Building a better future

Annual Integrated Report 2020



“For over 36 years we’ve put our members and their families at the heart of everything we do, providing solutions that meet their needs, delivering a service that earns their trust and providing strong returns”



Contents

Cbus Annual Integrated Report 2020

Our reporting suite	5
Online supplements	6
Who we are	9
What makes us different	10
Message from the Chair	13
Message from the CEO	14
Message from the outgoing CEO	15
Our 2020 performance	16
How we create value	18
What matters most to stakeholders	21
External environment	22
Our strategy	24
Strategy scorecard	26
Putting members first	29
Employers	33
Insurance	34
Our governance	36
Identifying and managing risk	38
Investing for the long-term	42
Investment environment and outlook	44
Investment strategy and performance	47
Responsible investment	50
Cbus Property	54
Superannuation options	58
Super Income Stream options	59
Our people	60
Annual financial report	64
Members' benefits and changes in equity	66
Independent limited assurance report to the Directors of Cbus	68
Investment managers	70

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 and 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 **cbussuper.com.au** for a copy. We work hard 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. Past performance isn't a reliable indicator of 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.

Our reporting suite

Our Annual Integrated Report is produced in accordance with the **International <IR> 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. It reviews developments and achievements at Cbus over the last 12 months.

Sustainable Development Goals



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



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



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



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



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



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



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

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. As a super fund we have an important role in shifting capital towards sustainable development opportunities to maximise long-term value for our members. In our report we use the SDG icons to show where we contribute to their achievement.

For further information on our contribution to the SDGs please see our Responsible Investment supplement.

cbussuper.com.au/cs/responsible-investment-2020

Our six Capitals

Throughout the report we use the following icons to highlight where we use, transform or produce the six <IR> Capitals.

Financial Capital
Funds available to Cbus

Human Capital
Our people

Manufactured Capital
Our buildings and infrastructure

Intellectual Capital
Our systems and processes

Social and Relationship Capital
Our partnerships and networks

Natural Capital
The earth's resources

Online supplements

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

Responsible Investment

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

cbussuper.com.au/cs/responsible-investment-2020

Cbus Property 2019 Sustainability Report

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

cbusproperty.com.au/sustainability-strategy

Annual Financial Statements

Sets out the financial statements for our regulators and other stakeholders. Prepared in line with the **Australian Accounting Standards; Superannuation Industry (Supervision) Act 1993** and **Superannuation Industry (Supervision) Regulations 1994,** the **Corporations Act 2001 and Corporations Regulations 2001.**

cbussuper.com.au/cs/annual-financial-statements-2020

Stakeholder Engagement and Materiality

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

cbussuper.com.au/cs/engagement-materiality-2020

Governance

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

cbussuper.com.au/cs/governance-framework-2020

GRI Standards Content Index

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

cbussuper.com.au/cs/gri-index-2020

Online supplements

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

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

KPMG

KPMG were engaged to provide limited assurance over Cbus Annual Integrated Report pages 5 to 67 in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> Framework. The assurance report is presented on pages 68-69.



Cbus Property's 311 Spencer Street commercial project in Melbourne



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

Who we are

Cbus has the proud history of being one of Australia's first industry super funds. We were formed in 1984, when building and construction workers won the right to superannuation. Today, we have grown into a leading industry super fund, open to all while maintaining a focus on the industries that build Australia.

Our members are the foundation and future of our fund. They trust us to look after their retirement savings making sure it's there when they need it by investing it wisely and responsibly. We provide them with affordable personal insurance for financial protection for them and their families during their working lives.

We help them make informed decisions to create financial security for their retirement by offering advice and education. We're driven to maximise returns, with all profits going to members, not to shareholders.

Our products and services, our investment approach and our insurances are specifically tailored to our members, their employers 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 economic activity of the industry in which our members and employers work.

Average member age

39

2018 – 39

2019 – 39

Number of employers

157,668

↑ up by 7.40%

2018 – 136,230

2019 – 146,750

Total members with balance[1]

758,204

↑ up by 2.25%

2018 – 759,602

2019 – 741,483

Total funds under management

$54.18b

↑ up by 2.98%

2018 – $46.7b

2019 – $52.6b

Retirement Readiness Index

70.1%

% of active members that have reached adequate savings (as at June 2019).

The impact of COVID-19 has likely had a detrimental affect on the index result for FY20. For more information about our Retirement Readiness Index please see page 30.

[1] This year we changed the member count metric to 'members with balance' to better align with metrics approved by the Board.

What makes us different



Strong industry focus



Active industry role



Passionate about our members

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 better outcomes.



“Since our inception, we have sought to provide solutions that help our members make the right choices to maximise their retirement outcomes”

“Cbus Property continued its strong performance through the pandemic due to long-term leases and secure tenants, including 40% government occupancy”

Interior of 1 Bligh Street, Sydney, Cbus Property in conjunction with Dexus

[1] Source for comparative performance is the SuperRatings Fund Crediting Rate Survey SR50 Balanced (60-76) Index for June 2020 reported to 21 July 2020. 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%. [2] Investment Trends Member Sentiment & Communications report 2019 (ranked 4th) and Cbus Exploring Trust Report (Jun/Jul 2020) our members trust us more than non-members trust their own fund.

Message from the Chair

Despite the many unprecedented challenges of the COVID-19 global pandemic, Cbus delivered a positive return to members in 2019/2020. Our Growth (Cbus MySuper) option realised a 0.75% return and remains a top performer amongst peers over the longer term[1].

During this time, we transitioned to a new CEO and our workforce relocated to work from home. It was an outstanding effort by all involved to keep services up to members.

We recognise that many of our members, particularly in Victoria, have been hit hard by the economic impacts of the various lockdowns and restrictions introduced by state and federal governments.

While some parts of the building and construction industry kept working through the pandemic, others were forced to shut down, and many had to adapt to working from home.

Some members were forced to apply for the Federal Government mandated Early Release Scheme. As at 30th June 2020 $1.08 billion had been withdrawn under the scheme representing just under 2% of funds under management. We have amended our income projections accordingly.

The Board responded to the pandemic by comprehensively examining the implications of the Early Release Scheme, and the broader consequences of the pandemic-induced economic slowdown on the Fund. This involved stress testing various scenarios to assess the implications for future investments and our ability to invest in the real economy.

I want to thank the executive for seamlessly providing outstanding support to the Board despite the disruptions to the workplace wrought by the pandemic.

Cbus Property continued its strong performance through the pandemic due to long-term leases and secure tenants, including 40% government occupancy. It is difficult to predict the implications of the pandemic for property prices, but we continue to obtain cyclical valuations.

In August the Board approved a new climate change policy which locks in a commitment to achieve net zero emissions by 2050 across our investments, reinforcing our commitment to the Paris Agreement.

Size is important in maximising returns to members and being able to invest in technology and support services to assist them. We established a Growth Committee this year to look at how we can best grow as a fund while continuing to retain our link to the building and construction industry. We know this is important to members and that is what informs our approach. We are investigating a joint venture with Media Super that will deliver scale benefits for members of both funds.



In August we farewelled David Atkin who provided thirteen years of outstanding leadership as CEO. Under his leadership, Cbus grew from $12 billion in funds under management to $54 billion to become a powerhouse industry superannuation fund.

Under his watch, Cbus' investment performance was in the top 5 funds over the last decade and we consistently rank in the top few funds on trust and satisfaction which is a clear endorsement of the member-first culture David has driven[2].

This year, we also said goodbye to Glenn Thompson who served as a trustee director since 2000. He was replaced by Anne Donnellan from the AMWU.

We developed a new skills matrix for the Board providing greater breakdown of categories and a three-tiered level of expertise allocation. The 2020 skills of the board can be viewed at:

cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Cbus-Board-Committee-Skills-Matrix.pdf

The Board acknowledges its responsibility for the content and integrity of the Annual Integrated Report which is presented in accordance with the International <IR> Framework. The Board considered a draft of the report at its August meeting and approved the report in October.

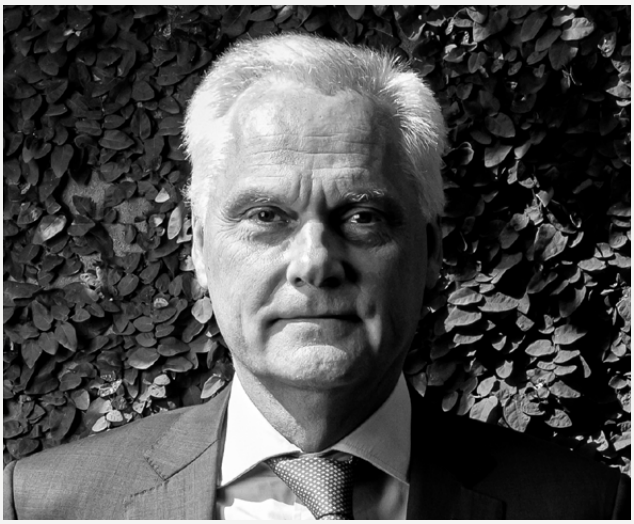
Finally, I want to thank my fellow Board members for their professionalism and commitment as we adapted to the pandemic and now as more forward into a COVID-normal environment.



The Hon. Steve Bracks AC
Fund Chair

Message from the CEO

The unexpected advent of the pandemic saw big changes in the operation of the Fund.



From the outset of the lockdown, Cbus was able to redeploy resources and technology to move all our advisors to a work from home arrangement to continue to assist members. This was achieved within 48 hours and we also introduced a 'chatbot' to assist in streamlining enquiries and providing ongoing support for members.

The capacity we have developed in integrated thinking facilitated our response to the pandemic and kept our focus on members, identifying risks and opportunities and deploying capital to maximise long-term returns. Our work on integrated reporting has reinforced a culture that strongly focuses on value creation for members.

In the short term we are focusing on helping members stay invested and supporting those who do need to access funds for financial hardship reasons. We are keeping members engaged, helping them plan and make good decisions in their long-term interests. The dynamic policy environment is challenging for long-term investors and we seek consultation and certainty in relation to regulatory changes in order that we can make the best investment decisions for our members.

We are thinking about the world our members work, live and will retire in and our role in directing capital to fund key issues that will impact on our members – meaningful jobs, climate change and the built environment. We have taken a leadership position in assessing the long-term implications of sustainable development risks for returns to members.

We are well positioned to play our part in investing to create jobs in the building and construction industry and beyond to assist Australia on the road to post pandemic economic recovery.

We have supported the creation of the Federal Government's National Housing Finance and Investment Corporation (NHFIC) to fund the building and refurbishment of social housing. We have also partnered with NHFIC and the NSW government in developing new, innovative means to free further investment into social housing.

This year a focus of our advocacy work has centered around insurance in super, to protect our members from missing out on default insurance. Strong advocacy and engagement with government ensured that we succeeded in retaining default insurance for the vast majority of our members. There is vigorous debate and discussion around the entire superannuation system which means our work in representing and advocating for our members best interests is likely to increase.

I am stepping into the CEO's job during a very dynamic time, but what I have seen from working with the Board and the staff gives me confidence that Cbus, with our strong commitment to members, will confront the challenges ahead.

Cbus' laser-like focus on its members is what drew me to the organisation and I feel confident we will continue to strengthen our position as the leading superannuation fund for workers in the construction industry.

Justin Arter
CEO

Message from outgoing CEO

Looking back over the past 13 years, I have witnessed Cbus grow into a major investor in the Australian and global economy. I am most proud that throughout that significant period of growth, the Fund has never compromised on its value of putting members' interests at the heart of its decisions.

The Fund has evolved from a mostly outsourced business model, to taking direct management and ownership of member services, operations and investments. This provides greater ability to lift the quality of the member experience of their super fund.

Throughout my time, we have endeavoured to educate and engage members, so they have the information they need to make good decisions about their retirement savings. We have enhanced member face-to-face services, access to education and advice, and provided members with more meaningful communications such as the Retirement Income Estimate statements.

We have also worked hard to make sure that the super system is delivering for working people. We have put the issue of unpaid super on the policy agenda and we continue to argue for increases to the superannuation guarantee. We have also taken a leadership role in developing our responsibilities as long-term investors to building a more sustainable world.

I am particularly proud of the fund's early adoption and international leadership in Integrated Reporting <IR> which has assisted the fund's capacity to think holistically and strategically, to focus on building strong long-term value for our members (and other stakeholders) and in particular to manage complex risks and realise opportunities in a very dynamic and at times challenging environment. We have been delighted to see an increasing number of other long-term asset owners seek out Cbus' expertise in this area.



I am confident I leave Cbus in a strong position and in good hands to continue the journey. I want to express my gratitude to the management team and staff at Cbus and Board members, past and current, for their commitment to develop one of Australia's best performing superannuation funds for the benefit of members.



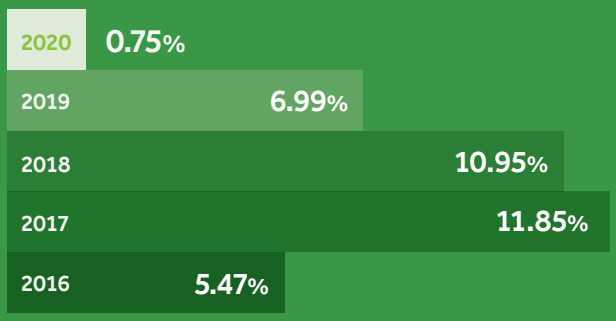
David Atkin
Outgoing CEO

Our 2020 performance

This year Cbus delivered a positive return to members of 0.75%. This follows several years of strong performance and was particularly pleasing, after the negative impact COVID-19 had on markets around the world.

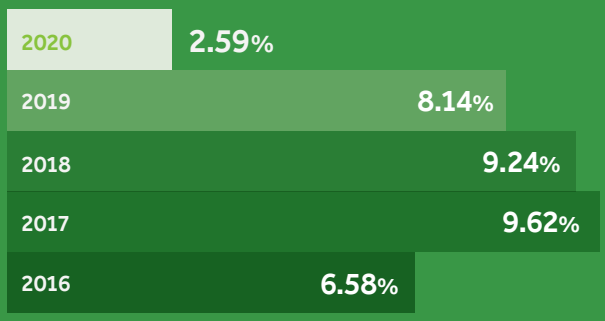
Superannuation returns

Growth (Cbus MySuper) DEFAULT OPTION



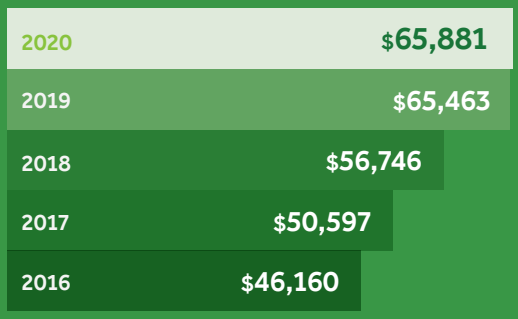
Super Income Stream (Fully Retired Returns)

Conservative Growth DEFAULT OPTION



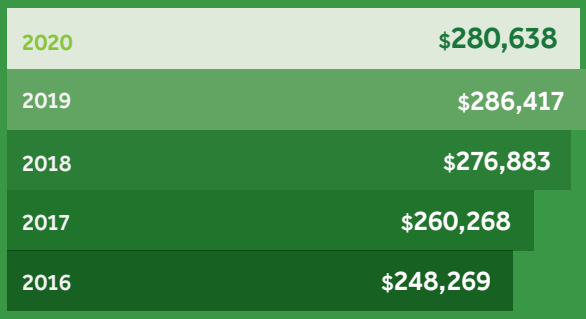
Average member super account

balance as at 30 June



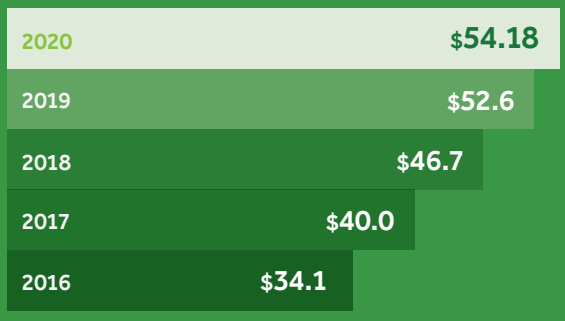
Average Super Income Stream account

balance as at 30 June



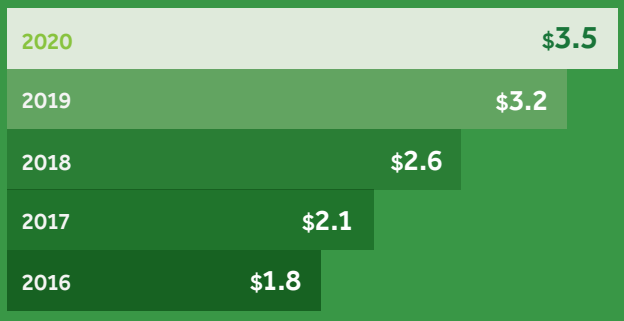
Total funds under management

$ billion



Super Income Stream funds under management

$ billion



Crediting Rates

When we talk about returns in our reports, we use Crediting Rates. Cbus' crediting rates are based on investment returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. It excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance. All figures contained in our reports are at 30 June 2020 or based on the financial year 1 July 2019 to 30 June 2020 unless we have said otherwise.

