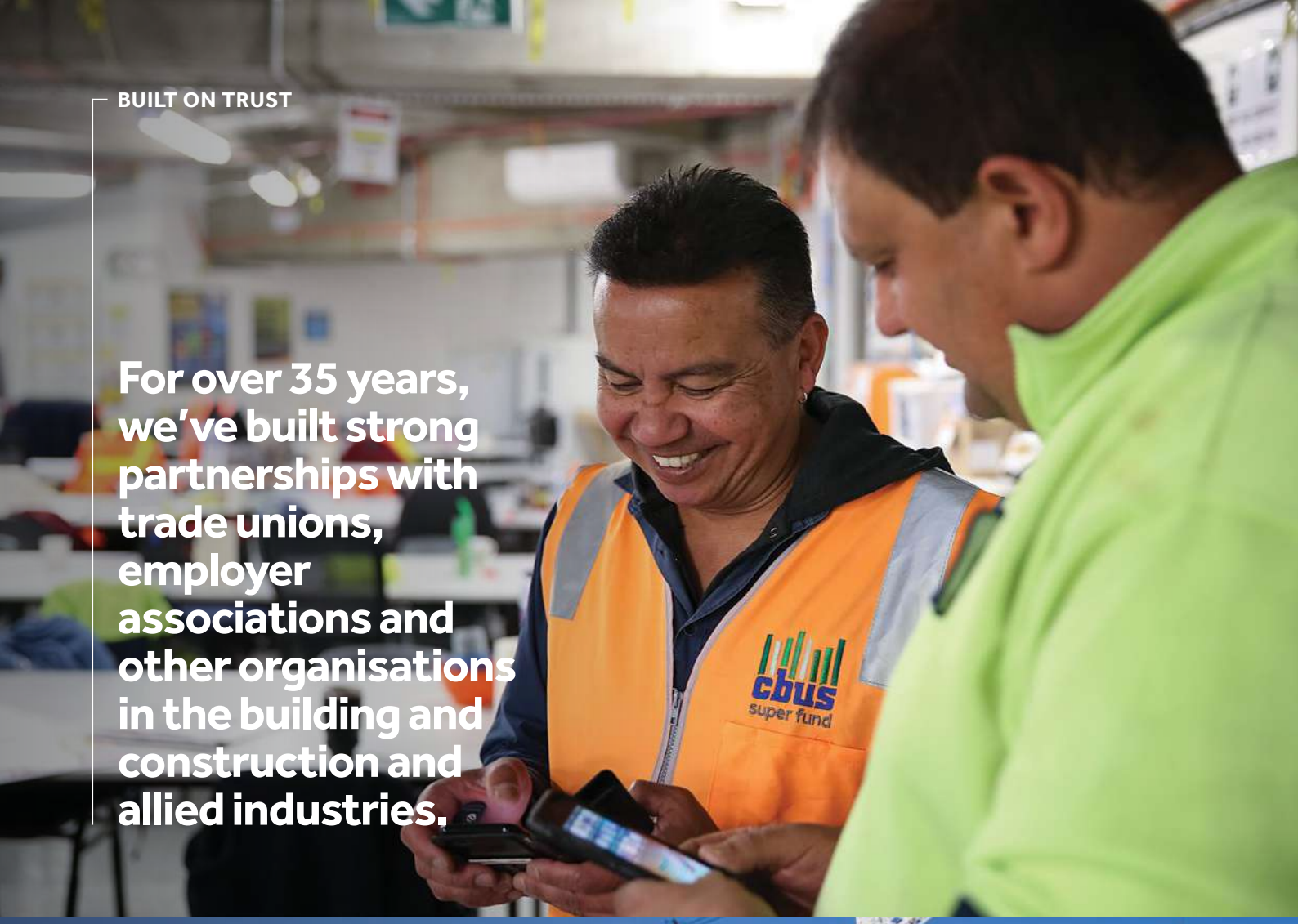
ANNUAL REPORT 2019

cbus

An Industry SuperFund

Built on trust



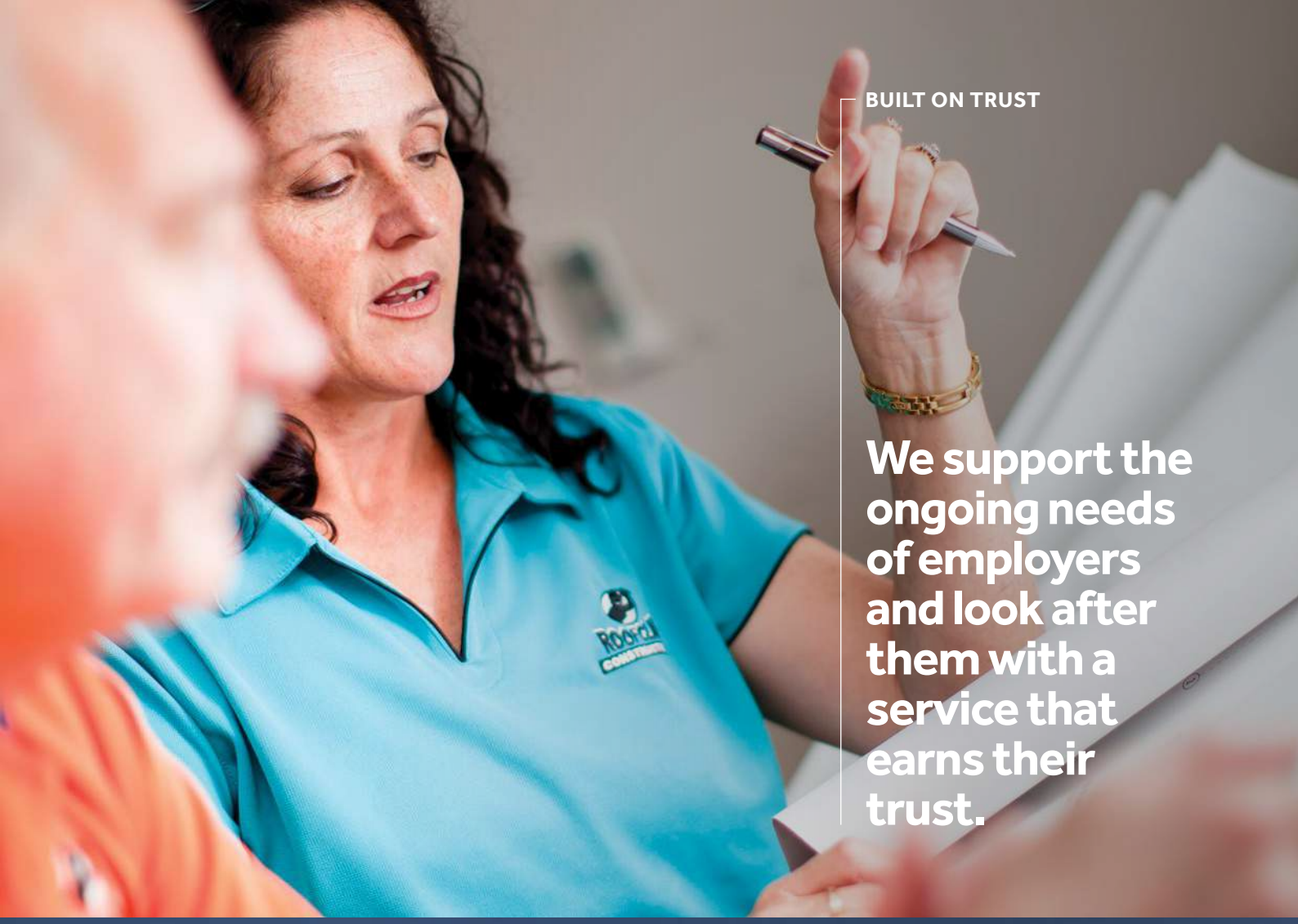


For over 35 years, we've built strong partnerships with trade unions, employer associations and other organisations in the building and construction and allied industries.

BUILT ON TRUST

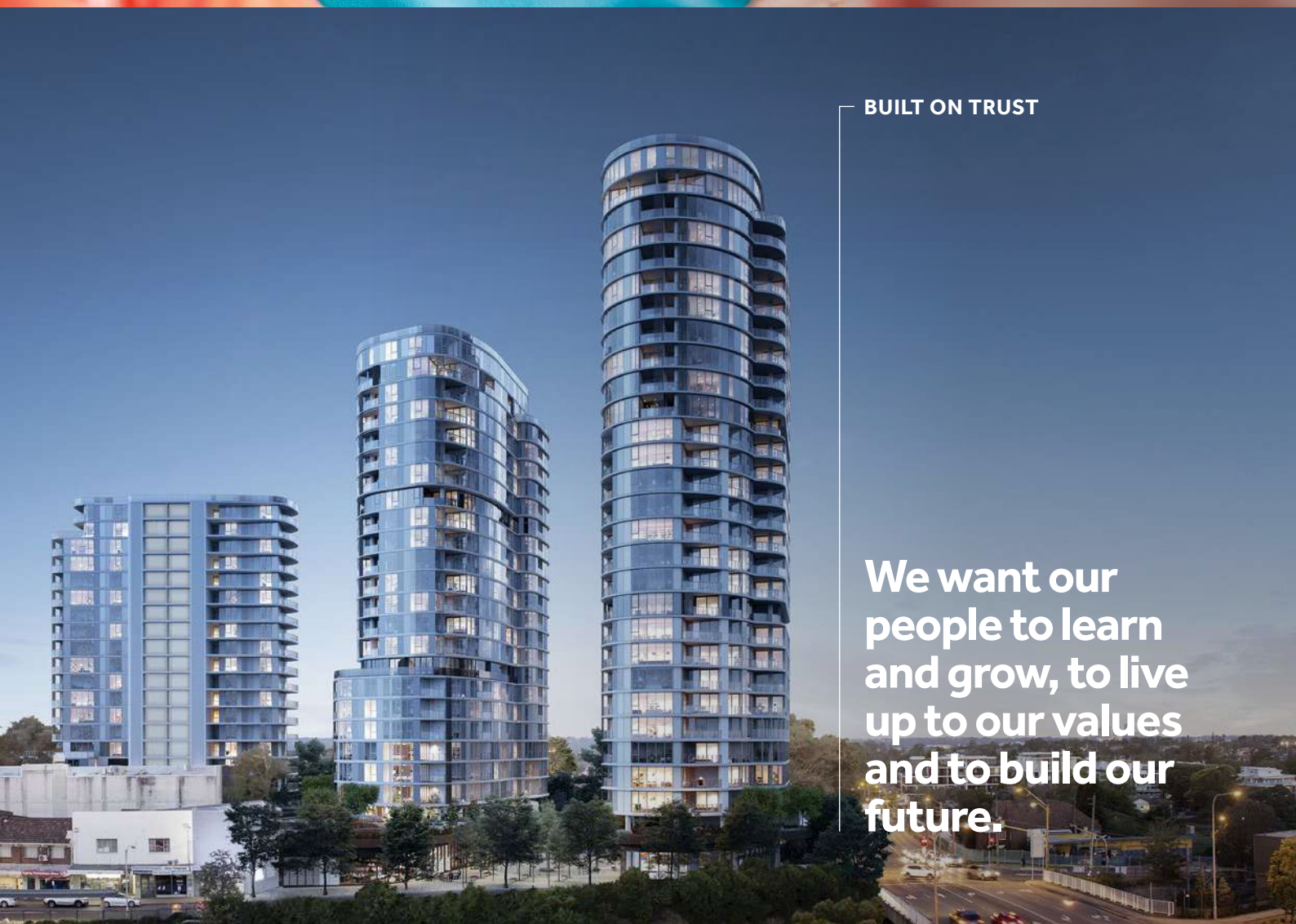


We put our members and their families at the heart of everything we do, creating solutions that meet their needs, delivering a service that earns their trust, and providing strong returns.



BUILT ON TRUST

We support the ongoing needs of employers and look after them with a service that earns their trust.



BUILT ON TRUST

We want our people to learn and grow, to live up to our values and to build our future.

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Important information

This Cbus Annual Integrated Report is issued by United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 as trustee for the Construction and Building Unions Superannuation Fund (Cbus) ABN 75 493 363 262. This information is about Cbus. It doesn't take into account your specific needs, so you should look at your own financial position, objectives and requirements before making any financial decisions. Read the relevant Cbus Product Disclosure Statement (PDS) to decide whether Cbus is right for you. Phone 1300 361 784 or visit www.cbussuper.com.au for a copy. We have tried to ensure that all information contained in this report is correct. The Trustee, Cbus or our advisers don't accept responsibility for any error or misprint, or for any person who acts on the information in this report. The past performance of our funds does not indicate future performance. Any case studies we've provided are for illustration only. Where we've included quotes from members or employers, these express the views of those individuals.

Cbus Annual Integrated Report 2019



Cbus is the leading industry super fund for those working in building and construction and other industries that build Australia.[1]

Our member-first approach is guided by the unions and the employer organisations of the building and construction industry.

Our reporting suite

Cbus Annual Integrated Report

In 2019, we have expanded our reporting suite. The first part of this report is our Cbus Annual Integrated Report, produced in accordance with the International Integrated Reporting Framework. In line with this framework, it is a concise communication about how our strategy, governance, performance and prospects create value for our members and other stakeholders. It focuses on material matters and looks at how we manage risk and make investment decisions.

Pages 2–36.

Cbus in Review 2019

Cbus in Review 2019, that follows, takes a deeper look at developments and achievements at Cbus over the last 12 months. It covers a range of areas including members, employers, investments, people and culture, technology and policy and advocacy.

Pages 37–93.

Supplements

Together with the Cbus Annual Integrated Report and the Cbus in Review 2019 we have provided more detailed information about Cbus and our investments in our supplements.

These reports together meet the requirements of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards. Our Responsible Investment supplement reports against the recommendations of the Task Force on Climate Related Financial Disclosures (TCFDs).

The supplements are available online.

We have also highlighted how our work contributes to the United Nations Sustainable Development Goals (SDGs). The United Nations has developed 17 SDGs to end poverty, protect the planet and ensure prosperity for all. Achieving these goals is a shared responsibility for governments, industry and the community. In our report we use the SDG icons to show where we contribute. On page 36, we have also summarised the SDGs that we believe we can invest in, engage with and advocate for to make a difference.

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

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.

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

KPMG were engaged to provide limited assurance over the Cbus Annual Integrated Report on pages 2 to 36 in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> Framework. The assurance report is presented on page 90.

1. Based on our analysis of Roy Morgan data for member accounts and total assets, financial year ended 30 June 2019.

Cbus Annual Integrated Report 2019

Produced in accordance with the International Integrated Reporting <IR> Framework.
Focuses on material matters and how we create value for our members and other stakeholders.

Cbus in Review 2019

Supports the Annual Integrated Report and includes developments in the fund in the last 12 months.

Supplements

Responsible Investment

Provides information about our approach to responsible investment, including our active involvement in environmental, social and governance (ESG) issues and transitioning to a climate resilient economy.

Prepared using the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and with recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

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

Annual Financial Statements

Sets out the financial statements for our regulators and other stakeholders.

Prepared in line with the Australian Accounting Standards; *Superannuation Industry (Supervision) Act 1993* and *Superannuation Industry (Supervision) Regulations 1994*, the *Corporations Act 2001* and *Corporations Regulations 2001*.

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

www.cbussuper.com.au/cs/united-super-financial-report

People, Culture and Remuneration

Provides information for our current and future employees, industry delegates and other interested parties about our people and culture. Also provides remuneration information of the Cbus Board, Executive team and all Cbus employees.

Prepared using the GRI Standards.

www.cbussuper.com.au/cs/people-culture-remuneration

Governance

Provides additional information about the Governance framework at Cbus.

Prepared in accordance with the Australian Institute of Superannuation Trustees (AIST) Governance Code and using the GRI Standards.

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

Engagement and Materiality

Provides detail on our approach to engagement and how we determine what matters most to Cbus stakeholders.

The result of this engagement defines our value creation and assists in identifying Cbus' material issues.

Prepared using the GRI Standards and in line with the International <IR> Framework.

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

GRI Standards Content Index

A table containing the GRI Standards Cbus has reported on and where to locate the information linked to the standard within the Annual Integrated report, supplements and the Cbus website.

www.cbussuper.com.au/cs/gri-index

Maximising the retirement savings of our members is at the heart of everything we do.

Who we are

Number of members

761,003[1] down by 2.2%

2018 – 777,987
2017 – 750,779

Number of employers

146,750 up by 7.7%

2018 – 136,230
2017 – 126,610

Average member age

39

2018 – 39
2017 – 39

Average member account balance

$65,463 up by 15.4%

2018 – $56,746
2017 – $50,597

Average Super Income Stream (SIS) member account balance

$286,417 up by 3.4%

2018 – $276,883
2017 – $260,248

Total funds under management

$52 billion up by 11.8%

2018 – $46.7 billion
2017 – $40.0 billion

Superannuation returns: Growth (Cbus MySuper) DEFAULT OPTION

6.99% down by 3.96%

2018 – 10.95 %
2017 – 11.85%

Retirement readiness index

60% of active members have reached adequate savings (June 2018)

Cbus has the proud history of being Australia's first industry fund. We were formed in 1984, when building and construction workers won the right to superannuation. Today, we're the leading industry super fund for the building, construction and allied industries.

Our members are the foundation and future of our fund. They trust us to invest wisely, provide insurance for financial protection during their working lives and create financial security for their retirement. We're driven to maximise returns to them, and not profit to shareholders.

Our products and services, our investment approach and our insurance are specifically tailored to our members and the environments in which they work.

We invest our members' retirement savings in different types of assets for the long term. We also invest directly in the building and construction industry through our wholly owned subsidiary, Cbus Property. This adds to the returns of our fund, creates jobs and contributes to the industry in which our members work.

> We're here to help our members feel secure and confident in retirement.
>
> **Rasika, Associate Adviser, Cbus Advice Services**

Our commitment

Members	We will look after our members by creating solutions that meet their needs, delivering a service that earns their trust and loyalty and by providing strong returns.
Employers	We will look after employers by delivering an experience that earns their trust and business.
People	We want our people to learn and grow, to live up to our values and to build our future.
A united approach	The foundations of our industry fund were built from the leadership of trade unions and agreement with employers to provide superannuation for all workers. Their continuing stewardship guides our united approach to putting members' interests first in everything we do.
Building trust	All our decisions are made in the best interests of our members. We are transparent in the way we work and in how we manage risk and return.

Our values

	Members are at the heart of everything we do.
	We act with integrity and respect.
	We lead by seeking new ideas and innovating to continuously improve.
	We are accountable to ourselves and our team.
	We collaborate to achieve a better outcome.

1. Under the Protecting Your Superannuation (PYS) legislation, uninsured members who are inactive for 16 months and have a balance of less than $6,000 are required to be transferred to the ATO. In June 2019, Cbus transitioned 49,000 members to Ausfund for consolidation and this resulted in the decline in membership.
2. Figure at 31 March 2019. Source: APRA Statistics: Quarterly Superannuation Performance March 2019 (issued May 2019).



Still passionate about super at 93

In May this year, our founding trustee, Tom McDonald met with Cbus staff to talk about the history of the Fund. Tom is a former national secretary of the Building Workers Industrial Union and a director of BUSS super, which later became Cbus. At 93 years of age, he's still passionate about super.

Back in the 1980s, Tom was involved in leading the union campaign to set up superannuation for workers in the building and construction industry. He designed BUSS super scheme, which was established on 1 July 1984. Employers were invited to join the Fund and accepted the opportunity to share the governance responsibilities of running the Fund. Within six months, BUSS had 800 employers and 30,000 members. It was the first industry super fund. Today industry super funds manage over $677 billion.[2]

"I have often thought what would Australia be like if the trade union and Labor movement had been defeated in their attempts to achieve universal superannuation. Millions of Australians, some now retired, some now in the workforce, and some who will in the future be in the workforce, would not have a decent retirement income."

> It is Cbus that has pioneered what we have today – something way beyond our dreams back in 1984.
>
> **Tom McDonald**

Message from the Chair

This year Cbus celebrates its 35th year. Back in 1984, when construction and building workers, and their unions campaigned and won the right to superannuation, they could probably not have conceived that the Fund they established would prove so successful, growing to over $50 billion under management and continuing to honour its members' trust over their working and retired lives.

Together with employers, the founders of Cbus including Tom McDonald, who is now 93 years old and featured in this report, had the foresight to create something unique in Australian financial services – a fund built on trust and run only to create value for its members.

That value is being delivered through average annual returns of 9.23% in our default option, Growth (Cbus MySuper), since the Fund was established. And while we find ourselves in an increasingly testing investment environment, we continue to meet our investment objectives, which for the Growth option is the Consumer Price Index (CPI) plus 3.25% each year over rolling 10-year periods. That's genuine growth well above inflation.

Our fund has doubled in size over the past five years and is the 14th[1] largest in Australia. Our increasing size and continued growth is important. It allows us to increase the diversity of our investments, maximise returns for our members and continue to improve our services.

The Board continues to closely monitor the effectiveness of our strategy of internalising some investment management and member and employer services. We are particularly proud of the strong investment performance and reduced investment costs being realised, which we expect to continue to grow over the coming years.



The substantial work we have done on internalising services has significant benefits through our increased direct engagement with members and employers.

The substantial work we have done on internalising services has significant benefits through our increased direct engagement with members and employers. It has given us first-hand insights into what their needs and concerns are and allowed us to respond quickly and effectively. The continued high satisfaction levels recorded by our members and employers provide the Board with confidence that we are on the right track.

We consider transparency and accountability in our governance, business model and decision-making to be of the utmost importance. We provided the recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry with all the information supporting our approach and no further investigation was deemed necessary. We were not called to give evidence and there were no findings against Cbus.

Along with the Royal Commission, the Productivity Commission has also been reviewing the superannuation system. It found that too many Australians are invested in underperforming funds (predominantly bank-run or for-profit), have multiple accounts and are losing retirement savings through multiple fees and insurance premiums. It has also made recommendations to the Government about default fund selection.

The Government is yet to respond fully to the Productivity Commission's recommendations; however, it has brought forward legislation that will remove default insurance cover for younger members and those with balances below $6,000. We have raised serious concerns about the consequences of this legislation for our members working in high-risk occupations.



Despite the scrutiny of these inquiries, continued regulatory and policy shifts by Government, and the bedding down of the organisational restructure and accompanying staff growth, the Board remains focused on member outcomes. This is the primary focus of all the Trustees. The Trustees work with one mind to put members first.

Our commitment is mirrored by that of our people. Cbus people are skilled and committed and our high member satisfaction is a tribute to them and the leadership of the CEO and his Executive team.

The Trustees were pleased by the constructive engagement of the Australian Prudential Regulation Authority (APRA) regarding our 'self-assessment' against the terms of the inquiry into the Commonwealth Bank of Australia's governance, culture and accountability.

Looking ahead, a key challenge for Cbus and other superannuation funds will be the low-return investment environment resulting from the low economic growth internationally and the trade war between China and the United States – and its potential impact on the Australian economy.

