member of the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative.
	8.8 Protect labour rights and promote safe and secure working environments for all workers.	Our workplace policies: family violence, discrimination, gender affirmation. Our advocacy on issues of unpaid super and appropriate insurance for workers in hazardous occupations. Our advocacy for Australia's Net Zero Authority. Our Head of Responsible Investment is a member of the Towards Sustainable Mining, Community of Interest Stakeholder Advisory Panel. Our engagement on workplace safety, directly and via ACSI and Federated Hermes EOS. Cbus Property Cleaning Accountability Framework portfolio target by 2025.

SDG	SDG Target	Our actions during FY23
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable.	Our advocacy on climate change via the IGCC, ACSI and ASFI on sector pathways, barriers to investment, transition plan disclosures, Safeguard Mechanism. Member of the Australian Industry Energy Transition Initiative. Our engagement on emissions reduction, directly and via Climate Action 100+ (CA100+). We engaged with 85% of top 20 Australian listed emitters in FY23. Lead investor for CA100+ engagement with Incitec Pivot. Our voting on 'Say on Climate' votes.
11 SUSTAINABLE CITIES AND COMMUNITIES	**11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.	1% climate change allocation – mitigation investments. Australian property investment managers net zero 2030 goals. Renewable energy investments within our infrastructure portfolio. Cbus Property renewable energy targets – 100% by 2025. Engagement on clean energy via Federated Hermes EOS.
	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage.	Our engagement on First Nations issues, both directly and via ACSI.
	11.6 By 2030, reduce the adverse per capita environmental impact of cities.	Achieved for Cbus Property's office portfolio in early 2022, eight years ahead of schedule.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Cbus Property portfolio 75% recycling target and 90% construction and demolition waste recycling target. Our engagement via Federated Hermes EOS.
	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Our advocacy on ISSB, TNFD, climate disclosures, transition plans via the IGCC, ASFI and ACSI. We engaged with 85% of top 20 Australian listed emitters in FY23. Our voting on 'Say on Climate' votes.
13 CLIMATE ACTION	**13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	1% climate change allocation – adaptation investments. Our support for the IGCC's advocacy priorities – building Australia's resilience. Cbus Property Climate Risk and Resilience plans.
	13.2 Integrate climate change measures into national policies, strategies and planning.	Our engagement on emissions reductions directly and via ACSI, CA100+ and Federated Hermes EOS. Our advocacy on climate policy via consultations on reforms to the Safeguard Mechanism, climate-related disclosures, transition plans, climate change authority. Signatory to joint statement in support of Safeguard Mechanism reforms. Member of the Australian Industry Energy Transition Initiative. Member of ASFI and financial supporters of the ASFI Taxonomy Project. Representation on the ASFI Board and the ASFI Taxonomy Steering Committee.
17 PARTNERSHIPS FOR THE GOALS	**17.17** Encourage and promote effective public, public-private and civil society partnerships.	Member of the Australian Treasurer's Investor Round Tables. Engagement with governments on public-private partnerships.

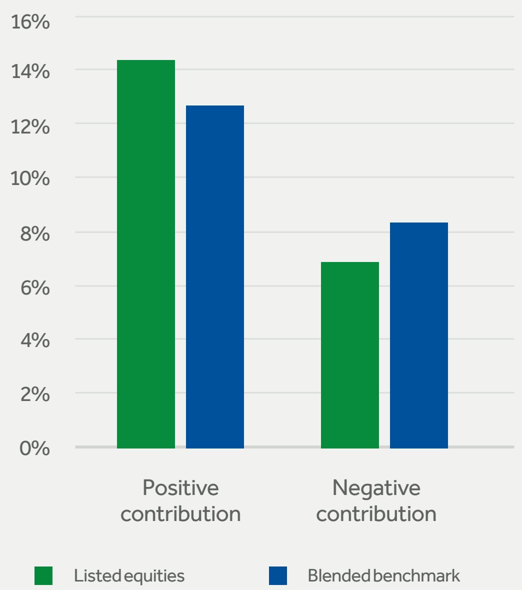
Our contributions to the SDGs via SDI-AOP

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

We have weighted each company's positive and negative SDG-aligned revenues by the holding amount (%) in our listed equity portfolio and its relevant benchmark, as at 30 June 2023. The analysis show our listed equities portfolio had a higher positive contribution and lower negative contribution when compared with the benchmark.

The key SDG where a positive contribution was identified was SDG 3 – Good Health and Wellbeing, while the key SDG where a negative contribution was identified was SDG 7 – Affordable and Clean Energy. The majority of negative contributors within our listed equities portfolio identified through this analysis have already been identified as existing priorities as part of our climate engagement program by our Responsible Investment Team. We will continue to assess and evolve how this analysis can be used (as an additional input) to further support our stewardship activities.

Portfolio contributions to SDGs:
Our Listed Equities portfolio and Blended Benchmark



Data represents our listed equities portfolio and its relevant benchmark as at 30 June 2023 with 95% of the equities portfolio being covered in the analysis (including cash). SDG contribution data is sourced from the SDI-AOP. Contribution is calculated as the sum of each individual company's total SDG-aligned revenue (%) multiplied by the weight (%) within our portfolio and benchmark for that company. The measured SDGs include 1, 2, 3, 4, 6, 7, 9, 11, 12, 13, 14, 15. Contributions to SDGs 5, 8, 10, 16 and 17 are not currently covered by the SDI AOP, where contribution to these SDGs is based on company conduct rather than a revenue measurement. Only companies that are rated by the SDI AOP as material contributors toward the SDGs (> +/- 10% SDG-aligned revenues) are included in the analysis.

5

Stewardship

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

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

	Advocacy	We undertake advocacy where we believe it will support long-term value creation for our members' retirement savings. Our goal is to influence the broader market which will promote a shift towards a sustainable financial system.
	Voting	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. When voting at company meetings, we consider the company's leadership and performance including in relation to governance such as executive pay and the appointment or re-election of directors who oversee management of the companies in which we invest.
	Engaging with companies	The goal of our engagement and voting is to protect and preserve our members' retirement savings.
	Considering the stewardship practices of our external managers	See page 29 for further information.

We have a governance structure for stewardship including:

- Investment delegations
- Risk management indicators and controls
- Monitoring of third-party service providers
- Annual reporting to the Investment Committee and regular reporting to the Board.

A revised future focus

During the financial year our Investment Committee approved a revised Stewardship Framework that addresses regulatory and best practice developments and will be reviewed every two years.

Investors such as Cbus, with long term and very diversified portfolios, also known as 'Universal Investors', are exposed to the volatility and performance consequences of economy wide environmental and social impacts.

Recognising this, our revised Stewardship Framework deploys our resources and influence as an investor with the aim of supporting real world outcomes[10] that have the potential to protect assets and preserve value for our members. In-line with global best practice, we will have a greater focus on real world outcomes in our members' best financial interest.

Levers available include advocacy and the suite of rights attached to our shareholdings. These include the right to vote at companies' general meetings and elect the directors we believe represent our members' interests well. Other opportunities for influence also flow from these rights – such as direct communication with Boards via engagement.

The following guiding principles will be used to help determine alignment with real world goals in our members' best financial interest, guide prioritisation, optimise cost-effectiveness of stewardship activities, and support evaluation and adaptation of the Stewardship Framework over time:

- Significance for member best financial outcomes
- The extent of improvement that could feasibly be achieved
- The additionality of our contribution to improvements
- Reputational/regulatory implications

Cbus is a signatory to 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: acsi.org.au/members

[10] Real world outcomes refer to changes that affect the systems in which our investee companies operate, and in terms of our ESG approach refer to identifying stewardship priorities that are aimed at promoting a shift towards a sustainable finance system, and supporting development or enhancement of standards, guidelines and regulatory reform.

Voting

Voting at company meetings is a key way we exercise our stewardship obligations. Since 2018, we have internalised voting and taken responsibility for voting on our stocks in place of external investment managers, and voting at all company meetings in all markets globally where practicable.

We take 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's Corporate Governance Guidelines which are reviewed by ACSI and member funds biennially.

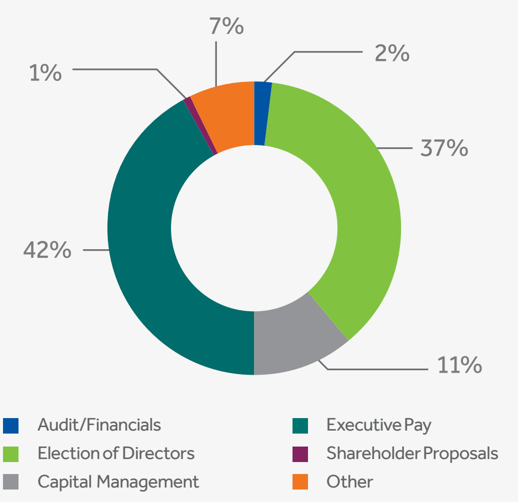
The Fund has a robust governance process for vote decision making which includes investment delegations, strategy reviews, and reporting to the Investment Committee and Board. To ensure an informed view, in addition to considering voting recommendations from ACSI and CGI Glass Lewis, the Fund seeks a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

Australian Share Voting

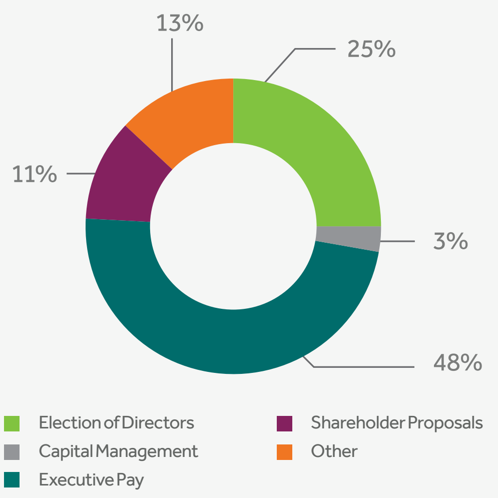
Proxy Voting outcomes for ASX holdings from 2019-2023

Financial Year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2023	3,083	87	12	1
2022	2,605	87	12	1
2021	2,249	86	12	2
2020	2,206	87	12	1
2019	2,187	87	12	1

FY23 Australian voting resolution by theme



FY23 Vote against by theme, Australia



Our voting positions supported the following outcomes in FY23:

- Improving gender diversity among ASX Boards.
- 25 companies in the ASX 300 received a strike against their remuneration reports in FY23, primarily due to shareholder dissatisfaction with business outcomes, quantum of executive pay, and poor/no hurdle disclosure and/or concern regarding safety performance and outcomes.
- Several companies withdrew amendments to their constitution aimed at facilitating virtual only shareholder meetings.
- 6 of our portfolio companies in the ASX 300 put forward advisory 'Say on Climate' or Climate Transition Action Plan proposals. We supported 4 of these proposals.

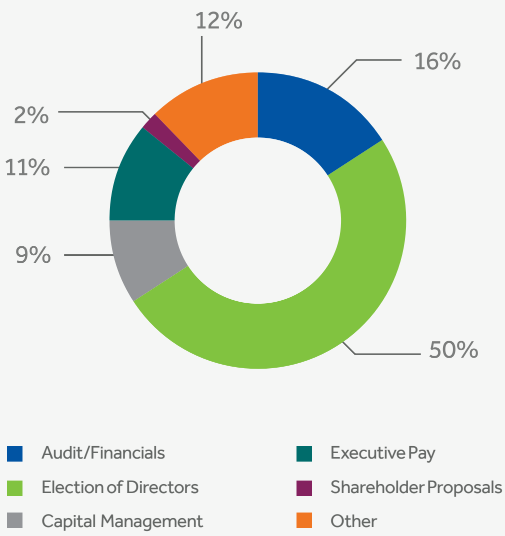
Global share voting

Proxy Voting outcomes for global holdings from 2019-2023

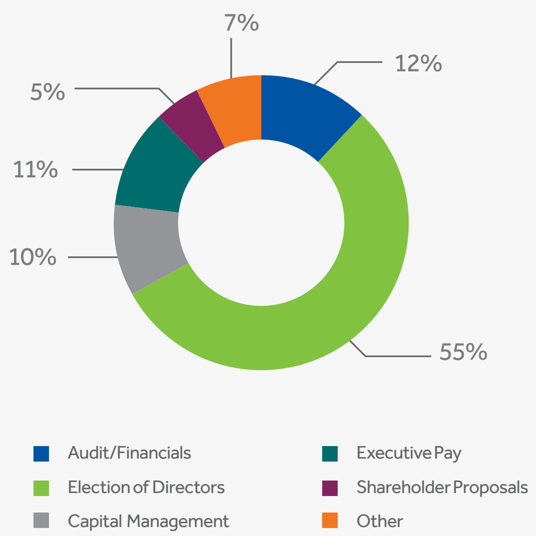
Financial Year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2023	18,872	83	15	2
2022	21,150	82	16	2
2021	24,278	81	17	2
2020	31,694	84	15	1
2019	31,601	79	15	2

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

FY23 Global voting resolution by theme



FY23 Vote against by theme, Global



Shareholder proposals

Shareholder proposals (SHPs) are another tool we use to raise concerns with a company regarding management of material ESG risks and opportunities. They are put forward by shareholders rather than by the company's Board. We assess 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 29 SHPs in FY23:

- 11 were environmental resolutions predominantly climate change related. Typically, we did not support climate related shareholder proposals where we had the opportunity to raise concerns through a 'Say on Climate' vote.
- 4 social-related resolutions (including First Nations Peoples and cultural heritage related issues).
- 14 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.