Member satisfaction

8.2

(8.6 in 2019)

Based on service scores from members who interacted with our contact centre during the period 1 July 2019 to 30 June 2020. Scores are rated out of 10.

Employer satisfaction

9.1

(9.3 in 2019)

Based on service scores from employers who interacted with our employer relationship management team during the period 1 July 2019 to 30 June 2020. Scores are rated out of 10.

Performance

Growth (Cbus MySuper) Default Option

8.98%

Since inception

1 year	–	0.75%
5 yrs p.a	–	7.13%
7 yrs p.a	–	8.49%
10 yrs p.a	–	8.54%

Cbus Property returns[1]

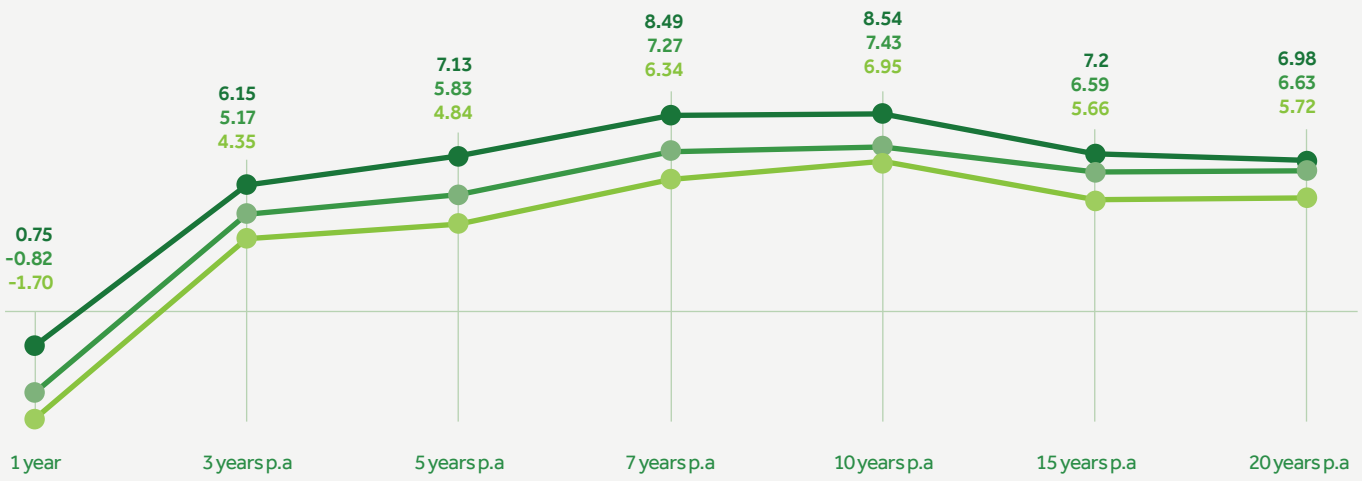
15.26%

Since inception

1 year	–	6.99%
5 yrs p.a	–	16.99%
7 yrs p.a	–	16.98%
10 yrs p.a	–	15.25%

[1] Cbus Property Pty Ltd is a wholly-owned subsidiary of United Super Pty Ltd and has responsibility for the development and management of Cbus' direct property investments

Growth vs SR50 Balanced Industry Fund Median and SR50 Balanced Retail Median[1]

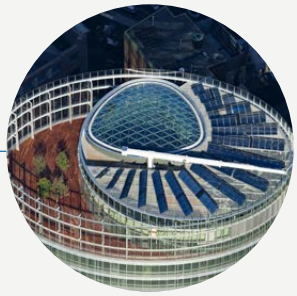


[1] (Median) SuperRatings SR50 Balanced Survey, 30 June 2020. SuperRatings is a ratings agency that collects information from super funds to enable performance comparisons – visit superratings.com.au.

How we create value

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.





Creating value for members for 36 years

We are guided in our mission to generate the best possible retirement outcomes for members.



The resources we use

Member contributions & investment earnings

Our people

Industry relationships

Technology and systems

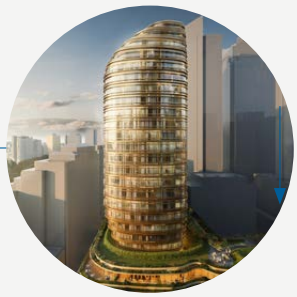
Natural resources



To run a super fund with a focus on long-term value creation for our members

A representative board which governs an organisation that is centred around our members, mission, values and long-term value creation.

Considering the material issues in our external environment, including risks that can have positive or negative impact, in developing our long-term strategy.



Active in the building, construction and allied industries

A focus on growth so that we remain competitive and can continuously improve member services and outcomes

Advocating on behalf of our members to improve their retirement income



To deliver our products and services

Tailored value-for-money superannuation, retirement and insurance products

A focus on a superior experience including advice to guide better member decisions and ease of administration for employers

Responsible, long-term investment options

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

Security and dignity for members in retirement built on strong, long-term returns

Trust and satisfaction of Cbus members, employers and our industry partners

Insurance cover and payments for members and their families

Cbus people who are engaged and productive

Best practice systems and governance

Employment opportunities for members

For the economy and society

Building and other investments that contribute to a stronger economy and building and construction industry

A growing pool of capital to invest in our economy that delivers on our responsible investment approach

“Our members are at the heart of everything we do, and there are other stakeholders who are also important to us”

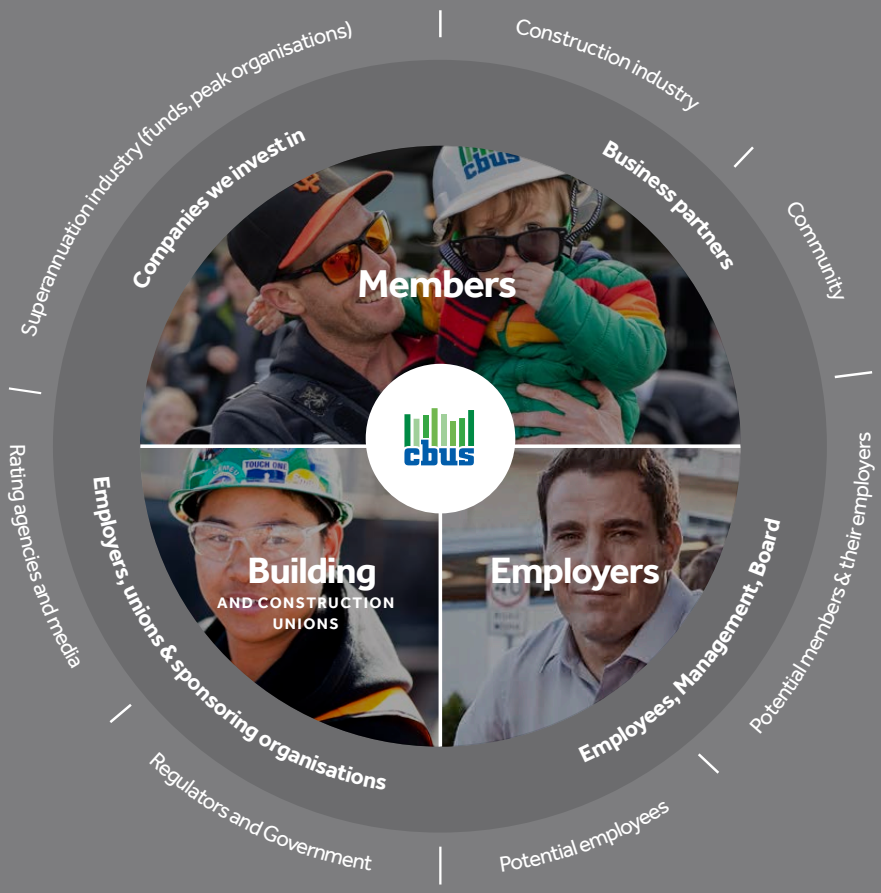


What matters most to our stakeholders

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

You can see all our key stakeholders in the diagram below and the issues that matter most to them. We identify these issues by engaging with stakeholders. 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.

Our stakeholders



To find out more about how we engage with our stakeholders please see our Stakeholder Engagement and Materiality Supplement at

cbussuper.com.au/cs/engagement-materiality-2020

Stakeholders that provide resources to our business model

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

Top 5 material issues identified:

1. Members having enough income in retirement
2. Strong, reliable & trusted fund contributing to an effective super system
3. Long-term, responsible and innovative investment
4. Meeting member and employer products and service needs
5. Getting the right help at the right time to make sound decisions

External environment

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

Prior to the emergence of COVID-19, the superannuation industry outlook was generally positive, with an attractive growth outlook, a changing regulatory agenda and a consolidating competitive landscape.

The COVID-19 crisis has disrupted the superannuation industry along with the global economy. Major short-term impacts included negative and volatile investment markets and the ability of members to withdraw up to $20,000 of their superannuation ahead of retirement.

The fundamental forces and trends shaping superannuation (i.e. increasing competition, regulatory change, and consolidation) are expected to continue and it's likely that the impact of COVID-19 will accelerate some of these trends and have an impact on how funds operate and serve members.

COVID-19 has also had a profound effect on the building and construction industry where many of our members work. While many of our members were considered essential workers and continued working despite restrictions elsewhere, the industry has experienced a setback. There has been a hold on new developments and changed working conditions on existing projects has meant many members were working less hours or not at all. This means their incomes and therefore their super balances have been impacted.

Regulatory Change

Protecting Your Super

The Protecting Your Super legislation came into effect on 1 July 2019. It introduced changes to the fees super funds can charge members, the regular transfer of low balance inactive accounts to the Australian Taxation Office, and cancelling insurance for inactive members.

Read more about how Cbus has engaged with members and implemented the new regulatory requirements on page 34.

Putting Members' Interests First

On 1 April 2020, the Federal Government's Putting Members' Interests First (PMIF) legislation came into effect. The legislation requires super funds to cancel insurance cover for low balance members, and only start default insurance cover for members when their balance reaches $6,000 and they are aged 25 or older. Members can still apply for cover by opting in.

Cbus successfully engaged with the government to argue for an exemption to the legislation for younger members working in high-risk jobs. This means that manual workers in construction and building will continue to be covered by the Fund's default Life and Total and Permanent Disablement insurance.

Read more about Cbus' role in maintaining insurance protection for members on page 34.

Early Release Scheme

In March, the Federal Government announced a scheme to enable early access to super to ward off financial hardship due to COVID-19. Early access was made available in two tranches of $10,000, one before 30 June and another between 1 July and 31 December 2020. Certain criteria had to be met.

While superfunds were prepared to help, they were concerned that withdrawing funds early would have an impact on members' ability to save enough for a comfortable retirement. Concerns were also raised about the possibility of fraud as the scheme was rushed in its setup.

The total number of applications under the scheme throughout Australia as at 19 July 2020 stood at 2.9 million with repeat applications post 30 June reaching 1.0 million. By 19 July 2020 $28.0 billion in total was paid across all funds.

For Cbus, this saw us assist 136,928 members with applications up to the close of the first tranche at 30 June. The total payments made to members under the first tranche of the scheme was $1.08 billion with the average payment to individual members of $8,336.

Read more about how Cbus has positioned the Fund to respond to Early Release applications and assist members on page 29.



Retirement Income Review

The government announced a review into the retirement income system on 27 September 2019. This review was recommended by the Productivity Commission in its report *Superannuation: Assessing Efficiency and Competitiveness* as a precursor to the legislated rise in the Superannuation Guarantee from 9.5% to 12% of wages.

Cbus made a submission to the review in early 2020 reasserting the support for the universal and compulsory application of superannuation. We advocated for adequate levels of contributions and preservation of savings until retirement taking into consideration the particular circumstances of our members and their broken work patterns.

The report was submitted to government in July 2020 but is yet to be publicly released.

Cbus has called upon the government to release the report and allow adequate time for considered debate on the review's content and any proposed policy response.

Competition and industry consolidation

The increasing challenge of volatile investment markets, regulatory change and the unprecedented COVID-19 impact is accelerating fund consolidation, as smaller funds and those with a large concentration of members in highly impacted industries are weakened.

While Cbus is in a strong position in the current environment, growth remains a strategic imperative in order to continue to deliver better member outcomes.

In June, Cbus and Media Super, the industry fund for the media and printing industry, signed a memorandum of understanding and will commence due diligence on a joint arrangement to be in operation in 2021.

Read more about Cbus' business strategy and future directions on page 25.

Investment environment

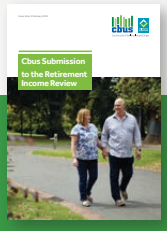
2020 has proved to be a very challenging year, with devastating bushfires in Australia and a global pandemic that caused dramatic share market movements. What started as a health crisis created an economic crisis that no one predicted. Share markets in many countries fell 30% or more in just one month. The global and domestic economy faces steep challenges with rising unemployment, international trade uncertainty and the virus forcing further economic shutdowns and business closures.

Road to recovery

Governments, through the national cabinet, have begun to plan for Australia's recovery. Cbus responded by highlighting its contribution to that recovery.

The construction and building industry will play a major role in what will be a nation-building recovery over many years. Cbus recognises the potential opportunities to work with our key sponsoring organisations to support a pipeline of work across the industry and provide financing or other longer-term lending where it stacks up to get projects off the ground. Cbus will work closely with federal and state governments as we are committed to maintaining and creating jobs through investing in the recovery.

Read more about Cbus' investment outlook, strategy and our role in the recovery on page 44.



To find out more about the submission visit cbussuper.com.au/content/dam/cbus/files/news/media-releases/Submission-Retirement-Income-Review.pdf

Our strategy



The fundamentals of Cbus strategy provide a strong overarching framework to guide our Operating Plan. As the implications of COVID-19 and regulatory change on our industry and competitive landscape become clearer in early FY21, Cbus will continue tto review and evolve our strategy to ensure the Fund remains strongly positioned to serve our members into the future.

Vision & 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.			

