Responsible Investment Supplement 2020

Building a better future

Contents

Our reporting suite

Cbus Annual Integrated Report 2020

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

Supplements

Responsible Investment

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

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

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

Governance

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

cbussuper.com.au/cs/governance-2020

GRI Standards Content Index

A table containing the GRI Standards Cbus has reported on. Provides the location of information linked to the Standard within the Annual Integrated Report, supplements and the Cbus website.

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

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

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

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

1

Why responsible investment is important for long-term value creation

At Cbus, we believe investing responsibly is important for our members' long-term returns and their quality of life in retirement. As a responsible investor, we consider the long-term material environmental, social and governance (ESG) risks and opportunities in investment decisions. That is, the ESG risks and opportunities most likely to have a significant impact on the value of an investment. Companies that take ESG factors into account are likely to have sustainable business models and an ability to generate long-term returns for our members.

Our Responsible Investment Policy details how we consider ESG risks and opportunities in our investment decisions in accordance with the Investment Governance Framework 2019. Responsible investment applies to all the Funds investment activities and is shaped by the Fund's investment strategy.

Leading by example

We have a history of leadership in responsible investment which has been evolving over the past 19 years, demonstrated through Cbus' inclusion in the Principles of Responsible Investment (PRI) Leaders Group for responsible investment excellent.

Our leadership in integrating ESG issues into investment decision making was also recognised when the Investor Group of Climate Change (IGCC) awarded Cbus the Outstanding Initiative by an Asset Owner award in October 2019. This prestigious award acknowledges our commitment to delivering outcomes related to climate change through our investment portfolio. We were recognised for our Climate Change Roadmap (page 20), our commitments to net zero emissions for the property and infrastructure portfolios and the 1% allocation to climate-related solutions in the Growth (Cbus MySuper) default investment option (see page 18).

Principles of Responsible Investment Assessment Report

Cbus is a signatory to the Principles of Responsible Investment (PRI). Annually we are assessed and benchmarked against the PRI accountability survey about how well we are incorporating responsible investment across the portfolio, and within each asset class in comparison to our peers.

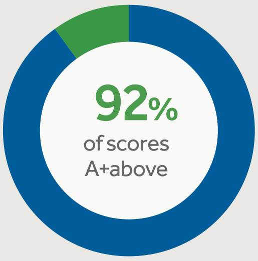
The strong results from the 2020 assessment demonstrates our leadership and commitment to responsible investment and is a reflection of our investment belief that ESG considerations can help improve long-term returns for members. An independent third party provided assurance to our report submission.

You can read more about our approach at: cbussuper.com.au/about-us/sustainability

You can read more about the PRI Leaders Group here: unpri.org/the-pri-leaders-group/4771.article

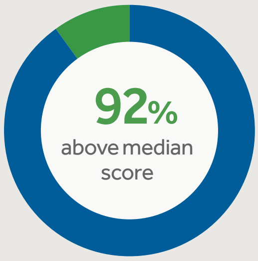
You can read more about the Outstanding Initiative by an Asset Owner award here: igcc.org.au

2020 PRI scorecard



2019 **46%**
2018 **45%**
2017 **37%**
2016 **45%**

2019 **100%**
2018 **90%**
2017 **55%**
2016 **18%**



2019 **92%**
2018 **100%**
2017 **91%**
2016 **100%**

You can access our PRI Assessment and Transparency reports at cbussuper.com.au/sustainability for more information on the PRI, visit unpri.org

We are a signatory of the Tobacco Free Finance Pledge as a strong alignment with our focus on being a responsible investor of our members' retirement savings.

While our members aren't typically employed in health or medical professions, we viewed the impact tobacco has on Cbus members as an important consideration. A percentage of death benefits paid each year to members are from deaths related to lung cancer.

We see our support through being a signatory of the Tobacco Free Finance Pledge as a strong alignment with our focus on being a responsible investor of our members' retirement savings.

We take a 'whole of fund' approach to responsible investment and do not offer a standalone ethical or socially responsible option. Cbus does not invest in shares of companies that we consider to be unsuitable for our Fund to invest in on behalf of members and their long-term investment returns.