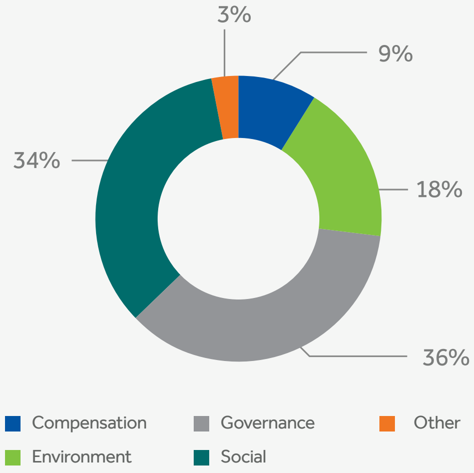
There has been a steady increase in the number of SHPs globally. Of the 438 SHPs (including Australia) raised at investee companies in FY23, resolutions covered climate change, human capital management, board governance, skills and diversity, human rights and lobbying.

91 environmental related resolutions

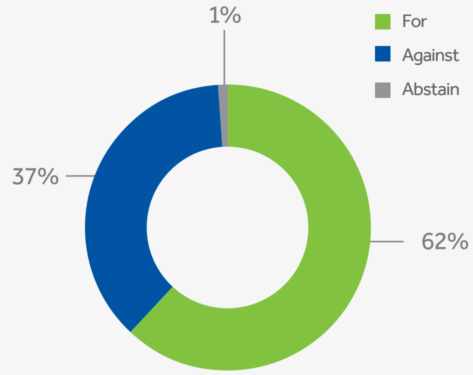
166 social related resolutions

181 governance related resolutions

FY23 Global shareholder proposals by theme, including Australia



FY23 Global shareholder proposals by vote, including Australia



We supported 86% 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, 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 the company to make meaningful change.

Engagement

Engagement with 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 material ESG risks and opportunities to inform our voting positions, understand a company's perspective, and advocate for improvement in practices to protect or enhance long-term value.

Our approach to identifying focus areas and methods for engagement did not change in FY23. When we last developed our engagement strategy in FY21, we considered 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.

Our engagement activities and our objectives are fluid and continue to evolve as market and company practices and regulation evolves.

However, our monitoring is not limited to the companies we directly invest in within our internal portfolios. It also involves monitoring the individual holdings/stocks that are held on our behalf by our external investment managers, supported by targeted engagement regarding their consideration of material ESG risks and opportunities (such as climate change). We also undertake advocacy work primarily focused on influencing standards, guidelines, and regulatory reform to increase our ability to identify, measure and mitigate risk.

Our engagement approach

We undertake three types of engagement:

- **Direct -** Involves meetings with a company on financially material ESG issues.
- **Service providers -** Through ACSI for Australian shareholdings and through Federated Hermes EOS for our global shareholdings.
- **Collaborative -** 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 64 companies a total of 161 times on our priority themes (climate change, First Nations, modern slavery) as well as on strategy, culture, governance, remuneration, and safety. Of those:

- 65 were alongside ACSI, Climate Action 100+ and IAST APAC
- 96 were direct

On climate change, we engaged with 17 of our top 20 highest Australian emitters a total of 55 times (~35% of total engagements), predominantly collaboratively. With respect to the other 3 of the top 20 highest Australian emitters, climate engagement was overtaken by other items on the meeting agenda, or we chose to pause engagement given corporate transaction activity. We engaged 16 companies in relation to safety performance and disclosures (see page 38) and with 42 companies in relation to virtual only meetings. We also attended 7 meetings (typically alongside ACSI) with 5 non-government organisations or other stakeholders primarily on climate-related topics which helped inform our voting positions and approach to relevant company engagements.

We successfully advocated for the establishment of ACSI's Cultural Heritage Risk Management Working Group, chaired by our Head of Responsible Investment. The working group has produced research and expectations of listed companies' engagement with First Nations Peoples underpinning ACSI's priority engagement and has now been incorporated into the global initiative 2030 Vision for the Mining Sector. For further information regarding ACSI's work on Cultural Heritage Risk Management page 30, 31 and 39.

Woodside Energy Group

Objective: Improve Woodside's decarbonisation plan in line with the company's stated commitments, to preserve and protect member value.

Background: We voted against Woodside's advisory 'Say on Climate' proposal at the company's 2022 AGM due to concerns regarding exposure to and management of climate change risks.

Actions: Having engaged with Woodside directly and alongside ACSI and Climate Action 100+ and seeing unsatisfactory improvement, we raised our concerns regarding climate-related Board skills and climate-related targets within executive remuneration, at the company's 2023 AGM by voting against a director and not supporting Woodside's remuneration report.

Outcomes: Subsequently, Woodside has committed to hold its second advisory 'Say on Climate' vote in 2024 after the company updates its climate strategy, as well as increases engagement with shareholders to address key issues including reporting, long-term resilience of the portfolio, scope 3 emissions reduction targets, and the use of carbon offsets.

Santos

Objective: Improve Santos' focus on management of climate-related risks in line with the company's stated commitments, to preserve and protect member value.

Background: We did not support Santos' advisory 'Say on Climate' proposal given ongoing concerns relating to climate risk management. We engaged directly with Santos outlining our expectations and requests for improvement and, since then, we have engaged both directly and alongside ACSI and Climate Action 100+ throughout the year.

Action: Considering Santos' expansion of oil and gas projects and lack of articulation of alignment with the company's Net Zero commitments, lack of scope 3 emissions reduction targets, limited sustainability capex spend, consideration of climate-related metrics in incentives, and no clear response provided to our concerns, we voted against the company's remuneration report at the 2023 AGM and against relevant directors.

Outcome: We continue to engage both directly and collaboratively with Santos regarding the company's management of climate risks (see page 39 regarding our voting position on management of relationships with First Nations Peoples).

Our service provider & collaborative engagements

In addition to our direct engagement with companies, we work with several organisations including those listed on the following pages:

We are a founding member of ACSI, who provide research on ASX listed companies and a strong voice on important ESG issues.

In FY23, ACSI conducted 306 engagement meetings with 194 different ASX 300 listed companies. ACSI supports our work in understanding material ESG risks and in fulfilling our obligations as a responsible investor.

Improvements were made in 89% of the priority areas identified by ACSI.

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/

ACSI outcomes with listed companies: Australian Listed ASX 300 Companies

Climate change	**ACSI's analysis of the ASX 200 for calendar year 2022 showed:** • 14 priority climate companies significantly improved and 16 seeing some improvement. • 25 of ACSI's expanded climate priority companies have set Net Zero by 2050 targets. • All of the big four banks plus Macquarie Group are signatories to the UN convened Net Zero Banking Alliance (NZBA) with Commonwealth Bank of Australia and Westpac having joined in 2022. • ACSI have expanded work on circular economy – after extensive engagement with a packaging company, pleasingly ACSI have seen a ratcheting up of its 'eco targets', backed up by investment in a glass recycling plant to decrease the need for virgin materials in bottle manufacturing. • Continued work to secure commitments from a broader number of companies to hold 'Say on Climate' votes at their AGMs.
Human, community, and labour rights including workplace safety	For the 2022 calendar year, ACSI assessed 12 companies as significantly improving on priority focus themes, 20 with some progress and 2 with limited/ little progress. During FY23, ACSI undertook a deep-dive engagement with 23 ASX-listed companies which operate in industries with a higher risk of modern slavery exposure. One example of this is Woolworths Group, one of the first companies to disclose and discuss remediation of an actual instance of modern slavery in its public report. See page 39 for further information regarding First Nations engagement.
Governance	In calendar year 2022, the appointment rate of women to ASX 300 Boards was 46% (44% in 2021) and the appointment rate of women in the ASX 100 was 50.5%, a record of 51 of 101 appointments being women. ACSI's continuing work to encourage Board gender diversity saw 4 women appointed to companies which previously had zero women directors and an additional 12 women to Boards which had a sole woman director in 2022. ACSI successfully engaged with 8 companies in FY23 who either withdrew proposed virtual-only meetings clauses or dropped constitutional amendments altogether.

Equitable and Just Transition

ACSI has been publicly advocating for policy action to support a just transition to a low carbon economy. In December 2022, ACSI released a research report on Just Transition, an output of their Just Transition Working Group of which we are a member. The report outlines a set of investor expectations of listed companies and policies which ACSI recommended governments put in place to support a just transition.

Pleasingly, the Australian Government announced in May 2023 the establishment of the Net Zero Authority to oversee and drive the transition. We also advocated for the establishment of this authority.

In addition to policy engagement, ACSI and its members engaged with a selection of ASX companies in materially-exposed industries on just and equitable transition pathways, to ensure that companies have plans and strategies in place for accelerated asset closures for affected workers and communities. ACSI's Just Transition Working Group continues to meet regularly to discuss progress on company engagements and policy advocacy.

View report here

Federated Hermes EOS

Federated Hermes EOS undertake engagement on our behalf covering approximately 58% of our total global equity holdings. In FY23, Federated Hermes EOS engaged with 329 global companies with progress made on approximately 80% of the engagement objectives. Engagement objectives included environmental (including climate change), social and ethical (including human capital management and human and labour rights), governance, and strategy, risk and communication.

Federated Hermes EOS outcomes with listed companies: Global Listed Companies

Climate change	**2 engagement outcomes of note on climate and circular economy include:** • With Federated Hermes EOS as lead engager for CA100+ initiative, a consumer products company has published its first TCFD Report in calendar year 2022 which includes scenario analysis. The company also added company performance measures to the 2022 annual incentive program tied to its sustainability and diversity, equity and inclusion progress. • Engaged with a beverage and food manufacturer to expand its commitment for all product developments to be 100% recyclable, reusable, or compostable by 2030. In 2022, the company began to disclose the percentage of its products considered recyclable.
Human, community, and labour rights including workplace safety	Social and ethical topics featured in 26% of engagements on our behalf in FY23, with the most progress achieved on human rights, human capital management, and diversity.
Governance	Governance topics comprised 15% of total engagements in FY23, with progress made predominantly on Board diversity, skills, and experience, and executive remuneration. Post engagement with a mining company focusing on disclosure of sexual harassment, the company subsequently included sexual harassment metrics within the remuneration schemes, further committing to provide more information on issues and remediation actions in its next report.

For more information about Federated Hermes EOS visit:
hermes-investment.com/au/

Climate Action 100+
Global Investors Driving Business Transition

Climate Action 100+ (CA100+) is the largest investor led climate change engagement initiative globally. Under the initiative, over 700 investors managing $68 trillion in assets under management engage with over 160 companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures. As a CA100+ signatory, we lead engagement with one of these companies and actively support engagement with several others.

Engagement summaries for Climate Action 100+

17 and 35 Spring St, Melbourne , Victoria
(Cbus Property residential developments)

During the year, after consultation with signatories, the CA100+ initiative renewed the three goals, evolved the Net Zero Company Benchmark, enhanced ways in which investors can participate and made marginal updates to the focus list of companies.

Net Zero Benchmark

CA100+ published the third set of Net Zero Company Benchmark assessments in October 2022 (assessing information as at 31 May 2022). Given this is the second set of Benchmark assessments released in 2022 and the last set before the initial five-year time horizon of the initiative, these were considered interim assessments. The benchmark assessments released highlighted some year-on-year progress, while signalling more action is needed to support global efforts to limit temperature rise to 1.5 degrees.

The results show:

- 75% of focus companies have set Net Zero by 2050 commitments (6% increase since March 2022)
- 92% of focus companies have some level of Board oversight of climate change (2% increase since March 2022)
- 91% of focus companies have committed to the basic aspects of the TCFD framework (2% increase since March 2022).