Strategy scorecard

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

Achieved

Not met

On target

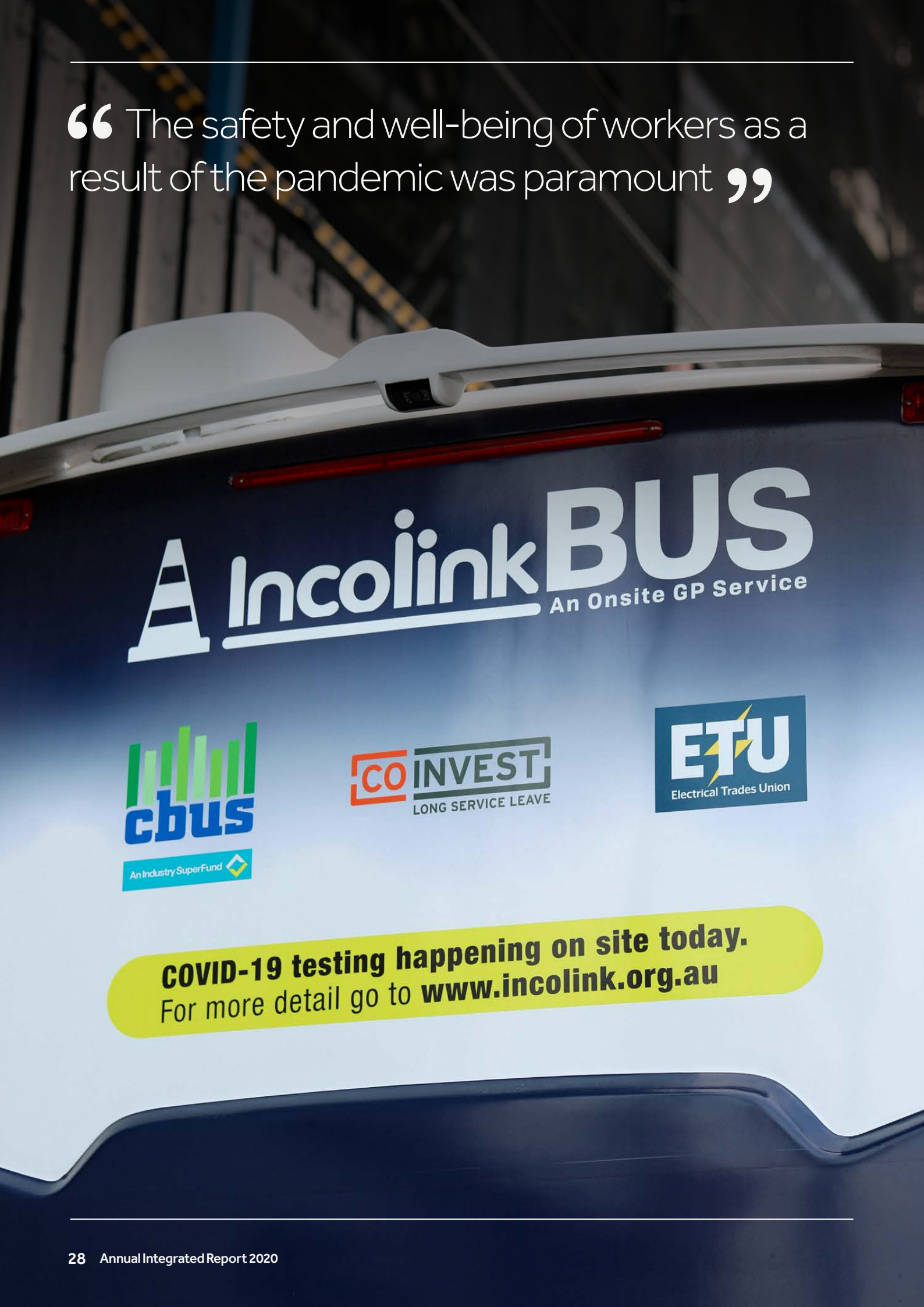
We have also reviewed our strategy scorecard to ensure a greater focus on and alignment with our Enterprise Performance metrics approved and monitored by the Board as measures of the progress against strategy.

Value creation strategy	Measure	Target	Result	Progress	More info
Superior experience					
Security and dignity for members in retirement	Retirement readiness as at 30 June 2019	70% of active members at adequate retirement savings[1]	70.1%	✓	See page 30
Trust and satisfaction of Cbus members, employers and our industry partners	Member satisfaction (VOC)[2] Employer satisfaction (VOC)[3] Member engagement[4]	8.5 8.5 39.6	8.6 8.5 43.5	✓	See page 17 and 31
Insurance cover and payments for members	% of members with insurance cover % of all claims paid TPD claims processing duration	N/A N/A < 6 months	73% 96% Average < 3.5 months	✓	See page 34
Strong returns					
Strong, long-term returns	Returns in the top 25% of funds over 5-year rolling period	Top Quartile SR50 Balanced	Top Quartile	✓	See page 16
Strong, long-term returns	Growth (Cbus My Super) inflation target objective over 7 years	CPI + 3.25%	CPI+6.95% or 8.49% average annual return for the Growth (Cbus MySuper) option	✓	See page 17
Value for money					
Competitive fees and operating efficiently	Fee on $50k (MER)	0.97%	0.93%	✓	See page 48
Tailored products					
Trust and satisfaction of Cbus members, employers and our industry partners	Product roadmap	4	4.5	✓	See page 29

Value creation strategy	Measure	Target	Result	Progress	More info
Growth					
Trust and satisfaction of Cbus members, employers and our industry partners	Total members with balance as at 30.6.20 Total employers as at 30.6.20	737,878 146,750	758,204 157,668	✓	See page 29
A growing pool of capital to invest in our economy	Funds under management (FUM)	$56.0bn	$54.18bn	✕	See page 42
Our people					
Cbus people who are engaged and productive	Employee engagement score	76	75	◎	See page 62
Risk and governance					
Best practice systems and governance	Material breaches of risk appetite	Zero	Zero	✓	See page 36 and 38
Cbus Property					
Employment opportunities for members	Jobs created since inception	App. 100,000[5]	App. 100,000[5]	✓	See page 55
Climate change mitigation					
Investments that contribute to lower carbon emissions	Cbus Property NABERs rating	5.5 star	5.5 star	✓	See page 55
	Emissions in property portfolio	Zero emissions by 2030	Measures being developed		See page 53
	Emissions in total portfolio	45% reduction by 2030 Zero emissions by 2050	Measures being developed		See page 53
Brand and Advocacy					
Advocating on behalf of our members	Reputation measure	80%[6]	80%	✓	See page 22
Insurance cover and payments for members and their families		Maintain access to default insurance for members in high-risk occupations	Default cover maintained	✓	See page 34

[1] To calculate the target income, we draw on our own research and the Association of Superannuation Funds of Australia's (ASFA) Retirement Standard as described on page 30 of this report. [2] Based on an average of service scores from members who interacted with our contact centre and Advice teams during the period 1 July 2019 to 30 June 2020. Scores are rated out of 10. [3] Based on an average of service scores from employers who interacted with our employer relationship management team and our service centre during the period 1 July 2019 to 30 June 2020. [4] Based on an average of service scores from members who interacted with the fund during the period 1 July 2019 to 30 June 2020. [5] Estimated employment since 2006 to June 2020 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. [6] Kantar Research Building the Cbus Brand and Communications Performance 2019.

“The safety and well-being of workers as a result of the pandemic was paramount”



Putting members first

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

This year presented many challenges with the COVID-19 pandemic. Its impact on investment markets and rapid legislative responses all tested the Fund's strategies.

Heightened member concerns around the initial falls in markets at the outbreak of the pandemic, drove increased investment option switching, often resulting in members realising losses to their investment as they switched at the bottom of the market.

Meeting the needs of members facing financial difficulties as a result of the pandemic and in accordance with the expectations set by the government through its Early Release Scheme, also proved challenging.

We ensured that withdrawals through the government's Early Release Scheme were met with 99.85% or 136,928 of applicants paid and 96.6% of those paid within the 5 day timeframe.

We worked to inform our members on all the options available to them and the implications of future monetary loss when accessing their super early, through our advice service, our sponsoring organisations, our Coordinators, our Front Desk hotline and our online communications.

Delivering early release

Vital Early Release Scheme information was prominently featured on the Cbus website and emailed to members, including examples of the potential impact on retirement savings. User testing was conducted on the early release super webpages to ensure communications were effective.

A sample survey of 3000 members who made a withdrawal of their superannuation as part of the ERS found that 59% did so because of financial necessity.

However, despite communications efforts, 40.2% did not use information provided by Cbus to help inform their decision to withdraw their super early.

Member focus is business as usual

1. Face to face servicing – the Cbus point of difference

Our team of 27 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.

During the year, our Coordinators presented to nearly 2700 groups, assisted members at 190 events and conducted over 11,400 member appointments.

Although Coordinators continued to conduct tool-box meetings and member visits on site where possible during the COVID-19 lockdown, volumes of member calls to Coordinators increased by 50%.

During the COVID-19 crisis we initiated use of Zoom to carry out briefings to stakeholder officials and delegates. These included regular presentations to sponsoring union organisers and delegates around volatility, switching and Early Release. Videos on a range of subjects have been distributed to assist members. Our Coordinators continued to provide financial literacy sessions for apprentices on site and within COVID-19 restrictions.

Members and employers accessing our Front Counter service in five major cities continued to increase with 10,103 member interactions conducted this year – an increase of 63% compared to last year.



Incolink CEO Erik Locke at the bus testing station

In April, Cbus partnered with redundancy fund Incolink to offer members mobile COVID-19 testing on site. The mobile testing bus went to a number of worksites in Victoria and Tasmania to test workers on site as the construction industry was one of the few industries that continued to operate during the government restrictions. The testing helped people feel safer about continuing to work and keep the industry going which is a crucial part of Australia's economy.

Putting members first (continued)

In mid-March, the Front Counter team transitioned to a phone based and live chat role. Assistance was also provided to the Advice Team, Contact Centre and complaints teams to improve turnaround times on outbound calls and issue resolution.

The average satisfaction score from people using our Front Counter service was 8.5 out of 10 this year, compared with 9.5 in 2019. The lower satisfaction levels reflect the changed nature of the Front Counter interactions with members who:

1. **Called the Front Counter hotline as a result of not getting through to our Advice Team or Contact Centre**
2. **Were frustrated with the early release payment process and timing – as reflected in their feedback**
3. **Called regarding their dissatisfaction with the Super Payment Checker opt-out process.**

We offer translation services through our Front Counters and on worksites in 11 different languages for members whose first language is not English.

The Cbus hotline dedicated to our indigenous members, who we know have challenges providing the identification required to find their super, has received 15,770 calls from members who identified as Aboriginal or Torres Strait Islander in the twelve months to 30 June 2020. The service was set up in May 2019.

Cbus was also proud to partner with First Nations Foundation to develop a website that was tailored for First Nations Australians. It is at indigenoussuper.com.au and the content is designed to provide clear and straightforward information for First Nations people to find out about super.

2. Digital transformation

The Cbus Accelerate program has been finalised and now delivers a Fund-owned technology experience that aligns to changing member and employer expectations. It offers better member data and new digital tools that make members' interactions more relevant and tailored to their needs, including receiving information about specific products that may be better suited to their circumstances.

Employers now have the ability to manage user account details and access Cbus Clearing House (QuickSuper) to administer their employees' super contributions.

The new portal is targeted at 58,000 employers who often use different systems to pay contributions. Of these employers over 17,000 have already successfully logged into the new portal and are enjoying an uplifted employer experience.

The rest continue to migrate across over time. Initial employer migration challenges with data and user training were experienced and Cbus created a team to work directly with employers to support those who were experiencing difficulties with the new portal.

3. Making sure our members get their super

During the year we recovered a total of $101.7 million in unpaid super for our members, compared to $99.6 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. This year we enhanced the Super Payment Checker, to help members check their payments. Members can opt out of the service, if they would rather not have a union delegate or officials follow up employers for them.

Cbus contacted over 740,000 members in June 2020 to provide Unpaid Super Services information and gain member consent. 3.3% members elected to opt out of this service.

4. Ensuring members are retirement ready

Retirement Readiness Index (RRI)

We provide an RRI for our members that measures the average expected income 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. We look at a range of income sources including income from super and from the age pension.

	How much income do you want?	How much income could you get from age pension	How much income would you need from super	How much super could you need to achieve this?
1	$30,000 p.a	$24,552 +	$5,448	$107,000
2	$42,000 p.a	$12,228 +	$29,772	$396,000
3	$54,000 p.a	- +	$54,000	$826,000

Source: moneysmart.gov.au/retirement-income/retirement-planner



Senior Victorian Coordinator, Rick Ortega addresses young workers in Melbourne

The target income for our members in retirement is $30,473 per annum and we aim to see at least 70% of our active members at this level. Noting that figures for this measure are always a year in arrears, at 30 June 2019, 70.1% of our active members were on track to achieving this target.

This is above the level of 60% we reported last year for 30 June 2018. Due to impacts from COVID-19, it is likely that this measure will be negatively impacted as at 30 June 2020.

To give our members the best chance in retirement, we encourage them to seek advice through our team, consolidate super, make additional contributions, and choose an investment option that's appropriate for them. These actions may be particularly relevant for members who accessed the ERS, in order to rebuild their retirement savings.

We are continuing to send members retirement income estimates with their end of year statements and our aim is to increase the number of members who receive them. These estimates show the regular income super can provide in retirement and actions members can take to get better outcomes. The number of Retirement Income Estimates sent to members in 2019 was slightly down on the previous year owing to some being held back for further review following insurance changes.

We are also sending more members personalised video snapshots of their super to help them understand their statements.

- **Members who received a Retirement Income Estimate 58.24% (2018 63.59%)[1]**
- **Members who chose online statements 34.88% (2018 26.07%)**
- **Members who received a personalised video 53.69% (2018 44.52%).**

To better assist members make decisions to maximise their retirement outcomes, we have partnered with academics from the University of Sydney and the University of NSW, and jointly were successful in receiving a major research grant through the Australian Research Council. The aim being to conduct a study of best communications approaches to assist members understand and engage with their superannuation.
This research will be relevant in Australia and internationally in establishing leading member engagement strategies.

We talk to members approaching retirement to understand their needs and give them more support. Retired members benefited from an enhanced online experience through the Super Income Stream portal. It has had a refresh, with a new design and features including:

- **Enhanced security to protect member information**
- **Easy access for members to see balance and transaction history**
- **Tailored information to keep members up to date.**

5. Advice and education

We provide advice and education for members throughout their working life and then in retirement. Cbus' team of advisers aim to assist members so they can manage their super and maximise their retirement outcomes.

This year personal advice provided by the Cbus Advice Team increased 38% on the previous year. The Advice Team's result for overall satisfaction is 8.9.

In order to maintain the provision of our Advice to our members at the crucial time during the COVID-19 crisis and lockdown, Cbus rapidly deployed technology to enable our Advice Team to take members' calls while working from home.

33 retirement planning seminars, 13 retirement planning webinars and 15 white collar focused webinars were conducted during the year, reaching 3544 members.

6. 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 8.2 out of 10[2].

In response to high demand from our members at peak times such as end of financial year, Cbus developed an online chat function so that members could find out answers quickly through an additional channel.

A chatbot was launched as an additional source of information about the Early Release Scheme. Over a period of 7 weeks, the new chatbot had interactions equivalent to nearly 4 days' worth of calls to the Contact Centre as members sought information quickly on the ERS, while visits to the Cbus website page relating to the impacts of early release made up 35% of total Cbus website visits for the first three days it was launched.

[1] 2019 figures. Figures are always in arrears as statements are sent post end of financial year. [2] Cbus operational reports.

Putting members first (continued)

Complaints

The impact of COVID-19 on investment markets saw a dramatic increase in members seeking to engage with Cbus and switch investment options, often realising losses as switches were made at the bottom of the market.

The introduction of the government's Early Release Scheme also drove extraordinary member contact volumes, frustrations and complaints.

The frustrations experienced by members were reflected in the growth of complaints received, doubling in number around mid-March from normal levels and continuing to increase through to the end of the financial year.

Resources and processes have been put in place to better respond to member needs, with complaints decreasing from a peak in May and June.

Internal complaints received	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	Variance from previous year (18/19)
Administration	211	258	305	572	87.50%
Insurance	116	72	114	104	-9%
Claims	126	116	95	150	58%
Death objections	49	67	110	104	-6%
Total	**502**	**513**	**624**	**930**	**49%**



Employers

The COVID-19 pandemic has caused an increase in members engaging with Cbus.

Employers

We strive to build lasting and effective relationships with our employers to make the administration of their employees' superannuation as easy as possible.

The Fund will embark on a series of strategic programs that aim to deliver a superior experience for our employers. This will be based on the foundational capabilities that our Accelerate program has built, through investment in technology capabilities, uplift of data and new ways of working.

We have a range of product enhancements planned over the coming years as we recognise that attracting and retaining employers is a key component of our strategy.

Employer services

Employers are reassured that we will look after their employees through to retirement. We work as a trusted partner to help our employers with the level of support and service they need.