We therefore exclude investment in companies involved in the manufacturing of controversial weapons, tobacco products and companies identified in emerging markets as having poor ESG practices.

No tobacco

No controversial weapons

What members think responsible investment means

In the 2019/20 financial year, we conducted research with our member and employer groups to better understand their interpretation of responsible investment, where we can improve communication about the work we do and how it leads to better outcomes for their retirement.

Our members place a high degree of trust in Cbus and this extends to their view on how we approach investing their super. With many of our members employed in building and construction, they understand the importance of issues like labour rights and safety however they are starting to think more broadly and support the work we do across the board on issues like climate change, such as preparing for the net zero emissions economy.

2 Integration

Cbus takes a 'whole of fund' approach and applies responsible investment to all investment activities including across all geographic locations; all assets classes; through our direct, mandated and pooled funds; and through both passive and active investing. We seek to be a leader in responsible investment for the asset classes in which we invest directly.

Our ESG integration approach is based on assessing the financial materiality of ESG issues when selecting an asset or manager and through ongoing monitoring. The manner and extent to which responsible investment is incorporated into investment decision making will differ and is dependent on the investment characteristics of each strategy.

How we do it

In order to help us implement this approach we utilise third party ESG research, data, and analytics providers. One of our focuses throughout the year has been to increase the coverage and type of ESG data capabilities in order to better assess company risk and identify potential opportunities.

One such example is our use of the Sustainability Accounting Standards Board (SASB). SASB is a framework that enables us to identify the material ESG risks and opportunities at a sector level. We believe standardised frameworks help achieve consistent ESG integration across all asset classes. These types of platforms will enable us to more closely monitor ESG risks associated with investments.

As an extension of this framework, we are now able to leverage artificial intelligence to assess the sustainability performance of companies in which we invest, by utilising the services of another third-party analytics provider, called TruValue Labs. We also adopt custom in house reviews of certain ESG thematics that are more relevant to Cbus in building and construction.

Investment managers

Responsible investment is a component of the investment manager selection and appointment process. We prefer to appoint investment managers that have sound ESG practices or are actively developing their approach.

Mandates afford Cbus a greater level of control. They provide greater transparency and the ability to actively engage with both investment managers and the underlying companies on responsible investment matters.

An innovative approach to integrating transition risk

To manage stranded asset risk, which arises from fossil fuel exposed companies that have high exposure to carbon intensive products or operations failing to transition to a low carbon economy, we have applied a climate change transition risk metric to one of our internal quantitative strategies.

A penalty weighting is applied to companies that have high operational and product climate risk, whilst companies with exposure to asset stranding are constrained to zero weight. This approach achieves a similar result to an exclusion.

We are looking to apply this method across all our quantitative strategies. Our approach to managing fossil fuel exposures will continue to evolve particularly with our external active equity managers.

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.

Integrating the UN Sustainable Development Goals (SDGs)

In 2017 we adopted the SDGs. They are increasingly important as we consider how we invest and the outcomes those investments have on the society in which our members will retire. We have identified seven SDGs that we can make the most significant contribution to. We have been looking at ways we can integrate SDGs into our direct investment decisions and measuring our contributions in this area. We have also been engaging with large international pension funds on how investors like us can invest responsibly and sustainably to make a difference on a local and global scale.

We have undertaken significant work to test and refine approaches to SDG integration for our direct investment strategies. Activities include:

- **SDG Transforming Australia progress report:** Funding and knowledge sharing with Australian Council of Super Investors (ACSI) and other super funds involved in the project. The report provides key information about how Australia is progressing towards achievement of the SDGs
- **Member of the PRI SDG Advisory Committee**
- **Mapped our equities portfolio using several different methods**
- **Internal direct global equity integration:** external SDG information has become part of stock and peer reviews
- **Internal direct infrastructure:** Through due diligence, the team has identified key questions that relate to both ESG and SDGs. This is incorporated into valuation discussions if material to operations e.g. physical impacts of climate risks on airports
- **SASB provides a systematic approach to ESG integration.** SASB has mapped each ESG metric within its materiality framework against SDGs. SASB is being rolled out across all relevant asset classes.