In relation to the 14 focus companies within Australia, companies performed well on:

- **Net zero ambition:** 100% focus companies have set this ambition for at least their scope 1 & 2 emissions, up from 93% in FY22
- **TCFD disclosure:** 100% of companies have committed to TCFD aligned disclosure
- **Governance:** 100% have Board oversight and relatively high linking of remuneration to climate performance (79% mostly linked to STI)
- **Decarbonisation strategy:** 71% have committed to disclosing a strategy.

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

IAST APAC

Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) is an investor led initiative that has been convened to engage with companies in the Asia Pacific region to promote effective action to find, fix, and prevent modern slavery, labour exploitation, and human trafficking. IAST APAC comprises 42 investors with A$9.4 trillion in Assets under Management (AUM), together with ACSI, Walk Free, and the Finance Against Slavery and Trafficking (FAST) initiative.

Engagement summaries for IAST APAC

During the year, through two workstreams IAST APAC achieved the following:

Workstream 1:

- A submission was made on behalf of IAST APAC to the Australian Modern Slavery Act. Positively, one of IAST APAC's recommendations, support for the establishment of an independent Commonwealth anti-slavery commissioner, has now been confirmed to receive funding from the Federal Government within the 2023-24 Budget for its establishment.

Workstream 2:

- As at 30 June 2023, IAST APAC engaged with 22 focus companies across the consumer discretionary, consumer staples, technology and healthcare sectors. 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.
- Held knowledge events through partners Walk Free and FAST to inform IAST APAC investors of supply chain tools and risks,

For more information about IAST APAC you can read their detailed Annual report: cdn.iastapac.org

Engage with our top 20 highest Australian listed emitters

In FY23, engagement covered 17 of our top 20 Australian contributors to financed emissions.

Progress of note included:

- 100% have set a Net Zero target by 2050 covering scope 1 & 2, compared to 65% in FY22.
- 100% of companies have aligned or at least partially aligned with TCFD reporting recommendations vs 30% last year.
- 50% have either adopted or are considering an advisory 'Say on Climate' vote.
- 25% of the companies made good progress over FY23 (unchanged versus FY22), 31% had made partial progress (FY22: 15%), and 44% have been assessed as limited progress (FY22: 60%).

We are developing our forward-looking stewardship goals in line with our revised strategy.

Net Zero Committment for scope 1 & 2 Emissions by 2050

Yes

TCFD-Aligned Reporting

Yes

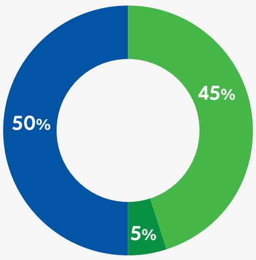
No

Say on Climate Advisory Vote

Yes

Considering

No

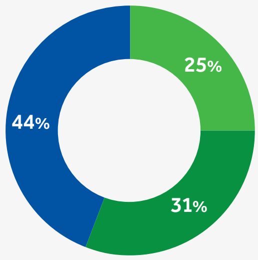


Progress

Good

Some

Limited



Say on Climate

We have been a strong supporter and advocate for the introduction in Australia of a 'Say on Climate' (SOC) advisory vote. This provides shareholders like us with an opportunity to signal support for or raise concerns with a company's climate strategy and progress.

A key focus for us has been the frequency shareholders can vote on these matters. Our 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.

We have seen an increase in focus by Boards on climate change as evidenced by the first shareholder advisory SOC votes for 6 of our portfolio companies in the ASX 300. We supported 4 of these proposals.

6

Human, community and labour rights

Modern slavery

We report against the Modern Slavery Act 2018 (Cth) (the "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 fourth year we will be reporting against the Act.

We are committed to minimising the risk of modern slavery in our operations and supply chains.

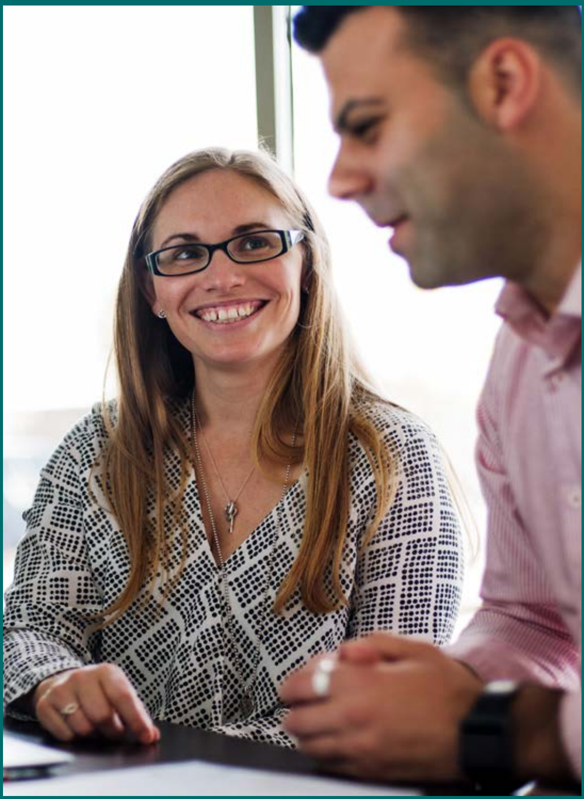
A summary of our key achievements over the year is below:

- Continued to support ACSI, Federated Hermes EOS, and IAST APAC engagements with listed companies in which we invest in regarding potential risks related to modern slavery.

  In FY23, ACSI held 54 engagement meetings with 44 ASX 300 companies where modern slavery and broader workforce and supply chain management issues have been raised. In 2023, ACSI commissioned Pillar Two to undertake detailed analysis of the third year of reporting of Modern Slavery Statements by ASX 200 companies. With the findings from the research, ACSI continues to engage with these companies on their approach to, and reporting of, modern slavery issues and how they can improve to ensure that they more effectively address their risks.

  Federated Hermes EOS engaged with a global automotives company on human rights issues relating to its cobalt supply chain. In response the company is actively researching battery technologies which may reduce or eliminate a reliance on cobalt. They also engaged with a global consumer goods company, where engagement focused on high-risk materials in the company's palm oil supply chain with concerns over the lack of reporting on a supplier due diligence process and human rights violations.

  The company has made progress on third-party supplier certification and monitoring, while its most recent annual report evidences increased Board oversight of modern slavery and palm oil monitoring and remediation activities.
- We conducted modern slavery engagement with investment managers focused on those identified with higher risk exposures in our June 2022 analysis utilising third party data provided by FairSupply. This included those managers holding the top 20 risk exposures, and investment managers with elevated risk portfolios above the broader portfolio average. We sought specific information from 13 of our listed equities managers, 2 internal equities managers and 4 external infrastructure managers.
- We also held an online seminar with several of our external equities investment managers to discuss current industry best practices, specifically in relation to strategies and tools that can be applied for supply chain due diligence and analysis. Our investment managers continue to improve their risk knowledge and application in this area, noting that company transparency is a potential limitation to due diligence, and a contributing to reactionary engagement to modern slavery incidents as they become known in the market.
- We have continued to implement standard language for investment manager supplier contracts to include modern slavery reporting requirements through existing reviews or renewal processes, noting that this language is now a requirement in Investment Management Agreements (IMAs).
- See also page 15 for engagement on modern slavery risks with an infrastructure asset.



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[11].

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 disclosures, and of safety practices. During the year we engaged with 16 companies on safety performance and disclosures and voted against the remuneration report at two ASX-listed companies due to a weak demonstrable linkage between safety outcomes and executive remuneration. We will continue to monitor these companies' safety performance.

Safety Spotlight on Perenti

Perenti

Objective: Improve Perenti's safety culture and practices.

Background: Perenti is a diversified mining services company, headquartered in Western Australia with operations across four countries. Perenti has had 7 employee fatalities between June 2020 and February 2023. Overall pay outcomes for management within the FY22 remuneration report did not reflect adequately safety performance considering the fatalities.

Action: We engaged directly and alongside ACSI with Perenti in relation to the three fatalities occurring in FY22, one at the Hemlo mine in Canada and two at the Zone 5 mine in Botswana. The 'no fatality' remuneration gateway was not met for the safety component of bonus awards, leading to a reduction of 20% of the bonus opportunity for executives, at the company's 2022 AGM. We did not support the remuneration report at that time, considering the overall outcomes for management in light of the fatalities.

We engaged four times alongside ACSI in relation to the double fatality which occurred in February 2023 at Dugald River, and, more broadly, regarding the poor safety record at Perenti over 2020-23.

Outcomes: Progress to date includes –

- Regular check-in with Board on progress of investigations and changes implemented to safety practices.
- Establishment of a Safety Transformation Taskforce in 2023 which will include Board directors, executives, senior management as well as subject matter experts. Cbus encouraged transparency of progress of the taskforce in annual disclosures.
- Ongoing discussion with Board on executive remuneration outcomes to appropriately reflecting severity and accountability.

We will continue to engage with Perenti and will assess outcomes against remuneration and director elections upon release of the annual report at the 2023 AGM.

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

First Nations

There are significant human and social costs that can arise from poor company relationships with First Nations Peoples. Poor practices can call into question a company's social license to operate and presents a clear investment risk.

ACSI and its members established a Working Group on Rights and Cultural Heritage Risk Management in late 2020 to better understand the financial risks inherent in poor company relationships with First Nations Peoples, and to chart a path towards improved company practices. Our Head of Responsible Investment chairs the Working Group. The work of the Working Group led ACSI to set out a policy and investor expectations (published in 2021) for how companies engage with First Nations People. The Working Group aims to see risks of harm effectively mitigated and managed through principled and constructive engagement between companies and First Nations Peoples.

Key activities in FY23

Company engagement

ACSI and its members engage with companies to support effective risk management and improvement in practices in members' best financial interest. ACSI has selected 11 priority companies for engagement, based on an assessment of risk and materiality. Drawing on ACSI's policy expectations, ACSI set objectives for these companies and developed a framework for company engagement. These objectives include, that companies:

- embed Free Prior Informed Consent (FPIC) into their policies and practices.
- align with international standards of rights protection.
- have effective risk management and oversight processes in place – ensuring that the Board is accountable for a company's relationships with First Nations People.

ACSI also sought improved disclosure from companies on how they engage with First Nations People and support protection of their rights and cultural heritage, among other objectives.

ACSI and its members engaged with many of these priority companies (among others) at both Board level and with executives, to discuss their relationships with First Nations People and how the companies are supporting the protection of rights and cultural heritage. ACSI assessed practices against its policy expectations, and monitored company activities and disclosure, discussing concerns with relevant companies, and seeking improvement in practices.

Policy advocacy

ACSI and the Working Group have contributed to legislative reform processes to advocate for the adoption of appropriate legal frameworks that support the management of risk. Where standards are not sufficiently high, this creates the potential for harm to First Nations People's rights and cultural heritage, which in turn creates investment risk. ACSI has advocated for policy and legislative change, to improve standards of protection of First Nations rights and cultural heritage, including:

- Engagement with policy makers on the need to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) across Australia via a co-design process with First Nations People.
- ACSI support for a Voice to Parliament.
- Ongoing support for reform to Commonwealth cultural heritage legislation (co-design process).

Engagement with First Nations groups

A key priority of the Working Group has been to consistently deepen our knowledge and our engagement directly with First Nations groups that are impacted by company operations to hear their perspectives. ACSI continues to reach out to Land Councils, Prescribed Bodies Corporate and First Nations representative bodies. ACSI has also organised discussions between First Nations representatives and members of the Working Group, to better understand concerns about company activities.

Participation in external initiatives

ACSI work has also participated in cross-organisational initiatives to improve standards of rights and cultural heritage protection, for example:

- The Principles for Responsible Investment's Advance Initiative on Human Rights and Social Issues.
- The ASFI Working Group on First Nations issues.

Voting activity

We did not support Santos' remuneration report at the company's 2023 AGM due to, among other reasons, a misalignment between outcomes and performance on land owner relationships. We will continue to engage with Santos particularly on the quality of its relationships with Traditional Owners, landholders, and communities. As noted above we support ACSI's engagement with First Nations groups.

7

Investing in the real economy

As Australia's leading super fund in the built environment, we are committed to investing in projects and businesses that are important to our members and that will make a difference in the real world.

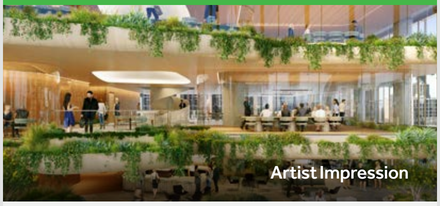
The Langston Epping, New South Wales
(Cbus Property residential development)

Cbus Property

With a long history in the building and construction industry and through national integrated property investor and developer Cbus Property, a wholly owned entity of Cbus Super, we own one of the most sustainable commercial property portfolios in the country as rated by NABERS[12].