We believe that companies that are adapting to support the transition to a low carbon economy, ensuring sustainable practices in their employment practices and supply chains, and contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs) will perform better in the long term. Our efforts in this regard support our focus on enhancing returns to members.

The challenging times and the outcomes of the Royal Commission and Productivity Commission will drive consolidation across the industry. The Board is attuned to these developments and is giving deep consideration to Cbus' future positioning from the single viewpoint of what is in members' best interests.

This year Peter Kennedy retired from the Board after 14 years of outstanding service, including being Chair of the Investment Committee. Following a review of the Board's skills matrix and due process headed by the Nominations Committee, I am delighted to welcome Hedley Davis to the Trustee Board.

The Board acknowledges its responsibility for the Cbus Annual Integrated Report and has been involved in its development from the planning stage. We reviewed and carefully considered a draft at our August meeting. We believe that it is done in accordance with the International <IR> Framework.



The Hon. Steve Bracks AC
Fund Chair

1. Source: APRA Annual fund-level superannuation statistics, December 2018

Message from the CEO

As the current day custodians of members' retirement savings, it is pleasing to see our efforts to continue to create value being acknowledged. This acknowledgment has come from our members, as well as regulators, research agencies and the recent Royal Commission.

We have continued to enjoy strong growth, and high member and employer satisfaction. Out of 70 'like' super funds, the research agency Canstar confirmed that Cbus had the most satisfied members in 2019.

Many new members joined us from retail funds after the Royal Commission's finding of poor conduct in the retail sector. And they are bringing all their super with them. We saw a significant increase in funds rolled into Cbus of $1.6 billion, up $457 million, or 37%, from the previous year.

This year we worked diligently to provide the Royal Commission with a deep and detailed understanding of the Fund's governance and business model. The Royal Commission recognised the appropriateness of our industry partnerships with employers, industry associations and trade unions. Through these partnerships we promote financial literacy and understanding of the importance of superannuation and group insurance cover.

This was further evidenced by APRA's approach to Cbus and 35 other major financial institutions to undertake a 'self-assessment' in line with the inquiry into the Commonwealth Bank of Australia's governance, culture and accountability. Our 'self-assessment' highlighted a strong degree of member-centricity at all levels of the Fund. This suggests that Cbus values are embedded and drive decision-making in the members' best interests. We were very pleased with the open engagement with APRA through the process and the constructive feedback we received on our approach.



Many new members joined us from retail funds after the Royal Commission's finding of poor conduct in the retail sector. And they are bringing all their super with them.

At 35 years Cbus is in good shape, but we are neither complacent nor do we seek to draw false comfort from what we have already achieved. Members' changing expectations and our desire to meet and exceed them, while responding to other external changes, keeps driving us forward.

Our focus this year has been on two big areas of work – the internalisation of our Investment team, and developing our digital capability through our Accelerate program.

The internalisation of our investment program along with other initiatives, have contributed to real savings for members. This year, investment costs were down 0.16% or $78 million back in members' accounts. We have seen a number of new and innovative investment opportunities coming from our in-house team in global equities, infrastructure, small caps and debt. We expect the benefits from direct investing to materially grow as the proportion of funds managed internally increases.

A healthy economy is one that is stable. Investors play an important role in creating the conditions for long term social and environmental sustainability. This is why we place considerable weight on responsible investment and environmental, social and governance issues. We also consider our contribution to, and impact on, the Sustainable Development Goals (SDGs) through our investment decisions and our operations. Our next step is to ensure that our members and stakeholders are better informed about why and how we do this.



Through the Accelerate program we are putting in place the technology platforms that members want to use to interact with Cbus. This also enables us to gather more information about what our members need and respond quickly. The intelligence we are gathering informs our Board's discussion on strategy and gives us a competitive edge.

We also continue to advocate for insurance through superannuation for all people working in high-risk jobs such as those in construction and building. Many young Cbus members make claims on the insurance provided through their superannuation. This provides them and their families with some financial assistance in the event of injury, illness or death. The measures proposed by the Government to remove default insurance for young people and people with low balances, fails to grasp the realities for construction and building workers.

The measures in the Government's Protecting Your Superannuation (PYS) legislation – known formally as *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019* (Clth) – have multiple impacts for our insurance, operational costs and revenue. It will require the Fund to re-examine insurance premiums and the current administration fee paid by members in the coming year.

Our people are central to delivering our strategy and maintaining our member-focused culture is primary as we continue to grow. I was pleased to see our overall staff engagement increased over the year although awareness of the business plan declined.

Across Cbus, people are looking for development and opportunities to lead. Leadership for us is not just about hierarchy, and we are developing leadership in areas of expertise. We are committed to working collaboratively for our members, and with real-time feedback from members and employers we need to be able to respond quickly and meaningfully. This requires teams to work together to provide seamless solutions.

The Senior Executive and Board have reviewed our approach to determining the issues that really matter to our members and stakeholders, and have incorporated these into our business strategy.

What we want most of all is to make sure members are getting value from the ongoing improvements to our member services and our investment outcomes. This comes from our competitive and structural advantages, enhanced decision-making and delivery processes, and early and deeper engagement with our stakeholders.

Our involvement in the integrated reporting process, and the reports themselves, have improved the way we develop strategy and the information we get on strategy implementation and achievement.



David Atkin
Chief Executive Officer

Creating value for members for 35 years.

How we create value

The resources we use

- The contributions our members make into our fund
- A diverse workforce and talented people
- Strong relationships with unions, employers and industry partners
- The systems, processes and technologies we use
- Natural resources

To run a member focused super fund

Building and construction unions | **Members** | **Employers and their associations**



Maintaining good governance through an industry fund model that has representative governance and puts members at the heart of everything we do

Committing to building, construction and allied industries in which we play an active role

Investing members' retirement savings as part of a $52+ billion pool

Considering the material issues in our external environment in developing our integrated strategy

Advocating on behalf of our members to ensure the super system takes account of their different work and retirement paths

We create value for our members by investing their superannuation contributions, returning all profits to them and providing solutions that help them achieve a dignified retirement.

To create value, we must first understand the environment in which our fund operates and the issues that impact our members. The key issues in our external environment that we focus on are:

1. Global trends that impact our decisions and our members' returns
2. Regulation
3. Changes in the super industry
4. Competition

Our Integrated Annual Report explains these issues and how we respond to them.

To deliver our products and services

Tailored value-for-money products to manage income in retirement

Tailored insurance at an affordable price that caters for hazardous environments

Investment options that we manage responsibly and for the long term to deliver strong returns for retirement

Advice to guide members and drive better retirement outcomes

Easy to administer products and services for employers to help them comply with regulations and look after their employees

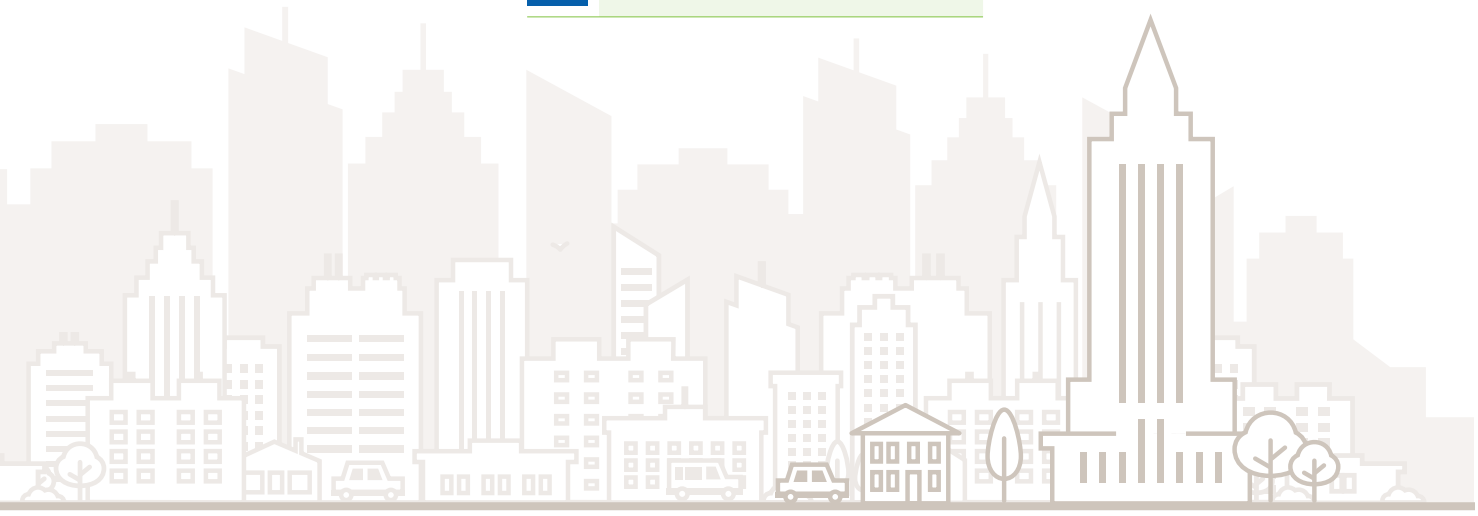
That maximise our members' retirement outcomes and contribute to a strong, stable economy

For our members, our employers and key partners

- Security and dignity for members in retirement by maximising their retirement savings and income
- Trust and satisfaction of Cbus members, employers and our industry partners
- Insurance payouts for members and their families in the event of injury, illness or death
- Cbus people working collaboratively with their colleagues to serve members' interests
- Best practice systems and governance
- Employment opportunities for members through Cbus Property's construction work

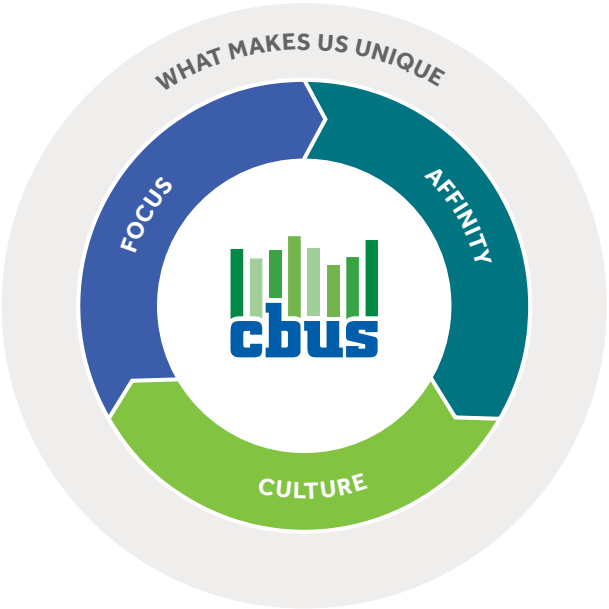
For the economy and society

- Building and other investments that contribute to lower carbon emissions
- A stronger economy and building and construction industry
- Cbus people who are engaged and productive
- A growing pool of capital to invest in our economy



What makes us different

Our philosophy of placing members first and on creating jobs in the built environment has established Cbus as the leading superannuation fund for members and employers in building and construction and other industries that help build Australia. Since our inception, we have sought to provide solutions that help our members make the right choices to maximise their retirement outcomes. Over time, we have continued to enhance and expand our products and services to meet both the existing and emerging needs of our members and our other key stakeholders.



FOCUS



Strong industry focus

Focusing on building and construction and other industries that build Australia.

AFFINITY



Active industry role

Playing an active role in the industries we focus on.

CULTURE



Passionate about our members

Being passionate about serving our members.

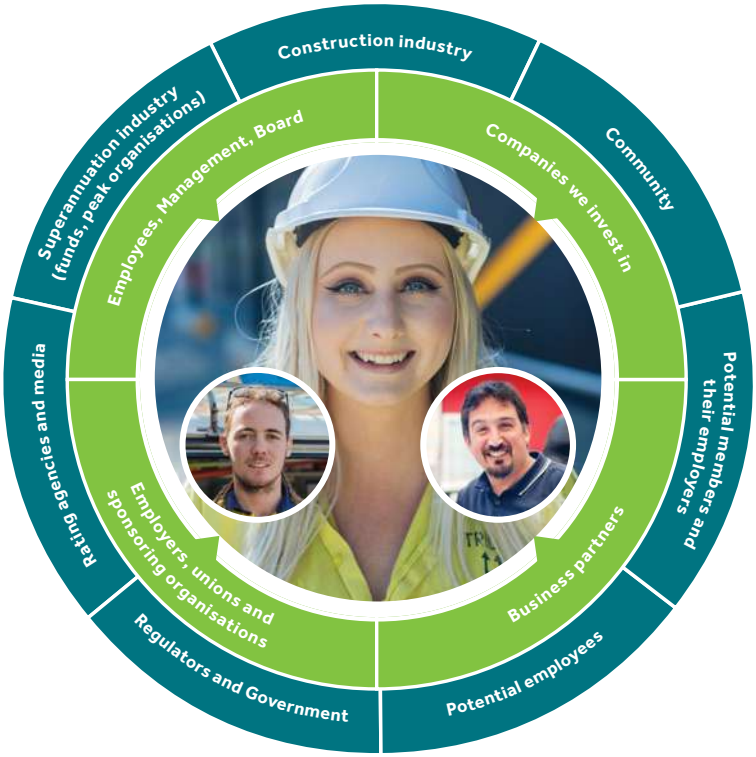
Focusing on things that have the greatest impact on the value we create for our members.

What matters most to our stakeholders

Our members are at the heart of everything we do, and there are other stakeholders who are also important to us. You can see all our key stakeholders in the diagram below and the issues that most interest them in the table on page 14.

We identify these issues by engaging with stakeholders and through research. As part of our research we reviewed issues that arose in the media, and those raised by regulators, government and industry groups during the financial year. For more information, refer to the Engagement and Materiality supplement to this report.

Our stakeholders



Stakeholders that provide resources to our business model

Other stakeholders in our external environment that influence, or potentially influence, our resources and our outcomes

We explain our approach to materiality on page 36.

What are our stakeholders concerned about?

1. Members having enough income in retirement	Management approach
Our stakeholders are concerned about:	
• strong investment returns after fees	30
• sufficient contributions into super for all working people	68
• unpaid super	42 and 68
• members being able to meet financial and non-financial needs in retirement	42 and 50
• members being able to make informed decisions about super and non-super savings	42 and 50
• access to appropriate financial products and services	40
• job opportunities in the construction sector	23
• access to affordable housing	61
• dealing with the rising cost of living for retirees	50
• volatility in financial markets.	57
2. Strong, reliable and trusted fund contributing to an effective superannuation system	
Our stakeholders want:	
• a fund with size and scale to meet members' ongoing needs	4
• a fund with a good reputation that is well-managed and well-governed	8 and 17
• a fund that keeps them informed	40
• a fund that advocates on members' behalf	67
• a fund that contributes to the built environment and helps create jobs	23
• a stable super system	67
• confidence in the financial services industry following the Royal Commission.	15 and 17
3. Long-term, responsible and innovative investment	
Our stakeholders want a fund that:	
• delivers strong investment returns after fees	30
• thinks about the long term	57
• has investment capability and skills	58
• invests responsibly	63
• manages investment risks	61
• considers issues such as occupational health and safety, human rights and diversity	63
• manages threats and opportunities relating to climate change	64
• invests in the building and construction industry and creates jobs.	23
4. Meeting member and employer products and service needs	
Our stakeholders want a fund that:	
• makes super easy	40 and 54
• provides a quick and seamless service	40 and 54
• gives members and employers information that's relevant to them	40 and 54
• offers conflict-free financial advice	50
• offers insurance cover that is designed for the environments in which members work	46
• provides face to face, phone and online service options	40 and 54
• is simple and low cost	82
• keeps them informed	40 and 54
• is flexible and adaptable	8
• provides the latest products and services.	40 and 54
5. Getting the right help at the right time to make sound decisions	
Our stakeholders want:	
• education and guidance for members on super, investments and insurance	40 and 54
• resources that help members make better decisions	40
• financial advice and retirement planning services for members	50
• options for members to talk to someone over the phone or face to face	40
• online services	40 and 54
• education about super for young people	38 and 40
• help for members experiencing financial hardship	40
• community involvement	38
• support for members' financial and non-financial needs.	38

Monitoring and responding to the environment in which we operate for the best interest of our members.



External environment

Regulation

This year saw two important inquiries that impact superannuation. These were the Productivity Commission Inquiry into the efficiency and effectiveness of Australia's superannuation system, and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

These inquiries highlighted serious misconduct and risks in financial services and superannuation. The Royal Commission showed several cases where banks and financial advisers acted in their own interests and not in the interests of their clients. As a result, regulation is becoming more stringent. We expect greater supervision and stronger enforcement from the regulators, APRA and ASIC, over the coming year and a strong focus on culture.

The Government introduced new legislation as a result of the two inquiries. The Protecting Your Superannuation (PYS) legislation came into effect on 1 July 2019, and the Treasury Laws Amendment (Putting Members' Interests First) Bill 2019 was introduced in July 2019. The PYS legislation bans exit fees and requires funds to transfer small inactive accounts to the ATO. It also removes default insurance cover for accounts that haven't received a contribution for 16 months. Putting Members' Interests First covers parts of the PYS Bill that were not passed in the last Parliament. It will result in the removal of default insurance for new members under the age of 25, and for new and existing members with account balances below $6,000.

PMIF changes will impact our members. Cbus is assessing how best to use the exceptions for dangerous occupations to protect our members who work in hazardous industries. You can find out more about this on page 67.

The Insurance in Superannuation Voluntary Code of Practice came into effect on 1 July 2018. Funds have until 30 June 2021 to fully comply. Cbus already meets the overall intent of the code and many of its requirements.

There was also new legislation to expand section 68A of the Superannuation Industry (Supervision) Act 1993 (Clth) (SIS Act). Section 68A is intended to prevent super funds from influencing an employer's choice of a default super fund by offering benefits. This has required us to tighten up some processes, but hasn't required any change in strategy or approach. Another change for which we are preparing is the new APRA Prudential Standard SPS 515. This standard focuses on member outcomes and requires funds to demonstrate how their strategic planning processes are tied to this. Trustees must annually assess whether their MySuper and choice products are achieving outcomes that are in members' best interests.

In May 2019, the Government announced an upcoming review of the retirement income system. It will cover superannuation, government pensions and taxation. This will mean further scrutiny of superannuation.

External environment
continued

Changes in the super industry

Since compulsory superannuation was introduced, Australia's superannuation system has grown to over $2.78 trillion.[1] This is largely due to the combined effect of Superannuation Guarantee contributions and investment returns.

As the superannuation industry matures, we are seeing changes in the market. There is greater competition between funds and more mergers between funds as they try to build scale. Significant trends include:

- The number of members approaching retirement is increasing and we expect to see an increase in benefit payments over the coming years. As a result, the level of net inflows (inflows less benefits paid) to superannuation will be lower. While superannuation will continue to grow, the rate of growth will be slower.
- Members and employers have higher expectations in how their super funds support them. To be competitive, funds must deliver strong returns after fees, together with products and services, that meet members' ongoing needs. This requires significant investment in people and technology.
- More stringent regulation has meant that the costs of compliance are higher. Super funds need specialist skills and technologies to meet their obligations.
- The new PYS legislation is leading to a decrease in member numbers, which affects the size and revenue of funds.

With more funds merging, we expect that in the next 10 years a small number of very large super funds will dominate the market. These funds will have the scale to deliver strong net investment returns and to better cater for their members.

Adequate super

Australia's population is aging. We expect that as the number of working-age Australians falls and people live longer, there will be greater strain on the Australian retirement system.

In the building and construction industry, we are seeing forced retirement of many workers before they can start accessing their super. We anticipate construction activity and employment will slow down over the coming year and more of our members may find themselves in this position. With the rise in the 'gig-economy', we are also seeing a high number of self-employed workers who are at risk of missing out on super contributions. It's important to make sure these workers understand the benefits of superannuation.

Unpaid super is still a serious concern. It is estimated that one in three Australians don't get the super they're entitled to. The building and construction industry has among the highest incidence of unpaid super, and this has a major impact on the retirement incomes of our members. Employers who don't meet their super obligations are depriving workers of their legal entitlements. They are also unfairly competing with employers who are paying super and placing a burden on taxpayers in lost revenue and welfare payments.

Another issue for our members is the gender gap, which impacts women who retire with less super than men. Pay equity and offering arrangements that promote female workforce participation can go a long way towards closing the gap.

In the past year, we have seen global economic growth slow down and interest rates fall, and we expect to see lower investment returns over the next decade. Lower investment returns have the greatest impact on retirees and members who are close to retiring.

1. Source APRA, 31 March 2019.

Making decisions in our members' best interests.

Our governance

The Board follows the Trustee's Governance Framework to oversee and exercise its authority, and to ensure we make decisions in the best interests of our members. The Board's responsibilities include:

- setting the strategic direction and overseeing the Fund's operations and supporting frameworks
- appointing the Chief Executive Officer and reviewing their performance
- reviewing and setting the values of the Fund
- setting expectations around risk management through its development, review and approval of the Cbus Risk Appetite Statement.

The Board is assisted in its role by five permanent standing committees: the Investment Committee; Audit and Risk Management Committee; People, Culture and Remuneration Committee; Member and Employer Services Committee; and the Nomination Committee.

The Board and each Committee has a Charter that sets out its roles and areas of responsibilities. You can view these Charters at:

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

The following summarises the focus areas for the Cbus Board's five permanent standing committees over the financial year. For more information about the Board refer to page 69.

Audit and Risk Management Committee (ARMC)

- Review and endorsement of internal and external auditor via tender process
- Response to and endorsement of Cbus self-assessment against the Commonwealth Bank of Australia (CBA) Prudential Enquiry Report
- Oversight of the internal audit program of work
- Reporting and endorsement of Annual Financial Statements
- Consideration, assessment and endorsement of annual budget funding request, including resourcing and project funding
- Oversight of Accelerate, review and monitoring at cost and operational level
- Investment internalisation
- Cyber/ information security strategy including readiness for and compliance with Prudential Standard CPS 234, monitoring of the Fund's material risk profile, risk appetite framework and risk management strategy
- Consideration of enterprise risk and oversight of the application of the Fund's Risk Management Framework
- Review of the Fund's member outcomes framework and assessment against this framework.

Our Governance
continued

People, Culture and Remuneration Committee (PCRC)

- Review of the Variable Pay Program
- Review of Royal Commission findings and learnings on remuneration and culture
- Review of Director, CEO and Executive remuneration, review and endorsement of performance-based pay
- Organisational metrics including staff engagement, risk culture, and operating model change readiness surveys.

Member and Employer Services Committee (MESC)

- Review of industry partnerships program
- Review of marketing strategies
- Review of insurance product design, Insurance Code of Practice and regulatory changes to insurance under Protecting your Super reforms
- Review of the operations of the Cbus Advice team
- Complaints oversight and the introduction of the new Australian Financial Complaints Authority.

Nominations Committee

- Review and endorsement of the appointment of Hedley Davis – replacing Peter Kennedy.