We have instigated an internal SDG working group across asset classes. Our approach continues to evolve as data improves and we find more effective ways to measure our contribution.

For more information on the SDGs please visit sdgs.un.org/goals

3 Stewardship

Cbus has a long history of active ownership, commencing with engagement and voting over 15 years ago. The aim is to enhance long-term value creation and minimise risk. Ultimately, we want to generate sustainable returns for our members so they can retire with dignity.

Our stewardship activities include voting, engaging with companies (directly and collaboratively and through service providers), the consideration of stewardship of our external managers and advocacy.

A range of inputs inform our voting positions, including from internal teams who hold the stock, fund managers, stakeholders and insights from company engagement. With this information we form our own views, based on the long-term interests of our members.

You can read our Stewardship Statement by visiting our website at cbussuper.com.au/content/dam/cbus/files/governance/reporting/Stewardship-Statement.pdf

Engagement

We acknowledge the responsibility of our influence in the Australian market. This reflects the size and ownership in Australian companies and assets, and the location of our members.

Engaging with companies allows us to communicate the interests of our members, enhance long-term value creation and minimise ESG risks. There are three methods of engagement:

Direct engagement

Involves one to one meetings with companies on material ESG issues of importance to our members for example climate, safety and other workforce issues.

Service provider engagements

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

Collaborative engagement

With industry partners that share a common purpose. For example, through the Climate Action 100+ initiative.

You can read more about the initiative at climateaction100.wordpress.com/

Direct engagement

Considering Indigenous and community relations

The construction and building industry is one of the largest employers of Aboriginal and Torres Strait Islander males at around 16% (ABS, Oct 23, 2017).

Cbus believes in the cause of reconciliation and is committed to contributing towards social change and economic opportunities for Aboriginal and Torres Strait Islander Australians. We have developed a Reconciliation Action Plan (RAP) that is our first step along the road to reconciliation.

We are also exploring how we can more effectively consider cultural heritage and Indigenous and community relations issues in our stewardship efforts. Following the tragic events at Juukan Gorge with the destruction of a 46,000-year-old First Nations sacred site by Rio Tinto, the need to accelerate our focus in this area has been prioritised.

Cbus representatives co-chair an ACSI First Nations working group which will develop a program of work likely to include research, engagement and advocacy. Our focus on this issue is on ensuring that companies more effectively manage cultural heritage and Indigenous relations to maintain their social licence to operate.

We are very conscious of complexities we don't yet fully understand around interactions between companies, Native Title and Indigenous peoples and we will ensure our 'best intentions' don't lead to unintended consequences.

Juukan Gorge

In May 2020, blasting by Rio Tinto (RIO) to expand its Brockman iron ore operation in the Pilbara destroyed two ancient rock shelters in Juukan Gorge, causing distress to the Traditional Owners and the wider Puutu Kunti Kurrama and Pinikura community. Three separate archaeological digs at the site found evidence of human occupation dating back 46,000 years, making it one of Australia's earliest occupied sites.

RIO has conducted a board-led review. At the same time a Joint Standing Committee inquiry is being held into WA's Aboriginal Heritage Act. We have liaised with our managers and numbers of other asset owners. Cbus has met with RIO Board representatives on several occasions.

In response to investor feedback, RIO recently accepted the need for greater executive accountability, leading to the CEO, the chief executive of its iron ore business, and the group executive responsible for corporate relations, stepping down from their roles. An Australian-based director has been appointed the Senior Independent Director for Rio Tinto Limited and will assume the principal responsibility for communicating with stakeholders in Australia. Engagement with the company continues.

Service provider engagements

ACSI

We were one of the founding members of ACSI, a collaborative and collective voice on important ESG issues. In FY 19/20, ACSI conducted 264 engagement meetings with 189 ASX300 companies, including engagement with some companies on more than one ESG issue.