In addition to aligning with our members' interests, embedding strong ESG practices in the built environment, including the development of sustainable building and construction practices, can have a significant long-term impact on our members' quality of life in retirement.

435 Bourke Street, Melbourne


Artist Impression

435 Bourke Street will set a new benchmark for sustainable office development and design, being one of the first office towers in the world to feature a "solar skin" facade[13].

In line with Cbus Property's commitment to net zero carbon (in operation) across its office portfolio, 435 Bourke Street is designed to achieve net zero carbon (in operation), along with a portion of its all-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.

Cbus Property is also targeting more than a 30 per cent reduction in embodied carbon throughout the construction phase, as well as a 6 Star Green Star Buildings v1 rating and a WELL Platinum certified rating.

Infrastructure

We have invested in several wind and solar energy opportunities, powering hundreds of thousands of households with clean energy. We also invest in renewables and low emissions technology in Australia and abroad.

Star of the South


Veja Mate, Germany
(Owned by Copenhagen Infrastructure Partners who manage Star of the South)

In 2022 we acquired a 10% interest in Star of the South, Australia's most progressed offshore wind project. If developed to its full potential, Star of the South would generate up to 2.2 GW of new capacity, powering around 1.2 million homes across Victoria.

Under an Exploration Licence, Star of the South has been exploring the potential for offshore wind in the Bass Strait since 2019. This year, a specialist geotechnical drill vessel, the Fugro Mariner, spent almost five weeks collecting soil and rock samples from up to 70 metres beneath the seafloor. The ground samples will be analysed in a specialist laboratory in Perth. The results will inform turbine foundation design and placement. These investigations are co-funded with the Victorian Government through the Energy Innovation Fund.

The Federal and State governments are assisting the offshore wind industry to progress. In December 2022, the Federal Minister for Climate Change and Energy declared the offshore Gippsland area as suitable for offshore renewable energy infrastructure. The Minister subsequently released an invitation to apply for Feasibility Licences in the area. In early 2023, Star of the South applied for a Feasibility Licence to continue developing the project. A Feasibility Licence permits the holder to assess the feasibility of a project. Developers will need a Feasibility Licence before applying for a commercial licence which allows offshore wind projects to proceed to construction and operation.

The Victorian Government established Offshore Wind Energy Victoria and released two offshore wind implementation statements in late 2022 and early 2023. The documents were issued to provide certainty around offshore wind in Victoria and to facilitate ongoing collaboration with communities, local government, unions, and investors. The Victorian Government also set offshore wind generation targets – 2 GW by 2032, 4 GW by 2035 and 9 GW by 2040.

Transmission and ports are essential supporting infrastructure for an offshore wind industry to develop. The Victorian Government set up a new body, VicGrid which is coordinating the planning and development of Victoria's renewable energy zones and delivery of the transmission required to connect new offshore wind generation to the grid. VicGrid is working to connect at least 2 GW of offshore wind generation by 2032. A dedicated renewable energy terminal is proposed at the State-owned Port of Hastings to support offshore wind construction.

[12] Cbus Property has been recognised as an industry leader in the 2023 NABERS Sustainable Portfolios Index, which calculates a NABERS Portfolio rating for Cbus Property's office portfolio (https://www.nabers.gov.au/data-gallery/nabers-sustainable-portfolios-index-2023).
[13] https://cbusproperty.com.au/property/435-bourke-street/

Forth Ports investment

As part of our infrastructure portfolio, we invest in Forth Ports, an owner and operator of eight commercial ports across the United Kingdom. The largest of the eight ports, the Port of Tilbury, is London's major port and a key employer in the local area with 60% of the management and staff at the port living within 16 kilometres. The Port of Tilbury is also regarded as the UK's greenest port with most of its electricity generated through its four wind turbines. There is also an ongoing investment in power, water and fuel saving solutions at the port. See our ESG integration in practice case study on Forth Ports on page 14.

IFM Net Zero Infrastructure Fund

We have committed to the IFM Net Zero Infrastructure Fund (IFM NZIF) which is focused on infrastructure investments that accelerate the world's transition to a net zero economy and is aligned with the UN Sustainable Development Goals. IFM NZIF has made four investments that provide global diversification and attractive exposures to renewables sectors including solar PV, wind generation, battery storage and renewable natural gas across Europe, North America, Latam and emerging markets.

These renewables companies develop, own and operate solar, wind and energy storage, while the renewable natural gas platform utilises mature technologies to capture, purify and transport biogas from existing organic waste facilities to its end use. These investments continue to build and expand their development projects, creating value for investors while supporting the energy transition.

IFM Investors

Social and Affordable Housing

We have a long history in advocating for and investing in social and affordable housing and are currently one of the largest individual supporters of the National Housing Finance Investment Corporation (NHFIC) bond issuances, having acquired just under $150m out of the $2.2B of bonds issued since 2018.

NHFIC issues fixed interest bonds and uses these proceeds to provide loans to Community Housing Providers (CHPs) who then finance the development of new social and affordable houses.

The Fund was an early advocate of the establishment of the NHFIC entity and has continued to engage directly with NHFIC and via Treasury consultation processes as NHFIC's mandate and role has evolved.

We have directly provided a debt facility to a property developer in Victoria to finance the construction of 150 social and affordable apartments. This funding enabled the developer to build the apartments, which on completion have been acquired by a CHP.

NHFIC
National Housing Finance and Investment Corporation

These investments not only support new home developments for vulnerable Australians and generally improving supply across the housing continuum, but also supports the economy through job creation. It is also important to highlight that consistent with the approach we have highlighted above, these investments have delivered strong risk-adjusted returns for our members.

We are actively engaged with a range of stakeholders in this sector, which has included participation in formally arranged working groups focussed on supporting CHP to deliver more social and affordable housing and the Treasurer's Investor Round Table, which led to the Fund supporting the National Housing Accord.

8

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.

Albany Grasmere Windfarm, Western Australia

(A Cbus infrastructure asset owned by Bright Energy Investments)

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 these risks and opportunities may change depending on how the world responds to climate change, and how successful we are at limiting global warming.

Climate change governance

We have well established management governance frameworks that coordinate the development and implementation of responsible investment initiatives, and includes our approach to climate change.

Our Board

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

Our Investment Committee

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

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

Our Risk Committee

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

Chief Investment Officer (CIO) and Head of Responsible Investment

The CIO has delegation to commit to external advocacy, engagement and voting positions that align with the Climate Change Position Statement and the Responsible Investment Policy. The CIO and the Head of Responsible Investment are ultimately accountable for climate change matters.

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

Climate change strategy

Our approach to climate change is centred around a set of public goals that aim to support the transition of our global economy to a low carbon future and limit global warming. These goals focus on reducing emissions, increasing investment in solutions and engaging with companies to facilitate an orderly, just and equitable transition towards a low carbon future.

Our climate change goals

Net zero portfolio emissions by 2050

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

While we will work to expand the asset classes covered by our net zero goal, with a near-term focus on increasing coverage in listed credit, and private equity. Certain asset classes are currently excluded:

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

Our 1% allocation to climate change investments

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

We invest in climate change solutions across our portfolio with the aim of increasing our exposure to these solutions over time. We also maintain a dedicated 1% allocation to climate change investments that is designed to accommodate investments that do not fit within the broader risk/return profiles of existing portfolios; this allocation allows us to also support climate investments that wouldn't fit within a traditional portfolio. See our climate change investment section on page 53.

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

(Compared to a 2019 baseline)

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

Given our commitment to transparency, and our desire to ensure we measure 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, and also gives us a clearer view of where we are in the journey towards net zero. See our progress towards our 2030 goal on page 56.

Engagement with our top 20 highest Australian listed emitters

Our climate change engagement strategy with our top 20 highest emitters is updated annually and covers approximately 50% of our financed emissions. This engagement is achieved through direct engagement and by working alongside others. Please refer to the Engagement section beginning from page 35.

Our Climate Change Principles

This year we have enhanced our climate strategy with the development of a cohesive set of climate change principles to support our ability to manage climate change risks and opportunities as well as our ability to meet our climate change goals.

These principles capture our beliefs across a number of key areas and are outlined at a high level in the table below.

The work involved in turning these principles into tangible action is already well progressed in several areas, and we will continue to work over the next 12 months to embed all principles within our approach to climate, with particular focus on uplifting our assessment of climate change risks and opportunities within our investment processes.

The development of these climate change principles also continues the evolution of our approach to stranded assets. While we continue to apply what is effectively a stranded asset exclusion across our quantitative equity strategies[14] (where companies deemed at high risk of becoming stranded are weighted to zero), we are no longer looking to develop a portfolio-wide stranded asset framework. Instead, we will look to increase risk awareness as we implement our climate change principles and as we work on specific items within our climate change roadmap.

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

Current Climate Change Roadmap – Action and Measurement

Our climate change principles are aimed at articulating our long-term strategic approach to climate. In the near to medium-term, we utilise our climate change roadmaps to identify and track specific actions we aim to achieve. 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.

Last year we developed our third Climate Change Roadmap, Action and Measurement. This expanded our focus from setting goals and identifying key metrics and measurement, to working with our investment managers to demonstrate progress against our goals and increasing our forward-looking analysis. Key progress that has been made in the last 12 months under this roadmap include:

- Progressing development of our inaugural Climate Change Principles (see right).
- Deepening our understanding of the risks and opportunities across our portfolio under different climate futures through our scenario analysis work.
- Commissioning research on carbon pricing and transition risk across unlisted assets.
- Refreshing the governance framework supporting our 1% allocation to climate related investments.
- Expanding our carbon footprint coverage to include a subset of our credit portfolio.

Our Climate Change Principles	
Principle 1	We will measure the alignment of our holdings with a 1.5°C future.
Principle 2	We will set long term (2050) and interim (2030) carbon reduction goals.
Principle 3	We will develop a decarbonisation strategy for our operational emissions.
Principle 4	We will advocate for an orderly and equitable transition to a low carbon economy.
Principle 5	Our strategies for reducing GHG emissions will remain connected to a real world impact.
Principle 6	We will invest in climate change solutions.
Principle 7	We will invest in the transition.
Principle 8	We will consider the consequences of climate change within our investment strategy and portfolio construction processes.
Principle 9	We will assess the exposure of our investments and their supply chains to climate-related risks and opportunities.
Principle 10	We will incorporate climate change into our Stewardship Strategy.
Principle 11	We will focus our engagement efforts where risks are material, and we have the ability to influence.
Principle 12	Transition plans should incorporate a just and equitable transition for workers and communities.
Principle 13	Transition plans should prioritise real emission reductions.
Principle 14	We will uplift reporting to align with global reporting standards (ISSB).

[14] This statement refers to quantitative strategies within our portfolio where our Quantitative Investment Team are responsible for the investment strategy. As of June 30 2023, this included five strategies and represented 20% of our equities portfolio, and 10% of our total portfolio.

Climate change risks and opportunities

Climate change risks

It is important for investors to understand how climate change will impact their portfolios, in terms of both risks and opportunities. From a business perspective, climate change 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 and products as the energy transition unfolds. Investors continue to face ever increasing exposure to all three types of climate change risk.

Transition Risks

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

During FY23 we continued to see progress in terms of climate policy. The Australian Government, having increased the ambition of Australia's 2030 target in FY22, continued to drive climate policy locally across the year, sending strong signals to both businesses and investors. The Safeguard Mechanism was reformed to increase its effectiveness in reducing the emissions of Australia's largest industrial facilities, a Net Zero Authority was established to support workers and communities through the energy transition, and the Government committed to developing a 2035 carbon reduction target and a 2050 Net Zero plan.

Globally, the Inflation Reduction Act in the United States has driven investment in clean energy since its introduction in August 2022[15]. In Europe, the fear that Russia's invasion of Ukraine would lead to a coal rebound did not eventuate, instead the energy crisis has accelerated the European energy transition[16]. China met its 2025 target of 50% renewable energy during FY23[17], and India recently received $1.5B in financing to support the low carbon transition[18].

Physical Risks

Despite the progress in climate policy across FY23, the transition is still moving slowly, and across FY23 we continued to see increasing physical impacts of climate change around the world. This was particularly evident in the Northern Hemisphere where heat waves, wildfires and floods are estimated to have killed tens of thousands of people[19] and caused billions of dollars in damage[20]. Based on current global and domestic government policies, the world is on track for around 2.8°C of warming by the end of the century[21], and for the first time the world is more likely than not to temporarily exceed 1.5°C of warming in the next 5 years[22]. We will continue to face increasing physical impacts as we work towards stabilising global temperatures.