Investment Committee

- Oversight of the continued implementation of the new investment model, in particular, review of new and proposed internal strategies, and governance and decision-making frameworks to support them
- Reviews of the market environment and investment objectives and asset allocation
- Reviews of asset classes and investment products and strategies, including new direct infrastructure assets
- Reviews of fund performance
- Evolving the Fund's Responsible Investment approach, including:
  - approving the Climate Change Roadmap and establishing the board and management governance framework for climate change
  - becoming a signatory to the Australian Asset Owners Stewardship Code
- Reviews of investment risk, including investment risk appetite, liquidity, operational risk, interest rate risk and reviews of investment policies.

Adopting leading risk practices with a strong risk culture.

Identifying and managing risk

Cbus strives to adopt leading risk practices beyond just regulatory compliance. We have built a strong risk culture across all areas of the Fund and we continue to develop this further.

With heightened expectations from regulators and the community we are focusing on culture, governance and accountability. Our work in these areas will drive activities across the Fund over the coming year.

We are also developing specific areas to deliver our risk strategy. These include strengthening our business partnership model, revising our incident management reporting and building an in-house internal audit capability.

Our risk strategy

As part of our strategic planning process we look at many different types of risks and how they are connected. These include risks that we can directly manage and those that are more removed, but that can still materially impact us and our members – for example, regulatory change. Doing this enables us to better prioritise our risks and define how we respond to opportunities and threats.

We have summarised the different groups of risks we've identified on page 20.

How we are enhancing our risk management

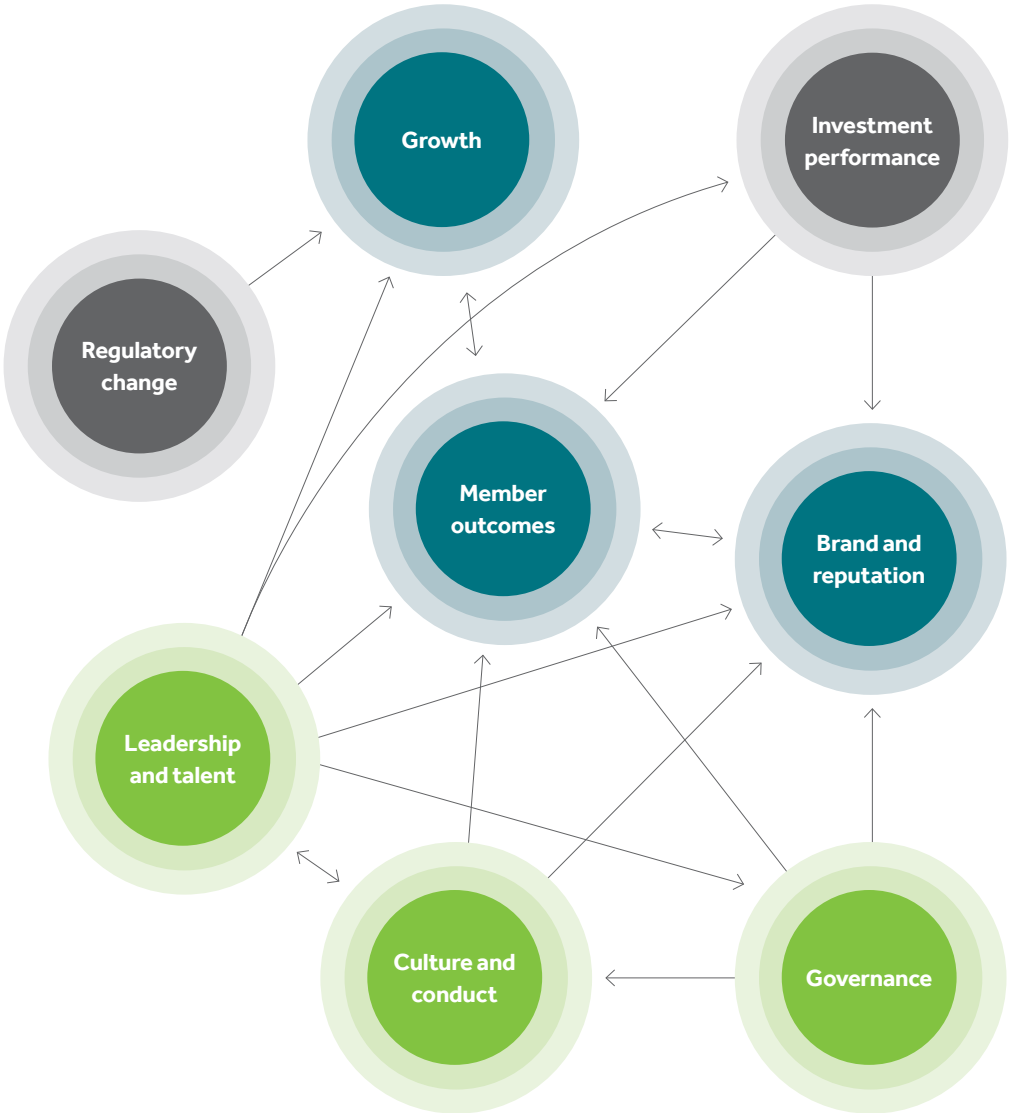
During the year we undertook a risk governance self-assessment for APRA. Through this process we identified several opportunities to further enhance our risk management practices and we are implementing these. They include the following:

- Establishing a new executive role of Chief Risk Officer ('CRO') who reports directly to the CEO and Chair of the Audit and Risk Management Committee. This will enable clear independence in challenging the business on the assessment of risks and issues.
- Strengthening controls and assurance across the 'three lines' – front line staff, risk and compliance teams and internal audit.
- Establishing an Executive Risk Committee to provide regular and formal risk reporting, and to increase oversight of financial and non-financial risks across the Fund.
- Conducting a formal, six-monthly review of our risk and compliance functions to ensure we are appropriately resourced to meet regulatory requirements and support our strategy.
- Automating reporting of key risk indicators and enhancing our governance, risk and compliance system.



Identifying and managing risk
continued

Key risks



- Greatest risk transmitters
- Greatest risk receivers
- External influences

Threats to growth

These are the areas that would be most impacted if we do not effectively manage our business operations.

Description	Response
Achieving and sustaining growth To grow membership and funds under management we seek and take advantage of growth opportunities that are strategically aligned with the Fund.	• Review and refine our growth strategy. • Strengthen capabilities to acquire new members and employers. • Develop tailored products and improve delivery of products and services.
Delivering member outcomes To generate the best possible retirement outcomes for members we plan how we deliver our strategy, manage expenses, track performance and assess results.	• Develop a member outcomes framework that measures results at fund, product and member level. This will be closely aligned to the strategy and enterprise performance scorecard. • Demonstrate value creation through an integrated reporting framework. • Enhance service delivery capabilities. • Improve efficiency in insurance and claims process.
A strong brand and reputation We actively enhance the reach and relevance of our brand by undertaking activities that support our value proposition and improve member outcomes. We avoid activities or decisions that compromise or damage our values, brand and reputation.	• Position our strong risk, governance and accountability as a source of competitive advantage. • Leverage our digital advertising and campaign capabilities. • Continue activities to strengthen the Cbus brand and extend our reach in allied industries.

People and culture opportunities

These risks represent the things we must get right and where we can create a competitive advantage.

Description	Response
Culture and conduct We foster a member-focused culture that is underpinned by our values and purpose.	• Implement and communicate our risk culture programs and revised Code of Conduct policy. • Review and deliver fund-wide communication and training on our Whistleblowing Policy. • Review remuneration and accountability structures.
Leadership and talent We attract and retain the right talent and maximise leadership capability so we can effectively formulate and execute strategy.	• Implement a leadership capability and career planning frameworks. • Plan and develop an accountability framework. • Make progressive changes to our Parental Leave Policy.
Governance structures We adopt appropriate governance practices to ensure member-focused decision-making and accountability at all levels.	• Implement the Board Action Plan that resulted from the risk governance self-assessment. • Implement our Board to Business Program.

Identifying and managing risk
continued

Sustaining good long-term returns

Investment performance is critical to achieve our strategic objectives.

Description	Response
Investment performance To improve members' retirement adequacy, we set appropriate investment objectives and strategies and execute these effectively and efficiently. We take investment risk where it is most likely to be rewarded and maximises the probability of achieving our investment objectives. We implement strong business processes and controls to manage operational risk effectively.	• Implement our investment model and roll out internal investment strategies. • Reduce investment management costs. • Enhance data management. • Implement our Climate Change Roadmap to enable a portfolio-wide approach to managing climate risk.

Regulatory change

Regulatory change can have an extreme impact on us and our members if we don't have strong processes in place.

Description	Response
Regulatory change informs our key programs. We seek to proactively influence regulatory change, advocate policy that is in the long-term best interests of our members and ensure change is well implemented.	• Advocate on regulatory changes to influence better member outcomes. • Improve our regulatory change framework so we can better identify, interpret, implement and oversee regulatory change.



Photo credit: Danielle Bonica, ABC News

Cbus Property



Artist impression, subject to planning approval.

A new icon for Melbourne's skyline

A significant project for the Melbourne CBD is 435 Bourke Street. Designed by architects Bates Smart, it will introduce approximately 59,000 square metres of premium office space and create a new icon for Melbourne's skyline.

The 46-level building responds to a future workforce, with a design that promotes sustainability, wellness, connection to nature and productivity. It will incorporate vertical spaces, landscaped terraces, a wellness hub, and top-quality end-of-trip facilities with accommodation for 600 bikes.

The four-level wellness hub will be accessible to building occupants and the community. It will offer a retail precinct, areas for sporting activities, quiet studio spaces, consulting rooms and a rooftop garden for people to gather and socialise.

The project aims to achieve a 6 Star Green Star – Design and As Built v1.2 rating, and upon completion, will apply to become WELL Certified™ Core at the Core Platinum level. Cbus Property is currently awaiting town-planning approval in order to commence works.

With its wellness features and green ratings, 435 Bourke Street will contribute to a resilient and sustainable city and also align with SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable.

Cbus Property
continued



Message from the Cbus Property CEO

This year we achieved a return to Cbus members of 12.35%. Since our inception in 2006, we have generated annual returns averaging 15.88% a year. We continue to grow a diversified portfolio of high-quality commercial and residential buildings, create jobs in our industry and deliver sustainable long-term returns for Cbus members.

Our commercial property office portfolio comprising eight buildings, is valued at $3 billion. The total value of the Cbus Property portfolio at 30 June 2019 was $4.8 billion. We currently have a $5 billion development pipeline of commercial and residential projects in Victoria, New South Wales, Queensland and South Australia. Some projects are under construction, while others are awaiting planning approvals, pre-commitments and/or pre-sales levels to be achieved prior to commencement.

Our commercial projects all aim to give our partners accommodation that enables them to attract and retain the best people in their businesses. We believe the sustainable features and the range of facilities and services they offer reflect the changing nature of work, and expectations of our partners and their employees. Office buildings developed to this higher standard achieve higher occupancy rates, more attractive lease terms and quality long-term partners.

We were very proud to be ranked joint #1 in the 2019 NABERS Sustainable Portfolios Report.[1] We achieved an average NABERS rating of 5.5 stars across our commercial office property portfolio.[2] We have strategies in place to deliver more energy-efficient buildings across Australia, with a goal to become net zero by 2030. As noted in the NABERS report, we have achieved a 7% reduction in carbon intensity, a 5% decrease in waste, and a 6% reduction in electricity intensity across the portfolio over the 2018 calendar year. We also have solar installed at four of our eight commercial buildings, which generated 132,833 kilowatts of power in 2018.

Another highlight this year was receiving a WELL Precertification at the Platinum level for our commercial office development at 447 Collins Street in Melbourne.[3] WELL is a global rating system that aims to incorporate features into the design of buildings that improve the health and wellbeing of the occupants. Other features at 447 Collins Street include indoor air-quality monitoring, integrated interior pathways and stairs, natural lighting and ventilation. The building will provide access to high-quality bike storage, facilities that promote an active lifestyle and healthy food options within the adjoining retail precinct.

One of our newer commercial projects currently awaiting planning approval is 435 Bourke Street, Melbourne, which will also have a strong focus on sustainability and wellness. You can read more about this project on page 23.

A number of our current residential developments are progressing towards completion. We expect Holme, Collingwood and Newmarket Randwick Stage 1 and 1A to be completed over the next six months. We commenced the development of The Langston in Epping, NSW in March 2019, and our boutique development in Spring Street, Melbourne is scheduled to commence in September 2019.

Over the coming year we will continue to source new development opportunities that align with our strategy and meet our investment criteria. These are approved by the Cbus Property Board and mandated by the Fund.

For more information on our projects, visit:

www.cbusproperty.com.au



Adrian Pozzo
CEO Cbus Property

1. National Australian Built Environment Rating System Sustainable Portfolios Report, 2019.
2. Based on certified ratings of our building portfolio as at 30 June 2019.
3. Based on the design, amenity and features to be incorporated into the building, Cbus Property is expected to achieve a WELL Platinum rating. This rating is certified by the International WELL Building Institute Trademark (IWBITM).

Overview of the property market

The commercial office market remains strong and is supported by significant infrastructure investment, and the development of several new premium office buildings around Australia. Global funds and Australian institutional investors and superannuation funds continue to invest in premium and A-grade commercial office properties. With ongoing demand for these investments and limited supply, we expect low vacancy levels and rental growth to continue over the next 12–18 months.

While conditions in the residential market remain subdued, sentiment is slowly changing. Auction clearance rates have increased to over 70% in Melbourne and Sydney. Sellers have adjusted their pricing expectations to more realistic levels, allowing prices to stabilise. Even though tight credit conditions remain, the recent decreases in interest rates, together with changes to bank lending criteria should make it less difficult to secure a loan. This should stimulate demand, although borrowers remain cautious. Furthermore, we believe that with population growth expected to continue, and the current lower level of building activity, it is likely the residential market will improve. It is also likely we will see an under supply of residential apartments in the next three to five years in parts of the market.

Investing for the future

For Cbus Property 2018/2019 was an important year. We launched our revised Sustainability Strategy under the three pillars of Better Buildings, Future Ready and Investing in People.

This strategy focuses on delivering shared value through high-quality developments that deliver positive environmental and social outcomes, and consistent financial returns. It will help us continue to provide value to our stakeholders, our partners and the community.

We pledged our support to the World Green Building Council's 'Net Zero Carbon Buildings Commitment'. This challenges us to reach net zero operating emissions in our commercial office portfolio by 2030. Making this commitment reflects our values as a responsible investor, and our ambition to drive change and provide the best sustainable developments into the future.

We assess our environmental, social and governance performance against our peers in the Global Real Estate and Sustainability Benchmark (GRESB). We were very proud to be ranked second of all 964 global participants, when compared across all categories.

You can find out more about our activities and our GRESB results for 2019 in Cbus' Responsible Investment supplement.

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

We strive to drive change and deliver sustainable developments into the future.

Adrian Pozzo, Cbus Property CEO

Cbus Property
continued

Returns since inception have averaged

15.88% ($2.8 billion)

2018 – 16.15%
2017 – 15.95%

Net value of the portfolio

$3.18 billion

2018 – $2.5 billion
2017 – $2.1 billion

Returns for the year

12.35%

2018 – 18.63%
2017 – 24.30%

Value of investment pipeline

$5.0 billion

2018 – $4.5 billion
2017 – $4.5 billion

Gross value of the portfolio

$4.8 billion

2018 – $3.9 billion
2017 – $3.5 billion

Jobs created since inception

95,000[1]

2018 – 90,000
2017 – 75,000

Recognition and awards

We are proud to have received the following awards for our developments during the year.



1 William Street, Brisbane:

- Queensland 2019 Development of the Year award, Property Council of Australia



140 William Street, Perth:

- 2019 RICS Sustainability Project Award
- Community Engagement Award – CBD Property, Property Council of Australia



5 Martin Place, Sydney:

- Award of Merit for the UNESCO Asia–Pacific Awards for Cultural Heritage Conservation

1. Estimated employment since 2006 to June 2019 is based on onsite inductions, using actual inductions reported by Cbus Property and estimated final inductions for current developments (which are not yet completed) sourced from data provided by Deepend Consulting based on direct development comparisons, average percentage of labour allocated to development projects, ABS earnings data and Deloitte Access Economics projected wages growth data.

How we work with Cbus Property

We have appointed Cbus Property to manage the direct property portfolio for the Fund. Currently, Cbus Property manages approximately 50% of our asset allocation to property. We have an Investment Agreement (IMA) in place with Cbus Property. The IMA allows Cbus Property to acquire, dispose of, develop and manage direct property investments in line with best practice in the Australian property industry.

Cbus Property is a property investment and development company and a wholly owned subsidiary of Cbus. It has its own Constitution under the Corporations Act. Cbus Property's Board prepares a strategic business plan annually. This strategic plan is endorsed by the Cbus Investment Committee and approved by the Cbus Board.

Managing risk

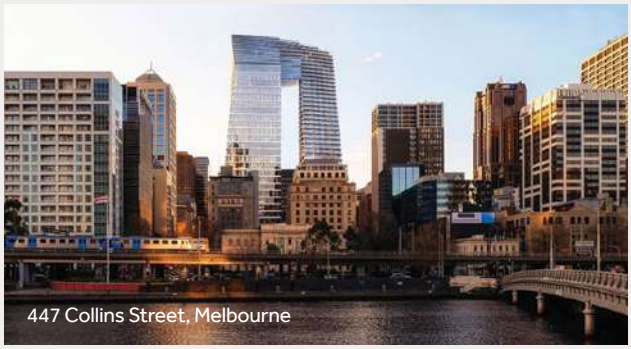
Cbus Property manages risks across its portfolio. It assesses the risks of all projects and puts measures in place to appropriately manage these risks.

For commercial developments, Cbus Property designs buildings that are sustainable and, where possible, pre-leases a minimum percentage of the development before commencing construction.

For residential developments, Cbus Property focuses on building a product that is attractive and unique for purchasers. It obtains deposits from purchasers at the time of exchanging contracts and communicates regularly with purchasers through the life of the development.

Cbus Property selects the best builders to work on its projects. Its 'Charter of Selection and Conduct Criteria for Consultants and Principal Contractors' encourages high standards. This helps ensure high-quality construction work, better procurement practices, safer sites, better working conditions and ethical practices. You can read the charter here.

www.cbusproperty.com.au/about/our-business



447 Collins Street, Melbourne



Cbus Property
continued

Strategy

Cbus Property's value proposition is based on five focus areas:

Area of focus	Why	How
People	Our people are the foundation of everything we do. A culture of continuous improvement will lead to investment return enhancement.	We aim to provide a working environment that: • is flexible and fosters diversity • actively builds skills and keeps employees refreshed • continues to attract people of the highest calibre • promotes a culture that is professional, respects the individual and empowers employees.
Portfolio management	The ability to effectively deliver our developments and successfully manage our investments is a direct contributor to our performance.	Our portfolio strategy objectives are to: • maximise performance and deliver superior 'risk-adjusted' returns • actively manage capital and risk in a prudent and disciplined manner • be at the forefront of innovation and foster creativity.
Stakeholder/ customer focus	Maximising returns for Cbus members and understanding and responding to the needs of our partners (tenants and apartment purchasers) ensures we can attract and successfully deploy capital.	We are committed to: • contributing to the returns of the Fund through profitability in our areas of expertise • exceeding the expectations of all our partners and stakeholders • conducting and growing all business and relationship dealings with integrity, openness, responsibility and accountability.
Health and Safety	Ensuring the health and wellbeing of our employees, on-site management teams and those tasked with delivering our developments and managing our investments is a core responsibility.	Our vision continues to be to foster a culture across our operations where: • Workplace health and safety (WHS) is considered a core value; • safe behavior is encouraged and respected • continual improvement is considered to be part of the Cbus Property work ethic.
Environmental, social and governance (ESG)	Cbus Property believes that companies that better manage ESG issues can increase financial value and provide positive environmental and social outcomes.	Our focus is to achieve long term sustainability for the Fund: • we are committed to long term integration of ESG issues into our decision making and operations • our new sustainability strategy sets ambitious goals and targets, to help us create better buildings that people want to live and work in, while improving our efficiency and sustainability.

Key risks and mitigation

The Risk Management Framework is comprised of systems, policies, processes and people within Cbus Property. Together these identify, assess, manage and monitor the internal and external risks that may affect Cbus Property's ability to meet its objectives.

The table below highlights the current and emerging risks that relate to Cbus Property. Cbus Property applies its Risk Management Framework to manage and mitigate these risks. Cbus Property monitors the effectiveness of the Risk Management Framework through regular risk reporting of outcomes against an agreed risk appetite.

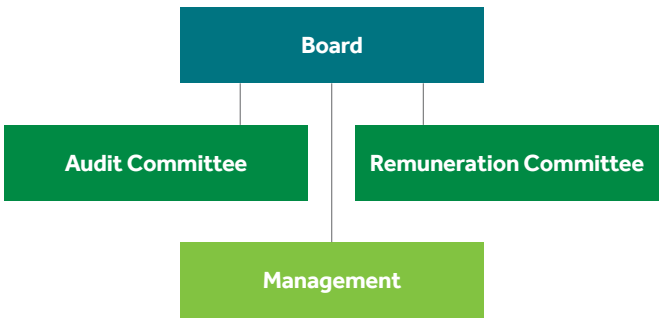
Material risks	Response
Commercial and residential development	Cbus Property delivers buildings that are innovative, efficient and attractive to purchasers and tenants. Throughout this process, Cbus Property continuously monitors the property market to inform development strategies. Cbus Property has managed the recent decrease in demand in the residential property market through careful selection of sites, planning and design of projects and through staged delivery. Cbus Property has a competitive tender process to select the best builders to work on its projects. Its 'Charter of Selection and Conduct Criteria for Consultants and Principal Contractors' encourages high standards. This helps ensure quality construction work, better procurement practices, safer sites, better working conditions and ethical practices. You can read the charter here: www.cbusproperty.com.au/about/our-business
Health and safety	The health and safety of employees and on-site teams is a priority for Cbus Property. Health and Safety risks are managed at all development sites and investment properties with active monitoring and application of controls by the appointed head contractor or property manager.
Construction quality	Cbus Property seeks to manage the risk of structural integrity by using reputable and experienced architects, engineers, construction contractors and consultants, ensuring it delivers high quality construction outcomes. The use of combustible cladding is an important issue facing the construction industry and Cbus Property has assessed the potential impact on its completed commercial and residential properties. Cbus Property has also assessed recent and proposed legislative requirements and will continue to mitigate the potential risks in its developments and investments.
Environment, social, governance	Cbus Property is committed to long term integration of ESG risks and opportunities into decision making and operations. Cbus Property will continue to engage with stakeholders and consultants to understand and implement emerging legislation.
Finance and treasury	Cbus Property closely monitors finance risks to ensure it continues to comply with its debt facility agreements and is able to maintain and attract sufficient capital and liquidity to pursue its objectives.