All employers receive the following services:

- a dedicated account management team to ensure the super payment process is running seamlessly and smoothly
- easy superannuation administration which will allow employers to spend less time on their super obligations and more time on what matters most to their business
- training and ongoing support for Cbus Clearing House and other digital tools
- regular superannuation updates and support through timely communication on legislative and regulatory changes
- a truly national footprint with Cbus offices and Front Counters in major cities around Australia and the ability to service remote locations
- a broad range of advice options to support members, including fact sheets and information, tools and calculators, seminars and phone or face to face advice.

This year's satisfaction results were lower than last year as a result of negative feedback relating to payment arrears, administrative issues around contribution payments and service standards provided by the Contact Centre. Cbus continues to review its resources, processes and training to address employer requirements.

Consequently, the future program of work focuses on implementing an enhanced employer service model which aims to elevate each individual employer's experience of the Fund.

New active employers this year

7,930

(8,503 in 2019)

This number is lower than last year (8,503 2019) noting that overall new employer numbers are higher driven by higher new deemed employers.

Employer satisfaction with CBUS ERM team

9.1

(9.3 in 2019)

Based on service scores from employers who interacted with our employer relationship management team during the period 1 July 2019 to 30 June 2020.

Employer satisfaction with CBUS Contact Centre

7.8

(8.3 in 2019)

Based on service scores from employers who interacted with the Cbus Contact Centre during the period 1 July 2019 to 30 June 2020. Scores are rated out of 10.

Insurance

Providing affordable insurance designed for the people who build Australia.

Default insurance retained

The Protecting Your Super and Putting Members Interests First legislation was introduced during the year resulting in major changes in the provision of insurance in super.

During the debate around both pieces of legislation, Cbus sought to raise awareness in the community about the importance of default insurance for our members and their families.

The main thrust of Putting Members Interest First legislation is the removal of automatic default death and disability insurance for young members and those with low balances.

We successfully advocated in the best interests of our members and negotiated an exemption in the legislation to retain default insurance for the majority of our members who work in a high risk industry with 73% of members holding insurance cover.

All claims paid in 2020

96%

All claims paid for the three years to 30 June 2020.

Insurance underwriting application increased by

57%

Volumes at record levels for the last 18 months.

Premium and cover changes

As a result of these regulatory changes and a notable increase in claims, product improvements and increased cover levels were made to the insurance Cbus offers from April 2020. There was also an increase in premiums. For death & total & permanent disablement (TPD) cover there are now 4 age-based premium rates.

The total cost increase per week for 4 units of cover (which is the most common level of cover) was:

- **For members aged between 15 and 24 = $0. 84**
- **For members aged between 25 and 34 = $1.00**
- **For members aged between 35 and 49 =$1.60**
- **For members aged 50 and above = $2.68.**

Members in the 50 and above age group also received an increased level of insurance cover and are now on par with Electech members – something that our members have been asking for some time. We removed restrictions so now members can have more TPD cover than death. There is also a better TPD definition, which includes psychiatric impairment under the Everyday Work Activities component of the definition, making claiming fairer and easier for members.

Due in part to increased coverage in the media on insurance as well as greater advocacy and prominence of insurance as a key member benefit by Cbus, we have seen an increase in the number and value of insurance claims over the last 12-18 months.

Insurance underwriting applications continued to surge and increased by a record 57% with more than 50% of applications having had a decision made upon the same day of receipt with an overall average of decisions at less than 6 days.

Applications by members for additional insurance cover increased significantly with volumes at record levels for the last 18 months. Pleasingly with process and technology improvements Cbus and its insurer TAL have been able to manage this extra volume and continue to provide timely decisions and insurance cover for the vast majority of members.

Cbus insourced the case management function for Terminal Illness Benefit claims from its external administrator in January 2020 . This resulted in significant improvements in the time taken to manage and pay claims , with the full end- to-end service reduced to around half the time.



	2020		2019	
Type	Number	$ paid	Number	$ paid
Death	743	$99,071,175	833	$105,482,300
TIB	264	$34,535,450	241	$29,372,100
TPD	1,893	$163,835,665	1,436	$111,501,850
IP	57	$703,440	43	$387,362
Total	**2,957**	**$298,145,730**	**2,553**	**$246,743,612**

Cbus launches Corporate Super

We introduced a new corporate superannuation solution with flexible insurance tailored for executives, professionals and office-based employees.

With a minimum of 50 eligible employees required to join, executives, professionals and mostly office-based employees will have access to better suited death, total and permanent disablement (TPD) cover and income protection.

Employees will benefit from:

- **a history of strong long-term investment performance with an average annual return of 8.98% p.a over the last 36 years, as at 30 June 2020 for the Growth (Cbus MySuper) option[1]**
- **a choice of insurance designs that can be selected for each employer group**
- **competitive premiums for death and total and permanent disablement (TPD) cover**
- **automatic income protection if that is the chosen design**
- **tailored education information sessions and access to financial advice**
- **mental health and wellbeing courses, tools and resources.**

[1] Past performance isn't a reliable indicator of future performance

Our governance

Making decisions in our members' best interests.

The Board follows the Trustee's Governance Framework to oversee and exercise its authority and make decisions in the best interests of Fund 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 steering the values of the Fund
- setting expectations around risk management through its development, review and approval of the Cbus Risk Appetite Statement.

Each year the Board meets to review and determine the Fund's strategy and to ensure alignment of strategic priorities with the objectives of creating value for the Fund's members.

During the year the Board monitored progress against its approved strategy; established a standing Growth committee; reviewed and refreshed the Fund's Governance Policy suite; adopted a new Climate Change Roadmap including setting targets for the Fund to move to zero carbon emissions across its investment portfolio by 2050; appointed a new Chief Executive Officer; and overviewed and approved the work of the Fund's standing committees.

At the outbreak of the COVID-19 pandemic, the Board met every fortnight to oversee the scenario and stress testing of the Fund to ensure appropriate actions and decisions were being taken to safeguard members' savings and ensure the Fund could meet its responsibilities to assist members.

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 Growth Committee. The Nomination Committee is not a standing committee but meets as required to assist the Board with director, committee and CEO appointments.

The Board and each committee has a charter that sets out its roles and areas of responsibilities.

You can view these charters at cbussuper.com.au/board

The following summarises the focus areas for the Cbus Board's five permanent standing committees and the Nominations Committee over the financial year.

For more information about Cbus Governance please see our supplementary report at cbussuper.com.au/cs/governance-framework-2020

Audit and Risk Management Committee

- Oversight of key projects, including review and monitoring of costs and benefits
- Reporting and consideration of investment internalisation progress and risks
- Reporting and endorsement of APRA Prudential Standard SPS515: Strategic Planning & Member Outcomes
- Reporting and endorsement of the Enterprise Performance Scorecard
- Review and endorsement of the Administration Reserve Policy and the new Investment Option Switching Policy
- Approval of amendments to the Operational Risk Financial Reserve Strategy
- Consideration of enterprise risk and oversight of the application of the Fund's Risk Management Framework including oversight of its internal fraud risks, considering the impacts of COVID-19 and the Trustee's current work-from-home model
- Oversight of risk culture survey in a pre and post-COVID-19 environment

People, Culture and Remuneration Committee (PCRC)

- Talent and Succession Planning and Outcomes for Cbus
- Oversight of the Leadership Capability Framework
- Review of Director, CEO and Executive remuneration, review and endorsement of performance-based pay
- Organisational metrics including staff engagement (and the impacts of COVID on engagement), risk culture, and operating model change readiness surveys
- Overview of Family and Domestic Violence Policy review

Member and Employer Services Committee

- Oversight of the implementation of:
  - regulatory changes to insurance under Protecting Your Super (PYS) reforms
  - regulatory changes to insurance under Putting Members Interests First (PMIF) reforms, including the election and establishment of a Dangerous Occupation Exception for the Industry Manual occupation category
  - an improved Total and Permanent Disablement definition that was already positively referenced by ASIC in their 2019 TPD review
- Progression towards full implementation of the Superannuation Insurance Voluntary Code of Practice (VCoP)
- Continued enhancements to the insurance claims servicing model even throughout the COVID-19 restriction period
- Introduction of the new Corporate Superannuation offering
- Complaints oversight including reporting, resolution and migration of the Complaints Management System onto Sales Force

Nominations Committee

- Review and endorsement of the appointment of Anne Donnellan to the Board and Member and Employer Services Committee– replacing Glenn Thompson
- Review and endorsement of the appointment of Kara Keys as Chair to the People, Culture and Remuneration Committee

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
- Evolving the Fund's Responsible Investment approach (particularly, climate change risk)
- Reviews of investment risk, including investment risk appetite, liquidity, operational risk, interest rate risk and reviews of investment policies
- Oversight of the resourcing and culture in the investment team

Growth Committee

- Establish in conjunction with management the Growth Strategy for the Fund
- Oversight and monitoring of large-scale growth opportunities and recommended actions to the Board
- Monitoring and review of corporate tender activities
- Ensuring the alignment of overall growth objectives with the broader strategic plans of the Fund
- Ongoing focus on member best interests including ensuring activities meet the objective of maximising member outcomes

Cbus Property Governance

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

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 fees payable to Cbus Property directors are disclosed on the Cbus website.

You can find out more here:
cbusproperty.com.au/our-business

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.



Identifying and managing risk

Adopting leading risk practices with a strong risk management culture.

Key risks and opportunities

Against the backdrop of escalating global security and trade tensions and in the aftermath of devastating Australian bushfires in 2019/ 20, the global COVID-19 pandemic represents the largest single systemic shock experienced since WW2.

Specific to the superannuation sector, the government's Early Release of Superannuation measures presented several challenges for the superannuation sector and heightened several of Cbus' strategic and operational risk exposures.

In early March 2020, Cbus mobilised its crisis management capability to quickly identify threats and actively manage impacts in a rapidly evolving and uncertain environment. Understanding risk connectivity and employing an integrated approach to managing risk exposures has helped in ensuring continued operational resilience.

Strategic Risks

COVID-19 has inevitably put more pressure on Cbus' ability to achieve its strategic objectives particularly in terms of its ability to deliver optimal member outcomes. Climate change continues to be a key strategic risk to Cbus that is assessed holistically in organisational decision making.

We have taken a leadership position in assessing the long-term implications of sustainable development risks for returns to members.

A summary of Cbus's key strategic risks and ongoing responses is presented below.

Risk	Description	Cbus response
Member outcomes	Risk that Cbus members make decisions (influenced by fear and anxiety) e.g. switching in volatile environment. Cashing out all/part of super balance under the Early Release Scheme, potentially losing insurance.	Cbus provides clear, objective information as to the potential impacts of certain decisions.
Fund and system sustainability	The economic impacts of the pandemic and government schemes heightened the risk of: • Increased outflows and decreased inflows • Decrease in Fund revenues	Ongoing re-modelling of Fund budget and forecasts based on revised performance estimates and scenarios.
Regulatory change	Risk that government's regulatory reform agenda (e.g. changes to SG increase, or compulsory nature of super) could have adverse outcomes for members.	Cbus continues to provide advocacy for members' outcomes through peak bodies and other industry forums and associations in respect of policy settings.
Ability to achieve and sustain growth	The global and domestic economic downturn and downturn in construction will impact Cbus's scale in terms of funds under management, member numbers and SG revenue.	It is likely that highly impacted medium/small Funds may explore merger opportunities with funds that have greater scale and are more stable. Cbus is well placed to pursue these opportunities for the benefit of members.
Investment performance	Risk of COVD19 impacts on the economic environment including: • Volatile investment markets • Impacts on unlisted asset valuations • Uncertainty in duration, depth and recovery from COVID19 impacts.	An Investment Valuation sub-group was established to specifically monitor and assess matters arising in current market and impacts to valuations.
Climate change risk	The impacts of a changing climate on Cbus's ability to achieve investment objectives.	• New Climate Change Roadmap: **cbussuper.com.au/cs/responsible-investment-2020** • 1% of the Growth (Cbus MySuper) option allocated to investments in climate change mitigation opportunities.



Operational Risks

Risk	Description	Cbus response
Cbus people	Cbus had to act decisively to ensure the health and ongoing well-being of its people across Australia due to spread of COVID-19.	Cbus has developed strategies to maintain staff health and wellbeing while working from home for long periods including adjusted leave benefits, flexible working hours and the provision of appropriate equipment and technology to optimise WFH arrangements.
Liquidity	The Early Release Scheme required Cbus to adjust its liquidity and cashflow forecasts.	Cbus has been able to manage the liquidity and cashflow demands by regular monitoring and reporting on key liquidity indicators including: • Member switching activity • % exposure to illiquid assets • Net cashflows.
Fraud	Risk of fraud from external parties in Early Release Scheme.	Implementation of specific fraud procedures to actively identify, prevent, detect, investigate and report fraudulent attempts to claim.
Operations	Impact of pandemic on continuity of business-critical activities. This has extended to key service providers who have been similarly impacted.	Material service providers have been regularly engaged to understand current operations, planning and preparedness as circumstances are evolving. Alternative arrangements have been deployed to support and sustain WFH arrangements including the implementation of new technology.

“Cbus Property actively evaluates and puts measures in place to appropriately manage risk across its portfolio”



Cbus Property’s Holme residential project in Collingwood

Identifying and managing risk (continued)

Cbus has moved proactively to identify strong investment opportunities that also support Australian employment and the broader economic recovery.

It is critical that Cbus continues to advocate for policy settings that promote the financial interests of our members throughout their working lives and in retirement, and contribute to the sustainability of the broader financial system.

Cbus Property Risk Management

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

The table below highlights the current and emerging risks that relate to Cbus Property.

Risk	Description	Cbus Property response
Commercial and residential property development	Property development requires prudent management of market risks, including purchaser and tenant demand, competition and market cycles.	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 continues to manage the variable nature of purchaser demand for apartments and the residential property market more generally, through careful selection of sites, planning and design of projects and through staged delivery. Cbus Property has a continual focus on emerging office design trends and aims to deliver spaces that enable corporate culture to thrive through interaction and collaboration.
COVID-19 and commercial office property market	The impact of the pandemic, including potential for a greater uptake of remote working, on the future performance of the office market is uncertain.	Cbus Property manages the current risks in the commercial office market through its commitment to quality and the sustainability credentials of the portfolio, a high occupancy rate, lengthy weighted average lease duration and exposure to government and other premium tenants.
Property sustainability	Cbus Property is committed to long-term integration of ESG risks and opportunities into decision making and operations.	Cbus Property engages with stakeholders to understand emerging trends and technologies and to lead sustainable property development and operating performance.
Health and safety	Health and safety risks may impact the wellbeing of our employees and on-site teams if not managed effectively.	Health and safety risks are managed as a priority at all development sites and investment properties, with active monitoring and application of controls by the appointed head contractor or property manager.
Construction quality	Reputation and financial performance can be put at risk if quality is compromised during the development process.	Cbus Property seeks to manage the risk of structural integrity through the use of experienced and reputable architects, engineers, construction contractors and consultants, in order to deliver high quality construction outcomes.
Finance and treasury	The global and domestic economic downturn has impacted financial markets and the ability of some market participants to source capital.	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 and source and renew financing.

Investing for the long-term

An update from our Chief Investment Officer

2020 has proved to be a challenging year, with devastating bushfires in Australia and a global pandemic crisis that has impacted workers, businesses and whole economies across the globe. Part of the challenge of such a crisis is that it genuinely tests the strategic resilience and discipline of organisations.

Cbus' early adoption of integrated thinking, implementation of our investment strategy and our long association through our sponsor organisations and members with the building and construction industry, has placed us well to understand and respond to members' needs and to identify risks and opportunities in the building and construction industry.

Despite the challenges of the COVID-19 crisis and volatile investment markets throughout 2020, the Growth (Cbus MySuper) option finished in positive territory returning 0.75% for the 2019/20 financial year. This compared favourably to the negative median return of the largest 50 balanced superfunds of -0.82%[1].

More importantly, longer term 5 and 10 year returns for the default option were 7.13% and 8.54% respectively, exceeding our inflation target of CPI +3.25% over those periods. This is an important reminder about the long-term nature of superannuation and the importance of maintaining focus on long-term goals.