Liability Risks

In FY23, the United Nations General Assembly recognised for the first time the right to live in a clean, healthy, and sustainable environment[23]. As climate policy momentum grows in parallel with an increase in our lived experience of climate change, we see an increase in climate change litigation. Cases are bought against those seen to be responsible for climate change, those seen to be responding inadequately to climate change, and those who are misrepresenting their response to climate change. According to the UN, there were over 2100 climate litigation cases in 2022 across 65 jurisdictions, 2.5 times higher than 5 years ago[24]. While the United States dominated in terms of number of cases, Australia had the second highest number of climate change litigation cases in 2022.

As per the United Nations: "children and youth, women's groups, local communities, and Indigenous Peoples, among others, are taking a prominent role in bringing these cases and driving climate change governance reform in more and more countries around the world"[25].

[15] https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/16/fact-sheet-one-year-in-president-bidens-inflation-reduction-act-is-driving-historic-climate-action-and-investing-in-america-to-create-good-paying-jobs-and-reduce-costs/?utm_source=link
[16] European Electricity Review 2023, Ember (https://ember-climate.org/insights/research/european-electricity-review-2023/)
[17] https://www.reuters.com/business/energy/chinas-installed-non-fossil-fuel-electricity-capacity-exceeds-50-total-2023-06-12/#:~:text=Non%2Dfossil%20fuel%20power%20sources,fossil%20fuel%20capacity%20by%202025
[18] https://www.worldbank.org/en/news/press-release/2023/06/29/world-bank-approves-1-5-billion-in-financing-to-support-india-s-low-carbon-transition
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[20] https://www.ncei.noaa.gov/access/billions/
[21] United Nations Environment Programme (2022). Emissions Gap Report 2022: The Closing Window — Climate crisis calls for rapid transformation of societies. Nairobi. https://www.unep.org/emissions-gap-report-2022
[22] WMO Global Annual to Decadal Climate Update (May, 2023). Target years: 2023-2027
[23] United Nations General Assembly Resolution A/RES/76/300
[24] United Nations Environment Programme (2023). Global Climate Litigation Report: 2023 Status Review. Nairobi
[25] See footnote 24.

Scenario Analysis

Scenario analysis is used to understand potential risks and opportunities related to climate change in several ways.

Investment returns

We continue to leverage scenarios from the Network for Greening the Financial System (NGFS) to estimate the potential impact of climate change on economic growth and expected investment returns. We currently input both an orderly and disorderly transition into our base case to forecast the expected loss in Gross Domestic Product (GDP) out to 2050. The per annum reduction is then incorporated into the expected returns of growth-related asset classes (i.e. 100% of our investments in Australian, International and Emerging Market equities, Private Equity, Alternative Growth and 50% of our investments in Property and Infrastructure) over the long term.

Narrative Scenario Analysis

Cbus is a long term investor with a very diversified portfolio, also known as a 'Universal Investor'. As such, we are exposed to the volatility and performance consequences of economy wide environmental and social impacts. At a portfolio level, we have used a narrative scenario analysis to understand the risks and opportunities that universal investors may be exposed to depending on how the world responds to climate change.

We published our initial narrative scenario analysis last year, and an updated summary of our analysis is captured below. We have used credible research to compare the risks and opportunities under a 1.5°C orderly transition, a disorderly transition to a 2°C future and a 3°C future where little is done to mitigate climate change.

We found near term transition risk arising from the shift to a low carbon economy and increasing physical risks in futures where temperatures continued to increase. Our narrative scenario analysis highlighted the systemic nature of physical risks, and their ability to flow through the economy beyond their initial impact. As discussed in the recent Intergovernmental Panel on Climate change (IPCC) report, 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[26].

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

Impacts flow across society and the economy
- Negative health impacts
- Lost worker productivity
- Migration pressure
- Food and water insecurity

Liability Risk
Stakeholder litigation and regulatory enforcement

Not responding to the impacts of climate change
- Business impact resulting from litigation
- Penalties resulting from litigation

[26] IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 1-34, doi: 10.59327/IPCC/AR6-9789291691647.001

Narrative Scenario Analysis Update

Orderly 1.5°C Transition* Short - medium term**	**Disorderly 2°C/below 2°C Transition** Medium - long term**	**3°C World** Medium - long term**
In an orderly transition, policies would favour low carbon technologies, enable consumers to participate in the transition, and support an equitable and just transition for workers. Near term transition risks would exist but could be reduced through adequate planning and coordination. High emitting technologies would become less competitive, but companies would have time to transition businesses and support workforce transition. Energy security would need to be managed, as would the development of new supply chains for low carbon technologies and materials. Given the extent the world is already seeing with the physical impacts of climate change, a transition at this stage would still bring exposure to physical risks but as global warming stabilises, some physical impacts would stop and some would slow (like sea level rises would continue for centuries but would be less extreme). A transition that limits global warming to 1.5°C brings co-benefits through increased protection of biodiversity, reduced pollution and a broader range of viable adaptation solutions.	**A disorderly or abrupt transition would occur if no real effort towards the transition is made until 2025/2030 and then a sudden transition is attempted.** This would lead to shocks throughout the economy, with high levels of transition risk in the near-medium term. Companies and businesses that had not prepared would be forced to transition without the required planning. This would increase the risk that required investment in innovation had not been made, the required supply chains had not been established, and that systemic interdependencies could be missed, resulting in systems transitioning before linked systems are also ready. All this would lead to an increased risk of an inequitable transition for workers, and an increased risk that consumers are not included in the transition. In parallel, as the transition is delayed, physical impacts from climate change would continue to increase from where we are today. Companies would be exposed to the direct impacts to their businesses and also to increasing impacts as climate change flows through the economy; worker productivity (particularly in sectors where workers are outside), health impacts, supply chain disruptions. In addition, companies will have to direct investment away from innovation and towards resilience and adaptation.	**As temperatures rise, we will see an increase in the severity and regularity of extreme weather events. We will also see an increase in compound events – when multiple events combine – increasing damage and reducing our capacity to respond.** In the longer term we will see the impacts of climate change flow through society and the economy. Increasing mortality and morbidity, migration pressure as areas become uninsurable and then uninhabitable, the breakdown of global supply chains, and food and water security issues. As temperatures rise above 1.5˚C and then 2˚C of warming and beyond, the world is likely to pass a number of climate tipping points; doing so causes unstoppable change in the climate system even if global warming is subsequently stabilised. Analysis suggests the financial impacts of climate change in a 3°C world are far greater than the transition risk that exists in an orderly, or even disorderly transition.

* We acknowledge that it is increasingly unlikely the world can limit global warming to 1.5°C, especially without an overshoot. However, we believe a continued focus on 1.5°C is warranted to ensure we, as a global community, continue to focus on limiting global warming to the greatest extent possible.

** When thinking about climate risks and opportunities we consider the following time horizons; short term (5 years) relating to our investment horizon of 5 years and also aligning to our 5-year strategy process, medium term (5-10 years) relating to our interim goal time frame of 2030, long term (10-30 years) relating to our net zero 2050 time frame.

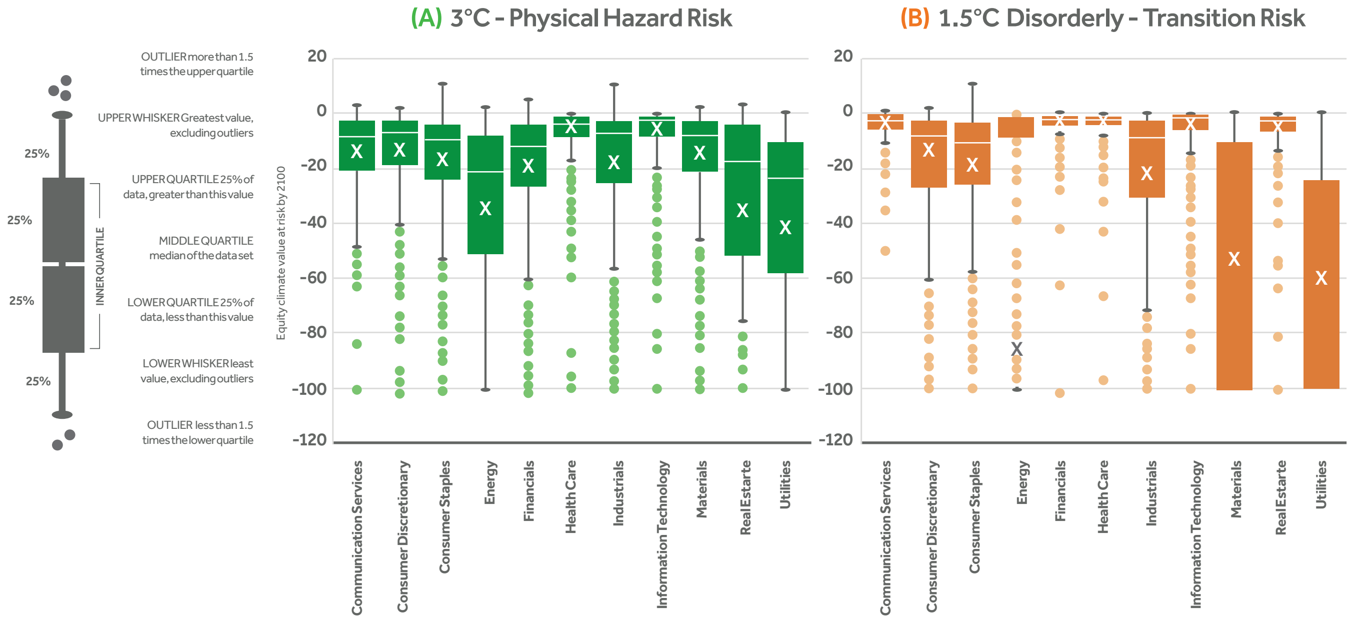
Quantitative Scenario Analysis

This year we extended our scenario analysis to include a quantitative risk assessment. Quantitative risk metrics can complement a narrative view of the risks our portfolio will face and can be used to identify areas within the portfolio where increased engagement and management of risk is needed. A quantitative transition risk analysis can also be useful to investors in a similar way to an internal carbon price, with different scenarios incorporating different carbon price assumptions.

Transition and Physical Risk in listed equities

Across our listed equities we leveraged quantitative data to understand where transition and physical risk were located. We started this work by assessing what extreme physical and transition risk look like across the listed companies we invest in, using a 3°C world to assess our exposure to physical hazards and a 1.5°C disorderly transition to assess transition risk. We used these two models as they represent opposite ends of the spectrum - physical risks would be expected to be high under a 3°C world, while transition risk is expected to be high under a 1.5°C disorderly transition. The scenarios used were developed by the Network for Greening the Financial System (NGFS), assumptions within the models we have used can be found in our Responsible Investment Supplement Data Pack.

Quantitative Scenario Analysis



These graphs show the (a) impact of physical hazard risk on company valuations by 2100 under a 3°C world, and (b) impact of transition risk on company valuations by 2100 under a disorderly transition to 1.5°C. The analysis does not take into consideration the companies responses/mitigation plans to address or manage the risks identified. The companies in each graph are grouped by their GICS Sectors. The box and whisker charts are explained in the figure and have been used to communicate the dispersion with the analysis. Data represents the companies held in our equities portfolio for June 30, 2023, representing 50% of our portfolio. MSCI's analytics and data were used in the preparation of this report. Copyright 2023 MSCI. All Rights Reserved.

Our quantitative scenario analysis produced a number of findings. Firstly, transition risk initially appears highly concentrated in three key sectors: energy, materials and utilities. This makes sense given these are key sectors that need to transition in order for the world to move towards a low carbon economy. However, a closer review of transition risk shows that there are companies exposed to high degrees of transition risk across almost all sectors. This highlights the need for investors to assess risk at the company level, to understand how risk is being managed and to engage with companies at high risk to ensure sufficient transition planning occurs to mitigate risk. Ideally, as companies start to implement credible transition plans, transition risk will reduce.

Secondly, damage resulting from direct physical risk appears more evenly spread across the different sectors as compared to transition risk. This demonstrates the fact that climate change will be felt in every part of the world and that investors should be engaging with companies on resilience and adaptation plans as the physical impacts of climate change become more evident.

Finally, the analysis raises questions about the adequacy of current scenarios to truly inform investors as to the potential damages resulting from unmitigated climate change. The models used in our quantitative scenario analysis focus on damage to a company's assets and interruptions to a company's operations resulting from a range of acute and chronic physical impacts (e.g. cyclones, wildfires, extreme heat, extreme cold, heavy rain).

While this data is useful to understand a company's exposure to physical hazards, we know from our narrative scenario analysis that the physical impacts of climate change spread beyond their initial point of damage and flow through the economy in the form of increased morbidity and mortality, migration pressure, food and water insecurity, and supply chain breakdowns. This analysis is supported by recent reporting that argues that the scenarios commonly used by investors do not adequately communicate the level of risk, and that investors should supplement scenario analysis with additional data sources to truly understand the extent to which our portfolios will be at risk should the world not succeed in limiting global warming[27,28].