Governance

The Cbus Property Board is responsible for the governance, risk management, financial and strategic performance of Cbus Property. In discharging these responsibilities, the Board may delegate appropriate matters to Board Committees and management within defined and documented parameters.

The review and development of Cbus Property's policies continued during the 2019 financial year to ensure they accord with industry best practice. The policies include a statement of values and a code of ethics to guide employees in decision making. They also include a whistle-blower policy to encourage reporting of misconduct.

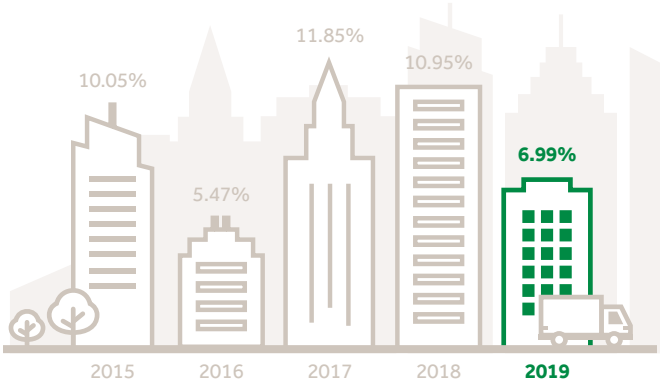
Cbus Property governance structure



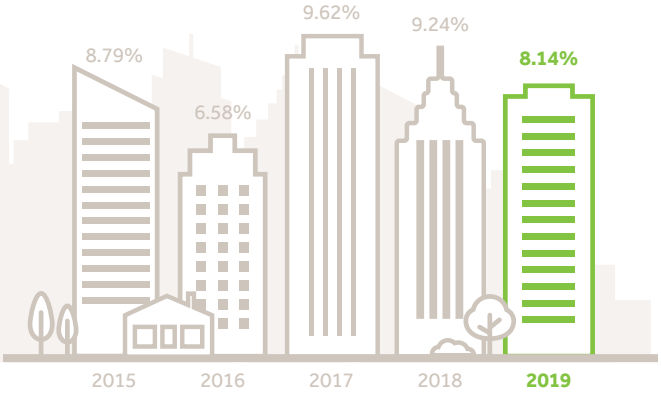
This year Cbus delivered a strong return to members of 6.99%. This follows several years of strong performance.[1]

Our 2019 performance

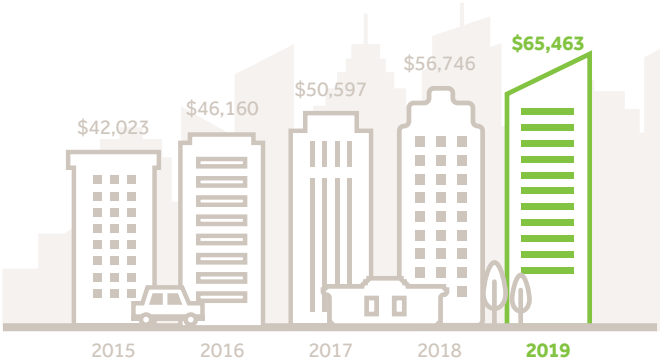
Superannuation returns
Growth (Cbus MySuper) DEFAULT OPTION



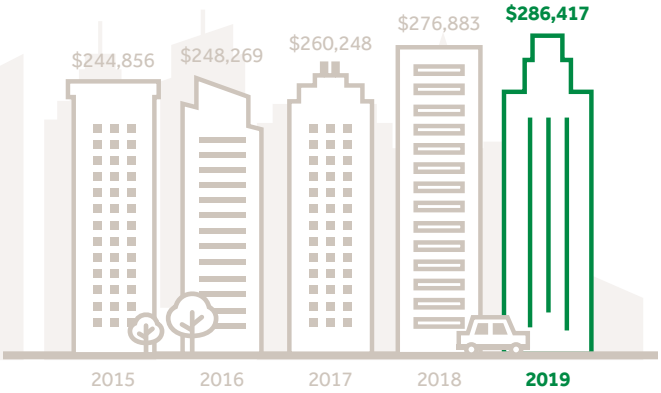
Super Income Stream (Fully Retired Option) returns
Conservative Growth DEFAULT OPTION



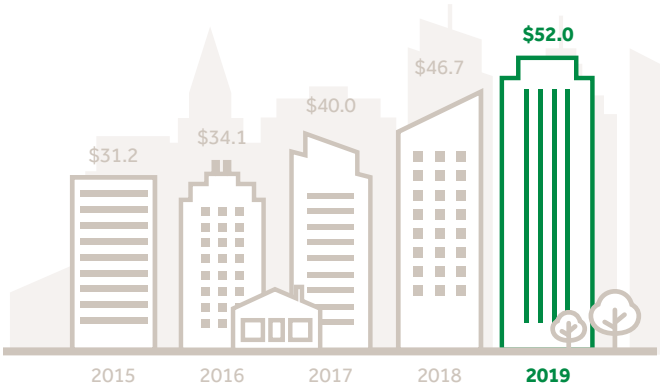
Average member super account balance
as at 30 June



Average Super Income Stream account balances
as at 30 June



Total funds under management
$ billion



Super Income Stream
Funds under management $ billion

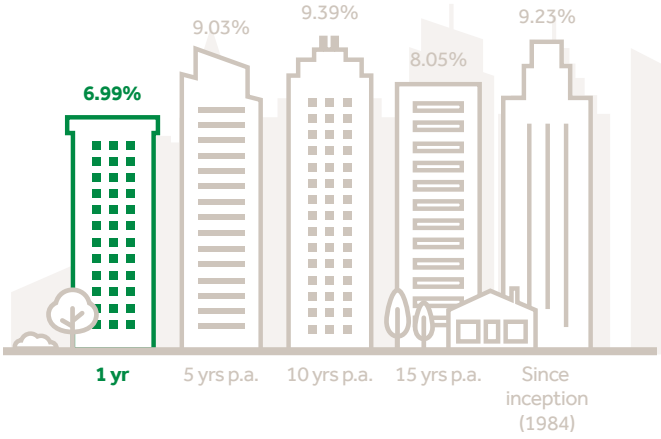


Crediting rates

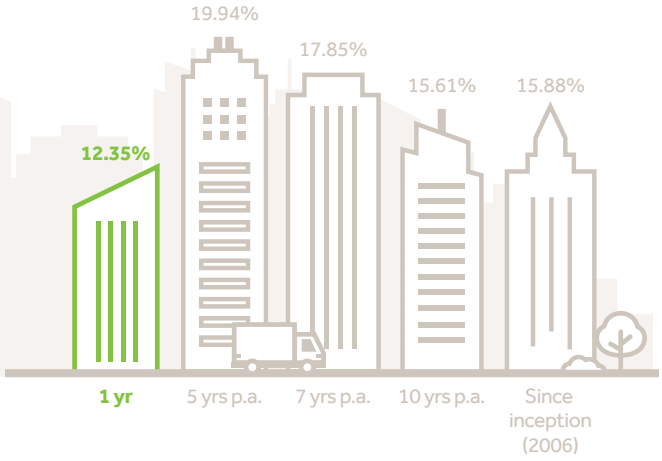
When we talk about returns in our reports, we use Crediting Rates. The Crediting Rates show the investment return minus investment fees, the Trustee Operating Cost and taxes. They exclude account keeping administration fees. Past performance is not a reliable indicator of future performance. All figures contained in our reports are at 30 June 2019 or based on the financial year 1 July 2018 to 30 June 2019 unless we have said otherwise.

Our performance

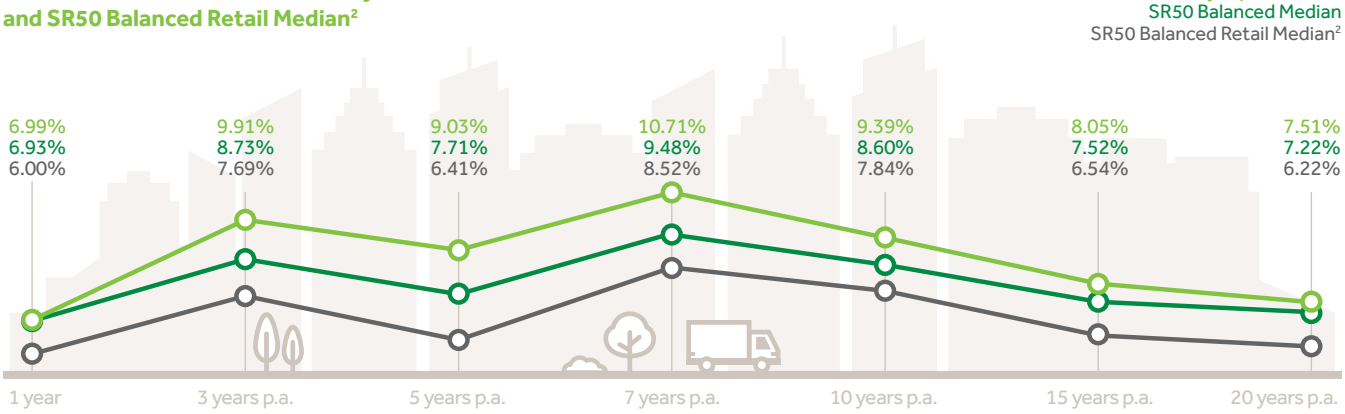
Growth (Cbus MySuper) DEFAULT OPTION



Cbus Property returns



Growth vs. SR50 Balanced Industry Fund Median and SR50 Balanced Retail Median[2]





Member satisfaction

8.6[3]

2018: 8.6



Employer satisfaction

9.3[4]

2018: 9.2

1. Growth (Cbus MySuper)
2. The median fund return is from the SuperRatings Fund Crediting Rate Survey SR50 Balanced (60–76) Index for June 2019 reported to 19 July 2018. SuperRatings is a ratings agency that collects information from superannuation funds to enable performance comparisons. The SR50 Balanced Survey includes investment options that are broadly similar to the Growth (Cbus MySuper) option, as these funds are all diversified with an allocation to growth assets of between 60% and 76%.
3. Based on service scores from members who interacted with our contact centre during the period 1 July 2018 to 30 June 2019. Scores are rated out of 10. Comparable figures for 2018 were sourced from Investment Trends.
4. Based on service scores from employers who interacted with our employer relationship management team during the period 1 July 2018 to 30 June 2019. Scores are rated out of 10.

Our strategy scorecard looks back at what we said we'd do and what we actually did.



Strategy scorecard

Achieved
On target
Not met

Our strategy to 2021	Progress	Achieved in the year ended 30 June 2019
Members		
To have 70% of active members at an adequate retirement savings level and a significant increase in member engagement	Not met	• 60% of members had achieved adequate savings level, see page 42, (figure as at 30 June 2018)
Deliver a member-focused capability and service delivery model	Achieved	• 8.6 member satisfaction* • 34% increase in member joins online • 299,365 video statements issued • 427,553 retirement income estimates issued • 38,339 advice calls handled • 46 retirement planning seminars conducted • Opened a new front counter in Brisbane • 6,200 members visited Cbus front counters • $99 million in unpaid super recovered • Paid $246 million in insurance benefits representing 2,553 accepted claims
Implement new member online portal and mobile app	Achieved	• Delivered new member app, member portal and member online join
Increase engagement with sponsoring organisations to drive member growth	Achieved	• Key speaking engagements delivered • Additional events in key growth states • Financial literacy and education program for young apprentices and potential members
Employers		
To be preferred super provider for more than 50% of employers in the industry	Not met	• 8,503 new active employers • 9.3 out of 10 employer satisfaction with Cbus ERM team** • 83% employer satisfaction service centre***
Develop new product and service propositions for employers including advice and tools to assist members transitioning into their own business	On target	• New corporate insurance offer to be rolled out in late 2019 • Improved internal processes and transparency for employers requesting payment plans or impacted by legal action, and improved ATO referral process
Implement an integrated employer portal	On target	• Commenced design activity to deliver the new employer online join and employer portal

* Based on service scores from members who interacted with our contact centre during the period 1 July 2018 to 30 June 2019. Scores are rated out of 10.

** Based on service scores from employers who interacted with our employer relationship management team during the period 1 July 2018 to 30 June 2019. Scores are rated out of 10.

*** Based on service scores from employers who interacted with our service centre during the period 1 July 2018 to 30 June 2019. Scores are rated out of 10. Note, we no longer use the net promoter score included in our 2018 scorecard.

The scorecard above includes items that were achieved or on target in the 2018 financial year but were still ongoing. It also includes additional items that formed part of our strategy to 2021 (see 2018 Annual Integrated Report). Programs of work that we included in the 2018 scorecard which had been completed in that year are not included in the above scorecard.

Achieved
On target
Not met

Our strategy to 2021	Progress	Achieved in the year ended 30 June 2019
Retirement		
80% of members transitioning to retirement stay within the Fund		• 87% of members who reached preservation age over the 5-year period July 2014 to June 2019 remain with Cbus
Deliver the transition and retirement product and service strategy and identify the strategy partnerships and capability required to deliver		• Product and service strategy and roadmap completed • New services included commencement of design activity to deliver the Super Income Stream web portal and online join form, and delivery of member information and content.
Investments		
Returns in the top 25% of funds over 5-year rolling period		• Ranked 5 of 48 funds (in the top 11%) of funds for Growth (Cbus MySuper), return of 9.03% p.a. over 5-years. (source: SuperRatings SR50 Balanced. Survey)
25% of portfolio investment in-house		• 14.2% investment in-house (including Cbus Property) up from 11.8% last year
0.15% investment fee reduction from FY2018		• Investment fee for Growth (Cbus MySuper) 0.65%, down 0.16% from 0.81% in financial year 2018
Deliver the new investment model including the required infrastructure and resources		• In house investment team built to 90 people • Established legal, compliance, tax and investment data analytics expertise • Investing in systems and technologies to enhance our processes
Optimise the direct investment strategy and leverage the Cbus Property relationship		• New direct strategies launched: Australian Small Caps (March 2019); Alternative Beta Australian Small Caps (March 2019)
Actively assess opportunities arising from the built environment investment strategy		• Cbus Property development pipeline of $5 billion. • Investment in Forth Ports in the UK (direct infrastructure)
Implement an investment research and development program		• No longer considered a strategic priority, as we have prioritised the implementation of internal strategies which create more immediate value.
Enhance the Responsible Investing Approach, including a Climate Change Roadmap		• Committed carbon emissions for property assets to be net zero by 2030. Working towards net zero for infrastructure assets • Introduced a climate opportunities strategy, 1% of total portfolio • Climate Change Roadmap created in 2018 (see our Responsible Investment Supplement)

Strategy scorecard
continued

Achieved
On target
Not met

Our strategy to 2021	Progress	Achieved in the year ended 30 June 2019
Technology and business architecture		
Enable technology and business architecture to deliver an integrated capability and develop a fund wide data strategy		• Continued implementation of information and cybersecurity roadmap • Delivered a client relationship management system • Delivered a data platform with extra functionality giving us a rich data set • Migrated the Cbus public website to the new Cbus platform • Implemented OKTA single sign on system • Implemented the Adobe Marketing stack
People		
Organisational capability, people development, career development and performance management		• Employee engagement 76% • 183 new employees recruited • Average 18 hours training per employee and 43 hours training per Cbus Representative • 11 corporate inductions • Introduced Cbus Pathways Program • Introduced Elevate sponsorship program for women
Industry thought leadership		• Continued to increase the profile of the investment team and other executives. • Built confidence and capability across our team through our leadership program mentoring, coaching, and the Elevate program
Develop an in-house strategy and analytical capability		• Built up and are embedding internal capabilities in strategy, data and analytics, and IT and developing communities of practice to promote knowledge sharing within and across teams
Governance		
Evolve our governance and risk capability		• Completed triennial review of the Board and Committees • Refreshed Board and Committee programs, agendas and papers • Introduced automated reporting of key risk indicators
Financial		
Evolve financial and commercial frameworks to drive performance and support the increasing growth and complexity of the Fund. Build out fund wide procurement capability.		• Introduced an automated payment and procurement system • 10 of 15 Enterprise Performance Scorecard (EPS) indicators met or exceeded

Our strategy

Vision and Mission

To generate the best possible retirement outcomes for our members

To put member outcomes at the heart of everything we do

Unique differentiators

Focus	Affinity	Culture
We focus on building and construction and other industries that Build Australia.	We play an active role in the industries we focus on by building strong relationships, directly investing and creating jobs.	Our people are passionate about serving our members.

Strategic member outcomes

Superior experience	Strong returns	Value for money	Tailored products
We will understand our members and employers and act as a trusted partner to help them achieve better outcomes.	We will deliver strong and sustainable long term returns by investing in an innovative and responsible manner.	We will maintain competitive fees by making smart decisions and operating efficiently as an organisation.	We will offer a tailored range of products that are easy to understand and suit the needs of our members and employers.

Strategic enablers

Brand and Advocacy

We will continue to strengthen and leverage our trusted brand.

Growth

We will grow membership to improve scale and enhance member outcomes.

People

We will enable our people to thrive in an inclusive and collaborative environment.

Technology and enablement

We will use technology and data to enable leading experiences and outcomes.

Risk and governance

We will maintain our strong governance, risk management and accountability.

Our six capitals

Financial Capital
Funds available to Cbus

Intellectual Capital
Our systems and processes

Manufactured Capital
Our buildings and infrastructure

Social and Relationship Capital
Our partnerships and networks

Human Capital
Our people

Natural Capital
The earth's resources

Sustainable Development Goals

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

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

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

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

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

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

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

Our approach to materiality

There are many things we do as a fund to create value for our members. In reporting these we focus on areas where we have the greatest impact. This is how we decide what to include in our reports.

Step 1 We identify who our key stakeholders are.

Step 2 We engage with these stakeholders to understand what's important to them and we conduct research. We also consult within Cbus to identify matters that are considered material to value creation. This takes into account our external environment.

Step 3 We generate a list of the issues raised and group them if they have a common theme.

Step 4 We then prioritise the material issues based on their expected impact – those that are likely to create the greatest value for our members. Material issues are issues that substantially affect our ability to create value for members in the short, medium and long term.

Step 5 We validate this with our Executive team and, once approved, we define the issues in more detail.

Obtaining a printed copy of this report

You can obtain a copy of the Cbus Annual Integrated Report 2019 by phoning the Service Centre on:

1300 361 784

Monday to Friday, 8am to 8pm



cbus

An Industry SuperFund

Cbus in Review 2019



Supporting members and employers by partnering with industry.



Partnering with industry

Industry partnerships enable us to promote Cbus and support our members and their employers. We have built strong partnerships with trade unions, employer associations and other organisations in the building and construction, and allied industries.

Our partnership program offers a range of high-value activities, which we deliver at a low cost. These activities include member and employer education and industry events.

All our industry partnerships have commercial contracts that provide opportunities to:

- educate and engage with members
- grow the Fund by attracting and retaining members
- promote our brand and the products and services we offer
- grow trust and support for Cbus from our members, employers and the industry
- promote awareness and understanding of superannuation.

Engaging current and prospective members enables us to improve members' retirement outcomes, meet our growth objectives and build scale – which benefits all members.

We also have partnerships to improve health and wellbeing outcomes for our members – for example, around mental health and suicide prevention. This year we entered into partnerships to improve our effectiveness in managing environmental, social and governance risk, including with groups that help us manage climate change, or that address vulnerable groups of members. These partnerships help improve long-term returns and achieve other important outcomes for members.

The Royal Commission looked at payments made by Cbus to partner organisations, including union and employer organisations. It acknowledged the changes introduced since an internal review in 2015 as evidence of the care, skill and diligence we exercise in how members' money is spent.[1]

Engaging young members

Through our partnership programs we talk with apprentices, pre-apprentices and TAFE teachers to build early understanding of superannuation. Our Coordinators provide information at group training, career days and apprentice awards, and they talk to apprentices on worksites. These conversations focus on building basic knowledge about what super is, how it works and why it is important.

Promoting health and wellbeing

We continue to work with organisations around Australia to address health issues that are common in our industry. Mates in Construction, Incolink and OzHelp focus on mental health and wellbeing for workers in the building, construction and allied industries. They deliver suicide prevention and intervention programs at workplaces around the country and promote mental health for workers more generally. We trialled skin check pilots with our insurer, TAL. TAL's SpotChecker pop-up clinic visited two Cbus worksites in Brisbane and Perth.

1. Final Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 2019.

Major activities during the year

- Sponsored the Master Builder's Australia (MBA) National Awards, as we have in previous years. Being involved in this event creates opportunities for us to engage with a wide range of employers.
- Updated members on policy developments and Cbus performance at the Construction Forestry Mining and Energy Union (CFMEU) Westcoast Conference and at the Australian Workers Union National Conference.
- Spoke at Mates in Construction functions to highlight the important suicide prevention and awareness programs for workplaces across Australia.
- Our partnership with the Green Building Council Australia (GBCA) at their 'Transform' event gave us an opportunity to engage with the construction industry on our approach to responsible investment strategy and alignment with the UN SDGs.
- Our Chair, Steve Bracks appeared as a guest speaker at the MBA President's Lunch in Canberra in May 2019.
- Supported the WA Master Plumbers World Plumbing day, which was hosted by Bob Geldof.
- Presented at the Electrical Trades Union National Conference on superannuation policy and changes to insurance.
- Continued our involvement with First Nations Foundation's Big Super Day Out, where we participated in events during NAIDOC week to encourage First Australians to think about their future and plan for their retirement.



Hayden Dillon competing for Australia

Just a while ago, Hayden Dillon was an ordinary third-year carpentry apprentice. Now he has competed on a global stage.

Hayden trained as a carpenter at Miller TAFE in NSW. He was the silver medal winner in the WorldSkills Australia (WSA) national competition, and he's representing Australia at the WorldSkills International Championships in Russia.

Cbus is proud to support WSA as they focus on the development, recognition and promotion of excellence in skills. Its national championship is Australia's biggest vocational education and excellence competition.

I had no clue about superannuation until a Cbus representative came to our TAFE ... I really appreciate someone coming out to explain it to young people like myself.

Putting our members and their families at the heart of everything.

Putting members first



Our priority is helping our members maximise their retirement income – they want a fund they can trust to help them achieve this. We talk to them to understand their challenges so that we can best respond. This year we focused on our people, technology and data to enable us to better serve every member.

We are pleased to have been recognised for our work this year, and the relationships we've built over many years with our members and their employers. Cbus was the 'Most Recommended Industry Superannuation Fund'[1] at the DBM Consultants Australian Financial Awards 2019. We were the winner of Canstar's 'Most Satisfied Customers 2019 Super Fund Award'.[2] We also achieved the highest score for trust and brand strength in a survey of consumers by CoreData Research Australia[3]

A better member experience for every member

We are focusing on giving members a better, easier and more personal experience in every contact they have with Cbus.

To ensure this, we have reorganised our business. We have also enhanced the platforms we use to support members and we have changed how we manage these. These include our secure website Member Online, and our mobile app. These changes enable us to be more targeted and responsive in our interactions.