Issue	ACSI outcomes with Australian listed companies
Climate change	At the end of 2019, 18 of 20 companies made material improvements in their management of climate change risks and opportunities: • An insurance provider has produced material insights into its physical risk exposure and used the Science Based Targets initiative scenarios for 2050 • A resources company produced Taskforce on Climate-related Financial Disclosures (TCFD) aligned reporting, conducted scenario analysis for the manufacturing business and measured scope 3 emissions
Diversity	At the end of 2019, 34 companies appointed women to their boards: • 11 appointed their first woman and 23 appointed their 2nd • Board gender diversity topped 30% in the ASX200 • Following a merger, a telecommunications company which previously had zero women on its Board, appointed 2 female directors
Human rights and supply chain	Reporting improvements were achieved at eight of 10 companies on workforce and supply chain issues, including modern slavery (for example, a grower, packer and marketer of fresh fruit and vegetables agreed to report on labour hire firm assessments)
Remuneration	Improvements in executive remuneration were made in 27 companies including greater transparency in executive performance targets required to meet higher hurdles, along with lower incentive payments to improve alignment with long-term investors.

FY 2021 key engagement priorities include climate change (strategy, exposure and disclosure), board diversity, workforce (modern slavery, social impacts of climate change, wage underpayments, safety); and governance (culture and remuneration).

Raising capital during COVID-19

Many of the companies in which we invest have been impacted by COVID-19, with some losing most of their revenue almost overnight. To bolster their balance sheets, some have turned to investors to raise more capital. While it is positive to see capital markets continuing to function well, there are risks to existing shareholders like Cbus from unfairly allocated raisings.

Under Australian rules, companies can issue up to 15% of shares to any shareholder – often at large discounts to the prevailing price. After COVID-19, this capacity was increased to 25%. Poorly allocated raisings risk diluting our interests and transferring value away from Cbus and our members.

In response to this increasing risk, early in April 2020 ACSI wrote to all ASX300 company boards to urge them to actively oversee raisings and how they are allocated. This was followed with extensive engagement with companies. Cbus also votes against placements where our holdings have been diluted and shareholders have not been treated equitably. Positively, we are seeing many companies take this issue seriously and publicly announce their allocation policy ahead of a raising.

COVID-19 will have a range of implications for voting, Cbus will review companies on a case-by-case basis and will consider capital raisings, remuneration, employee/workforce impacts and broader community expectations.

Service provider engagements

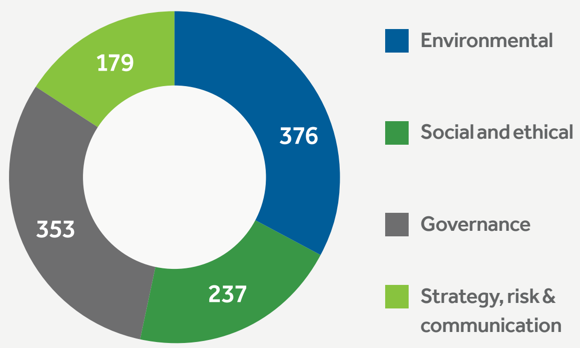
Federated Hermes EOS

Federated Hermes EOS undertake engagement and advocacy activities on our behalf for our global holdings. They focus their stewardship on the issues with the greatest potential for long-term positive outcomes for our members. There were 1,145 engagement objectives across various ESG themes including climate change, human capital and labour rights. These objectives are also aligned with the SDGs. In FY 2020, Federated Hermes EOS engaged with 746 companies on our behalf. This equates to approximately 63.2% of our total global holdings.