Transition and Physical Risk in unlisted assets

During FY23 we commissioned research into how best to assess transition risk in unlisted assets, and also initiated work to assess the exposure of our unlisted assets to the physical impacts of climate change. We will look to progress this work in FY24, with a view to informing engagement with assets on resilience planning.

[27] https://actuaries.org.uk/media/qeydewmk/the-emperor-s-new-climate-scenarios.pdf
[28] https://www.chathamhouse.org/2023/07/climate-change-threatens-cause-next-economic-mega-shock

Climate change advocacy

As outlined earlier in the report, we have engaged in a range of stewardship activities over the past 12 months focused on climate change (see page 16 and page 35). Our climate change advocacy aims to encourage the systems level changes needed to support an orderly, just and equitable transition to a low carbon economy. Two key initiatives we have been involved in across FY23 have been the ASFI Taxonomy Project and the Australian Industry Energy Transition Initiative.

Australian Sustainable Finance Initiative

ASFI is committed to realigning the finance sector to create a sustainable and resilient financial system by directing capital to support greater social, environmental, and economic outcomes consistent with the Australian Sustainable Finance Roadmap it has developed.

As an ASFI member, we 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. Our Chief Executive Officer is the Chair of ASFI and our Head of Responsible Investment was a member of the Taxonomy Steering Committee – see further below.

The ASFI Taxonomy Project

Phase 1 of the ASFI Taxonomy Project was industry funded (including by Cbus Super) and led, working closely with regulators and government to identify the key framework design elements for an Australian sustainable finance taxonomy. In Phase 2, the ASFI Taxonomy Project is a joint industry-government initiative 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 as a sustainable activity.

You can read more about ASFI and the Taxonomy Project here: asfi.org.au

Australian Industry Energy Transition Initiative

We continued our involvement in the Australian Industry Energy Transition Initiative (ETI) this year, supporting the release of the collaborative initiatives final report.

Convened by Climateworks Centre and Climate-KIC Australia, the ETI brought together 18 key industry participants and finance participants to accelerate action towards achieving net zero within Australia.

In February 2023, the Australian Industry ETI released their final report, ***Pathways to industrial decarbonisation: Positioning Australian industry to prosper in a net zero global economy,*** a launch event, attended by the Minister for Climate Change and Energy, Hon. Chris Bowen MP in Sydney.

The report outlined the significant challenges and enormous opportunities in creating a globally competitive, equitable, net zero emissions industrial economy in Australia.

It showed that with a significant stretch in ambition – and strong, effective, coordinated action from government, industry, and finance – industry emissions in Australia could be reduced by up to 92 per cent by 2050, based on 2020 levels.

And that Australia could benefit from the creation of up to 1.3 million jobs between 2025 and 2050 in the ambitious 1.5°C scenario outlined in the report.

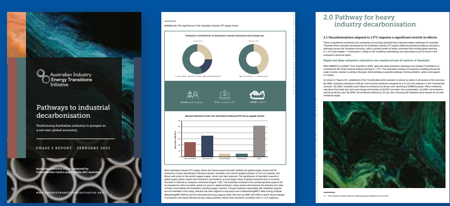
Together, the Australian Industry ETI identified five objectives for Australia to enable heavy industry to make the transition:

- Set a strong, clear, enduring framework with a net zero emissions goal to align industry, finance and government.
- Transition to the large-scale, cost-competitive, renewable energy system of the future.
- Accelerate development and demonstration of the emerging technologies needed.
- Drive deployment of low-carbon solutions, reduce barriers and support investment towards the transition.
- Develop integrated net zero emissions industrial regions, supply chains and energy network solutions.

Pathways to Industrial Decarbonisation Report

Read about the opportunities in creating a globally competitive, equitable, net zero emissions industrial economy in Australia.

View report here



Climate change investments

Key to facilitating the energy transition is increasing investment in climate change solutions and supporting those companies actively transitioning towards a low carbon state.

1% allocation to climate change investments

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

Future state: Utilising sustainable taxonomies to identify climate change solutions

Cbus maintains a dedicated 1% allocation to climate change investments that is designed to accommodate investments that do not fit within the broader risk/return profiles of existing portfolios.

In FY23, the 1% climate change investment allocation reached 0.59% (or $500M).

During FY23 we developed a more robust framework for this 1% allocation designed to leverage sustainable taxonomies and require future investments within the allocation to align with relevant taxonomies as they are developed and implemented. In time this should enable us to more confidently classify investments within our 1% allocation (and across the portfolio as a whole) as "climate change solutions". The framework is also designed to enable us to support those companies credibly transitioning[29].

A key barrier to identifying climate change solutions within our portfolio at the moment is the lack of an Australian sustainable taxonomy, combined with the fact that in juridisctions where taxonomies do exist (e.g., the EU taxonomy) data that enables investors to assess taxonomy alignment is continuing to develop. Cbus remains a supporter of the Australian Sustainable Finance Initiative and their work to develop a sustainable finance taxonomy (see page 51) recognising the important role taxonomies play in providing a consistent view of what activities support a sustainable future.

10% across portfolio

invested in climate change investments

Current State: Identifying climate change investments across the portfolio

As methodologies for classifying climate change solutions continue to evolve, we have developed an internal classification system to identify climate change investments across our portfolio. Within this classification system we have established a list of activities we believe contribute to climate change mitigation and adaptation and defined a climate change investment as a company or asset where at least 50% of revenue is aligned to one of these activities. For a managed portfolio to be considered a climate change investment, 70% of assets (by investment weight) must meet this 50% threshold)[30]. The list of qualifying activities can be found in our Responsible Investment Supplement Data Pack. In addition, to qualify as a climate change investment the company or asset must have no involvement in new (greenfield) coal, oil or gas exploration and/or extraction projects.

Based on this criteria, as at June 30 2023, 10.5% of our portfolio was invested in what we have classified as climate change investments. The majority of these investments sit within our property portfolio, with investment managers in this sector actively transitioning their buildings towards net zero carbon emissions by 2030, leading the way in an asset class where technology exists to enable net zero emissions ahead of 2050. With Cbus Property, we have achieved net zero carbon for the office portfolio eight years ahead of the 2030 target, as certified by the Climate Active Carbon Neutral Building Standard.

[29] It should be noted that the framework was developed to respond to the growth in sustainable taxonomies that are becoming available to identify/classify climate solutions. The current investments within the 1% climate change allocation were made before this framework was developed.

[30] Revenue alignment was performed using Bloomberg financial data, utilising financial analysis segment data, EU taxonomy eligibility segment data and gross revenues.

Our climate change investments across the portfolio

Climate change investments across the portfolio	Value of investment ($M)	% Asset Class	% FUM
Dedicated Climate Change Investments Fund*	$501	N/A	0.59%
Infrastructure**	$426	4.04%	0.50%
Equities***	$786	1.86%	0.92%
Real estate investments targeting net zero 2030^	**Value of investment**	**% Asset Class**	**% FUM**
Property portfolio	$7,267	77.48%	8.53%
Total exposure to climate change investments	**$8,980**	**10.54%**	

* Dedicated climate change fund targeting 1% of FUM. Within the dedicated climate change investment fund, where the investment is in an individual asset the asset must have at least 50% revenue aligned with a qualifying activity, where the investment is in a managed portfolio the portfolio must have 70% of assets (by investment value) meet the 50% revenue threshold. In addition, assets must not be involved in new (greenfield) coal, oil or gas exploration and/or extraction projects. Qualifying activities can be found in our Responsible Investment Supplement Data Pack, revenue alignment was performed using Bloomberg financial data, utilising financial analysis segment data, EU taxonomy eligibility segment data and gross revenues.

** Renewable investments within our infrastructure portfolio. Within the infrastructure portfolio, where the investment is in an individual asset the asset must have at least 50% revenue aligned with a qualifying activity, where the investment is in a managed portfolio the portfolio must have 70% of assets (by investment value) meet the 50% revenue threshold. In addition, assets must not be involved in new (greenfield) coal, oil or gas exploration and/or extraction projects.

*** Climate change investments within our equities portfolio. An initial screen was applied to the equities portfolio identifying those companies that are classified as a 'solution' by the MSCI Low Carbon Transition Methodology. We then identified those companies that also met our internal classification system that requires 50% revenue be aligned with a qualifying activity, and no involvement in new (greenfield) coal, oil or gas exploration and/or extraction projects.

^ Property managers targeting net zero operational emissions by 2030.

In addition to climate change investments across the portfolio, 20% of our equities portfolio is exposed to one or more climate overlays aimed at reducing emissions and limiting exposure to stranded assets. These overlays are applied to our quantitative equity strategies[31] and consist of overlays such as stranded asset exclusions and carbon emission constraints compared to the strategy's benchmark.

Our investment strategies with climate overlays

Investment strategies with climate overlays#	Value of investment	% Asset Class	% FUM
Equities portfolio	$8,514	20.14%	9.99%

\# 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 Low Carbon Transition Methodology).

[31] This statement refers to quantitative strategies within our portfolio where our Quantitative Investment Team are responsible for the investment strategy. As of June 30 2023, this included five strategies and represented 20% of our equities portfolio, and 10% of the total portfolio. Stranded asset exclusions utilise the MSCI Low Carbon Transition Methodology.

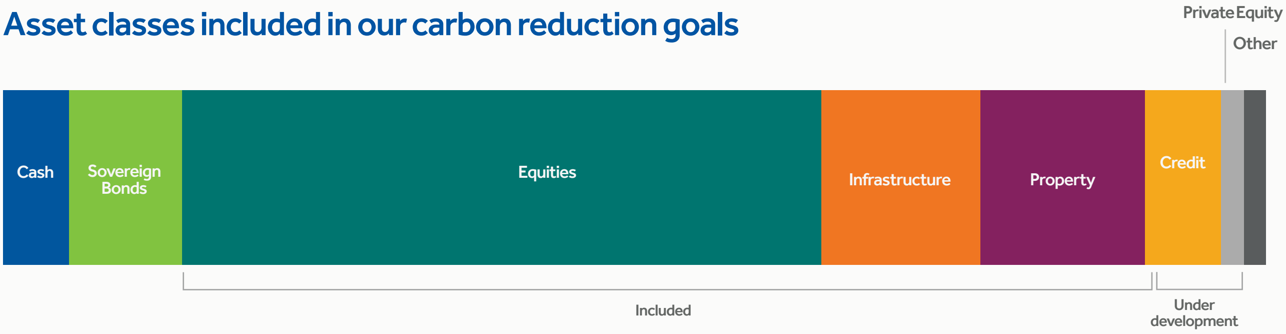
Carbon metrics and goals

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

Net zero portfolio carbon emissions by 2050

Contribute to a 45% reduction in real world emissions by 2030
(Compared to a 2019 baseline)

Asset classes included in our carbon reduction goals



* Indicative only

Our net zero goal includes those asset classes where we can measure our carbon footprint. Currently this includes equities, infrastructure, property and a subset of our credit portfolio. We have worked this year to include a subset of credit instruments held by our external credit investment managers in our carbon footprint analysis. We will use this work to expand our coverage of credit instruments over the next 12 months.

Carbon metrics

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

Note that carbon data lags by 12-18 months, therefore the latest data is for FY22.