Some of the key changes we've made include:

- A new look Member Online and a new mobile app to make it easier for members to manage their super.
- Better security to protect member data.
- A new relationship management system that gives us a more comprehensive view of the relationship we have with every member. This enables us to better assist members. It also helps us better track and measure our activities, so we can focus in areas that give members the greatest value.
- Tailored information to support members at the right time for them.

We will refine our operations in the coming year and focus on building infrastructure, systems and processes to deliver exceptional services to our members.

New online tools go live

With our new Member Online and mobile app our members can quickly tap into key information about their super and make changes on the spot. The key improvements include:

- features that make it easier for members to find what they need
- two-factor authentication for better security
- the ability to log in across devices using facial, fingerprint or PIN recognition.

Members can check their account balance, ensure contributions are up to date and that they have adequate insurance cover. They can also update personal details and beneficiaries, consolidate super and switch between investment options.

We involved members through the design process, getting their feedback on the layout and in testing before we went live. We will continue to make further refinements and introduce new features over the coming year.

1. Most Recommended Industry Superannuation Fund award at the DBM Consultants Australian Financial Awards 2019. The award is based on 12 months of Consumer Atlas data from January–December 2018.
2. The Canstar award is based on how customers rate their overall satisfaction with a financial institution. Cbus scored highly across customer service, value for money, fees, investment returns and communication.
3. Core Data Research Australia best in show list was based on research in December 2018 and January 2019 of 26 of the largest funds in Australia by number of members.

Putting members first
continued

Caring about all the things members need help with makes a difference.

Philip, Cbus coordinator, WA

Visiting worksites every day

Our team of 24 Cbus Coordinators visit worksites daily, educating members and building financial literacy. Cbus Coordinators have backgrounds in the building and construction industry, and they understand the work our members do and the challenges they face. While onsite, they deliver group presentations and give members individual support with their super. They also help members understand the insurance cover Cbus offers and the new PYS legislation.

During the year, our Coordinators presented to more than 2,713 groups, assisted members at 272 events and conducted over 12,187 member appointments.

More opportunities to support our members

Through our front counters, we provide members with the option to visit us in person for service and support. In February 2019, we added a new front counter in Brisbane, and we now offer front counters in five major cities. Members find the face-to-face contact invaluable. During the year, more than 6,200 members visited our front counters – an increase of 33% compared to last year. The average satisfaction score was 9.5 out of 10.[1]

We are introducing initiatives to better support members who are non-English speaking. One way we do this is by offering translation services through our front counters and on worksites.

We are also supporting our Indigenous members who we know have challenges providing the identification required to find their super. In May 2019, we introduced a dedicated hotline for members who identify as Aboriginal or Torres Strait Islander. The hotline is supported by trained staff who understand the issues Indigenous members face. Since opening the hotline, we've had 2,777 calls from members who identified as Aboriginal or Torres Strait Islander.

Recovering unpaid super

Unpaid super is a big issue for many of our members. We have continued the work we've been doing for many years to ensure our members get the super they're legally entitled to. During the year we recovered a total of $99.6 million in unpaid super for our members, compared to $90.2 million the previous year.

Both Member Online and the mobile app make it easy for members to track their super. Our new employer portal also makes it easy for employers to meet their obligations.

We continue to raise awareness around unpaid super and to engage with the Government and industry on this issue. You can find out more about this on page 67.

Ensuring members are retirement ready

We want to ensure that our members feel confident that they can generate a retirement income that meets their needs. We use a Retirement Readiness Index to measure the average expected income of our active members in retirement against a target income. To calculate the target income, we draw on our own research and the Association of Superannuation Funds of Australia's (ASFA) Retirement Standard.[2] We look at a range of income sources including income from super, from outside super and from the age pension.

The target income for our members in retirement is $30,000 per annum and we aim to see at least 70% of our active members at this level. At 30 June 2018, 60% of our active members were on track to achieving this target. This is below the level of 69% we reported last year.

1. Based on service scores from members who visited a front counter during the period 1 July 2018 to 30 June 2019.
2. ASFA Retirement Standard at 30 June 2018. Cbus research looks at the typical personal and financial circumstances of members at retirement.

Movement in the Retirement Readiness Index results from things that we can control – and things we can't. During the year the Fund's earnings and the level of contributions we received for our active members were above target. These are factors over which we have more control. But the Retirement Readiness Index was impacted by changes to the taper rate for the assets test that impacted our projections for age pension entitlements. ASFA also made some changes to its retirement standard to reflect cost of living increases, which increased ASFA's comfortable retirement levels. These changes were outside our control and they negatively impacted the Retirement Readiness Index.

To give our members the best chance in retirement, we encourage them to consolidate super, make additional contributions, and choose an investment option that's appropriate for them.

Building awareness

We send an account statement and a summary statement each year to our members. They are simple and easy to understand and available in different formats.

We have increased the number of members who receive retirement income estimates within their end of year statements. These estimates show the regular income super can provide in retirement and actions members can take to get better outcomes. Our research shows that our members became more engaged with their super and prompted to make additional contributions when they received a Retirement Income Estimate.[3] We are also sending more members video snapshots of their super to help them understand their statements.

3. Findings from Cbus and University Sydney research, based on member data between September 2013 and 2014.

Members who received a retirement income estimate

63%

427,553 members
up 5%

Members who received a personalised video

44%

299,365 members
up 33%

Members who chose online statements

26%

175,266 members
up 9%



I cannot say enough how good this statement is. I look forward to receiving it every year. I show my parents and colleagues to encourage them to think about their super also.

Cbus member

Putting members first
continued

Product roadmap

	July 2019	January 2020	June 2020
Boost saving	Simplified income stream app	Expanded insurance options	Products and services that help promote savings
Confidence in retirement	Income Stream credit for fully retired Cbus members	New investment options Cbus Super Income Stream web portal	Products and services that help boost confidence in retirement income
Better decisions	Preparing for retirement	Stepping into retirement	Products, services and advice that guide members towards optimal retirement outcomes

Creating new products

We have changed the eligibility rules for Cbus self-managed super to open it to more members. It caters for members who are looking for greater choice and who want more control over how their super is invested.

In November 2019, we are introducing a new corporate superannuation solution with insurance tailored for executives, professionals and office-based employees.

We are talking to members who are approaching retirement to understand their needs and give them more support. Over the coming months, we will be introducing further support for members approaching retirement and an online joining option for Cbus Super Income Stream.

Helping our members through our service centre

Member satisfaction from our service centre continues to be high, with an overall satisfaction score for over-the-phone service support of 8.6 out of 10.[1]

There are times, like at the financial year's end, where we experience exceptionally high volumes of calls in our service centre. This year our call volumes were higher than usual. We are looking at how we can better manage our resources at these peak times.

We are improving our process for responding to enquiries sent to us by email to enable clear, consistent and faster responses. We are also resourcing and training our teams.

We monitor our interactions with members and use the feedback to continuously improve our services. By surveying our members and analysing data we're able to see what is working well and where we can do better. We use this information to adjust our processes and develop our people. We will continue to build on the work we've been doing across our organisation so that we can deliver a better all-round experience for our members. For information about how we develop our people refer to page 74.

Keeping members up to date

We keep our members up to date in their workplaces through our website and through our regular communications with them. We also conduct an annual member briefing in August each year, which is open to all members.

1. Based on service scores for the period 1 July 2018 to 30 June 2019. Scores are rated out of 10.

Important information for our members

Inactive accounts

As of 1 July 2019, we are required to transfer accounts to the Australian Taxation Office (ATO) or we may transfer them to an Eligible Rollover Fund (ERF) if:

- A member does not have insurance through Cbus; and
- The member's account balance is less than $6,000, and we have not received a contribution or rollover for 16 months;[2] and
- During that 16-month period the member has not taken certain actions – for example, the member has not updated insurance, changed investment options, or made or renewed a binding death benefit nomination.

We have chosen AUSfund as the ERF for our members. AUSfund may charge fees. To contact AUSfund write to:

PO Box 543, Carlton South, Vic 3053.

Email admin@ ausfund.net.au, telephone 1300 361 798 or visit their website at:

www.ausfund.com.au

Temporary residents' benefits transferred to the ATO

We are required by law to transfer the benefits of temporary residents who leave Australia to the Australian Tax Office (ATO). This applies if the person has left Australia, their visa has expired or been cancelled, and their benefit is not claimed within six months of their departure. We are not required to notify or give an exit statement to a non-resident in these circumstances, but we will provide this on request. For more information about temporary residents and superannuation visit the ATO website at:

www.ato.gov.au

2. This means that there is less than $6,000 invested in the Growth (Cbus MySuper) or other investment option, which has not received a contribution or rollover in 16 months..



Giving young workers a head start

Darren McGrath is the Training Coordinator at Hutchinson Builders, Australia's largest privately owned construction company. Recently, we attended a pre-employment program with Hutchinson to explain how super works and how to get the most out of it.

"We see it as a huge value add to the young guys coming through and into the construction industry. It gets them thinking. It's something I didn't have when I was an apprentice – I just took it all for granted and am now playing catch-up.

Darren McGrath, Training Coordinator, Hutchinson Builders

Providing affordable insurance designed for the building, construction and allied industries.

Insurance

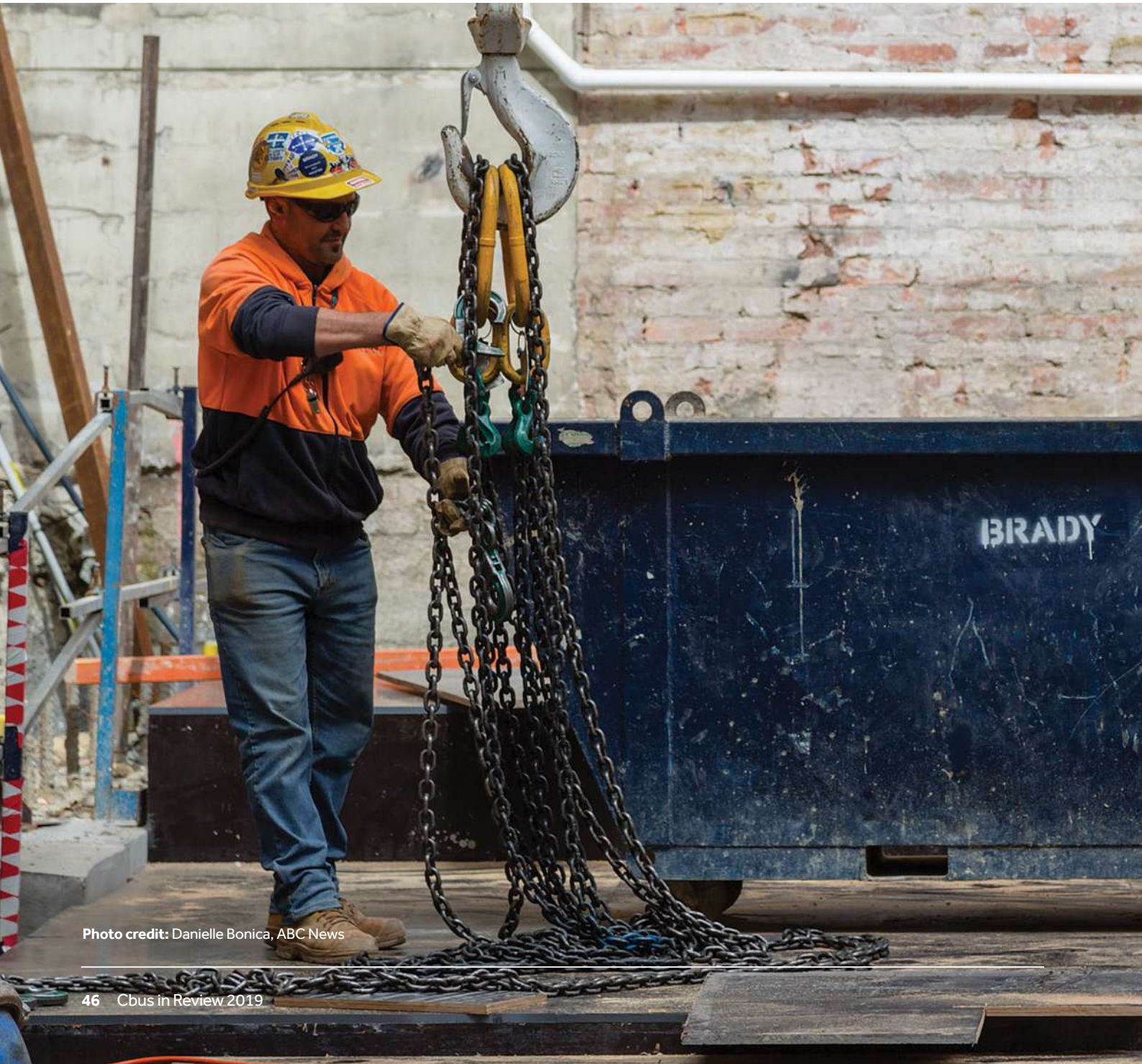


Photo credit: Danielle Bonica, ABC News

We are proud to offer our members affordable insurance designed for people working in the building, construction and allied industries. With our new corporate superannuation solution, we will also provide insurance tailored for employees in professional and office-based roles.

The improvements we've made through our online service, the Royal Commission, and communications to members about the PYS legislation have enabled greater engagement with our members. As a result, we have seen a 600% increase in insurance applications since March 2017.

Faster turnaround times

Seventy per cent of insurance applications are now online and 50% of applicants receive a decision immediately. Where the insurer needs further information, this is typically done over the phone within a few business days.

We launched our new mobile app Member Online in June 2019. The app makes it easy for members to keep track of and manage their insurance. Through the app members can apply for, or update insurance cover or transfer existing cover to Cbus.

Simpler claims process

Members and families making claims are already having to deal with difficult life circumstances. We have introduced a Claims Assist Team to give them greater support and we have simplified our process. As a result of these changes, we have halved the time it takes to make decisions and pay benefits. The average time for processing a death or terminal illness claim is now 5.3 days. For total and permanent disablement claims, which are often more complex, it is 3.4 months.[1]

Claims paid in 2019*

95%

all claims paid for the three years to 30 June 2019

Benefits paid to members in 2019*

$246 million

* All claims are assessed on their merits

During the year, we paid $246 million in insurance benefits representing 2,553 accepted claims. This is equivalent to approximately 80 cents of each dollar of insurance premiums paid as benefits to members, or their beneficiaries.

In the three years to 30 June 2019, Cbus has accepted 95% of insurance claims for death, total and permanent disablement and terminal illness, and over 91% for total and permanent disablement.

Insurance in Superannuation Voluntary Code of Practice

The 'Insurance in Superannuation Voluntary Code of Practice' was created to ensure the cover members can get through super is affordable and suits their needs. Superannuation funds have until 30 June 2021 to fully comply.

We have built affordable insurance to suit the unique conditions in the building, construction and allied industries. This means we already meet the overall intent of the code and many of its requirements. For more information, visit our website.

1. Figures based on the time from lodgement to decision for a claim between 1 January and 30 June 2019

Insurance
continued

Claims paid in the year to 30 June 2019

	Number of claims (lodged in 2018/19)	Number of claims accepted and paid	Total insurance benefits paid
Death	833	833	$105,482,300
Terminal illness	241	241	$29,372,100
Total and permanent disablement	1,522	1,436	$111,501,850
Income protection	54	43	$387,362
Total	**2,650**	**2,553**	**$246,743,612**



Protecting Your Super

The Protecting Your Superannuation (PYS) legislation came into effect on 1 July 2019. As a result, members whose accounts have been inactive for 16 months automatically lose insurance cover unless they elect to keep it. Many of our members work in hazardous environments, so having insurance protection is important.

In April this year, we contacted 149,044 members whose accounts had been inactive for more than six months and who held insurance cover, to notify them of the changes. In May and June, we sent further communications to help these members make informed decisions. So far, 30,449 of these members have elected to keep their insurance cover. In the last two months of the financial year, the number of applications for additional insurance cover doubled.

For more information about changes to legislation impacting insurance and how we are responding, see page 67.





A safety net when you really need it

Andrew had a serious work accident just before his daughter was born. Glass weighing 1.6 tonnes fell on him causing serious injury and he was hospitalised for over a month. As a result, Andrew was able to make a Total and Permanent Disablement claim. His Cbus insurance gave his new family financial security and helped fund his rehabilitation.

> Lucky enough I had insurance which helped a lot, that paid off most of the debt we had and helped us pay for groceries.

Cbus member, Andrew Lockyer

Supporting our members at every stage of their lives with high-quality, conflict-free advice that is in their best interests.

Advice and retirement



Cbus' advice and retirement services provides members with a professional and unique service that can be tailored to suit their situation.

We focus on helping members and their families with service, care and advice that is strictly in their best interests. Our advice over the phone service gives information and guidance on a broad range of financial matters. It also includes limited personal financial advice with recommendations on Cbus products only. We provide this service to our members as part of their membership.

The Cbus and Financial Planning Association (FPA) Member Referral Program caters to members who need more comprehensive financial advice. Through this program we refer members to an FPA Professional Practice. This is based on a fee-for-service arrangement and allows us to meet our regulatory and governance obligations. We monitor and supervise the advice delivered, and it is also monitored by the FPA. We survey all members who we refer to this service to determine their satisfaction and to help us continuously improve. At 30 June 2019, there were 24 financial planning practices in our referral program covering all major cities and the regional locations.

We continue to see a growing demand for our advice services. More members are aware that they can access advice as a result of our marketing and communication activities, previous engagement with other Cbus member service teams and referrals from other members. Market volatility, changes to insurance and the Royal Commission have also driven demand.

During the year, Cbus Advice Services conducted 38,339 conversations with members over the phone – a 23% increase from last year. There was also a 10% increase in the number of inbound member enquiries from the previous year. Member satisfaction with these services continues to be high with an average rating of 9.1 out of 10.[1]

Number of advice over the phone service conversations

38,339

2018
31,066

Number of inbound member calls to Cbus Advice Services

27,395

2018
24,969

In the 12 months to 30 June 2019, we referred 274 members to FPA Professional Practices, representing $75.2 million in funds under management.

By monitoring and measuring our service performance, we track the quality of service, competence and skills, and compliance. We record all member phone calls and we have a dedicated team to listen to the calls and provide our advisers with further training and development. We also have in place a review process for all written Statements of Advice. The Statements of Advice are legal documents required for personal financial advice recommendations on Cbus products that we provide for members. We also help members implement the advice recommendations if required. We survey our members following their service interaction with our team, and we listen to their concerns and use their feedback to continually improve our service.

In line with our focus on support, training and development, all new employees complete a five-week training program before they start providing direct advice for members. All employees complete individual and group training on an ongoing basis and advisers

1. Based on service scores from members who contacted us for advice over the phone during the period 1 July 2018 to 30 June 2019.

Advice and retirement
continued



Planning for a great retirement

Cbus member Karen Odermatt first attended one of our retirement planning seminars eight years ago. And she came again recently to get the latest information as some laws had changed. As retirement isn't that far away, she and her husband asked us to refer them to a financial planner so they could make some firm decisions. We helped them prepare and get the documents they would need to make the process easy.

> When we met with the financial planner, we got great personal advice. Now we have a goal to work towards.
>
> **Cbus Member, Karen Odermatt**

must complete 40 hours of structured continuing professional development (CPD) each year. This enables us to keep building technical knowledge and skills to support our members.

As a result of these initiatives, we have been able to assist more members directly through our advice over the phone service. This has also led to a reduction in the number of referrals for comprehensive financial planning advice.

Supporting members who are planning for retirement or already retired

One of the ways we support retiring members is through our seminar program. Our retirement planning seminars give members an opportunity to explore their options as they plan for and transition to retirement. In each of the past two years, we have delivered 46 retirement planning seminars around Australia. The member rating for this service was 9.4 out of 10.[1]

We also hosted seven retiree information forums for Cbus Super Income Stream members, who have retired from the workforce. These give information about our investment strategy, product performance, changes in legislation and health and wellbeing topics. We expect to continually develop this service as the number of members in the Cbus Super Income Stream product grows. The member rating for this service was 8.8 out of 10.[1]

We are making it easier for members to join our retirement products. In the coming months we will be launching a new member portal for the Super Income Stream with an option for online joining. There will also be some changes to our retirement products, you can find more about these on page 44.

1. Average rating, based on service scores for the period 1 July 2018 to 30 June 2019.

Cbus retirement planning seminars

	Calendar year 2018	Calendar year 2017
Total members who attended a seminar	**2,906**	2,303
Average attendance per seminar (members and partners)	**95.2**	76.5
Average satisfaction rating from members who attended (out of 10)	**9.4**	9.3
Total financial planner meeting requests from members who attended a seminar	**672**	642

Retiree information forums

	Calendar year 2018	Calendar year 2017
Total members who attended a forum	**293**	201
Average attendance (members and partners)	**140**	92
Average satisfaction rating from members who attended (out of 10)	**8.8**	9.0

Note: the above figures relate to the calendar years ended 31 December 2017 and 2018.

New regulatory regime for financial advice services

We are responding to the new standards for financial advisers set by the Financial Adviser Standards and Ethics Authority (FASEA). These came into effect on 1 January 2019, and are being phased in over five years. The standards cover education, training and ethics.

Supporting the ongoing needs of our employers.

Supporting employers



We have built strong relationships with our employers over many years in order to give their employees the best opportunity to grow their retirement savings.

Our team continues to work closely with existing employers and the growing number of new employers joining Cbus. Satisfaction scores from employers who engaged with our relationship management team and contacted our service centre increased from last year.

Although we have seen growth in employer numbers, we did not achieve the level of growth that we targeted for 2019. We recognise that our product range and service capability have not enabled us to compete particularly at the larger end of the market. To address this, we are currently undertaking significant work on our growth strategy, capability and our product offer.

We are developing new products and services, including a new corporate superannuation solution that will better cater for executives, professionals and office-based employees.

With changes to section 68A of the *Superannuation Industry (Supervision) Act 1993* (Clth), we have reviewed our employer service model to make sure we comply. Section 68A covers the provision of goods and services to employers, as explained on page 15.

We have increased digital marketing using online advertising, paid search and social media, and this is proving effective. During the year 2,925 new employers joined Cbus after engaging with our online advertisements.

We use data insights to develop campaigns. These encourage participating employers who have not yet made contributions to Cbus for their employees, to start contributing. So far, this has attracted over $1.5 million in initial contributions for more than 1,400 members. This saw Cbus win the Best B2B campaign at the 2019 Australian Institute of Superannuation Trustees Awards.

Employers at 30 June 2019

146,750 up 7% from 2018

2018 – 136,230
2017 – 126,610

Employer satisfaction for relationship management team[1]

9.3 up by 1% from 2018

Employer satisfaction for service centre[1]

8.3 up by 5% from 2018

1. Average service satisfaction scores from employers for the period 1 July 2018 to 30 June 2019. Scores are rated out of 10.



Supporting employers continued

The data we gather enables us to refine our marketing activity, so that we apply our resources where they have the greatest effect. It allows us to better understand what employers need so that we can support them.