Investment markets do recover, as we have begun to witness with global sharemarkets since March. Such recovery is often rapid as happened following the 2008 global financial crisis.

Of course, we don't know the future of the pandemic. Despite initial early success in dealing with the crisis in Australia, second waves and outbreak clusters have resulted in further lockdowns in some states and stronger restrictions on businesses and industries. But history and modern science capability tells us that we will adapt and emerge.

In the meantime, our liquidity position is strong so we can meet the needs of members facing financial hardship and seeking to access their superannuation under the government's Early Release Scheme.

Crisis does test resolve, but it also presents opportunity. Cbus has already commenced identifying opportunities to contribute to Australia's economic road to recovery. We see opportunities to work closely with our key sponsoring organisations, as well as federal and state governments to understand the projects they're considering, and the role Cbus can play in supporting them where it stacks up for members.



We also see opportunity to draw on the lessons of the crisis and continue our responsible investment approach in the interest of managing long-term risk and driving value for members.

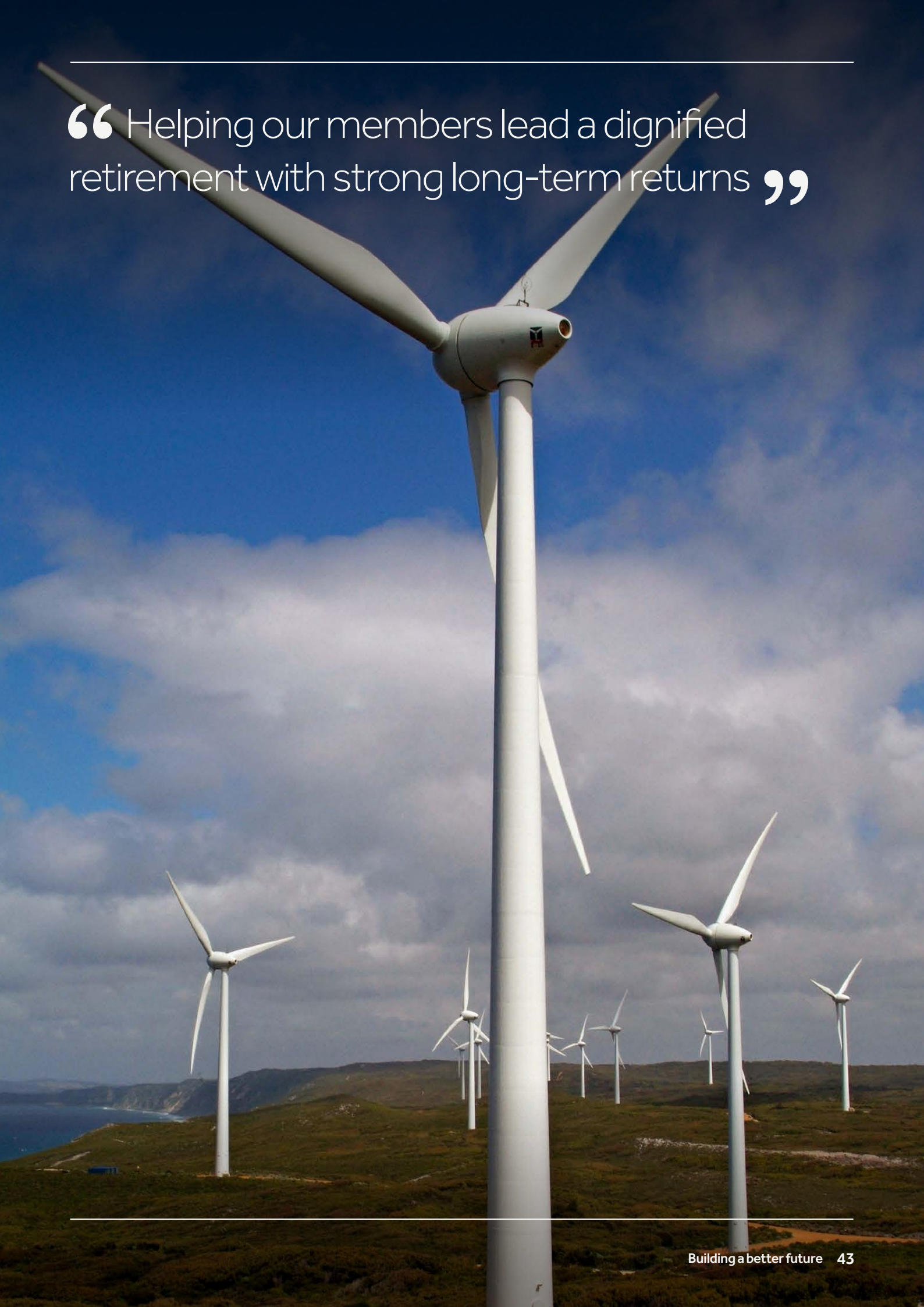
We are playing a leadership role in acting to mitigate future systemic crisis such as that posed by climate change and making our contribution to a more sustainable economy and society through maintaining and creating decent jobs and better retirement outcomes for members.

Our approach to responsible investment is recognised globally through our nomination to the PRI Leaders Group on Climate Change this year and to the PRI Leaders Group on ESG Integration in Listed and Private Equity last year as well as Cbus Property's GRESB survey results, placing it second globally for ESG performance.



Kristian Fok
Chief Investment Officer

[1] (Median) SuperRatings SR50 Balanced Survey, 30 June 2020. SuperRatings is a ratings agency that collects information from super funds to enable performance comparisons – visit superratings.com.au



> “Helping our members lead a dignified retirement with strong long-term returns”

Investment environment and outlook

Global investment markets have been dominated by the COVID-19 pandemic, which initially began as a global health crisis and quickly became an economic crisis, as governments around the world adopted containment measures restricting mobility and business activities.

Reflecting the severe dislocation in activity and labour markets, policy responses were swift and unprecedented in terms of scale, including interest rates in Australia at the lowest levels since Federation. This resulted in a rebound in share markets from the lows of late March, with the US and emerging markets making new all-time highs recently, while most other share markets are below their peak levels.

After falling sharply in March and April, global activity initially rose sharply from very depressed levels. More recently there are signs of an easing in the pace of improvement with containment measures limiting the resumption of broad-based activity.

Our expectation is global and Australian economic activity will continue to gradually improve from the suppressed levels as policy makers seek to employ measures to ensure confidence in health outcomes and support economic growth. A key focus for both monetary and fiscal policy is providing support to households and businesses while the virus continues to restrict activity.

COVID-19 Implications

The massive disruption caused to markets by COVID-19 pandemic saw a major spike in the volume of members switching investment options with $2 billion of funds under management switched to the cash option in the 6 weeks from late February to early April.

Early Release Scheme financial hardship payments due to impact from COVID-19

$1.08b

Unlisted assets, such as property and infrastructure, required revaluation to ensure the values properly reflected the COVID-19 impact. To manage the risk posed, Cbus directly undertook this work in March outside the normal cycle of independent valuations undertaken quarterly.

The impact of COVID-19 on the value of unlisted assets has varied depending on the underlying nature of the particular asset and the asset's exposure to the impacts of COVID-19, and to government policies in response to it.

For example, infrastructure transport assets that are directly exposed to the movement of people such as airports (in particular) and tollroads, are most impacted due to significant drops in volumes.

In the property sector, large retail shopping centres with a high proportion of discretionary spend retailers have been impacted and valuations declined.

As a result, Cbus made a number of Board approved interim internal value adjustments to investments in the property and private equity asset classes. This included a number of the valuations being decreased and these were reflected in Cbus' crediting rates at the time.

On 22 March, the Federal Government announced its Early Release Scheme for people facing financial hardship as a result of the COVID-19 impact.

To ensure appropriate liquidity was available to assist members, Cbus made some minor adjustments to its targeted asset allocation, shifting some investments in equities to cash and successfully directed resources to manage cashflows and holdings of highly liquid assets.

The total payments made to members under the first tranche of the scheme was $1.08 billion with the average payment to individual members of $8,336.

Cbus successfully navigated this period without any liquidity issues or triggering its liquidity action plan.

“Cbus invests members’ funds across a wide range of asset classes”

The second tranche of applications for early release has been extended to 31 December 2020 with the Fund well positioned to continue to assist members.

Although there are near-term challenges resulting from the impact of COVID-19, including those presented by policy changes, Cbus, through its strategy and scale, is well positioned for the long-term with strong foundations in place.

How we invest

We invest members’ funds across a wide range of asset classes including shares, property, infrastructure, private equity, fixed interest and cash. The table below 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. Including Cbus Property and hybrid strategies with strategic partners, Cbus internally manages 31.5% of the Fund. The remainder is managed by external investment managers. We continuously monitor all portfolios. At 30 June, we had 50 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 expect different types of assets to perform.

As a result of the 2019 review, we made the following changes, which reflect a lower return environment:

- Slightly lowered the investment return objective for the Conservative Growth, Conservative and Cash investment options from 1 February 2020. We also made small changes in the likelihood of negative yearly returns expected over 20 years for some of our diversified investment options
- Effective 1 March 2020, the Alternative Growth and the Mid-Risk Alternatives asset classes replaced the Absolute Return and the Alternative Debt asset classes to broaden the range of investment opportunities Cbus can use to maximise member returns
- Modified the strategic asset allocations for the diversified options, which we expect to implement in 2020, aiming to better position our diversified investment options in an environment of historically low interest rates, where it will be challenging to achieve returns from cash and fixed interest assets

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.

		Before 1 February 2020		From 1 February 2020	
Product	Investment Option name	Return objective	Years of negative returns expected over 20 years	Return objective	Years of negative returns expected over 20 years
Accumulation and Transition to Retirement (TTR)	High growth	CPI +3.75%	5	CPI +3.75%	5 to 6
	Growth	CPI +3.25%	3	CPI +3.25%	3 to 4
	Conservative Growth	CPI +2.50%	2	CPI +2.25%	2 to 3
	Conservative	CPI +1.75%	1	CPI +1.25%	1 to 2
	Cash Savings	CPI +0.75%	< 1	RBA Cash Rate	< 1
Super Income Stream (SIS)	High growth	CPI +3.75%	5	CPI +3.75%	5 to 6
	Growth	CPI +3.50%	3	CPI +3.50%	3 to 4
	Conservative Growth	CPI +3.00%	2	CPI +2.75%	2 to 3
	Conservative	CPI +2.25%	1	CPI +1.75%	1
	Cash Savings	CPI +0.75%	< 1	Above RBA Cash Rate	< 1



> “The strategic model is focused on taking advantage of the Fund’s scale to drive strong returns for members by building in-house expertise”

Investment strategy and performance

Our approach provides greater flexibility to capture attractive investment opportunities.

Strategy and performance

To support the Fund's strategy and give effect to our integrated thinking approach, the Investment team has transformed the Fund's investment approach and capabilities through the early adoption and evolution of our Investment Model.

The model is focused on taking advantage of the Fund's scale to drive strong returns for members by building in-house expertise. This provides greater flexibility for the Fund to capture attractive investment opportunities while reducing management costs.

Overall, portfolios currently managed in-house ,including hybrid strategies managed alongside strategic partners, cover a portion of cash, equities, alternative growth, debt, fixed interest, infrastructure and property (via Cbus Property) and comprise 31.5% of FUM (with Cbus Property 6.2%). This compares to 14.2% investment in-house in 2019 (including Cbus Property) up from 11.8% in 2018. By 2025, we expect to manage more than 40% of assets (including Cbus Property) internally based on current projections.



1 An innovative long-term investor

Innovative and strategic investing

Leading ESG integration

Strategic partnerships with asset owners, capital users, external managers

Strong returns

2 With a total portfolio perspective

Tailored portfolio design and construction

Leveraging expertise across asset classes

Top-down and bottom-up integration

Lower costs

3 Investing in the real economy

Direct investments across the capital structure in property, infrastructure, listed and unlisted companies

Support industry

Investment strategy and performance (continued)

Status and benefits of our Investment Model strategy

Currently in the fourth year of implementation, our Investment Model has delivered strong performance and a significant reduction in costs equating to strong net returns for members.

Performance of the Growth (Cbus MySuper) default option ranks above the median fund in the SuperRatings survey and is in the top quartile over one, three, five, seven and ten years to June 2020.

Since FY 2017, investment costs for the Growth (Cbus MySuper) option have reduced from 0.86 per cent to 0.56 per cent. Members invested in the Growth Cbus MySuper option saved $135m of investment fees in FY2020, and cumulatively have saved $240m since FY2017 [1].

Our strong relative risk-adjusted performance has been highlighted in the recently released APRA MySuper Product Heatmap with the Growth (Cbus MySuper) option ranking amongst the top performers relative to industry peers.



See APRA's heatmap at apra.gov.au/mysuper-product-heatmap

With the exception of Cbus Property, the longest running internal strategies are the global quality equities strategy and the cash strategy, which have both performed strongly. The global equities strategy has returned an average of 19.53% p.a, outperforming the index by 9.92% p.a since inception to 30 June 2020[2].

Outside of direct investment strategies, the uplift in broader capabilities in portfolio design, responsible investing and middle and back office, continues to deliver benefits. For example, the new asset allocation framework has improved the timeliness of asset allocation decisions and sophistication of scenario analysis, which has proved critical during this current period of market stress.

The model has not only delivered net return benefits for members, but also provides the Fund with the capability to pursue investment opportunities that support the building and construction industry and jobs across the economy.

It also provides the in-house expertise and flexibility to support the Fund's growth strategy, allowing future partners access to ready built capabilities that can invest for the benefit of a diverse membership.

In FY21 we plan to leverage existing capabilities and build new capabilities appropriate for a COVID-19 world. Our key priority areas will be investing to assist the economic road to recovery and continuing to build our internal investment capability.

Our people and culture, and data and technology capabilities are key enablers that will support our longer-term strategy.

Investing in the road to recovery

It's acknowledged the building and construction industry will play a leading role in Australia's economic recovery. As the super fund representing the industry, Cbus will contribute at many points along the way. We believe our investments will contribute to the creation of around 100,000 jobs through this recovery.

We can do this by bringing to bear the key elements of our investment model – internal expertise, a total portfolio approach, innovative and thematic investment strategies and a long-term, responsible investment outlook.

Cbus members receive the investment earnings of the fund through the crediting rate, which is the return minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. The crediting rate is applied to each member account when the final crediting rate for the full financial year is declared.

Cbus has two components to its administration fee - a weekly account keeping fee and a percentage based fee. With effect from 1 February 2020, Cbus aligned its administration fees across its super and retirement income products. The weekly fee for super members moved from $1.50 to $2 from February 2020. This was the first account keeping increase in a decade, and ensures that fund services keep pace with member expectations and regulatory environments.

[1] These savings are estimated for each financial year and summed. The approach employed is to multiply the annual average size of the Growth option by the change in fees from the initial year. Investment cost reporting is based on ASIC's updated Regulatory Guide 97 (transitional Guide March 2017, updated in 2019, 2020). [2] Inception at 16 October 2017; index: MSCI ACWI ex Aust Net Divs in AUD Custom Tax as calculated by JPMorgan, Cbus' custodian, on a Net of Fee basis.



Artist Impression of Cbus Property's 111 & 121 Castlereagh mixed-use project in Sydney

As part of the fee changes, Cbus transitioned its percentage based administration fee to being deducted from member accounts. Over the financial year, the 2020 asset based fee is 0.19% of member assets, with a cap of $1,000.

Note that for those members whose account balances are less than $6,000 for a product at the end of the financial year, the total combined amount of administration fees, investment fees and indirect costs charged is capped at 3% of their account balance.

With a strong history of job creation through Cbus Property, we are focusing on more than just large scale property projects to create and retain jobs through the recovery.

It is through our close relationship with our sponsoring organisations that we can gain critical industry insights to help prioritise investments into 'shovel ready' projects that deliver for members.

We are investing capital in different ways including:

Direct debt and corporate opportunities

Committing over $950 million to Australian businesses through equity raising, debt finance and project financing since March 2020 to support Australia's economic recovery.