Carbon metrics summary

Financial Year	2022	2021[*]	2020[*]	2019[*]
Financed scope 1 and 2 emissions - Net Zero and 2030 Target				
Asset classes included in financed scope 1 and 2 emissions	Equities Property Infrastructure Credit[#]	Equities Property Infrastructure Credit[#]	Equities Property Infrastructure Credit[#]	Equities Property Infrastructure Credit[#]
% total portfolio included in financed scope 1 and 2 emissions	71.33%	72.21%	65.21%	66.11%
Total financed scope 1 and 2 emissions (tCO_2e) *(across equities, infrastructure, property and a subset of instruments in external credit portfolio)*	1,867,908	1,766,055	1,594,452	2,031,724
$M invested *(across equities, infrastructure, property and a subset of instruments in external credit portfolio)*	50,536	47,358	35,329	34,771
Coverage of asset classes include in carbon metrics[**]	95.71%	96.67%	96.77%	95.79%
Financed scope 1 and 2 emissions intensity (tCO_2e/$M invested) *(across equities, infrastructure, property and a subset of instruments in external credit portfolio, equivalent to EVIC weighted average carbon intensity)*	36.96	37.29	45.13	58.43
Emissions intensity change compared to baseline (2019)	**-36.74%**	**-36.18%**	**-22.76%**	**-**
Adjusted financed scope 1 and 2 emissions intensity (tCO_2e/$M invested) *(across equities, infrastructure, property and a subset of instruments in external credit portfolio, financed emissions intensity adjusted for movements in asset valuations, more representative of our real world decarbonisation)*	46.66	49.60	54.40	58.43
Adjusted emissions intensity change compared to baseline (2019)	**-20.14%**	**-15.12%**	**-6.90%**	**-**
Targeted real world impact *(reduction required to remain on track for a 45% reduction by 2030 with 2019 baseline)*	-15.04%	-10.30%	-5.29%	-
Financed scope 3 emissions				
Listed equities - financed scope 3 emissions (tCO_2e)	12,466,111	12,969,871	8,119,470	11,159,429
Coverage (%)	97.44%	96.95%	96.14%	96.51%
Estimated (%)	17.61%	17.87%	21.37%	25.21%
Unlisted equities - financed scope 3 emissions (tCO_2e)	33.772	Unavailable (no property managers provided scope 3 emissions data for this period)		
Coverage (%)	100%			
Estimated (%)	unknown			
Infrastructure - financed scope 3 emissions (CO_2e)	Unavailable (in FY22 only one infrastructure manager provided (scope 3 emissions data)			
Unlisted property managers				
Scope 1 and 2 Carbon intensity ($kgCO_2e/m^2$) *Targeting net zero 2030*	31.59	24.68	33.69	45.75

Equities Weighted Average Carbon Intensity (WACI) - Revenue

Financial Year	2023	2022[*]	2021[*]	2020[*]	2019[*]
Scope 1 and 2 carbon intensity by revenue of equities portfolio *(Revenue weighted average carbon intensity)*	133.82	131.18	134.07	181.10	223.94
Scope 1 and 2 carbon intensity by revenue of equities portfolio blended benchmark *(Revenue weighted average carbon intensity)*	156.77	172.59	172.91	215.17	229.88

[*] Data restated as data completeness continues to increase across previous reporting years, and we expand coverage into new asset classes.
[**] An asset is excluded from the analysis if carbon or financial data is unavailable for the year of analysis and 2 previous years, cash and derivatives are excluded. Please see methodology document for more details.
[#] Only a subset of credit instruments were included in this analysis, we attempted to measure financed emissions across corporate bonds held across five external managers. These instruments represented <2% of our total FUM each year.

Data represents equities, property, infrastructure portfolios and a subset of credit instruments held by external credit managers at 30 June 2019, 2020, 2021 and 2022. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions and EVIC adjustment methodology can be found in our methodology document, information on our EVIC adjustment factors can be found in our Responsible Investment Supplement Data Pack.

Tracking progress towards our 2030 goal

Each year we report our portfolio carbon intensity (tCO_2e/$M invested) to track our progress towards our 2030 carbon reduction goal. We use carbon 'intensity' to track our progress (rather than 'absolute' carbon emissions) because this allows us to account for growth in our portfolio over time. However, as recognised by the Partnership for Carbon Accounting Financials (PCAF), the challenge with targeting a reduction in carbon intensity is that it constantly changes as investment markets and the value of the assets we invest in fluctuate[32].

Given our commitment to transparency, and our desire to ensure we measure our real world impact, we adjust for changes in asset enterprise values when assessing our progress towards our 2030 goal. This more conservative approach ensures we correct the potential overstating effect that asset valuations can have on our reported carbon intensity reduction and gives us a clearer indication as to where we are on our journey towards net zero.

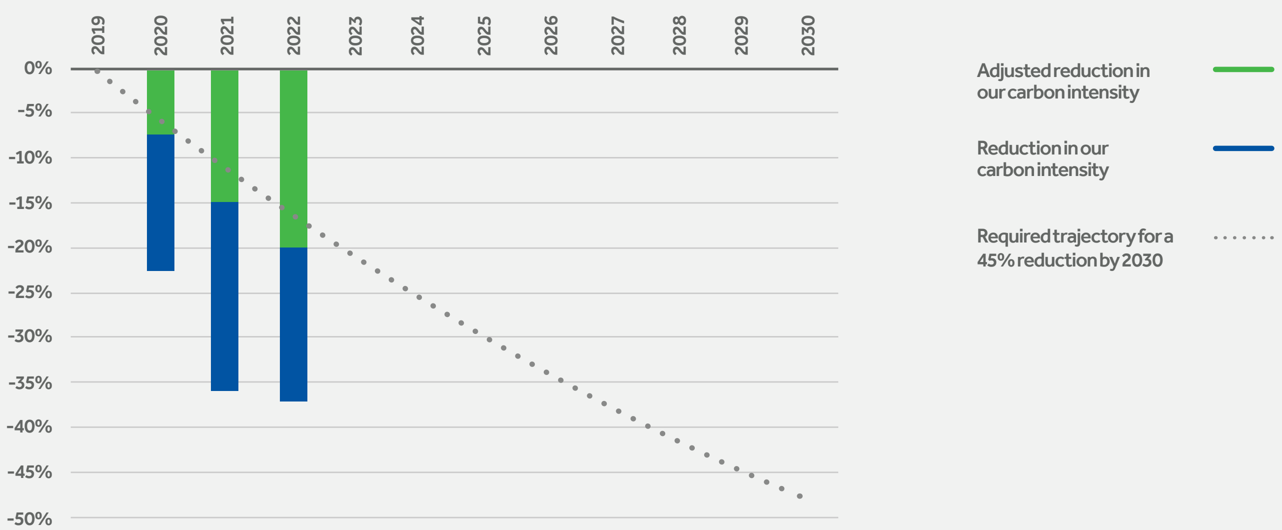
We note that PCAF provided a methodology for adjusting for movements in enterprise values in their 2022 updated standard[33]. However, we have continued to utilise the methodology proposed by the European Union (EU) in their minimum standards for EU Climate Transition Benchmarks and EU Paris-Aligned Benchmarks[34] in this report (as used in our FY22 report). We will continue to monitor the evolution of these methodologies and will investigate implementing the PCAF approach in our next report.

Greater detail on our methodology and its limitations can be found in our methodology document.

In FY22 our carbon intensity, across equities, infrastructure, property, and a subset of credit was 36.96 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 FY22, our reduction in carbon intensity for FY22 was 20%. 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 FY22 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).

We note that our unadjusted reductions in carbon intensity for FY21 and FY22 were similar but resulted in different adjusted results. This is because enterprise values grew more strongly in FY21, causing the unadjusted result to overstate the reduction in carbon intensity more strongly. In FY22 we saw a drop in the average enterprise value across our equities portfolio, the largest asset class we currently include within our footprint calculation, resulting in a less substantial overstatement of the reduction in carbon intensity in FY22.

Progress towards 2030 carbon reduction goal



The charts shows the 'real world' trajectory required for us to reach a 45% reduction by 2030 (dotted line). Our actual reduction in financed scope 1 and 2 emissions intensity compared to baseline (2019) is shown in blue, our adjusted reduction in financed scope 1 and 2 emissions intensity compared to baseline (2019) is shown in green. We believe the adjusted reduction more closely represents our real world reduction in emissions (actual reduction in emissions by the assets we invest in). Data represents equities, property, infrastructure portfolios and a subset of credit instruments held by external credit managers at 30 June 2019, 2020, 2021 and 2022. One of our methodology's limitations is the completeness of the available data and only ~71% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions and EVIC adjustment methodology can be found in our methodology document, information on our EVIC adjustment factors can be found in our Responsible Investment Supplement Data Pack. MSCI's analytics and data were used in the preparation of this report. Copyright 2023 MSCI. All Rights Reserved.

[32] Financed Emissions 2nd Edition (2022), PCAF. p61
[33] See footnote 32.
[34] EU Commission Regulation 2020/4757, Article 7(3)

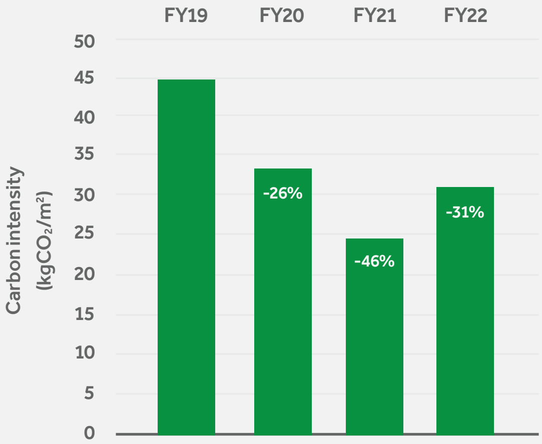
Tracking progress towards property net zero 2030 goal

We originally set a goal that all our Australian unlisted property investment managers would themselves set net zero 2030 goals. As at June 30 2022, all our property investment managers, including our US investment manager, had set net zero 2030 goals, so we continue to track the progress of all our unlisted property managers.

During FY22 several new investment managers were added to our portfolio following the merger with Media Super. This caused the carbon intensity of our property investment managers to increase in FY22, as compared with FY21.

However, even with this increase, the FY22 carbon intensity was still 31% lower than in 2019, and all investment managers continue to implement their strategies for reaching net zero operational emissions by 2030. This includes Cbus Property, which achieved net zero carbon for its office portfolio eight years ahead of its 2030 target, as certified by the Climate Active Carbon Neutral Building Standard.

Carbon intensity of our unlisted Property investment managers

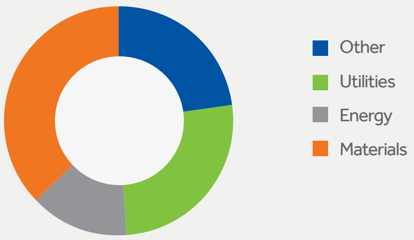


Data sourced from our property investment managers and reflects the scope 1 and 2 carbon intensity where managers have operational control at June 30 FY19, FY20, FY21 and FY22. Where available market-based scope 2 emissions have been used to reflect the choice being made by managers to purchase renewable electricity.

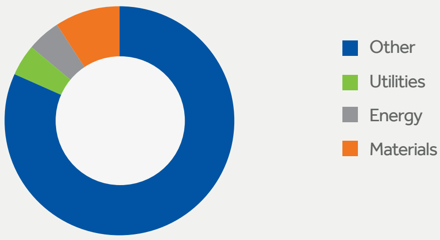
Sector emissions exposure

We know from our scenario analysis that transition risk is most concentrated across the energy, materials and utilities sectors. While transition risk does not stem solely from carbon emissions, the following charts show that our financed scope 1 and 2 emissions are likewise concentrated across the energy, materials and utilities sectors. These sectors contribute 77% of our financed scope 1 and 2 emissions while making up just 17% of the measured portfolio (listed equities, property, infrastructure and a subset of credit instruments). Our exposure to the materials, utilities and energy sectors decreased in FY22, as did their contribution to our financed emissions footprint.

Contribution to financed emissions



Market Value



Data represents equities, property, infrastructure portfolios and a subset of credit instruments held by external credit managers at 30 June 2022. 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 ~71% of our portfolio has the available data to inform this calculation. Data sourced from MSCI, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found in our Responsible Investment Supplement Data Pack. MSCI's analytics and data were used in the preparation of this report. Copyright 2023 MSCI. All Rights Reserved.

Climate Change Roadmap progress

Below outlines progress to date against FY23-24 Climate Change Roadmap actions as outlined in the Climate Change Roadmap, Action and Measurement published in November 2022.