Making super easy for Cbus employers

We continue to support employers through our account managers, Coordinators and our service centre. Our new employer relationship management systems provide a more comprehensive view of relationships to enable a seamless service. The changes to our website enable easy access to information.

We are introducing several initiatives to support employers and make it easy for them to meet their super obligations. Drawing on insights from our employer research we are developing a new employer portal. The portal will make it simpler and faster for employers to manage their super and to get the reports they need. It will also enable us to deliver a more personalised service that caters for different types of employers. We will be rolling this out in early 2020.

During the year we trialled a Retirement Income Estimate report with some of our employers. This gives employers aggregate information on how their employees are tracking towards retirement. Early feedback has been positive, and we plan to offer these to more employers over the coming months. The reports are designed to encourage greater workplace engagement around superannuation.

> In a market with a lot of volatility, reliability and consistently good performance is important for our employees and that's the benefit of Cbus.
>
> **Mark Watson, OH and S Manager, Caelli**



Taking care of employees now and in future

A family run business of 50 years standing and a key force in the construction industry, Caelli boasts that its people are its most valuable asset.

"A lot of our employees have a long-term relationship with the company. There's a lot of heart and dedication," says OH and S Manager, Mark Watson.

"And that's why we place such an emphasis on safety. Construction sites are inherently dangerous, but we take a moral position and don't cut corners."

Caelli prides itself on its long-term relationships with its employees and its family-based values of hard work, commitment and innovation.

The company has worked on landmark projects across Victoria such as Marvel Stadium and Royal Children's Hospital. It is currently building the new Cbus headquarters, Wesley Place, in Melbourne's CBD.

Mark Watson says the reliability of Cbus is key to ensuring their 800+ employees have a dignified retirement.

Helping our members lead a dignified retirement with strong long-term returns.

Investing for the long-term



130 Londsdale Street, Melbourne

Investments
Performance



In a tougher investment environment, we're working harder and smarter to deliver returns and lower costs.

Kristian Fok, Chief Investment Officer

An update from our Chief Investment Officer

We are committed to helping our members lead a dignified retirement by delivering strong returns for them over the long term. We are now managing more than $52 billion of members' retirement savings, up from $27.2 billion five years ago. Reaching this milestone gives us scale and size to deliver even better outcomes for members. Over the past three years, we've been restructuring the way we invest to take advantage of this.

In 2016, we introduced a new investment model and we're seeing the benefits of this flow through to members. Our innovative investment model combines direct investment through our in-house team with external managers we select. We invested in a $49.5 million mortgage financing for the Top Ryde Shopping Centre in NSW, and this was our first Australian direct debt investment. We also set up a specialist team to invest directly in small ASX-listed companies. This is an area where external manager fees can be high, so having internal expertise gives us immediate cost savings.

By taking this hybrid approach we have greater flexibility and control over our investments and can invest directly where it makes sense. We're also better able to lower investment costs.

We have built up our in-house team, we now have 90 people managing investments, including experts in strategy, asset allocation and in specific asset classes. We've also built expertise in areas that feed into our investment process such as legal, compliance, tax and investment data analytics. And we're investing in systems and technologies to enhance our processes.

In growing our team we've recruited people who bring the knowledge and skills we need with different perspectives. Through our onboarding program, we've worked hard to ensure our new recruits are aligned with the values of Cbus and to create an environment that helps them thrive.

By collaborating with global like-minded peers, we are advancing our thinking in relation to the SDGs. An example of this is our ongoing dialogue with Dutch pension funds APG and PGGM on translating the SDGs into investable opportunities.

We're also working closely with Cbus Property to further extend our diversified direct property portfolio to improve our returns to members, reinvest in our industry and to create jobs.

We've made these changes prudently and we will build on them. We manage 14.2% of the Fund internally compared to 11.8% at the same time last year. Over the next three years we expect to increase internal management to 31%.

Over the coming year we will look at opportunities to invest in private companies that are innovating for the built environment. We will also consider adding additional internally managed investment strategies in Australian and global equities.

The reduction in our investment costs has saved approximately $78 million this year for members. It has been driven by a range of initiatives, including negotiating lower management fees and adjusting our international private equity exposure. In addition, performance fees with external fund managers were lower. As our internal investment strategies build in scale and we complete planned changes to some of our asset class strategies, we anticipate a further cumulative cost reduction. We expect this will be $80 to $95 million over the next three financial years.

Investment environment

After a strong start to the financial year, share markets weakened in late 2018. This was due to slowing global growth, rising US interest rates and the ongoing threat of a trade war between the US and China.

Share markets recovered in early 2019, after the US Federal Reserve revised its views on interest rates and China took steps to stimulate its economy. But in the last quarter of the year, there were concerns about economic growth and tariff increases for some Chinese exports to the US.

The Australian share market closed the year up 11.42%. Global shares was our best performing asset class overall. Our property and infrastructure assets produced steady returns throughout the year.

Despite the challenging economic conditions, We delivered a return of 6.99%[1] for the Growth (Cbus MySuper) option for the year ended 30 June 2019. This return follows several years of strong performance supported by reasonable economic growth and low interest rates.

Investment outlook

We do not anticipate investment conditions to substantially deteriorate over the coming 12 to 18 months. But in the medium term, our investment outlook is less positive than in recent years and we expect to see lower returns. This is due to factors like the low cash rate, high valuations of some investments and the impact of US and Chinese tariffs on trade.

We are currently adjusting our investment strategy to reflect the investment outlook. This may mean reducing exposure to cash-linked investments, like bonds, which are likely to produce low returns over the medium term. We may increase exposure to other investments, like infrastructure, which tend to have more stable cashflows.

Superannuation is a long-term investment and we expect periods of negative returns from time-to-time. Over the 10 years to 30 June 2019, the Growth (Cbus MySuper) option had an average annual return of 9.39%. It outperformed its benchmark of CPI + 3.25% and was ranked 4th against comparable funds in the SuperRatings SR50 Balanced Survey.

The figures on pages 80 and 81 show the performance of our funds in the financial year to 30 June 2019.

During the year we moved to daily crediting rates instead of weekly. This gives members more up-to-date account information and enables faster switching between investment options.

1. Default option

Investments
How we invest

We invest members' funds across a wide range of asset classes including shares, property, infrastructure, private equity, fixed interest, cash and alternative debt. The following table shows the strategic allocation for our default options. By having different types of assets we can build a diversified portfolio and better manage risks.

We choose investment managers that meet our selection criteria and fit our strategy. We continuously monitor all portfolios. At 30 June, we had 53 external investment managers. During the year, there were no breaches of our investment guidelines that resulted in negative performance or regulatory breach by our managers.

Each investment option has set investment objectives. We review these objectives every year to ensure they meet members' needs. When we do this, we look at the age of our members, the economic environment and how we expected different types of assets to perform.

To see investment option performance against objectives, refer to page 80 and 81.

We are currently reviewing the objectives for our investment options as we expect lower returns over the medium to long term. You can get information about any changes we make through our member updates and the Cbus website.

Portfolio allocations

On 1 October 2018, we introduced a Strategic Asset Allocation (SAA) for each investment option. This replaces the Long-Term Strategic Asset Allocation (LTSAA) we previously used. The SAA looks at risks and opportunities over the coming 10 years. We will review the SAA for each option at least annually.

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	Superannuation		Super Income Stream – Transition to Retirement		Super Income Stream – Fully Retired	
	Growth (Cbus MySuper)		Conservative Growth (default)		Conservative Growth (default)	
	New SAA (%)	LTSAA (%) at 30/6/18	New SAA (%)	LTSAA (%) at 30/6/18	New SAA (%)	LTSAA (%) at 30/6/18
Australian shares	22.5	26.5	16.0	18.0	17.5	20.0
Global shares	20.5	21.5	14.5	15.0	12.5	13.0
Emerging market shares	5.0		3.5		3.0	
Private equity	2.0	2.0	-	0.5	-	0.5
Absolute Return	5.0	5.0	3.5	1.0	1.5	1.0
Infrastructure	11.0	11.0	8.0	9.0	9.0	9.0
Property	13.0	13.0	10.0	11.5	11.5	11.5
Alternative Debt	6.0	6.0	7.0	6.0	6.0	6.0
Fixed Interest	12.0	12.0	26.0	28.0	28.0	28.0
Cash	3.0	3.0	11.5	11.0	11.0	11.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

When we introduced the SAA, we reduced exposure to Australian equities and increased exposure to global equities and emerging market equities. These make up our international shares portfolio, but we've split them up to make it easier to see how we're investing. We also renamed the Opportunistic Growth portfolio to Absolute Return. This better reflects the approach we take in this strategy – to focus on investments that can perform well in different market conditions.

You can see on pages 80 and 81 the actual asset allocation of each investment option at 30 June 2019.

Investments
Making investment decisions

Our Risk Management Framework ensures we retain an appropriate mix of assets to manage fund inflows and outflows and meet our financial obligations. The Risk Management Framework sets the risk appetite for different types of risks such as liquidity, the performance of financial markets and the likelihood of unexpected events occurring.

Certain changes to the way our Investment team manages the Fund must be approved by the Investment Committee, which reports to the Cbus Board. These include major changes to the strategic asset allocation, sector strategies and objectives, investment policies and selection of some private market investment managers and assets.

You can find out more about our how we invest and read our investment policies on our website

www.cbussuper.com.au/super/my-investment-options





Our first step to investing in social housing

In March 2019 we participated in the first National Housing Financing and Investment Corporation (NHFIC) bond issue which raised $315 million to support social housing.

The bond issue was designed to bring together large amounts of capital to provide low interest, loans to not-for-profit community housing providers. This is being used to develop affordable housing and to provide services for disadvantaged households.

The bonds have a Government guarantee and a AAA credit rating, the highest credit rating a bond can receive.

Cbus provided extensive input and support for the development of this bond aggregator model over many years, together with other investors, government and social services.

Assets like the NHFIC bond issue help diversify our portfolio and drive strong returns for our members. They also address important social issues that align with the UN SDGs.

Investments
Making investment decisions continued

A stake in Forth Ports offers stable long-term returns

In October 2018, Cbus invested alongside other like-minded investors in Forth Ports, a UK port owner and operator. This was our first direct international infrastructure investment. Forth Ports has eight ports that service London, Edinburgh and Glasgow. The ports are well located close to the North Sea oil and gas reserves and the English Channel.

Forth Ports has many characteristics that make it an attractive long-term investment. The ports are freehold properties with strong market positions and growth opportunities. For example, the Port of Tilbury has acquired 152 acres to expand its terminal by mid-2020. The ports' diversified, stable cashflow means they can weather periods of low economic performance with minimal impact on their revenue.

Forth Ports has committed to clean energy and is already generating its own power. It has eight wind turbines at the Port of Tilbury in London, and 13 major wind projects in development for the North Sea.

Infrastructure assets like Forth Ports help us build a diversified portfolio for our members.

Our investment in Forth Ports aligns with SDG 9 – supporting resilient and sustainable infrastructure, and SDG 8 – contributing to decent work and economic growth. Forth Ports facilities handle a major part of the trade coming into and out of the UK, particularly London and major cities around Scotland. In this way Forth Ports support the economic wellbeing of the region.




Investments
Investing responsibly

Investing our members' money responsibly and for the long term.

We have a duty to act in the best interest of our members and invest their savings responsibly. We believe companies that actively manage environmental, social and governance (ESG) risks and opportunities in their business contribute more to the global economy and are likely to generate better returns for our members.

The key areas on which we focus include safety, human and labour rights, the impacts of climate change, diversity and supply chain management.

Responsible investment is a critical part of our investment model, and we apply it across all our investment options for our members. We do this by:

- Considering the management of environmental social and governance risks and opportunities in our direct investment decisions, and when appointing and monitoring fund managers.
- Including responsible investment outcomes in the annual reviews for our Investment team where variable pay is relevant.
- Being an active owner. We engage with companies we invest in to influence their behaviour and use our voting rights at company meetings to encourage more responsible practices. Over the year, we engaged with 18 of our top 20 Australian companies through the Australian Council of Superannuation Investors (ACSI). The key area of focus was on bank behaviour and climate change. Our partners ACSI and Hermes EOS collectively engaged with 736 companies and voted on 33,788 company resolutions. For more information on our engagement and voting activity see our Responsible Investment supplement.
- Advocating for change. As a large and growing super fund, we can use our influence to drive better outcomes. For example, we made a submission about law reform in relation to class actions.

We welcome the recent statements by regulators in recognising the importance of ESG factors in formulating fund strategy. This includes that funds are required to consider climate change. We expect this will bring greater scrutiny of how the investment community applies responsible investment.



Investments
Investing responsibly continued

Climate change

The global economy, including Australia, faces major economic disruption. For many of our members, the effects of climate change will be increasing when they are starting to retire. This is why the transition to a low carbon economy is so important. We are conscious that our members work in industries that will be impacted by it. We are engaging with companies to ensure they are managing the workforce risks and opportunities brought about by this transition. We also encourage companies to report against the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

Global and Australian financial regulators are now focusing on climate change risk. APRA sees this risk as material, foreseeable and actionable, and is increasing its scrutiny of how Australian superannuation trustees are managing it.


443 Queen Street, Brisbane

Key highlights of our actions on climate change over the year were:

- Committing to net zero carbon emissions for our property portfolio. We are working towards net zero for our infrastructure portfolio and our Trustee Office will be carbon neutral by December 2019.
- Introducing a dedicated climate opportunities investment strategy representing 1% of our total portfolio.
- Starting to model how climate change risk impacts the pricing of shares. This helps inform us on how we can reduce exposure to climate change risk in our portfolio.
- Engaging with the most intensive fossil fuel companies with other asset owners through 'Climate Action 100' and ACSI.

Additionally, our infrastructure team has invested in renewable assets in Australia, and Cbus Property is one of the global leaders in green commercial construction.

Advocacy plays an important role in influencing government policy and industry standards. We do this by collaborating with other investors through organisations such as the Investor Group on Climate Change (IGCC) and ACSI. During the year, the Chair of our Investment Committee was appointed Chair of the IGCC.

For information on our reporting against the TCFD recommendations as an asset owner, our Climate Change Roadmap and Climate Action 100 – see our Responsible Investment supplement or visit our website:

www.cbussuper.com.au/about-us/sustainability



Photo credit: Danielle Bonica, ABC News

Workplace safety, human and labour rights

Health and safety at work is a basic right. It is an important issue for our members and an investment risk for Cbus. We want to invest in good companies that have the potential to generate solid returns for our members. Healthy and safe workplaces also support our members' wellbeing.

Companies that have poor safety records and fatalities, and that don't look after their workers, are exposed to reputational risks and legal liabilities. They also have difficulty attracting and retaining good people and risk losing key contracts. These can all have a material financial impact.

We are working with our infrastructure and property managers to achieve zero injuries and zero fatalities. Across our infrastructure portfolio there were three fatalities during the year. There were no fatalities across our property portfolio during the year. We require that any fatalities are reported to us. This must include information on any poor workforce practices that led to the fatality, and on what is being done to address the cause. We report this information quarterly to our Investment Committee and our Audit and Risk Management Committee.

Under the new modern slavery law, we are required to state our approach to identifying and mitigating exploitation in our operations and supply chains. This is an important ongoing project for Cbus. The new law is designed to improve transparency and increase business awareness about modern slavery risks. Over time, we expect it will reduce modern slavery risks in Australian goods and services, and improve workplace practices.

In July 2018, we joined the global Workforce Disclosure Initiative (WDI). The WDI aims to promote and improve company workforce data for direct operations and supply chains. It covers areas such as diversity, wages, health and safety, contracts and worker voice. We are actively encouraging ASX50 companies to participate in the 2019 survey. This will help us better understand how well they are managing their workforce risks and opportunities. We are also working with ACSI to engage with ASX300 companies on improving their workforce disclosures.

Investments
Investing responsibly continued

Exposure to flammable materials in building developments

Last year we reported that we were engaging with our property managers Cbus Property, ISPT and AMP Capital to understand our exposure to combustible cladding, following the horrific 2017 Grenfell Tower fire in London. Our managers acted quickly and responsibly, commencing independent building audits to identify the presence of flammable materials in their developments.

They have since completed their review of existing buildings, identified relevant risks across their portfolios and are progressing well with remediation works.

Having engaged with our managers on this issue, we are satisfied that they are proactively managing the risks associated with combustible cladding and construction. We note that this is an emerging risk area for the industry and that new legislative requirements are being proposed to address this issue by state and federal governments. Cbus will monitor these changes and continue to engage with our managers to ensure they are acting consistently with regulatory and community expectations.

We continue to engage with our stakeholders and other organisations to consider the continued use and supply of asbestos-based building materials and what we can do to contribute to eradicating these.



As responsible asset owners we can influence positive change.

Stephen Dunne, Chair, Cbus Investment Committee

Sustainable finance and the SDGs

In March 2019, our CEO was appointed to the steering committee of the Australian Sustainable Finance Initiative (ASFI). This is a collaboration involving Australia's major banks, super funds, insurance companies and financial regulators. ASFI is developing a roadmap to help shape an Australian economy that prioritises wellbeing, social equity and environmental protection, while supporting a stable financial system. The roadmap will recommend ways to allow the financial services sector to better contribute to a more resilient and sustainable economy. This will align with global goals such as the SDGs and the Paris Agreement on climate change.

By being involved we can influence the future direction of the finance industry. We are using our voice and resources in a way that will encourage and lead to more sustainable outcomes for our members.

We are working with other organisations to further support the SDGs, including participating in the Principles for Responsible Investment (PRI) Advisory Committee for SDGs. We have worked with the Monash Sustainable Development Institute to support the SDG Transforming Australia project on how Australia is meeting these goals. We are working with our service providers to engage with companies on their contribution to the SDGs, and we are actively discussing SDG assessments with our fund managers and data providers.

We incorporate the SDGs as an additional lens to inform our investment decisions where we invest directly. We are building out our direct investment due diligence and allocating capital that aligns with the SDGs – for example, through our 1% allocation to climate change opportunities. We are continuing our work in defining our objectives in relation to the SDGs and our internal SDG working group is developing a Cbus SDG Roadmap. As part of this process we are advancing our mapping of the SDGs against our direct portfolios, and will focus initially on our direct equities portfolio. We are not constraining ourselves to the seven SDGs we originally identified, and will be seeking to identify where there are positive and negative alignment impacts (where investing into one SDG may negatively impact on another SDG goal).

Working with our stakeholders to shape a regulatory environment that supports the long-term best interests of our members.

Policy and advocacy

We continuously monitor the external environment to identify the issues that are most likely to reduce or improve our members' retirement outcomes. These issues cover superannuation, retirement and responsible investment practices.

Our policy and advocacy work involves engaging with a range of stakeholders. These include government, regulators, media, our sponsors and like-minded organisations with whom we partner or are affiliated.

The erosion of super, due to fees and charges and insurance premiums, featured strongly during the year and much of our advocacy work focused around this.

Insurance in super

The Protecting Your Super legislation had wide implications for our members. Through our advocacy work we were able to help parliamentarians understand the potential impact for workers in high-risk environments. As a result, the legislation preserved insurance protection for our young and low balance members.

Putting Members Interests First raised many of the concerns we had with the PYS legislation. It will impact new members under the age of 25 and existing members with low account balances. There is an exception for workers in dangerous occupations and we are working hard to ensure that our members who work in high risk jobs have protection. We believe that not having insurance creates significant financial risks for Cbus members who work in hazardous and physically demanding environments. Our members rely on and successfully claim against our default cover. In the five years to 30 June 2019, we paid more than $60 million in death and total and permanent disability (TPD) claims to members who were under 25 years and their beneficiaries. In 2018, over 60% of death benefits for Cbus members aged between 21 and 25 were paid to dependants, including spouses and children.

Building and construction workers typically start full-time work and have families at a younger age, than is typical for professional or white-collar workers. As a result, many need insurance from a much younger age.

You can find out more about insurance on page 46.

Default funds

The Productivity Commission's recommendations to change the default fund arrangement aim to address the issue of people having multiple super funds and underperforming super funds. The Commission noted that industry superannuation funds are consistently outperforming other funds, but recommended that new workers should be 'stapled' to one fund for life. This would involve dismantling the current default system supported by industrial-based structures. It would lead to a 'one size fits all' system of generic superannuation funds competing.

Through the consultation period, we noted our concern that this recommendation would be detrimental to our members. Cbus has a strong affinity with and focus on workers in the building, construction and allied industries. Our products and services, our investment approach and our insurance are specifically tailored to our members and the environments in which they work. We will continue to ensure that key decision-makers understand the importance of building and construction workers being defaulted into a fund tailored to their unique needs.

Policy and advocacy continued

Adequate income in retirement

Our research shows that having enough money in retirement is still the biggest concern for our members. This is largely influenced by the level of Superannuation Guarantee (SG) contributions, investment returns, fees and charges, compliance with SG obligations and the age pension.

There are several areas in which we are working to influence change.

- We believe that the SG needs to increase for the superannuation system to provide Australians with financial security and dignity in retirement. The SG is currently scheduled to increase from 9.5% to 10% on 1 July 2021, and then progressively up to 12% by 1 July 2025. We are concerned about suggestions that the Government should abandon the schedule.
- Even though SG contributions are compulsory by law, many Australians are still missing out on their entitlements from employers who do not comply. This issue of unpaid super is significant in the construction and building industry.[1] During the year, we continued our advocacy work, together with Industry Super Australia (ISA), focusing on stronger enforcement and the alignment of super and wage payments. We also advocated for the closing of a legal loophole to stop employers who use salary sacrifice contributions to meet their SG obligations. Legislation to close this loophole is currently before the Parliament.
- We continued to promote discussion among our stakeholders around the plight of 'gig economy' workers who do not receive super contributions and the gender pay gap that impacts women's super.
- We engage with a range of groups to encourage responsible investment practices that seek to impact long-term investment returns. You can find out more about this on page 63.



1. ISA and Cbus research, December 2016

Applying sound governance, risk management and compliance in every part of our fund.

Fund governance









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

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

For information about our board, refer to the governance supplement and for biographies of our Directors visit

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

Fund governance
continued

Governance framework

The Board follows the Trustee's Governance Framework to oversee and exercise its authority, and to ensure we make decisions in the best interests of our members. The Board's responsibilities include:

- setting the strategic direction and overseeing the Fund's operations and supporting frameworks
- appointing the Chief Executive Officer and reviewing their performance
- reviewing and setting the values of the Fund
- setting expectations around risk management through its development, review and approval of the Cbus Risk Appetite Statement.

The Board is assisted in its role by five permanent standing committees: the Investment Committee; Audit and Risk Management Committee; People, Culture and Remuneration Committee; Member and Employer Services Committee; and the Nomination Committee.

The Board and each Committee has a Charter that sets out its roles and areas of responsibilities. You can view these Charters at:



www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Cbus-Board-Charter.pdf

Conflict management

Our Conflict Management Framework covers the systems, structures, policies, processes and controls in our operations that we use to identify, mitigate, manage and monitor conflicts.