This includes over $240 million in general corporate debt to Australian businesses and project financing and committing $260 million of debt funding for construction projects across Sydney and Melbourne.

As well as injecting over $450 million into Australian companies that were raising capital. This was done through a combination of our internally managed equity portfolios and externally managed mandates.

An extra allocation to the Cbus debt portfolio means Cbus now has a further $850M in additional capital to invest in companies and project finance.

Investing in innovative and scalable social and affordable housing through our support and partnership with the National Housing Finance and Investment Corporation (NHFIC). This includes both investment in NHFIC's bond issuance and development of an innovative vehicle to allow community housing providers access to greater funding to build more housing stock.

New developments

Cbus Property recently announced an anchor tenant for its Pirie Street development in Adelaide that will create 2,000 jobs.

Our investment in the construction of the 180MW Warradarge Wind Farm in WA through Bright Energy Investments created some 160 direct jobs.

Expansion of existing assets

An effective way to increase the value of existing assets is to upgrade existing facilities or undertake further development.

Many of our infrastructure assets have future development pipelines in their business plans and we will provide capital towards these when approved as a priority.

Responsible investment

At Cbus, we are always looking to invest responsibly.

Cbus members and employers see their Fund's approach to issues such as decent employment and labour rights, occupational health safety and mitigating climate change, in terms of protecting and growing their retirement savings. They expect their Fund to be guarding the value of their investment against such risks. For them this is not altruism nor activism, it's economic good sense.

Cbus has a long history of applying this approach to our activities as an investor and as an organisation. This is because we recognise our duty as trustee to act in the best interest of our members and invest their savings responsibly. We call this 'responsible investment'.

We approach our role as stewards of our members' investment with the belief that the companies that actively manage sustainability risks and opportunities in their business are likely to generate better returns for members.

And we accept that as long-term investors of members' money we have an obligation to invest in a manner that provides economic and social benefits, contributes to sustainable development and helps build a better world in which our members work, live and retire.

We incorporate the Sustainable Development Goals (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.

Our approach aligns with our key stakeholders' expectations. Recent Cbus member and employer research highlighted strong levels of trust and support for the Fund to invest sustainably over the long-term, managing risk, creating decent employment and stimulating the economy.

Principles of Responsible Investment (PRI)

A to A+

Cbus given this rating across all areas of the portfolio

Amount invested by Cbus in bond issuances

$88m

To the National Housing Finance and Investment Corporation (NHFIC)

Cbus has invested $88 million in the bond issuances of the National Housing Finance and Investment Corporation (NHFIC) to support the building and maintenance of affordable and social housing. The NHFIC is a Commonwealth government established corporation that provides funding to community housing providers.

Outside of the bond issuances, Cbus has also partnered with NHFIC to work with the NSW government to unlock further investment opportunities in social and affordable housing with an initial investment of $10 million. Cbus believes that further work through NHFIC with other state governments will provide a pathway for greater institutional investment into much needed social and affordable housing, not only providing capital for the building of housing stock, but maintaining and creating jobs in building and construction.



> “It gives you peace of mind to think that you are not poisoning or polluting or injuring people so they are tired and miserable rather than happy and healthy”

Cbus member focus group participant

Responsible investment (continued)

Our approach

We integrate our approach to responsible investment by ensuring that material sustainability risks are part of our investment analysis and decision making, We apply the same approach, irrespective of whether an investment is held directly or by an external manager.

We seek to influence better outcomes in the companies we invest in through taking an active ownership approach, engaging with those companies both directly and in collaboration with like-minded investors and using our shareholder rights to vote at company meetings.

Culture in the spotlight

Westpac and AMP have dominated the headlines during FY20 for two very different cultural shortfalls, both impacting the companies financial performance and reputation.

Several weeks out from its 2019 Annual General Meeting, Westpac revealed it had contravened AUSTRAC obligations when it missed notifying 23 million reportable transactions. Westpac received widespread criticism when the regulator uncovered alleged child exploitation payments. Cbus engaged with Westpac directly and alongside ACSI where it was made clear that accountability was required at board and management level.

In June 2020, AMP appointed its UK-based head of infrastructure, as CEO of AMP Capital. The appointment was made despite a financial penalty having been applied following the settlement of a sexual harassment claim in 2017. Cbus wrote to and met with AMP directly and alongside ACSI to discuss the concerns regarding diversity and culture at AMP.

Responding to the chorus of investor voices, including Cbus, the Westpac CEO and Chair of the Risk Committee both departed, and the Chair of Westpac retired. Similarly, in late August AMP Chair and the Chair of AMP Capital resigned, with the AMP Capital CEO stood down returning to his previous role. Engagement will continue with both companies.



We advocate, collaborate and demonstrate leadership with the aim of influencing the broader market and promoting a shift towards a more sustainable financial system.

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 Paris Agreement on climate change.



Key areas of work

The lessons of the COVID-19 pandemic has brought a focus on employment practices and the security of employment. It, together with the devastating bushfires experienced during this years' Australian summer, has also pressed the urgency for investors to take stronger action in mitigating the potential of future climate crises.

The key areas on which we focus include workplace safety, human and labour rights and mitigating the impacts of climate change.



For more about our responsible investment approach to this report at cbussuper.com.au/cs/responsible-investment-2020

Workplace safety

"They need to be seen as doing the right things and promoting the right things. If you promote yourself as an industry super fund you have to promote health and safety within that industry."

Cbus member focus group participant

Key actions:

- Where we are aware of a fatality or a significant safety incident at an ASX300 company, we engage to inform our voting position to ensure lessons are learned and board and senior management are held accountable.
- Supported the development of the Australian Council of Super Investors (ACSI) report 'The Future of Health and Safety Reporting: A Framework for Companies.
- Receive reports on significant safety incidents and work collaboratively with our infrastructure managers to identify areas for improvement and share knowledge.

Human and labour rights

"They have a social responsibility; you want to improve people's lives and super funds have the money to make a difference."

Cbus member focus group participant

The introduction of the Modern Slavery Act aims to increase business awareness of and reduce modern slavery risks in the production and supply chains of Australian goods and services. The Act focusses on transparency and aims to inform external stakeholders like our members about what we are doing to mitigate the risk of slavery. The introduction of the Act further heightens the focus on human and labour rights.

Key actions:

- Adopted a contractor and consultant protocol for our direct investments outlining Cbus' expectations of contractors with regards to labour rights, OH&S, procurement and tendering.
- Assessed modern slavery risks in our direct investments, their supply chains and those of Cbus Property.
- Building Modern Slavery Act and employment conditions into due diligence processes.
- Holding companies to account where wage underpayments are identified .

Climate change

"We need to deal with climate change and like take action. They are doing the right thing. There's no point in having money in the bank if the world has gone to (expletive deleted)."

Cbus member focus group participant

There is an increased urgency to address climate change strongly supported by central banks and financial regulators. This reflects the findings of the scientific evidence and the need for a rapid transition to a climate neutral world by 2050.

Key actions:

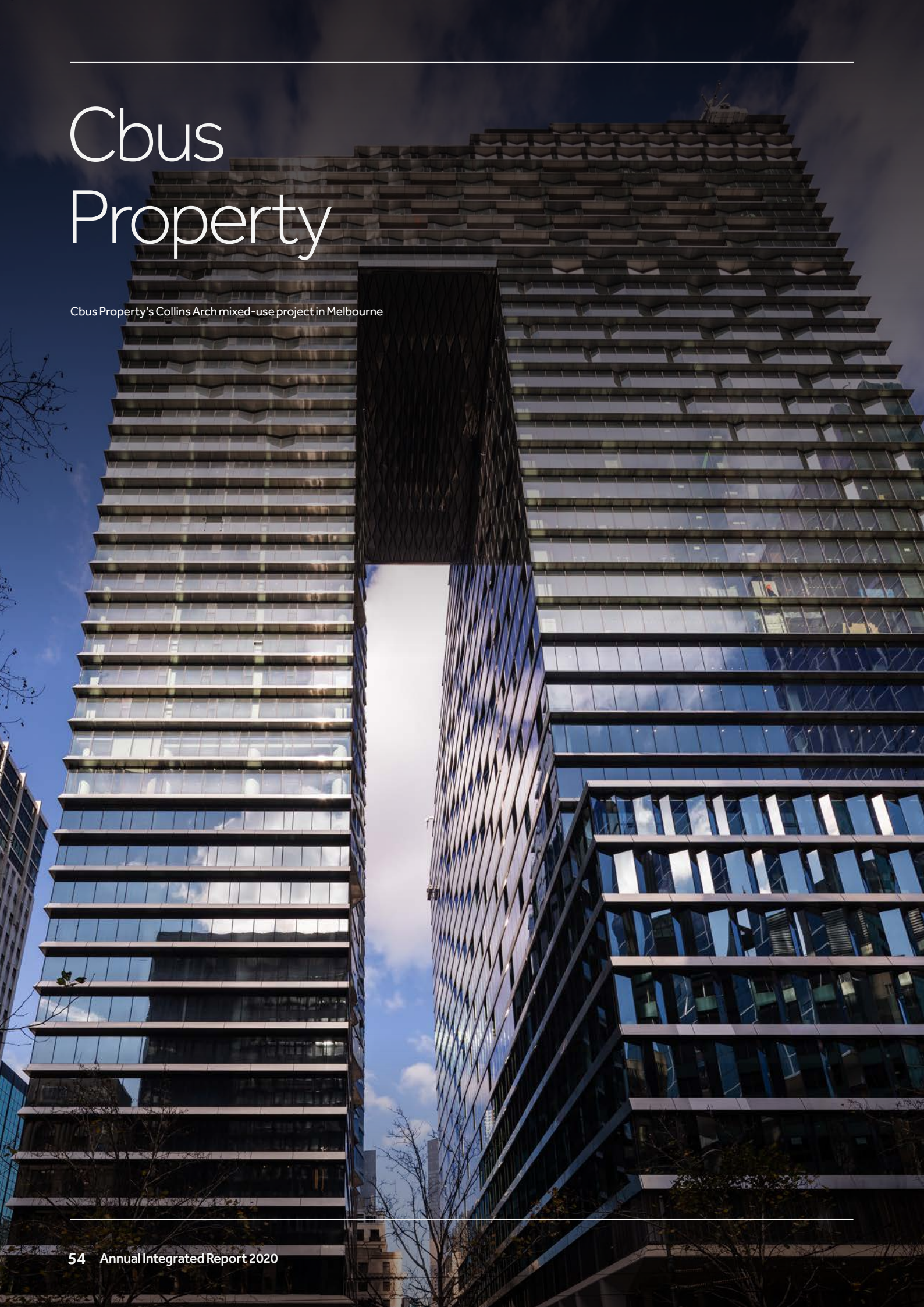
- Refreshed our Climate Change Roadmap to include commitment and pathway to target a 45% absolute emissions reduction by 2030 and net zero greenhouse gas emissions across our whole investment portfolio by 2050.
- Allocated 1% of the Growth (Cbus MySuper) portfolio or ~$500 million for investments in climate change mitigation opportunities.
- Engage with companies we invest in to influence them to reduce their carbon emissions and contribute to meeting the Paris Agreement targets and SDGs.







Cbus Property



Cbus Property's Collins Arch mixed-use project in Melbourne

“Securing success through a focus on sustainability and stability”

Statement from the CEO

Cbus Property has built a strong position in the commercial property and residential sectors throughout our 15-year history, growing from a portfolio of $0.5 billion in 2006 to $4.8 billion in 2020.

Our financial performance, that is, our annual return to members has averaged 15.3% since inception. Over the past 10 years, Cbus Property has returned an average of 15.2% p.a, outperforming the MSCI/IPD index[1] of 8.6% p.a. Building on these achievements, Cbus Property developments have created around 100,000 jobs[2] since 2006.

The key to our success has been clear, defined by our strategic focus to build on our point of difference – long-term partnerships with our tenants and residential purchasers and delivering stable and consistent returns to the Cbus members. As an example, 40% of our commercial office portfolio is currently backed by government tenancies.

Another factor of our success is our focus on sustainable development; sustainable development risks and opportunities are always front of mind. Our progress in this area is evidenced by our market-leading ratings for our sustainability measures through assessments by Global Real Estate Sustainability Benchmark (GRESB) and National Australian Built Environment Rating System (NABERS).

Evolution

There has been significant activity this year, with progress on 447 Collins Street (Collins Arch) and 311 Spencer Street, Melbourne being highlights, as well as selling out Holme, our residential development in Collingwood in inner Melbourne.

We settled our Stage 1 apartments at Newmarket, Randwick, in Sydney’s eastern suburbs, and secured development approval for our future commercial office development at 435 Bourke Street in Melbourne. We have also submitted a development application for our proposed development at the iconic David Jones men’s store building on Sydney’s Castlereagh Street.

The pre-commitment by the South Australian state government of 60% of the 83 Pirie Street office tower in Adelaide will see us commence development on site in late 2020.



Performance

Year to 30 June 2020

6.99%[3]

Financial performance of Cbus Property

Since inception

15.26%

Financial performance of Cbus Property over 10 years since inception

Jobs created

100K

Across Australia since Cbus Property’s[2] inception in 2006

[1] MSCI/Mercer Australia Core Wholesale Property Fund Index [2] Estimated employment since 2006 to June 2020 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. [3] Cbus Property achieved a return of 6.99% for the 2019/2020 financial year, outperforming the assigned benchmark, being the MSCI/IPD Australian Property Pooled Fund, which returned a negative 2.65%.

Cbus Property (continued)



Artist Impression of Cbus Property's 121 Castlereagh commercial project in Sydney

The Cbus Property team expanded this year to 47 employees, and we shifted our Victorian base to another of our completed office buildings at 447 Collins Street. The business also evolved, with a new in-house IT function being deployed. Furthermore, we made a strategic decision to enhance our public relations, internal communications and corporate branding, also with an in-house function.

Already the benefits of these decisions are being seen, with enhanced IT capability, an increasing impact through print and digital media coverage, and a growing presence on our social media platforms.

COVID-19

Fortunately, the Cbus Property developments continued to make progress throughout the COVID-19 crisis, as building and construction were deemed to be essential services. Many of our sites remained open, and we thank our stakeholders for protecting the health and safety of all construction workers during these difficult times.

However, the COVID-19 crisis has put a hold on several projects, as is the case across the entire industry. The number of people working from home will continue to impact all businesses and, in the short-term future, decision making relating to tenant relocations and potential buying opportunities for Cbus Property.

Kickstarting the economy usually begins through building and construction. Therefore, government support at both federal and state levels, will be the key, not only from a funding of opportunities perspective, but as prospective commercial tenants themselves, as has been highlighted by the South Australian Government commitment at 83 Pirie Street.

Opportunities and challenges

Another element of ensuring success in the future is to determine the level of working from home, once employees begin to return to offices on a greater and more consistent scale. I believe that once employees rediscover the benefits of working in an office, such as culture, collaboration and social interaction, they will be more inclined to return to the office.

Cambell Scholtens ranked Cbus Property

1st[1]

For tenant services, exceeding the Tenant Survey Index by 12.0%.

Cbus Property was ranked by GRESB

2nd[2]

GRESB's ESG data covers USD $4.5 trillion in real estate and infrastructure

[1] The independent Campbell Scholtens commercial tenant survey ranked Cbus Property first nationally for tenant services, exceeding the Tenant Survey Index by 12.0%. [2] GRESB is the leading sustainability benchmark for real estate and infrastructure investments across the world. GRESB's ESG data covers USD $4.5 trillion in real estate and infrastructure. Cbus Property ranked second globally in the 2019 survey.



Artist Impression of Cbus Property's 83 Pirie Street commercial project in Adelaide

The most immediate change to office accommodation will be the structure of space to align with social distancing regulations, potentially resulting in no contraction of space in the short term. Though change is inevitable, it is too early to determine the long-term impact of COVID-19. In future, tenants may use office space differently – for task-oriented work, for socialisation, for collaboration and for other tasks that build corporate culture.

Our continued ability to move quickly and remain nimble provides us with a point of difference that has kept us in good stead throughout the past 15 years. Challenging the status quo has placed us in the strong position we are in today.