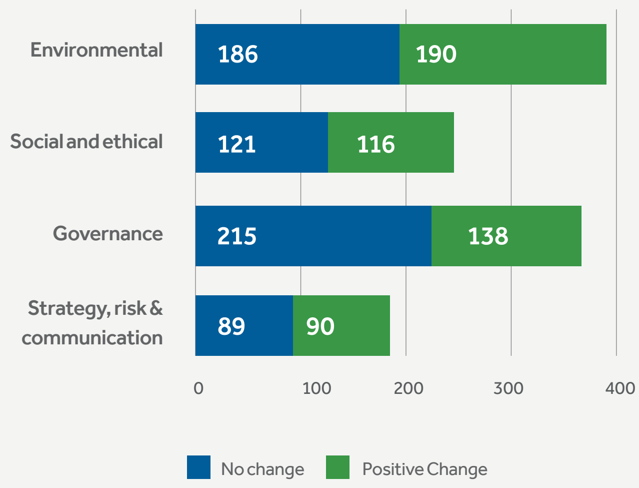
Federated Hermes EOS were able to make progress on 534 of the 1,145 engagement objectives (approximately 46.6%).

Issue	Federated Hermes EOS outcomes with globally listed companies
Climate change	• In August 2019, an insurance company became the first Chinese asset owner signatory of the PRI and committed to integrating ESG factors into its investment strategies and products. • Two car manufacturers announced the ambition for all new car sales to be carbon neutral by 2040. • A British multinational energy and services company announced an ambition to help its customers reduce emissions by 25% by 2030 and to develop a path to net zero by 2050.
Diversity	• In August 2019, a Chinese multinational company that provides internet and mobile value-added services appointed its first female director. • A pharmaceutical company appointed an additional female director ahead of its 2020 annual meeting, bringing board gender diversity to 25%.
Human rights and supply chain	• A Japanese company with clothing brands has improved the working environment of its suppliers and has also partnered with the International Labour Organisation (ILO) to promote decent work environments for its workers in Asia. • A global integrated security company has seen its incident rates and lost time reduce to its lowest levels in 2019. • A large food company has developed local partnerships with non-government organisations and in 2019 extended its cocoa plan initiative to Ghana to mitigate supply chain and child labour risks.
Governance	• A South Korean car manufacturer appointed an external governance specialist to review board candidates leading to an improved mix of board skills and experience.

Engagement objectives by theme



Milestones status of engagement



As a result of COVID-19, Federated Hermes EOS has recently been engaging with companies around their decision making processes in relation to employees, supply chains, customers and other stakeholders. As the crisis evolves, their attention has shifted towards sustainability focused risk management to address how a company can become more resilient to future crises.

Collaborative engagement

Climate Action 100+

Targeting 160 of the world's largest carbon emitters, the initiative continues to grow.

Climate Action 100+ now represents 450 investors with more than US$40 trillion in assets under management.
The work undertaken as part of the initiative has resulted in 7 out of 13 focus companies in Australia now having some level of commitment to 2050 net-zero emissions targets or science-based targets and 12 have reported using the TCFD framework.

For further information about the achievements of the Climate Action 100+ initiative, please refer to climateaction100.org/

Voting

Super funds in Australia invest over AUD 2.7 trillion in assets on behalf of their fund members with many individual funds now becoming significant asset owners. This gives us influence both individually and collectively, but also a lot of responsibility when it comes to proxy voting, especially in Australia.

As a large super fund with sizeable shareholdings, we believe we have an obligation to monitor and positively influence the ESG practices and disclosures of the companies we invest in.

More information about how we vote is on our website at cbussuper.com.au/content/dam/cbus/files/governance/reporting/Key-Voting-Positions.pdf

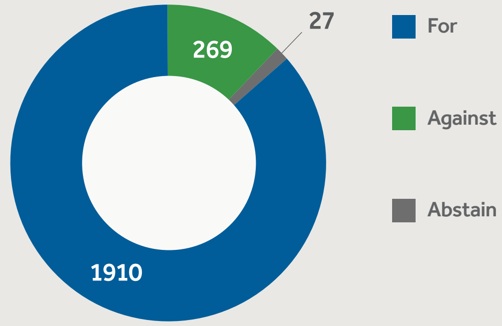
Australian voting

Financial year	# of resolutions voted	FOR (%)	AGAINST (%)	ABSTAIN (%)
2020	2206	87	12	1
2019	2187	87	12	1
2018	2133	87	12	1
2017	1952	87	9	4
2016	1957	89	10	1