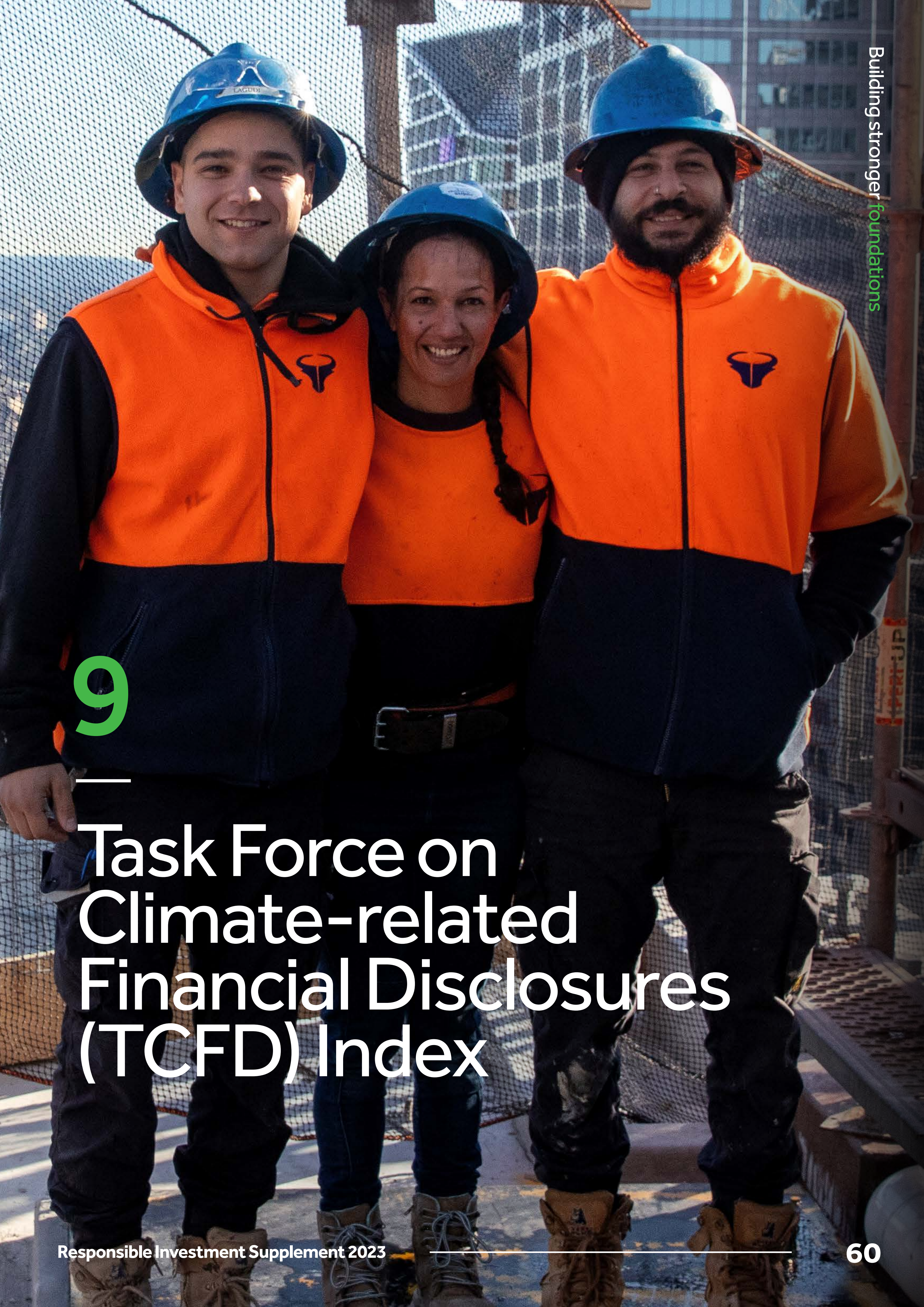
It should be noted that many action items captured within our current Climate Change Roadmap will take time to achieve.

We are working to ensure items are initiated within the timeframes captured below but expect work on these items to continue beyond these indicated timeframes.

FY23-FY24 Key Performance Indicators		Timeframe	Progress
Goals, pathways, and measurement			
Develop interim 2040 goal in line with Paris Agreement		June 2024	In progress
Expand scenario analysis (3 degrees warming / disorderly transition)		Dec 2022	Initial work completed, ongoing
Incorporate climate change into asset allocation review of Capital Market Assumptions		Annual	FY23 annual review completed
Develop Decarbonisation strategy		June 2024	Not yet started
Develop Climate Change Principles		Dec 2022	Completed (with a 6 month delay)
Develop internal carbon price		June 2023	In progress
Extend measurement	Measure beyond emissions (alignment/solutions/ transition risk)	Dec 2022	Completed
Extend measurement	Measure scope 3 emissions	June 2023	In progress
Extend measurement	Measure physical risk across key asset classes	June 2024	In progress
Enhance transparency against interim 2030 goal		Annually	Completed
Expand 1% of capital allocated to climate change solutions coverage to include transition financing		August 2022	Completed
Develop and implement a framework for financing the transition		Dec 2022	In progress
Property			
Unlisted investment managers (Australian and International)	Demonstrate progress towards net zero 2030 commitments	Annually	In progress
Unlisted investment managers (Australian and International)	Consistent with the WGBC and GBCA, investment managers commit to all new buildings and renovations having at least 40% less embodied carbon by 2030 - net zero embodied carbon by 2050	June 2024	Not yet started
Unlisted investment managers (Australian and International)	Investment manager engagement - develop and implement Tenant Emissions engagement strategy	June 2023	In progress
Listed Property investment managers	Investment manager engagement - demonstrating climate engagement progress with holdings	Annually	Not yet started
Resilience	Identification of assets subject to high-risk of physical impacts of climate change and resilience plan development for these high-risk assets	Dec 2023	Not yet started

FY23-FY24 Key Performance Indicators		Timeframe	Progress
Infrastructure			
Investment managers	Demonstrate progress towards commitments	Annually	In progress
Unlisted investment managers/Assets	Develop and implement engagement strategy (progress against commitments, estimation and measurement of embodied carbon and resilience planning)	June 2023	In progress
Debt			
External credit investment managers	Establish methods for measuring emissions across portfolio holdings	June 2023	In progress
Private Equity			
Investment managers	Develop and implement engagement strategy (raise awareness, measure exposure, how adapting and mitigating, how accessing new markets and other opportunities)	June 2023	In progress
	Understand investment manager methods for measuring emissions	June 2023	In progress
Equities			
Factor Strategies	Review transition risk approach	June 2023	In progress
Global and Emerging Market investment managers	Identify and implement strategies to increase alignment/climate awareness	Dec 2022	In progress
Active investment managers*	EMRPC team to evaluate, develop and implement engagement strategy with active investment managers on climate change	June 2023	In progress
	EMRPC team to engage with investment managers on developing and implementing a climate engagement strategy with individual holdings	June 2023	
Stewardship	Extend engagement to top 20 highest ASX emitters as per Sept 21 Stewardship Strategy	Sept 2022	Completed
Stewardship	Actively consider all ASX climate related resolutions	Ongoing	FY23 completed
Advocacy, Governance and Transparency			
Operational Emissions	Develop and implement decarbonisation plan	June 2023	In progress
Training	Incorporate climate change training into Board induction and no less than an annual climate strategy training session for the Board and relevant committees	Six monthly	FY23 completed
Reporting	Enhance Task Force on Climate related Financial Disclosure (TCFD) reporting	Annual	In progress
Actively Support Peak Bodies	Including participation in IGCC, PRI and ASFI	Ongoing	FY23 completed
	Participate in key advocacy activities	Ongoing	FY23 completed

* Note language has been updated to remove delineation between internal and external managers. All active managers will be included in this action item.



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Task Force on Climate-related Financial Disclosures (TCFD) Index

The table below summarises our reporting against the recommended Task Force for Climate-related Financial Disclosures (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. We have reported against the 2021 TCFD guidance - both the supplemental guidance for asset owners and the cross-industry metrics, and we will continue to expand our disclosures and align with the updated guidance.

TCFD Pillar*	Disclosure	Reference to activities
Governance	Describe the Board's oversight of climate-related risks and opportunities.	Refer to the **Climate governance** section on page 44. 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** section on pages 48-50. Refer to the 1% climate allocation and climate investments described within the **Climate change investments** section on pages 52.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Refer to **Scenario Analysis** section on page 48 for the impact of climate change on investment returns. Refer to the **Climate change strategy** section on pages 45-46, specifically climate change principles and climate change roadmap sections. Refer to the **Climate Change Roadmap** on pages 58-59. Refer to the 1% climate allocation and use of climate overlays within investment strategies described within the **Climate change investments** section on pages 52. Refer to our **Climate change goals** on pages 45.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. Asset owners that perform scenario analysis should consider providing a discussion of how climate-related scenarios are used.	Refer to the **Climate Change Principles** on page 45-46, with reference to their focus on alignment with a low carbon transition. Refer to the **Scenario Analysis** section on pages 48. Refer to property action item relating to resilience within our current **Climate Change Roadmap** on page pages 58-59.
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Refer to the **Climate Change Principles** section on pages 45-46. Refer to our **Climate change engagement** section on pages 31-32, 34-35. Refer to our **Advocacy** activities on pages 17-18. Refer to the **Quantitative Scenario Analysis** section on pages 49-50.
	Asset owners should describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks.	Refer to the frequently asked **Questions & Answers** section with our CIO on pages 9-10. Refer to our definition of a **Material risk** on page 3. Refer to **Integration** section from page 12. Refer to the **Climate change investments** section on page 52.
	Describe the organisation's processes for managing climate-related risks.	Refer to the **Climate governance** section on page 44. Refer to **Integration** section from page 12. Refer to the risk action within the **Climate Change Roadmap** on pages 58-59.

* TCFD, October 2021

TCFD Pillar	Disclosure	Reference to activities
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Asset owners should describe metrics used to assess climate-related risks and opportunities and where relevant describe how these have changed over time.	Refer to the **Quantitative Scenario Analysis** section on pages 49-50. Refer to **Carbon metrics** table on page 55. Refer to the **Climate change investments** section on pages 52-53. Refer to our **Climate change engagement** section on pages 31-32, 34-35.
	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	Refer to **Carbon metrics** table on page 55. ***Please note,*** *we note that our operational scope 1 and 2 emissions are not currently disclosed. Operational emissions are immaterial as compared with financed emissions. As per the Climate Change Principles on pages 45-46 we aim to develop a decarbonisation strategy for our operational emissions, which will include measurement and disclosure of scope 1 and 2 emissions.*
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Refer to our **Climate change goals** on page 45. Refer to our **Climate change engagement** section on page 35. Refer to the **Climate change investments** section on pages 52-53. Refer to **Carbon metrics** table on page 55. Refer to the **Progress against our 2030 goal** section on page 56. Refer to the **Tracking progress towards property net zero 2030 goal** section on page 57.

TCFD 2021 Cross-industry metrics	
GHG emissions – absolute scope 1, scope 2, scope 3 emissions intensity	Refer to **Carbon metrics** table on page 55. Please note, we are unable to disaggregate scope 1 and 2 financed emissions due to the format data is provided to us by external investment managers.
Amount and extent of assets vulnerable to transition risk	Refer to the **Quantitative Scenario Analysis** section on pages 52-53 for listed equities. Refer to the **Sector emissions** section on page 61.
Amount and extent of assets vulnerable to physical risk	Refer to the **Quantitative Scenario Analysis** section on pages 49-50 for listed equities.
Proportion of assets aligned with climate-related opportunities	Refer to the **Climate change investments** section on pages 52-53.
Amount of financing or investment deployed toward climate-related risks and opportunities	Refer to the **Climate change investments** section on pages 52-53.
Internal carbon price	Refer to comments within the **Quantitative Scenario Analysis** section on page 49.
Proportion of executive management remuneration linked to climate considerations	Refer to the **Remuneration** section regarding remuneration and ESG considerations in the Annual Integrated Report on page 48.

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

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Cbus Responsible Investment Supplement 2023 for the year ended 30 June 2023 (the Responsible Investment Supplement), which has been prepared by Cbus in accordance with the relevant internal policies and procedures developed by Cbus and selected specific Recommendations of the Task Force on Climate-related Financial Disclosures from 2021 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 used as the basis of reporting is the relevant internal policies and procedures developed by Cbus and selected specific Recommendations of the Task Force on Climate-related Financial Disclosures from 2021 (TCFD Recommendations) as disclosed in the Responsible Investment Supplement (*"the criteria"*).

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). 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 relevant Cbus personnel to understand the internal controls, governance structure and reporting process relevant to the preparation of the Responsible Investment Supplement;
- Analytical procedures over the key metrics in the Responsible Investment Supplement;
- Reviewing Board minutes to check consistency with the Responsible Investment Supplement disclosures;
- Agreeing the Responsible Investment Supplement to the relevant underlying documentation on a sample basis;
- Assessment of the suitability and application of the criteria, the extent of disclosure of the relevant internal policies and procedures developed by Cbus and the extent of disclosure outlining the extent of alignment with the TCFD Recommendations with respect to the Responsible Investment Supplement.
- Review of the Responsible Investment Supplement in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

How the Standard Defines Limited Assurance and Material Misstatement

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

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

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.

Inherent limitations

Quantification of non-financial information is subject to inherent uncertainty due to the nature of the information and the uncertainties inherent in the methods used for determining or estimating it. The nature of non-financial information, the absence of a significant body of established practice on which to draw, and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. The non-financial data has been measured applying the criteria, which have been developed solely for the purpose of providing this non-financial information. As such, non-financial data may not be suitable for another purpose.

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the criteria may occur and not be detected. A limited assurance engagement as at and for the year ended 30 June 2023 does not provide assurance on whether compliance with the criteria will continue in the future.

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

KPMG

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs and the needs of other intended users;
- 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 Responsible Investment Supplement 2023 for the year ended 30 June 2023, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Management

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

KPMG

KPMG
Melbourne

Julia Bilyanska

Julia Bilyanska
Partner, KPMG
Melbourne
8th November 2023