Strategy

Cbus Property will continue to challenge the built environment. Throughout the past five to 10 years, businesses and governments have not worked a routine 9am to 5pm day. As such, newly developed office buildings have allowed tenants to conduct their business in a safe environment, and at any time that suited their individual needs.

The next generation of office buildings will include terraces and outdoor rooms – places to retreat, to seek respite, make personal connections and link employees to the tenants' cultural identity.

The opportunity to provide our existing tenants and prospective tenants with the confidence that we are here for the long haul is also a major drawcard. A recent success was the renegotiation of the government lease at 140 William Street, Perth – a lease renegotiated for a further 12 years.

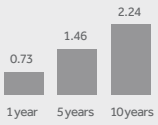
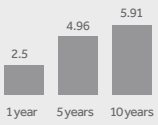
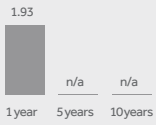
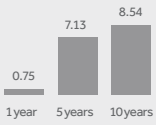
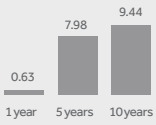
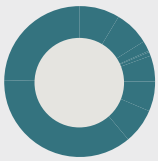
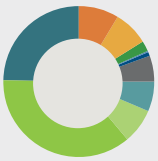
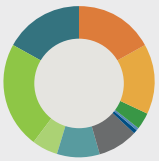
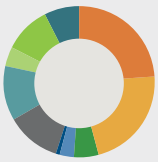
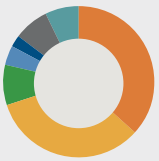
At the same time, we will also need to determine the next generation of residential apartments, consider their future design and cater to purchasers' evolving expectations. Apartments are now considered to be homes and they require the ability to provide comfortable work from home options - whether that be with a study nook, a dedicated room for a study, or co-working space included as part of the residential amenity.

The 2020 financial year has been a year unlike any we have experienced. However, I am very proud of the Cbus Property team, who have worked through the ongoing changing impact of COVID-19, to deliver another exceptional result for the Cbus members.



Adrian Pozzo
Chief Executive Officer

Superannuation options

	Cash Savings	Conservative	Conservative Growth	Growth (Cbus MySuper)	High Growth
Risk/return					
Risk level/ (band)[1]	Very low	Low to medium	Medium	Medium to high	High
Investment objective[2]	Deliver an after-tax return equal to the RBA cash rate (adjusted for fees & tax)	Inflation plus 1.25% a year over rolling 10 year periods	Inflation plus 2.25% a year over rolling 10 year periods	Inflation plus 3.25% 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 to 2 in 20 years	2 to 3 in 20 years	3 to 4 in 20 years	5 to 6 in 20 years
Actual negative annual return since inception	0 in 11 years	1 in 20 years	0 in 3 years	3 in 36 years	5 in 22 years
Actual average return over 10 years ending 30 June 2020	**2.24%**[7]	**5.91%** (inflation plus 4.12% p.a.)	**n/a**	**8.54%** (inflation plus 6.75% p.a.)	**9.44%** (inflation plus 7.65% p.a.)
Annual returns at 30 June 2020					
Annual return since inception (p.a.)[3]	**2.33%** (1/04/2009)	**5.94%** (1/10/1999)	**5.43%** (6/07/2017)	**8.98 %** (1/07/1984)	**7.30%** (1/01/1998)
Asset allocation (%) at 30 June 2020[4]					

Cash Savings		Conservative		Conservative Growth		Growth (Cbus MySuper)		High Growth	
Australian shares	0.00%	Australian shares	8.61%	Australian shares	17.02%	Australian shares	23.89%	Australian shares	36.80%
Global shares	0.00%	Global shares	7.72%	Global shares	15.03%	Global shares	21.96%	Global shares	33.34%
Emerging market shares	0.00%	Emerging market shares	2.01%	Emerging market shares	3.61%	Emerging market shares	5.40%	Emerging market shares	8.61%
Private equity	0.00%	Private equity	0.40%	Private equity	0.70%	Private equity	3.04%	Private equity	4.19%
Alternative growth[5]	0.00%	Alternative growth[5]	0.90%	Alternative growth[5]	0.80%	Alternative growth[5]	0.95%	Alternative growth[5]	2.60%
Infrastructure	0.00%	Infrastructure	5.50%	Infrastructure	8.49%	Infrastructure	11.48%	Infrastructure	7.28%
Property	0.00%	Property	6.49%	Property	9.19%	Property	11.89%	Property	7.18%
Mid-risk alternatives[6]	0.00%	Mid-risk alternatives[6]	7.40%	Mid-risk alternatives[6]	5.70%	Mid-risk alternatives[6]	3.96%	Mid-risk alternatives[6]	0.00%
Fixed interest	0.00%	Fixed interest	36.20%	Fixed interest	22.79%	Fixed interest	10.12%	Fixed interest	0.00%
Cash	100.00%	Cash	24.77%	Cash	16.67%	Cash	7.31%	Cash	0.00%

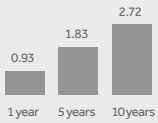
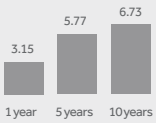
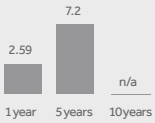
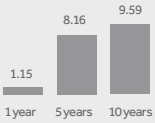
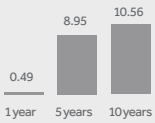
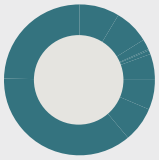
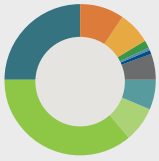
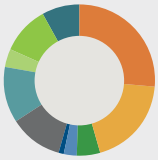
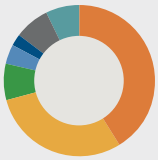
Table Notes

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.
2. Investment objectives applied from 1 February 2020. See page 45 for information relating to the change in investment objectives. Cbus expects all investment options to achieve their targeted returns 65% of the time.
3. Returns are to the period ending 30 June 2020.
4. Cbus also sets strategic asset allocations and asset class ranges. For more details go to the Cbus website.
5. Alternative growth was previously called Absolute Return.
6. Mid-risk alternatives was previously called Alternative Debt.
7. The RBA 11am call rate shown is not adjusted for fees and tax.
8. Super Income Stream options - Fully Retired.

* Investment performance is the gross return minus investment costs. Excludes account keeping administration fees and taxes, which are applied by the Cbus Self Managed platform, where applicable. Past performance is not a reliable indicator of future performance.

^ Since inception on 29 July 2015.

Super Income Stream options[8]

	Cash Savings	Conservative	Conservative Growth	Growth (Cbus MySuper)	High Growth
Risk/return					
Risk level/ (band)[1]	Very low	Low to medium	Medium	Medium to high	High
Investment objective[2]	Deliver an after-tax return above the RBA cash rate (adjusted for fees & tax)	Inflation plus 1.75% a year over rolling 10 year periods	Inflation plus 2.75% a year over rolling 10 year periods	Inflation plus 3.50% 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 to 2 in 20 years	2 to 3 in 20 years	3 to 4 in 20 years	5 to 6 in 20 years
Actual negative annual return since inception	0 in 11 years	0 in 11 years	0 in 6 years	0 in 11 years	0 in 11 years
Actual average return over 10 years ending 30 June 2020	**2.72%**[7]	**6.73%** (inflation plus 4.94% p.a.)	**n/a**	**9.59%** (inflation plus 7.8% p.a.)	**10.56%** (inflation plus 8.77% p.a.)
Annual returns at 30 June 2020					
Annual return since inception (p.a.)[3]	**2.81%** (1/07/2009)	**6.90%** (1/07/2009)	**7.61%** (2/12/2013)	**9.63%** (1/07/2009)	**10.72%** (1/07/2009)
Asset allocation (%) at 30 June 2020[4]					
	Australian shares 0.00% Global shares 0.00% Emerging market shares 0.00% Private equity 0.00% Alternative growth[5] 0.00% Infrastructure 0.00% Property 0.00% Mid-risk alternatives[6] 0.00% Fixed interest 0.00% Cash 100.00%	Australian shares 9.61% Global shares 7.02% Emerging market shares 1.60% Private equity 0.40% Alternative growth[5] 0.90% Infrastructure 5.50% Property 6.49% Mid-risk alternatives[6] 7.40% Fixed interest 36.31% Cash 24.77%	Australian shares 18.02% Global shares 12.93% Emerging market shares 3.31% Private equity 0.70% Alternative growth[5] 0.00% Infrastructure 9.29% Property 10.28% Mid-risk alternatives[6] 5.00% Fixed interest 24.19% Cash 16.28%	Australian shares 26.42% Global shares 19.23% Emerging market shares 4.91% Private equity 3.00% Alternative growth[5] 1.00% Infrastructure 11.48% Property 11.78% Mid-risk alternatives[6] 4.10% Fixed interest 10.09% Cash 7.99%	Australian shares 41.21% Global shares 29.83% Emerging market shares 7.71% Private equity 4.19% Alternative growth[5] 2.60% Infrastructure 7.28% Property 7.18% Mid-risk alternatives[6] 0.00% Fixed interest 0.00% Cash 0.00%

Accumulation	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High Risk	High Risk
To deliver an after-tax and investment fees return, over 10-year rolling periods	Inflation + 2.75% p.a.	inflation + 3.25% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:*^	**8.79%**	**10.52%**

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:*^	**8.79%**	**10.52%**

Our people



Justin Arter (CEO), Nicholas Vamvakas (Group Executive, Strategy and Growth), Michelle Boucher (Group Executive, People, Technology and Enablement) Kristian Fok (Chief investment Officer), Wade Martin (Chief Risk Officer), Robbie Campo (Group Executive, Brand, Advocacy and Product), Marianne Walker (Group Executive, Member and Employer Experience), Keith Wells-Janz (Group Executive, Finance, Performance and Governance)

Our Executive Team is responsible for leading the implementation of the key strategic objectives of the Fund.

You can find out more about the skills and experience of the Executive Team at cbussuper.com.au/about-us/how-were-run/executive-team

Our people are critical to delivering the Fund's strategy to deliver the best retirement outcomes for our members. We aim to attract and retain the best talent, build our organisational capability and engage our people both at a values and operational level.

Attracting and retaining to build success

We continue to attract and source talent needed to deliver our strategy. During the year, we recruited 192 new staff, bringing our total employees to 599. This is an increase of 22.7% from last financial year. We have had success in retaining them as well.

Our voluntary turnover rate was 4.29% which is a decrease from 5.36% in 2019. This rate is well below the industry average of 12%.

We have continued recruitment through the COVID-19 crisis. The recruitment team has been working at full capacity and Cbus has remained an employer of choice, with approaches – both in response to advertised positions and unsolicited interest – staying at high levels.

We are closely monitoring workload pressures during the lockdown periods and have introduced a program of work reprioritisation to meet members needs and manage the health and wellbeing our people. Annual leave is significantly lower than last year and the reprioritisation program is designed to assist our people in taking leave.

Diversity

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.

Our current gender pay gap is 17% (17% 2019) compared to the finance and insurance industry average of 24%. We are addressing gender equity in multiple ways. We offer flexible work arrangements, superannuation contributions on parental leave and sponsorship for women.

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 2020 and include the Executive Team and all permanent/fixed-term contract employees.

Gender Equity	Target	2020	2019
Board	30%	31%	25%
Executive Team	50%	38%	57%
Heads of	50%	40%	42%
All staff i(ncluding above)	50%	49%	49%
Investments Team	40%	39%	37%

“Our aim is to attract, develop and retain the best talent possible”

Our focus on gender issues is nationally recognised and we are proud to be awarded the Employer of Choice for Gender Equality for 2019-20 by the Workplace Gender Equality Agency (WGEA). This is the third consecutive year that we have been recognised with this achievement. We are one of only 119 companies in Australia to be recognised for our commitment and best practice in promoting gender equality in the workplace.

Flexible working

Cbus has a strong history of supporting flexible work arrangements, including working from home. This has prepared us well for the COVID-19 ‘work-from-home’ orders and for the future of work as we emerge from the crisis.

The figures below show employees with a formal flexible work arrangement at 30 June 2020. We are committed to providing safe and secure work environments and supporting the wellbeing of our people.

Flexible work	Target	2020	2019	2018
Flexible work	30%	37%	30.1%	22.0%

In our February 2020 Employee Engagement survey 88% of respondents indicated that they were genuinely supported if they chose to make use of flexible work arrangements (10% above the financial services norm), and 89% of respondents indicated they had the flexibility that they needed to manage their workloads and other commitments.

Values

We have a proud history and a culture that focuses on ‘living our values’ as a fund that puts members at the heart of everything we do. This helps to attract top quality employees who align with our purpose and values. It also helps engage and retain our people.

You can find out more about the benefits we offer our people at cbussuper.com.au/working-at-cbus

Developing the team

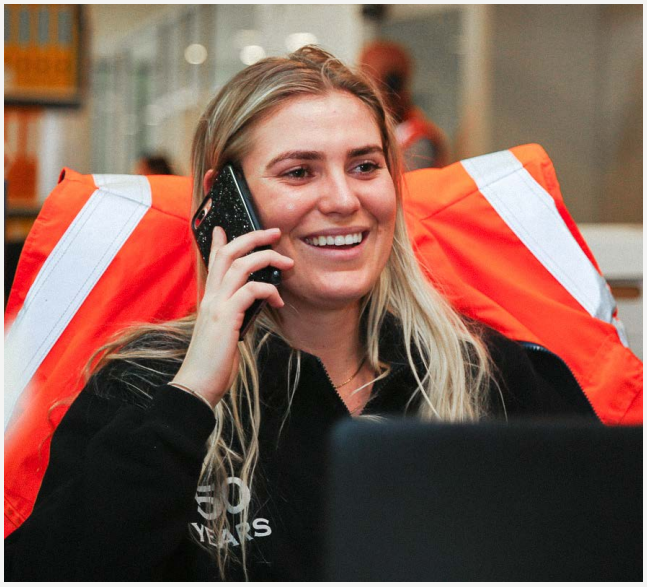
Ensuring that our people continue to develop and grow, provides strong input into building success for our members. Training hours in Cbus were as follows:

Average training hours	2020	2019
Male	16	18
Female	15	18

Average training hours were down slightly this year, due to the increase in staff numbers.

Some of the highlights in new programs this year included introducing initiatives such as the Better Conversations program for all people leaders. This program supports ongoing coaching, performance and development conversations.

Cbus also introduced the Trusted Business Advisor program to support the development of business partnering capability across the organisation. Quarterly Enterprise Leadership team sessions were also created to support organisational collaboration and effectiveness.



Our people (continued)

An engaged team

We measure the success of our people strategy through employee engagement surveys. Our overall employee engagement was 75%, down slightly from 76% from last year, and 3% higher than the financial services global benchmark and the Australian company benchmark.

We saw a 2% increase in employees who would 'recommend Cbus as a great place to work', from 86% in 2019 to 88% in 2020. 89% of our people say they are 'proud to work for Cbus', which compares with 90% from 2019.

Support during COVID-19

The arrival of the COVID-19 pandemic meant a quick transition to working from home for our people.

Our Executive Management Team, responsible for leading the implementation of key strategic objectives for Cbus, established a Crisis Management Team, with the first purpose of ensuring the safety and wellbeing of our people. The team was able to quickly provide the technological and ergonomic support to establish safe home offices and redeploy required resources to meet operational requirements and members' service needs.

We have redesigned a number of our learning programs to ensure that they can be delivered effectively remotely. Our induction program in its new format has continued to have a strong impact with new employees, with 95% of respondents indicating that they agree or strongly agree that the program has provided them with an awareness and understanding of the Cbus strategy, culture and history.

Similar sentiment has been achieved with our Continued Professional Development (CPD) program of remote learning with 100 % of participants agreeing or strongly agreeing that they will apply the knowledge/skills learned on the program to their job and that the program was interesting and engaging. Manager check-in programs to see that our people are coping and broader wellbeing initiatives have also been introduced to keep us all connected and engaged throughout the crisis.

A further survey of our people in June showed that 97% of respondents believed that Cbus is supporting employees during the COVID-19 pandemic and 87% believe they can do their work as effectively remotely, as they can in the office. 95% believed that Cbus was providing the right amount of communication during the crisis culminating in 94% stating they are proud to work at Cbus.