All Directors must recognise where there may be actual, perceived or potential conflicts of interest and ensure they are appropriately managed or avoided. Where there is a conflict of interest, we ensure we give priority to the interests of our members.

We include conflict of interest procedures as a standard agenda item for every Board and Committee meeting. We also maintain a public register of the other positions and interests held by our CEO, Directors and Senior Managers and this is updated regularly throughout the year. You can view it at:



www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Register-Relevant-Interests-Duties.pdf

During the year the Board engaged Thoughtpost Governance to conduct an independent review of our Conflict Management Framework. Thoughtpost Governance found the Framework to be consistent with good practice and APRA standards.

Director remuneration

The Board reviews Director fees against peer funds and other financial institutions at least every three years. Cbus Directors currently receive a base fee (regardless of attendance) and an additional fee for meetings attended. We do not pay our Directors performance-based incentives. For details of Directors' remuneration visit:



www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Directors-Remuneration-Report-2018-19.pdf

Director tenure

Our Board Renewal Policy sets out the terms and maximum tenure period for any director position. All Directors are appointed for a three-year term and are reviewed at the end of each term. The maximum tenure period for a Director is 12 years. If the Board believes it is appropriate for a Director to remain beyond 12 years, they can extend the Director's tenure. If this is the case, the circumstances must be documented and reviewed by the Board.

Board gender composition

The Board has a goal of achieving a minimum of 30% female Directors. Currently, 26% of Board members are women.

Review processes

The Fund Governance Policy sets out all governance review processes of the Fund. Under this policy, the performance of the Board and its Committees must be independently reviewed every three years.

During the year, the Board engaged Thoughtpost Governance to conduct an independent review of Board performance. This included Director surveys, desk reviews and interviews with Directors and Senior Management. Thoughtpost Governance identified that the Board is performing strongly in the face of a significantly changing superannuation environment, and rapid internal growth and change. They identified the following opportunities for further development:

- defining member benefit in more detail
- increasing strategic discussion
- monitoring and supporting transformation within Cbus
- evolving board structures and composition.

You can view the Fund Governance Policy at

www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Fund-Governance-Policy.pdf

Risk governance self-assessment

On 28 June 2018, APRA requested large financial institutions, including Cbus, to submit Board-endorsed written self-assessments. These self-assessments were based on the themes and observations identified in the Commonwealth Bank Prudential Inquiry Report.[1]

The Cbus Board and management team saw this as an opportunity to reflect on how Cbus is performing and to critically assess our effectiveness. As part of this

1. Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report – April 2018.



Dave Noonan AIST Trustee of the Year

In March 2019, Cbus Director Dave Noonan received the Australian Institute of Superannuation Trustees (AIST) Trustee of the Year Award. Dave is the national secretary of the CFMEU and became a member of the Cbus Board in 2006. He is also a Director of Cbus Property and sits on the Board of the Australian Council of Superannuation Investors. We appreciate Dave's fierce intellect and ability to go to the heart of the issue very quickly, which makes him a truly impressive Director.

It is a great honour to be part of the team at Cbus. This award is a collective, and we couldn't achieve what we have at Cbus without the very strong Board that we have.

Dave Noonan, Cbus Director

aist AUSTRALIAN INSTITUTE of SUPERANNUATION TRUSTEES

Fund governance
continued

process, we looked at our governance, culture and accountability beyond our formal frameworks. The Thoughtpost Governance review contributed significantly to this process.

We submitted our self-assessment report in December 2018. The report recognised a number of positive factors, including:

- the Board's strong insight into the risk and culture of the Fund
- the Board's active involvement in developing Cbus values and assessing and forming a view of Cbus' culture
- the diversity of the Board members who bring experience from construction and building, financial, industrial, investment and politics
- the culture of challenge and enquiry where Directors engage with, support and constructively challenge management to ensure the best outcomes for members.

The report also recognised the following opportunities for improvement:

- increasing opportunities for the Cbus Board to engage directly with staff and gain insight into risks and culture across the Fund's operations.
- encouraging a healthy level of interrogation and challenge from the Board and its Committees of management.
- increasing the Board's active involvement in developing Cbus values and assessing and forming a view of Cbus' culture.
- making enhancements to Board agendas and reporting to drive more strategic discussions at Board meetings.

Board to Business Program

The Board to Business Program is designed to give Cbus Directors the opportunity to talk with staff across our organisation about key areas of work. This allows Directors to better understand the day-to-day challenges that different teams face, and it allows staff to hear directly from Board members. The program involves a series of presentations and discussions on different topics. Since we launched the program, we have held sessions on topics relating to investments, insurance and advice.

The Board's focus

Strategic review

The Board held its strategic review in February over two days. The focus was on the changing landscape and the competitive environment for superannuation – and the implications for Cbus. Topics covered included the changing world of investments and the implications for our strategy, politics and policy developments. The Board considered internal changes within Cbus and the impacts on our people and culture. It also looked at administration, our pricing strategy and our risk appetite.

Risk Culture Framework

The Board oversees the development of a Risk Culture Framework for the Fund. This focuses on communicating and embedding good risk management practices in our decision-making and operations. The framework links the Cbus values to the behaviours we promote. We encourage all our people from Board-level down to be risk-aware, make informed decisions, learn from mistakes and build on successes.

The Risk Culture Framework also seeks to measure and monitor our risk culture with metrics and through risk culture surveys. These metrics cover different aspects of our operations. We report the results of these through the year to the Audit and Risk Management Committee. We conducted our last survey in June 2018, and we are using the results to implement a range of initiatives, including training and education programs.

For a summary of the specific areas of focus for each of the Board Committees, refer to our Governance supplement.



Above from left to right: Dave Noonan, Steve Bracks, Simon Shakesheff, Susan MacDonald, Georgina Lynch, Scott Beynon, Anthony McDonald

Cbus Property

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

During the 2018/2019 financial year, Cbus Property Chair Mark Ford retired, having served as Chair from December 2005 (Company inception) to March 2019. He was also a member of the Cbus Property Remuneration Committee and Cbus Property Audit Committee, and he attended the Cbus Investment Committee meetings as an observer.

Georgina Lynch was appointed Chair with effect from 1 April 2019, having joined the Cbus Property Board in April 2016. Susan MacDonald and Simon Shakesheff were also appointed to the Board as independent Directors following the retirement of Allan Davison and Mark Ford.

The fees payable to Cbus Property Directors, are disclosed on the Cbus website. You can find out more here:

www.cbusproperty.com.au/about



Introducing Cbus Property Chair Georgina Lynch

Georgina joined the Board of Cbus Property as an independent Non-executive Director in April 2016, and was appointed Chair in April 2019. She also attends the Cbus Investment Committee meetings as an observer.

She has over 25 years' experience in the financial services and property industry. Her experience spans corporate transactions, capital raisings, initial public offerings, funds management, corporate strategy and acquisitions, and divestments.

Georgina holds a Bachelor of Arts and Bachelor of Laws. She is currently also an independent Non-executive Director of Viva Energy REIT, Tassal Group Limited and Investec Property Limited.

I look forward to continuing my involvement with Cbus Property in the new role of Chair, and to working with the Board and management team to ensure the future success of this outstanding company.

Georgina Lynch, Cbus Property Chair

Attracting, developing and retaining the best talent.

A strong fund with a strong team



Cbus has grown significantly. During the year, we recruited 183 new staff bringing our total employees to 488. This is an increase of 25.2% from last financial year. We expect further growth over the coming year as we continue to bring investment and operations functions in-house. To support our growth, we are building the capability and skills of our people and promoting career and succession planning. This includes a new leadership approach and career development opportunities, such as secondments, coaching and mentoring, to give our employees greater exposure and support.

The success of these initiatives is reflected in the responses to our 2019 employee engagement survey. We had an 86% response rate to the 2019 survey, compared to 76% in 2018. Our overall employee engagement was 76%, up 3% from last year, and 6% higher than the financial services global benchmark and the Australian company benchmark. We saw a 13% increase in employees who believe 'There are good career opportunities at Cbus,' a 5% increase in confidence in our senior team and a 6% increase in confidence in mid-level managers.

Our voluntary turnover rate was 5.36% which is a 0.54% decrease from 2018. This rate is well below the industry average of 13%.

Employee engagement

76% up 3%

2018 – 73%
2017 – 77%

Number of new employees

183 up 25.2%

2018 – 132
2017 – 117

Putting our people where we can better support our members

During the year we reviewed our operating model and how we organise our work. As a result, we have made some changes to our organisational structure to better support our members. The new structure came into effect on 1 July 2019, and we are working with our people to ensure a smooth transition.

In our People and Culture team we have introduced specialist roles that focus on workplace health, safety, injury management and wellbeing, and remuneration and reporting.

We are introducing new technologies, and developing our people and our work environment. We recognise we need to change the way we work, and we are currently looking at how we do this.

In June 2020, we will be relocating to new premises at Wesley Place at 130 Lonsdale Street in Melbourne. Our new office space will support collaboration, flexibility and the diverse needs of our employees.

A strong fund with a strong team
continued



Above from left to right: Kristian Fok (Chief Investment Officer), Alexandra West (Employers, Corporate Development and Strategy) David Atkin (CEO), Carrie Norman (Member Experience, Acting), Michelle Boucher (People, Technology and Enablement), Keith Wells Jansz (Finance, Risk and Governance) and Robbie Campo (Brand, Advocacy, Marketing and Product)

Our Executive team

In line with the changes to our organisational structure, we have updated our Executive portfolios. The key changes are:

- a new independent risk function to be headed by a Chief Risk Officer who will report directly to the CEO
- a combined portfolio for Member and Employer Experience
- a new Strategy and Growth portfolio to focus on growing the Fund.

We are currently recruiting for these new roles, and as a result there will be some changes to the Executive team over the coming months.

The new organisational structure will also result in changes to roles and responsibilities in different parts of our organisation. We are working with those affected and providing them with support.

Our employee value proposition

We have a proud history and a culture that focuses on maintaining our roots – and living our values as a fund that puts members first.

Over the past year, we've been working with our people to define our employee value proposition (EVP) to highlight our key points of difference. Our EVP focuses on 'What it means to work at CBUS.' This helps to attract top-quality employees who align with our purpose and values. It also helps engage and retain our people.

Our EVP is about making our work count for our members, our industry and each other. The key themes of our EVP are:

- members are at the heart of everything we do.
- we are committed to inclusion and diversity.
- our working environment is supportive.
- our organisation is transforming.

These themes form part of our People and Culture strategy. They also underpin our people processes including recruitment, onboarding, induction, leadership development and the way we work.

You can find out more about the benefits we offer our people on our website

www.cbussuper.com.au/about-us/careers/working-at-cbus

Growing a diverse team

We are committed to ensuring a diverse and inclusive workplace. We embrace gender equality and people with different backgrounds, different experiences and different ways of thinking. Higher levels of workplace diversity contribute to organisational performance, profitability and innovation – and this all leads to better outcomes for members.

We are addressing gender equity in multiple ways. We offer flexible work arrangements, superannuation contributions on parental leave and sponsorship for women. We analyse pay equity regularly and have set gender equity targets across our organisation. When we recruit, we use gender neutral language in job advertisements, gender-balanced short lists and selection panels. Our CEO and CIO demonstrate their ongoing commitment to gender equality and are involved across a range of forums to support this.

During the year our Executive team approved the Cbus Pathways Program. This will see us recruit employees from overseas countries including asylum seekers, refugees and people who have come to Australia on humanitarian grounds. This will add to the experience, skills and diversity at Cbus.

Diversity and gender equity targets

Fund area	Gender equity target	2019	2018	2017
Whole of Fund*	50%	**49%**	50%	47%
Cbus Board	30%	**26%**	28%	18%
Investments Team	40%	**37%**	39%	43%

We have set gender equity targets at the organisational level, Board level and for our Investment team. The figures in the table are at 30 June 2019, and include the Executive team and all permanent/fixed-term contract employees.

Flexible work actuals and targets

Cbus	Flexible work target	2019	2018	2017
	30%	**32%**	30.1%	22.0%

Cbus supports flexible work arrangements. Flexible work arrangements can include any formalised work arrangement agreed between manager and employee that alters from a 9–5, Monday–Friday, full-time work arrangement. All our people leaders are equipped to support flexible work requests. The figures above show employees with a formal flexible work arrangement at 30 June 2019.

We are committed to providing safe and secure work environments and supporting the wellbeing of our people.

You can find out more about our people initiatives in our People, Culture and Remuneration supplement and at:

www.cbussuper.com.au/cs/people-culture-remuneration



A strong fund with a strong team
continued

Growing emerging leaders

In 2018, we introduced Elevate – the Investments Industry Female Sponsorship Program. This focuses on building a pipeline of emerging female leaders through active sponsorship. Building a diverse team is a key priority for our Investments team, as it enables us to bring different perspectives to our investment decisions.

The six-month program connects senior leaders with emerging female talent to create a network of support. It creates a pathway for personal development and enhanced performance for all participants. Participants engage in a program of activities and are jointly responsible for the success of their relationship.

We measured and analysed the impact of Elevate through an independent party and the results show the program is delivering substantial value. We were pleased to see that 71% of sponsees experienced positive change in leadership following the program, and 80% of their managers noted greater resilience and confidence. Sponsors reported increased capability and confidence in sponsoring, and all participants reported sustained changes beyond the life of the program.

Importantly, Elevate has increased awareness in senior leaders of the influence they can have on the experiences of others.

We are now rolling this program out across Cbus and linking it with our talent and succession process.

> Elevate gave me the opportunity to identify what drives me in my career, and then provided me with concrete tools that I can use to help me on the journey to where I want to be.
>
> **Allison Van Lint, Senior Research Analyst, Cbus**

Remuneration and benefits

Cbus employees (other than Executives) are employed under collective Enterprise Bargaining Agreement (EBA) conditions. Our three-year agreements, effective 1 July 2017, were approved by the Fair Work Commission. We offer a variable pay program to the CEO, Executives and select roles within our Investment team. The People, Culture and Remuneration Committee reviews Executive remuneration and any changes must be approved by the Board.

We currently provide 16 weeks paid parental leave irrespective of gender and have improved our policy to allow primary and secondary leavers to take parental leave concurrently. We also pay super for all unpaid parental leave in the first 12 months of leave.

For more information, see our People, Culture and Remuneration supplement.

A safe workplace

We are committed to providing safe and secure work environments and supporting the wellbeing of our people. During the year we revised our Work Health and Safety Policy, which was endorsed by our Board. We introduced processes and frameworks to help prevent injuries and to support employees following an injury or illness. We also provided training across the organisation on family violence, health, safety and wellbeing, and mental health awareness. We delivered this through our partnership with SuperFriend, third-party providers and our own in-house experts.

Industry recognition and awards

We're proud of the work we are doing to support our people and the recognition we have gained. During the year we were awarded the Employer of Choice for Gender Equality for 2018–19 by the Workplace Gender Equality Agency (WGEA). This is the second year we've received this certification for showing leadership in addressing gender equality in the workplace.

We were also awarded Best Induction and Onboarding Program 2018 by the Australian Institute of Training and Development. This award recognised the effectiveness of our induction and onboarding program in supporting new employees.

You can find out more about our people initiatives on our website:

www.cbusproperty.com.au



Maria Zambrano bringing together work, family and study

Maria joined Cbus in 2016 as a member of our learning and development team while also being a parent to three young children and studying for a law degree. We supported her through the process and gave her the opportunity to complete her training with our legal team. As a result, she was able to gain admission to practise as a lawyer. But the biggest win for us, and Maria, was having her combine her legal and training skills to develop all our people at Cbus.

> Cbus helped me achieve my learning goals and allowed me to explore opportunities to incorporate my new skills into my current role. It's been fantastic to learn and achieve, and to be able to give back to Cbus.

Superannuation options

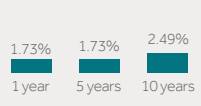
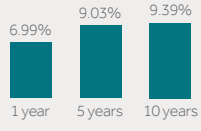
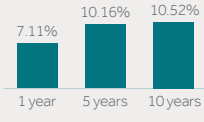
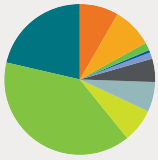
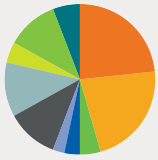
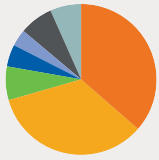
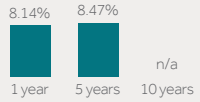
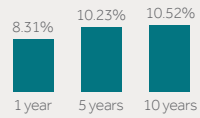
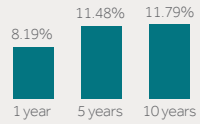
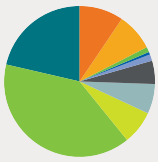
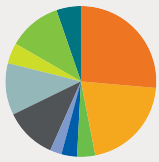
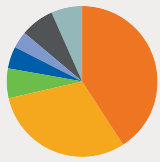
	Cash Savings	Conservative	Conservative Growth	Default option Growth (Cbus MySuper)	High Growth
Risk/return					
Risk level/(band)[1]	Very low	Low to medium	Medium	Medium to high	High
Investment objective[2]	Inflation plus 0.75% a year over rolling 10-year periods	Inflation plus 1.75% a year over rolling 10-year periods	Inflation plus 2.5% p.a. over rolling 10-year periods	Inflation plus 3.25% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
Likelihood of negative annual returns	Negligible in 20 years	1 in 20 years	2 in 20 years	3 in 20 years	5 in 20 years
Actual negative annual crediting rates since inception	0 in 10 years	1 in 19 years	0 in 2 years	3 in 35 years	5 in 21 years
Actual average return over 10 years ending 30 June 2019	**2.49%** (Inflation plus 0.39% p.a.)	**6.44%** (Inflation plus 4.34% p.a.)	n/a option commenced 1 July 2017	**9.39%** (Inflation plus 7.29% p.a.)	**10.52%** (Inflation plus 8.42% p.a.)
Annual returns at 30 June 2019					
Annual return since inception (p.a.)[3]	**2.49%** (1/04/2009)	**6.12%** (1/10/1999)	**7.30%** (6/07/2017)	**9.23%** (1/07/1984)	**7.62%** (1/01/1998)
Asset allocation (%)[4]					
	Cash 100.0	Australian shares 8.60 Global shares 8.40 Emerging market shares 1.80 Private equity 0.60 Absolute return[5] 1.40 Infrastructure 5.00 Property 6.20 Alternative debt 7.40 Fixed interest 39.40 Cash 21.20	Australian shares 17.00 Global shares 16.00 Emerging market shares 3.10 Private equity 0.90 Absolute return[5] 1.70 Infrastructure 8.10 Property 8.70 Alternative debt 6.00 Fixed interest 25.30 Cash 13.20	Australian shares 23.52 Global shares 22.21 Emerging market shares 4.49 Private equity 3.34 Absolute return[5] 2.38 Infrastructure 11.21 Property 11.50 Alternative debt 4.52 Fixed interest 11.07 Cash 5.76	Australian shares 36.50 Global shares 34.10 Emerging market shares 7.40 Private equity 4.60 Absolute return[5] 3.70 Infrastructure 7.10 Property 6.60 Alternative debt 0.00 Fixed interest 0.00 Cash 0.00

Table Notes

1. Risk level: The Risk Level is based on an industry wide Standard Risk Measure, which relates to the number of expected negative annual returns over a 20-year period. Risk band: The Standard Risk Measure ranges across seven risk bands, from 1 (very low risk) to 7 (very high risk). The Standard Risk Measure is not a complete assessment of all forms of investment risk. For more information about the Standard Risk Measure, go to www.cbussuper.com.au/risk.
2. Cbus expects all investment options to achieve their targeted returns 75% of the time.
3. Average returns are to the period 30 June 2019.
4. Actual asset allocation as at 30 June 2019. Cbus also sets strategic asset allocations and asset class ranges. For more details go to the Cbus website.
5. Absolute return was previously called Opportunistic growth.
6. Investment performance is the gross return minus investment costs. Excludes administration fees and taxes, which are applied by the Cbus Self Managed platform, where applicable. Past performance is not a reliable indicator of future performance.
7. Since inception on 29 July 2015.

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

Super Income Stream options

	Cash Savings	Conservative	Default option Conservative Growth	Growth (Cbus MySuper)	High Growth
					
Risk level/(band)	Very low	Low to medium	Medium	Medium to high	High
Investment objective	Inflation plus 1.25% a year over rolling 10-year periods	Inflation plus 2.25% a year over rolling 10-year periods	Inflation plus 3.0% a year over rolling 10-year periods	Inflation plus 3.5% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
Likelihood of negative annual returns	Negligible in 20 years	1 in 20 years	2 in 20 years	3 in 20 years	5 in 20 years
Actual negative annual crediting rates since inception	0 in 10 years	0 in 10 years	0 in 5 years	0 in 10 years	0 in 10 years
Actual average return over 10 years ending 30 June 2019	**3.00%** (Inflation plus 0.90% p.a.)	**7.29%** (Inflation plus 5.19% p.a.)	These figures are unavailable as this option was introduced on 1 December 2013.	**10.52%** (Inflation plus 8.42% p.a.)	**11.79%** (Inflation plus 9.69% p.a.)
Annual returns at 30 June 2019					
Annual return since inception (p.a.)[3]	**3.00%** (1/07/2009)	**7.29%** (1/07/2009)	**8.53%** (2/12/2013)	**10.52%** (1/07/2009)	**11.79%** (1/07/2009)
Asset allocation (%)					

Accumulation	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High Risk	High Risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 2.75% p.a.	inflation + 3.25% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:[6,7]	**10.93%**	**13.01%**
Super Income Stream	**Cbus Self Managed Property**	**Cbus Self Managed Infrastructure**
Risk Profile	High Risk	High Risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 3% p.a.	inflation + 3.5% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:[6,7]	**10.93%**	**13.01%**

Investment option costs

Cbus members receive the investment earnings of the fund through the crediting rate. Crediting rates are the investment earnings minus investment fees, the Trustee Operating Costs and taxes. The crediting rate is applied to each member account when the final crediting rate for the full financial year is declared. Cbus also charges an Account Keeping Fee which is deducted from member accounts. For superannuation accounts the fee is $1.50 a week, for superannuation income stream accounts the fee is $2 a week capped at $640. The table below shows the investment and administration fees that applied to the crediting rate for the financial year.