Conditions for our team

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

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 Governance report at cbussuper.com.au/cs/governance-framework-2020

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 both at the office and in the home and to support employees following an injury or illness.

We also provided training across the organisation on family and domestic 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.



Read more about our people policies on remuneration, pay ratios, training and development and gender at cbussuper.com.au/cs/governance-framework-2020



“Our people are critical to delivering the Fund’s strategy to deliver the best retirement outcomes for our members”

Annual Financial Report

The Cbus Annual Financial Report is based on the Fund's accounting records prepared under Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. 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.

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 provided to the Fund. The independent auditor's Report is also provided.

Additional procedures performed by the Fund's auditor also cover the existence and valuation of the Fund's investments, held under custody by the Fund's custodian.

The internal controls and procedures and the audit of the existence and valuations of the Funds investment portfolio 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, with a copy of the report 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 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 the accuracy of tax-related matters within the Fund.

External audit

The Fund's external auditor (Ernst & Young) conducts an independent audit of the Fund's 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.

Financial statements

Presented below is an abridged financial summary of the Fund's audited accounts for the last two years. More detailed financial information, including the audited Fund accounts and the auditor's report, can be found in the Fund's annual financial statements available online at:

cbussuper.com.au/cs/annual-financial-statements-2020

Copies of these may be requested by calling us on 1300 361 784.

Statement of financial position as at 30 June 2020

	2020 $'000	2019 $'000
Financial assets	54,178,746	52,611,032
Cash and cash equivalents	31,243	28,678
Other assets	152,423	62,210
Less: Liabilities	(1,331,289)	(1,310,413)
Net assets available for member benefits	**53,031,123**	**51,391,507**
Less: Member's liabilities	(52,598,985)	(50,997,546)
Net assets	**432,138**	**393,961**
Equity		
Operational risk reserve	145,889	143,896
Other reserves	286,249	250,065
Total equity	**432,138**	**393,961**

Income statement for the year ended 30 June 2020

	2020 $'000	2019 $'000
Superannuation activities income		
Interest revenue	250,995	240,056
Distribution and dividend revenue	1,293,930	2,016,609
Changes in fair value of financial instruments	(998,726)	1,390,973
Other income	23,419	24,971
Total superannuation activities income	569,618	3,672,609
Expenses		
Investment expenses	(188,942)	(188,225)
Administration and other operating expenses	(205,043)	(184,182)
Insurance premium expenses	(74,905)	(6,562)
Total expenses	**(468,890)**	**(378,969)**
Results from superannuation activities before income tax expense	**100,728**	**3,293,640**
Income tax expense	147,615	104,987
Results after income tax	**248,343**	**3,188,653**
Less: Net benefits allocated to members accounts	(210,166)	(3,212,231)
Operating result after income tax	**38,177**	**(23,578)**

Members' benefits and changes in equity

Members' benefits

Members' funds represent benefits accrued to members at 30 June 2020.

Statement of changes in member benefits for the year ended 30 June 2020

	2020 $'000	2019 $'000
Opening balance of members' benefits	**50,997,546**	**45,182,953**
Add		
Contributions received	3,800,796	3,533,035
Transfers from other superannuation funds	1,715,062	1,807,165
Net investment income	307,899	3,278,466
Insurance proceeds	300,945	251,558
Less		
Benefits paid to members	(3,625,360)	(2,222,543)
Administration and other fees	(97,733)	(66,235)
Insurance premiums	(281,589)	(291,122)
Income tax on contributions	(518,581)	(475,731)
Closing balance of members' benefits	**52,598,985**	**50,997,546**

Statement of changes in equity for the year ended 30 June 2020

	General reserve $'000	Administration reserve $'000	Insurance reserve $'000	Operational risk reserve $'000	Total equity $'000
Balance as at 30 June 2018	**102,370**	**–**	**187,488**	**127,681**	**417,539**
Balance as at 30 June 2019	**39,538**	**–**	**210,527**	**143,896**	**393,961**
Net transfers (to)/from reserves	(14,946)	14,731	–	215	–
Operating result after income tax	71,428	6,185	(41,214)	1,778	38,177
Closing balance as at 30 June 2020	**96,020**	**20,916**	**169,313**	**145,889**	**432,138**

General Reserve

The purpose of the General Reserve is to manage the receipt of investment income and the payment of investment related expenses and tax. The reserve is also used for the allocation of investment earnings to members via the process of declaring daily crediting rates.

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

- the operational running costs of the Funds investment operations
- manage the Funds crediting rate process
- receipt net investment earnings
- apply net investment earnings to members of the Fund
- manage the tax payments and receipts relating to investment tax.

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.

Administration Reserve

The purpose of the Administration Reserve is to manage the receipt of administration levies and the payment of Fund administration and operating expenses. The reserve is also used to cover unexpected and unbudgeted expenses of the Fund and to meet any other expenses which the trustee deems ought to be met from the Administration Reserve, rather than directly from members' accounts. The long-term aim is to hold an Administration Reserve within a range of 0.01%-0.25% of the Fund's net assets.

The trustee Board has determined that the Administration Reserve is to be maintained within a range of 0.01%-0.25% of Fund net assets and a target level of 0.10% of Fund net assets. The factors considered in setting this range include:

- the administrative and 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
- the Fund's expected future Capital Expenditure on products and service
- enterprise risk management framework and profile considerations and requirements
- impacts on member equity over time, and
- the level and type of fees charged to members.

The level of the reserve is reviewed annually as part of the Fund's annual business planning and budget process or as otherwise required.

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 2020 financial year.

Insurance Reserve

The insurance reserve is funded from premiums deducted from members' accounts, the 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)
2019/2020	($32,200,000) paid by Cbus
2018/2019	$39,364,566 received by Cbus
2017/2018	$38,155,241 received 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 2020, the contingent liability on a tax adjusted basis to insurers was $131,297,279, and the insurance reserve had an additional $38,015,884. As the insurance reserve is in a healthy position, Cbus is applying 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 information subject to assurance comprising pages 5 to 67 of the Cbus Annual Integrated Report 2020 for the year ended 30 June 2020 is not prepared, in all material respects, in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> Framework.

Information Subject to Assurance

Information subject to assurance comprises pages 5 to 67 of the Cbus Annual Integrated Report 2020 for the year ended 30 June 2020 (Cbus Integrated Report).

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting is the the International Integrated Reporting Council's International Integrated Reporting <IR> Framework (<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 considering Cbus's own materiality assessment with reference to 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 Integrated Report 2020 for the year ended 30 June 2020 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.

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.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Cbus Integrated Report for the year ended 30 June 2020, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

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

KPMG

KPMG

Julia Bilyanska

Julia Bilyanska
Director
Melbourne

9 November 2020

© 2020 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are registered trademarks or trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Investment managers

Cbus Total Investments	At 30 June 2020		At 30 June 2019	
	($ millions)	(%)	($ millions)	(%)
Australian Equities				
Industry Funds Management	3,742.92	6.91	3,587.75	6.82
Paradice Investment Management	1,842.57	3.40	1,929.31	3.67
Perpetual Investment Management	1,537.25	2.84	1,421.72	2.70
Magellan Asset Management Ltd (formerly Airley Funds Management)	1,512.46	2.79	1,345.39	2.56
Hyperion Asset Management	1,343.77	2.48	1,296.72	2.46
Ausbil Dexia	1,272.40	2.35	1,241.74	2.36
Cbus Internally Managed	857.20	1.58	207.51	0.39
Allan Gray Australia	747.50	1.38	918.27	1.75
Novaport Capital Pty Ltd	207.19	0.38	220.20	0.42
Ellerston Capital	205.17	0.38	1,007.73	1.92
First Sentier Investors Realindex Pty Ltd[4]	197.59	0.36	202.73	0.39
Cbus Self Managed	61.29	0.11	45.36	0.09
Mesirow Financial Currency Management[2]	19.07	0.04	-7.92	-0.02
Other[1]	1.51	0.00	1.45	0.00
Challenger Investment Solutions Management Pty Ltd	-73.72	-0.14	-59.04	-0.11
Total Australian Equities	**13,474.18**	**24.87**	**13,358.92**	**25.39**
Emerging Markets				
Wellington Management Company	481.89	0.89	660.98	1.26
Comgest Far East Limited	438.05	0.81	284.29	0.54
Cbus Internally Managed	409.79	0.76	–	–
Invesco	395.78	0.73	306.42	0.58
First Sentier Investors Realindex Pty Ltd	385.54	0.67	–	–
GQG Partners LLC	374.76	0.69	–	–
Global Thematic Partners	214.01	0.40	147.96	0.28
SSGM Equities Exposure	62.53	0.12	–	–
Mesirow Financial Currency Management[2]	35.26	0.07	–	–
Other[1]	0.57	0.00	0.49	0.00
Stewart Investors	–	–	216.82	0.41
Genesis Emerging Markets Investment Company	–	–	360.16	0.68
Total Emerging Markets	**2,798.18**	**5.16**	**1,977.12**	**3.76**

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

Cbus Total Investments	At 30 June 2020		At 30 June 2019	
	($ millions)	(%)	($ millions)	(%)
International Equities				
Cbus Internally Managed	2,319.87	4.28	1,873.62	3.56
First Sentier Investors Realindex Pty Ltd[4]	1,609.05	2.97	–	–
First Sentier Investors Realindex Pty Ltd	310.67	0.57	1,895.97	3.60
Citigroup Global Markets Australia	1,640.43	3.03	–	–
AQR Capital Management[4]	1,353.25	2.50	1,518.16	2.89
Orbis Investment Management	1,350.31	2.49	1,378.11	2.62
Baillie Gifford Overseas	1,328.10	2.45	1,143.10	2.17
Mesirow Financial Currency Management[2]	204.34	0.38	-85.47	-0.16
Capstone Investment Advisors LLC	172.95	0.32	–	–
Challenger Investment Solutions Management Pty Ltd	42.81	0.08	28.03	0.05
State Street Bank and Trust Company	14.26	0.03	368.37	0.70
Global Thematic Partners	7.50	0.01	1,735.63	3.30
Vanguard Investments Australia	2.58	0.00	1,113.41	2.12
Other[1]	2.11	0.00	2.51	0.00
Total International Equities	**10,358.22**	**19.12**	**10,971.44**	**20.85**
Property				
Cbus Property	3,355.95	6.19	3,194.19	6.07
ISPT	1,651.33	3.05	1,632.65	3.10
AMP Capital Investors	537.83	0.99	566.46	1.08
Heitman LLC	216.98	0.40	171.37	0.33
Resolution Capital	153.26	0.28	159.73	0.30
Mesirow Financial Currency Management[2]	15.40	0.03	-7.20	-0.01
Other[1]	0.16	0.00	0.65	0.00
Total Property	**5,930.90**	**10.95**	**5,717.85**	**10.87**
Infrastructure				
Industry Funds Management	3,351.85	6.19	3,764.05	7.15
Morrison & Co Utilities Management	1,352.79	2.50	1,396.76	2.65
Cbus Internally Managed	948.16	1.75	371.41	0.71
Rare Infrastructure	27.44	0.05	28.18	0.05
Mesirow Financial Currency Management[2]	17.28	0.03	3.64	0.01
Total Infrastructure	**5,697.52**	**10.52**	**5,564.04**	**10.58**

Investment managers (continued)

Cbus Total Investments	At 30 June 2020		At 30 June 2019	
	($ millions)	(%)	($ millions)	(%)
Private Equity				
ROC Private Equity	571.23	1.05	591.05	1.12
Cbus Strategic Assets	398.81	0.74	417.99	0.79
Siguler Guff & Company	156.91	0.29	165.85	0.32
Newbury Associates	114.19	0.21	132.37	0.25
Industry Funds Management	67.99	0.13	128.43	0.24
Mesirow Financial Private Equity Advisors	65.92	0.12	81.27	0.15
VenCap International	64.84	0.12	76.39	0.15
Stafford Capital Partners	31.74	0.06	41.18	0.08
LGT Capital Partners	24.05	0.04	37.91	0.07
Mesirow Financial Currency Management[2]	15.83	0.03	-16.62	-0.03
Other[1]	7.44	0.01	13.06	0.02
Total Private Equity	**1,518.95**	**2.80**	**1,668.89**	**3.17**
Alternative Growth				
Industry Funds Management	266.98	0.49	260.74	0.50
Cbus Internally Managed	201.52	0.37	–	–
GAM International Management Limited	–	–	275.80	0.52
Capital Dynamics	32.58	0.06	–	–
TPG Opportunities Partners II	11.24	0.02	16.97	0.03
Artwork	8.60	0.02	8.29	0.02
Mesirow Financial Currency Management[2]	1.39	0.00	-0.71	-0.00
Other[1]	4.16	0.01	28.53	0.05
Bridgewater Associates	–	–	631.21	1.20
Total Alternative Growth	**526.47**	**0.97**	**1,220.82**	**2.32**
Fixed Interest				
Vanguard Investments Australia	2,650.30	4.89	6,101.11	11.60
Vanguard Investments Australia[4]	2,886.33	5.33	–	–
Cbus Internally Managed	148.71	0.27	–	–
Cbus Self Managed	2.80	0.01	2.47	0.00
Other[1]	0.03	0.00	0.32	0.00

Cbus Total Investments	At 30 June 2020		At 30 June 2019	
	($ millions)	(%)	($ millions)	(%)
Mid-Risk Alternatives				
Industry Funds Management	1,121.07	2.07	1,071.87	2.04
Barings	683.81	1.26	719.16	1.37
Cbus Internally Managed	204.51	0.38	49.96	0.09
ME Portfolio Management	12.07	0.02	30.60	0.06
Hayfin Direct Lending	6.81	0.01	10.90	0.02
Mesirow Financial Currency Management[2]	0.21	0.00	0.11	0.00
T Rowe Price	–	–	305.89	0.58
Maxcap	–	–	82.83	0.16
Total Mid-Risk Alternatives	**2,028.47**	**3.74**	**2,271.31**	**4.32**
Cash				
Industry Funds Management	3,202.86	5.91	2,004.53	3.81
Cbus Internally Managed	2,172.34	4.01	1,116.75	2.12
First Sentier Investment (formerly Colonial First State Asset Management)	643.45	1.19	518.98	0.99
Challenger Investment Solutions Pty Ltd	108.36	0.20	98.57	0.19
Cbus Self Managed	30.64	0.06	17.98	0.03
Total Cash	**6,157.65**	**11.37**	**3,756.80**	**7.14**
Total Investments	**54,178.73**	**100.00**	**52,611.03**	**100.00**

Notes

1. Other may include operational cash, options, small holdings and small holdings in transition, 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.
4. Hybrid strategy implemented by external investment manager.

> We're driven to maximise our members' retirement outcomes, with all profits going to them, not to shareholders



Annual Integrated Report 2020

Cbus National Office

Level 22, 130 Lonsdale Street, Melbourne VIC 3000

For more information:

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

Write to: Locked Bag 5056, Parramatta, NSW 2124

Visit: www.cbussuper.com.au

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

Follow us

facebook.com/cbussuperfund

linkedin.com/company/cbus-super-fund

twitter.com/cbussuperfund

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 commentsor queries about this report to: annualreport@cbussuper.com.au

You can also review this report online

cbussuper.com.au/annualreport

Cbus was honoured to be recognised with these awards:

- **Canstar 5-Star Outstanding Value**
  2020 Account Based Pension
- **IGCC 2019 Climate Awards**
  Outstanding Initiative by an Asset Owner
- **SuperRatings**
  Momentum Fund of the Year
- **Money Magazine,**
  Best of the Best Awards 2020
  Best Growth Super Product
- **Money Magazine,**
  Best of the Best Awards 2020
  Best Pension Fund
- **Chant West**
  Specialist Fund of the Year May 2020
- **2019 Rainmaker**
  Selecting Super Awards
  Best in Show Pension
- **WGEA**
  Employer of Choice for Gender Equality 2019-20
- **AIST 2019**
  Corporate Reporting Award

For further information about the methodology used by Chant West, see chantwest.com.au