	Investment Fee				Administration Fee[1]	Total
	Base Fee	Performance Fee	Transactional and Operational Costs	Other Costs[2]	Trustee Operating Cost[3]	
Super						
Cash Savings	0.04%	0.00%	0.00%	0.03%	0.15%	**0.22%**
Conservative	0.14%	0.01%	0.07%	0.08%	0.15%	**0.45%**
Conservative Growth	0.22%	0.03%	0.11%	0.11%	0.15%	**0.62%**
Growth (Cbus MySuper)	0.31%	0.06%	0.15%	0.13%	0.15%	**0.80%**
High Growth	0.37%	0.12%	0.14%	0.13%	0.15%	**0.91%**
Super Income Stream – Transition to retirement option						
Cash Savings	0.04%	0.00%	0.00%	0.03%	0.08%	**0.15%**
Conservative	0.14%	0.01%	0.07%	0.08%	0.08%	**0.38%**
Conservative Growth (default)	0.21%	0.03%	0.11%	0.11%	0.08%	**0.54%**
Growth	0.31%	0.08%	0.15%	0.13%	0.08%	**0.75%**
High Growth	0.37%	0.12%	0.14%	0.13%	0.08%	**0.84%**
Super Income Stream – Fully retired option						
Cash Savings	0.04%	0.00%	0.00%	0.03%	0.08%	**0.15%**
Conservative	0.14%	0.01%	0.07%	0.08%	0.08%	**0.38%**
Conservative Growth (default)	0.19%	0.03%	0.11%	0.11%	0.08%	**0.52%**
Growth	0.31%	0.08%	0.15%	0.13%	0.08%	**0.75%**
High Growth	0.37%	0.12%	0.14%	0.13%	0.08%	**0.84%**

1. Administration fee excludes the weekly Account Keeping Fee of $1.50 for super and $2.00 for Super Income Stream, which is deducted directly from member accounts.
2. Other costs include securities lending costs and over the counter derivatives costs.
3. The Trustee Operating Cost includes 0.01% contribution to the Operational Risk Reserve

The Cbus Self Managed option offers Property and infrastructure managed investments. The investment fees that applied over the 2019 financial year, excluding transaction costs, were:

- CSM Propety 0.34%
- CSM Infrastructre 0.42%

Investment managers

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

Investment Managers managing 5% or above of the Fund's total Assets		
	At 30 June 2019	At 30 June 2018
Industry Funds Management	20.60%	17.3%
Vanguard Investments Australia	13.70%	11.1%
Cbus Internally Managed	8.10%	6.4%
Cbus Property	6.10%	5.4%

Cbus Total Investments	At 30 June 2019		At 30 June 2018	
	($ millions)	(%)	($ millions)	(%)
Australian Equities				
Industry Funds Management	3,587.8	6.8	3,269.6	7.0
Paradice Investment Management	1,929.3	3.7	1,912.7	4.1
Perpetual Investment Management	1,421.7	2.7	1,350.9	2.9
Airlie Funds Management	1,345.4	2.6	1,117.8	2.4
Hyperion Asset Management	1,296.7	2.5	1,192.1	2.6
Ausbil Dexia	1,241.7	2.4	1,167.6	2.5
Ellerston Capital	1,007.7	1.9	1,083.6	2.3
Allan Gray Australia	918.3	1.7	865.5	1.9
Novaport Capital Pty Ltd	220.2	0.4	213.1	0.5
Cbus Internally managed	207.5	0.4	-	-
Realindex Investments	202.7	0.4	-	-
Cbus Self Managed	45.4	0.1	38.5	0.1
State Street Bank and Trust Company	1.2	0.0	27.1	0.1
Kinetic Investment Partners	0.2	0.0	204.2	0.4
Other[1]	0.0	0.0	5.1	0.0
Mesirow Financial Currency Management[2]	-7.9	-0.0	-19.6	-0.0
Challenger Investment Solutions Management Pty Ltd	-59.0	-0.1	-	-
Total Australian Equities	**13,359.0**	**25.4**	**12,428.2**	**26.6**
International Equities				
Realindex Investments	1,896.0	3.6	1,428.6	3.1
Cbus Internally Managed	1,873.6	3.6	1,550.2	3.3
Global Thematic Partners	1,883.6	3.6	1,435.8	3.1
AQR Capital Management	1,518.2	2.9	1,055.1	2.3
Orbis Investment Management	1,378.1	2.6	1,287.8	2.8
Baillie Gifford Overseas	1,143.1	2.2	1,229.7	2.6
Vanguard Investments Australia	1,113.4	2.1	990.5	2.1
Wellington Management Company	661.0	1.3	628.8	1.3
State Street Bank and Trust Company	368.4	0.7	489.9	1.0
Genesis Emerging Markets Investment Company	360.2	0.7	324.8	0.7
Invesco	306.4	0.6	200.9	0.4
Comgest Far East Limited	284.3	0.5	-	-
Stewart Investors (formerly First State Investment Management)	216.8	0.4	214.4	0.5
Challenger Investment Solutions Management Pty Ltd	28.0	0.1	-	-
MFS Institutional Advisors	2.2	0.0	2.1	0.0
Trilogy Global Advisors	0.4	0.0	302.6	0.6
Other[1]	0.4	0.0	10.0	0.0
Mesirow Financial Currency Management[2]	-85.5	-0.2	-100.3	-0.2
Total International Equities	**12,948.4**	**24.6**	**11,050.8**	**23.7**

Investment managers continued

Cbus Total Investments	At 30 June 2019		At 30 June 2018	
	($ millions)	(%)	($ millions)	(%)
Property				
Cbus Property	3,180.0	6.1	2,531.0	5.4
ISPT	1,632.7	3.1	1,589.9	3.4
AMP Capital Investors	566.5	1.1	561.4	1.2
Heitman LLC	171.4	0.3	-	-
Resolution Capital	159.7	0.3	139.7	0.3
Franklin Templeton Investments Australia	0.6	0.0	2.7	0.0
Other[1]	0.0	0.0	0.0	0.0
Mesirow Financial Currency Management[2]	-7.2	-0.0	-6.0	-0.0
Total Property	**5,717.9**	**10.9**	**4,818.7**	**10.3**
Infrastructure				
Industry Funds Management	3,764.0	7.2	3,176.8	6.8
Morrison & Co Utilities Management (previously Hastings Funds Management)	1,396.8	2.7	1,036.7	2.2
Cbus Internally Managed	371.4	0.7	0.0	0.0
Rare Infrastructure	28.2	0.1	206.8	0.4
Mesirow Financial Currency Management[2]	3.6	0.0	-13.2	-0.0
Total Infrastructure	**5,564.0**	**10.6**	**4,407.1**	**9.4**
Private Equity				
ROC Private Equity	591.1	1.1	537.2	1.2
ME Bank	236.8	0.5	225.1	0.5
Industry Super Holdings	179.3	0.3	149.6	0.3
Siguler Guff & Company	165.9	0.3	235.4	0.5
Newbury Associates	132.4	0.3	181.6	0.4
Industry Funds Management	128.4	0.2	132.0	0.3
Mesirow Financial Private Equity Advisors	81.3	0.2	119.7	0.3
Performance Equity Management	-	-	99.9	0.2
Greenspring Associates	-	-	79.4	0.2
VenCap International	76.4	0.1	69.6	0.1
Stafford Capital Partners	41.2	0.1	46.1	0.1
LGT Capital Partners	37.9	0.1	49.5	0.1
Pomona Australia	6.8	0.0	9.8	0.0
Wilshire Private Markets Group	5.0	0.0	6.7	0.0
Frontier Advisors	1.8	0.0	1.9	0.0
Continuity Capital (previously Wilshire Private Markets Group)	1.3	0.0	2.2	0.0
Adveq Management	-	-	45.8	0.1
Weathergage Venture Capital	-	-	30.1	0.1
Lexington Partners	-	-	22.2	0.0
Mesirow Financial Currency Management[2]	-16.6	-0.0	-52.8	-0.1
Total Private Equity	**1,668.9**	**3.2**	**1,991.0**	**4.3**

Cbus Total Investments	At 30 June 2019		At 30 June 2018	
	($ millions)	(%)	($ millions)	(%)
Absolute returns				
Bridgewater Associates	631.2	1.2	1,130.5	2.4
GAM International Management Limited	275.8	0.5	-	-
Industry Funds Management	260.7	0.5	230.8	0.5
Other[1]	25.3	0.0	-	-
TPG Opportunities Partners II	17.0	0.0	30.4	0.1
Artwork	8.3	0.0	8.3	0.0
Oaktree Capital Management	3.3	0.0	3.8	0.0
Mesirow Financial Currency Management[2]	-0.7	-0.0	-2.1	-0.0
Total Opportunistic Growth	**1,220.8**	**2.3**	**1,401.7**	**3.0**
Fixed Interest				
Vanguard Investments Australia	6,101.1	11.6	4,204.1	9.0
Cbus Self Managed	2.5	0.0	2.1	0.0
Other[1]	0.3	0.0	0.3	0.0
Total Fixed Interest	**6,103.9**	**11.6**	**4,206.5**	**9.0**
Alternative debt				
Industry Funds Management	1,071.9	2.0	989.9	2.1
Barings (previously Babson)	719.2	1.4	943.9	2.0
T Rowe Price	305.9	0.6	300.0	0.6
Maxcap	82.8	0.2	13.5	0.0
Cbus Internally managed	50.0	0.1	-	-
ME Portfolio Management	30.6	0.1	35.7	0.1
Hayfin Direct Lending	10.9	0.0	24.9	0.1
Mesirow Financial Currency Management[2]	0.1	0.0	-1.7	-0.0
Goldman Sachs Asset Management	-	-	335.6	0.7
Total Alternative debt	**2,271.3**	**4.3**	**2,641.7**	**5.7**
Cash				
Industry Funds Management	2,004.5	3.8	265.0	0.6
Cbus Internally managed	1,116.8	2.1	1,441.4	3.1
Colonial First State Asset Management	519.0	1.0	2,016.7	4.3
Challenger Investment Solutions Pty Ltd	98.6	0.2	-	-
Cbus Self Managed	18.0	0.0	13.7	0.0
Other[1]	-	-	30.2	0.1
Total Cash	**3,756.8**	**7.1**	**3,767.0**	**8.1**
Total Investments	**52,611.0**	**100.0**	**46,712.7**	**100.0**

Notes

1. Other may include operational cash, options, funds in transition, small holdings and outstanding fees on closed accounts, and funds held in the Administration account.
2. Mesirow Financial Currency Management manages the currency hedging for Cbus.
3. Figures are subject to rounding.

Annual Financial Report

The Cbus Annual Financial Report is based on the Fund's accounting records supplemented by Custodian investment and taxation reporting and members' information sourced from the Fund's administrator Link/AAS. The report includes the Fund's Financial Position, Income Statement, Statement of Changes in Members' Benefits, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements. It also includes a Trustee's Declaration and an Independent Auditor's Report on the Financial Statements. The Annual Financial Report is reviewed and endorsed by the Trustee's Board of Directors and is available at:



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

www.cbussuper.com.au/cs/united-super-financial-report

Financial statement inputs

There are several inputs that support the completeness and accuracy of the Fund's Annual Financial Statements.

Custodian administration controls

An independent audit of the internal controls and procedures the Custodian has over custody, investment administration, accounting and tax reporting, unit registry and related information technology services is completed by the Custodian's external auditor and a copy of the audit report is provided to the Fund.

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

The internal controls and procedures and the independently audited existence and valuations support the investment balances reflected in the Financial Statements and Notes to the Annual Financial Statements.

Administrator's controls

An independent audit of the internal controls and procedures the Fund's Administrator has over superannuation and pension member administration is completed annually and a copy of the report is provided to the Fund. The audited internal controls and procedures support member-related information reflected in the Financial Statements and Notes to the Annual Financial Statements.

Tax review

A review of the tax balances in the Annual Financial Statements and Notes to the Financial Statements is completed by the Fund's internal tax specialists, in conjunction with the external auditor, to provide assurance over these numbers. In-house tax expertise assists in maintaining a comprehensive tax management framework and accuracy of tax-related matters within the Fund.

External audit

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

Internal audit

The Fund's internal auditor (KPMG) completes reviews of internal controls and procedures over key Fund processes and procedures that are represented in the Annual Financial Statements and Notes to the Financial Statements. The Fund's internal auditor attends all Audit and Risk Management Committee meetings and has unfettered access to the committee.

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

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

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

Trustee insurance

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

Management of derivatives

Cbus allows some of its investment managers to use derivatives to obtain market exposure, reduce risk and/or enhance efficiency. Where managers use derivatives, controls or policies must be in place to ensure the Fund is not exposed to undue risk. Cbus will also directly use derivatives for implementation of the investment strategy, most typically to gain or reduce exposure to an asset class in an efficient manner. Derivative exposure is subject to risk limits and must not gear the Fund. The derivatives charge ratio (the percentage of the Fund being used as security for derivative investments) was less than 0.5% during the financial year.

Financial Statements

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

Statement of Financial Position as at 30 June 2019

	2019 $'000	2018 $'000
Financial assets	52,860,934	47,035,157
Cash and cash equivalents	28,678	33,334
Other assets	62,210	22,687
Less: Liabilities	(1,560,315)	(1,490,686)
Net assets available for member benefits	**51,391,507**	**45,600,492**
Less: Member's liabilities	(50,997,546)	(45,182,953)
Net assets	**393,961**	**417,539**
Equity		
General reserve	(39,538)	(102,370)
Insurance reserve	(210,527)	(187,488)
Operational risk reserve	(143,896)	(127,681)
Total equity	**(393,961)**	**(417,539)**

Income Statement for the year ended 30 June 2019

	2019 $'000	2018 $'000
Superannuation activities income		
Interest revenue	240,056	181,822
Distribution and dividend revenue	2,016,609	1,564,900
Changes in fair value of financial instruments	1,390,973	3,204,798
Other income	18,409	64,218
Total superannuation activities income	**3,666,047**	**5,015,738**
Expenses		
Investment expenses	(188,225)	(233,440)
Administration and operating expenses	(184,182)	(154,037)
Total expenses	**(372,407)**	**(387,477)**
Results from superannuation activities before income tax expense	**3,293,640**	**4,628,261**
Income tax expense	104,987	302,484
Results after income tax	**3,188,653**	**4,325,777**
Less: Net benefits allocated to members accounts	(3,212,231)	(4,219,372)
Operating result after income tax	**(23,578)**	**106,405**

Members' benefits and changes in equity

Members' benefits

Members' funds represent benefits accrued to members at 30 June 2019.

Statement of changes in member benefits for the year ended 30 June 2019

	2019 $'000	2018 $'000
Opening balance of members' benefits	**45,182,953**	**38,904,478**
Add		
Contributions received	3,533,035	3,217,005
Transfers from other superannuation funds	1,807,165	1,314,439
Net investment income	3,278,466	4,280,953
Insurance proceeds	251,558	244,819
Less		
Benefits paid to members	(2,222,543)	(1,985,732)
Administration and other fees	(66,235)	(61,581)
Insurance premiums	(291,122)	(304,004)
Income tax on contributions	(475,731)	(427,424)
Closing balance of members' benefits	**50,997,546**	**45,182,953**

Statement of changes in equity for the year ended 30 June 2019

	General reserve $'000	Insurance reserve $'000	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2017	**77,888**	**123,442**	**109,804**	**311,134**
Net transfers (to)/from reserves	(5,936)	-	5,936	-
Operating result after income tax	30,417	64,047	11,941	106,405
Closing balance as at 30 June 2018	**102,370**	**187,488**	**127,681**	**417,539**
Net transfers (to)/from reserves	(6,647)	-	6,647	-
Operating result after income tax	(56,185)	23,039	9,568	(23,578)
Closing balance as at 30 June 2019	**39,538**	**210,527**	**143,896**	**393,961**

General reserve

The purpose of maintaining the general reserve is to set aside monies to cover the Fund's unexpected events, other than operational risk events, and to meet any other expenses that the Trustee deems ought to be met from the general reserve rather than directly from member's accounts.

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

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

The level of the general reserve will be set annually as part of the Fund's Annual Financial Statements and review process.

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

Operational risk reserve

Under Prudential Reporting Standards, Registrable Superannuation Entities, such as Cbus, are required to maintain an operational risk reserve to meet potential losses arising from its business operations. Cbus reviews the adequacy of this reserve annually, or in response to material changes in its business operations.

The Trustee considered it appropriate to set the target level of this reserve at 0.28 per cent of the Fund's Net Assets for the 2019 financial year.

Insurance reserve

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

We use the insurance reserve only for insurance-related purposes to:

- collect deductions and pay the insurer the premiums
- pay for the operating and administration costs for insurance and claims
- provide premium price relief to insured members
- set aside money to meet the financial obligations of our insurance providers
- fund strategies to reduce insurance claims over the long term
- develop and improve insurance offerings
- implement legislative changes.

We have an arrangement with the insurer under which:

- we may receive a payment from the insurer in years where the level of claims compared to premiums is low.
- we may be required to pay the insurer in years where the level of claims compared to premiums is high. These payments will not exceed 10% of the premiums paid for the relevant year.
- any payments we receive from the insurer must be used for insurance-related services.

The table below shows the payments made from or received by Cbus in relation to the above arrangement over the past three years.

Financial year	Amount received by Cbus /(paid by Cbus)
2018/2019	$39,364,566 received by Cbus
2017/2018	$38,155,241 received by Cbus
2016/2017	($710,746) paid by Cbus

We aim to maintain the insurance reserve at 20% of the annual premiums paid to the insurer. We also allow for contingent liabilities to the insurer (payments that may arise in future). There is a minimum amount we must maintain to ensure we can meet our obligations.

At 30 June 2019, the contingent liability on a tax adjusted basis to insurers was $169,145,627, and the insurance reserve had an additional $41,381,373. As the insurance reserve is above our target, we are using part of the reserve to reduce premiums for insured members.

Each year we review the level of insurance reserves (including any premium price relief for members). The current level of premium price relief for members has been in place since September 2017 and we expect it to continue to apply until June 2021.

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 procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Cbus Annual Integrated Report 2019 comprising pages 2 to 36 of the Cbus Annual Report 2019 for the year ended 30 June 2019 (Cbus Integrated Report) is not prepared, in all material respects, in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> Framework (<IR> Framework).

Information Subject to Assurance

Information subject to assurance comprises the Cbus Integrated Report.

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting is the <IR> Framework as disclosed in the Cbus Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the 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 Cbus Integrated Report, 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.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Cbus strategy or how Cbus creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Cbus strategy and how Cbus creates value are outlined below.

Summary of Procedures Performed

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

- Interviews with executives, senior management and staff to understand the internal controls, governance structure and reporting process relevant to the Cbus Integrated Report.
- Reviewing the description of the Cbus strategy and how Cbus creates value in the Cbus Integrated Report and enquiring of management as to whether the description accurately reflects their understanding.
- Assessment of the suitability and application of the <IR> Framework in respect of the Cbus Integrated Report. This included an analysis of the Cbus Integrated Report compared to the Guiding Principles and Content Elements of the <IR> Framework.
- Reviewing Cbus' processes underlying the identification of material issues and external validation of Cbus's own materiality assessment by considering multiple sources of information including internal assurance findings, print and social media, external framework requirements and peer and industry reporting trends.
- Assessment of the alignment between the Cbus strategy and the disclosures on how Cbus creates value and what matters most to Cbus stakeholders.
- Reviewing Board minutes to check consistency with the Cbus Integrated Report.
- Agreeing the Cbus Integrated Report to relevant underlying documentation on a sample basis.
- Analytical procedures over the key metrics in the Cbus Integrated Report.
- Review of the Cbus Annual Report 2019 for the year ended 30 June 2019, including the Cbus Integrated Report and the Cbus Review 2019, in its entirety to check it is consistent with our overall knowledge obtained during the assurance engagement.

How the Standard Defines Limited Assurance and Material Misstatement

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 Cbus Integrated Report 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 Cbus Integrated Report.

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 Integrated Report 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.

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

Management's responsibility

Management are responsible for:

- determining that the <IR> Framework is appropriate to meet their needs and the needs of other intended users;
- preparing and presenting the Cbus Integrated Report in accordance with the <IR> Framework;
- identifying stakeholders and stakeholder requirements;
- identifying material issues and reflecting those in the Cbus Integrated Report; and
- establishing internal controls that enable the preparation and presentation of the Cbus Integrated Report that is free from material misstatement, whether due to fraud or error.

KPMG



Adrian King
Partner

Melbourne
29 October 2019



Julia Bilyanska
Director

Melbourne
29 October 2019

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Cbus Integrated Report for the year ended 30 June 2019, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

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

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Glossary

ASFA
The Association of Superannuation Funds of Australia is a policy, research and advocacy body for Australia's superannuation industry

APRA
Australian Prudential and Regulatory Authority regulates financial services and superannuation providers

arrears
Unpaid superannuation

asset
Something of value

benchmark
A standard measure

built environment

Manmade environments including buildings and infrastructure

Carbon footprint
hows how much carbon dioxide is released into the atmosphere as a result of the activities of the organisations in which we invest

Consumer Price Index (CPI)
Common measure of inflation

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

custodian
A financial institution that holds the Fund's assets for safekeeping

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

fund manager
An organisation that invests assets for Cbus or for a group of funds including Cbus

GRI standards
Global Reporting Initiatives are standards for sustainability reporting

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

income stream
Allocated pension scheme for members transitioning to, or in retirement

infrastructure
Essential services and facilities such as transport, water, electricity and telecommunications

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

investment options
Different choices available to members to meet their investment needs

materiality
Something we consider to be significant for the Fund or our stakeholders

multi-channel
Different methods we use to communicate with our stakeholders including workplace visits, seminars, phone, email, our website and social media

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

outperformance
Performance of a higher level than a benchmark or our peers

remuneration
Pay for services rendered

reserves
Monies we set aside to meet unexpected or unforeseen events, as part of our risk management or to support insurance services

risk appetite
The level of risk a person or organisation is willing to expose themself/itself to

related parties
Organisations in which Cbus has ownership interests that provide services to us

short termism
A focus on immediate or short-term outcomes

sponsors
Organisations that sponsor Cbus, these include ACTU, AMWU, AWU, CEPU, CFMEU and MBA

stakeholders
Organisations or groups of people that have an interest or relationship with Cbus

stewardship
Responsible management and investment of members' superannuation

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

Sustainable Development Goals (SDGs)
The United Nations (UN) Sustainable Development Goals

sustainability
Development that meets our needs and that doesn't negatively impact future generations

Trust Deed
Legal document stating the requirements and governance rules of the Fund

Trustee
Collective description of the Board of Directors and their representatives responsible for managing and administering Cbus in accordance with the Trust Deed

unpaid super
Members' super that is not paid by employers

Designed and produced at www.twelvecreative.com.au

Cbus National Office

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For more information:

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

Write to: Locked Bag 5056, Parramatta, NSW 2124

Visit: www.cbussuper.com.au

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

Follow us:

www.facebook.com/cbussuperfund

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www.youtube.com/user/CbusSuper

Thank you

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

We welcome your thoughts

As always we value your feedback and invite you to send any comments or queries about this report to annualreport@cbussuper.com.au

You can also review this report online.

www.cbussuper.com.au/AnnualReport

Awards

Australian Institute of Superannuation Trustees
2019 Trustee of the Year – Dave Noonan

Australian Institute of Superannuation Trustees
Best B2B Marketing Campaign

The Australian Institute of Training and Development
Best Onboarding Induction Program

Canstar
Most Satisfied Customers – Super Fund

CoreData
Best In Show

This Australian Life
Excellent Service Award for 2018 (Claims)

Well & NABERS
CBUS Property

Workplace Gender Equality Agency
Employer of Choice for Gender Equality 2018–2019