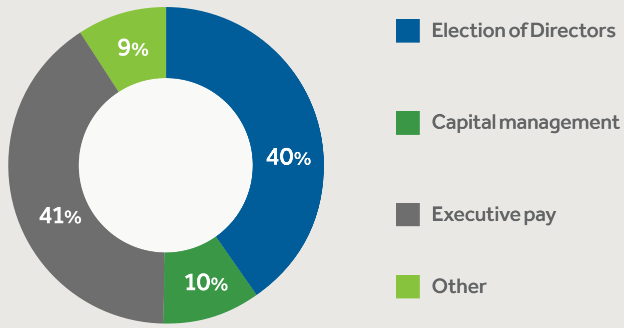
As an example of how we've voted during the year, at this year's AMP AGM, two out three votes opposed AMP's Remuneration Report. Cbus acknowledged the challenging transformation task ahead for executives and the need for the Board to balance performance alongside retention of key executives. However, the value of the incentives was excessive and started vesting below median peer performance and so we were unable to support the remuneration arrangements.

FY 2020 Australian voting outcomes

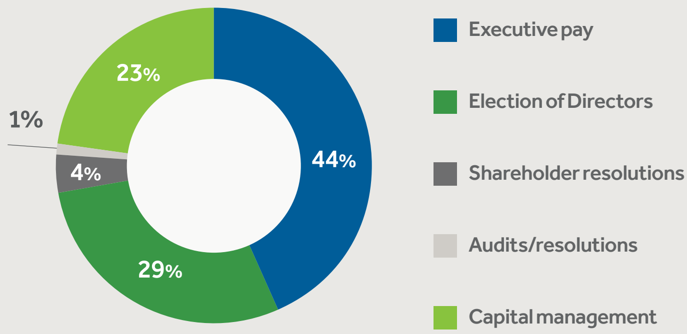
by number of votes



FY 2020 Australian voting resolution by theme



FY2020 issues Cbus voted 'against'



Wage underpayments

Over the past year we have seen some of Australia's largest companies admit to underpaying employees.

Woolworths has undertaken to remediate employees for wage underpayments – currently standing at a record $390m. Wesfarmers (in its Bunnings and industrial divisions), Qantas and Super Retail (which owns MacPac, Rebel, Super Cheap Auto) advised further underpayments during the financial year.

We have engaged with both Woolworths and Wesfarmers directly on the issue and as a result abstained from supporting directors at their 2019 AGMs who were on the audit committee at the time, to signal the need for improved oversight of this key workers' 'rights' and compliance function.

The remuneration report at Woolworths was also not supportable. Even though the company had made commitments for the CEO and Chairman regarding the CEO's incentives and Chairman fees for the financial year 2020, in our view vesting of incentive payments for executives should have been deferred in 2019 until the outcome of the wage underpayment review was complete.

While acknowledging the difficulty that Qantas and Super Retail are facing with the impact of COVID-19 on their business operations, we are engaging to encourage improved oversight of employee wages and will consider company responses when casting our vote at their 2020 AGMs.

Global share voting

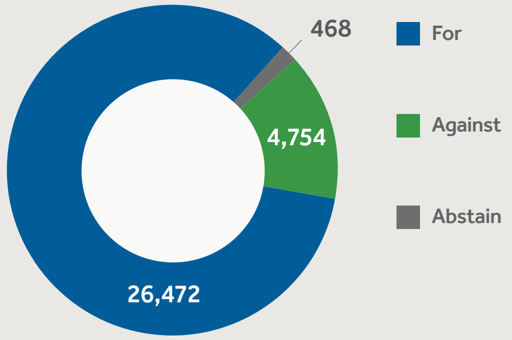
Financial year	# of resolutions voted	FOR (%)	AGAINST (%)	ABSTAIN (%)
2020*	31,694	84	15	1
2019	31,601	79	15	2
2018	31,754	73	22	2
2017	35,850	95	5	-
2016	18,660	89	8	1

* In previous years, data has included the count for Take No Action and No Vote in the total figure. For 2020, data is based on only the above three values.

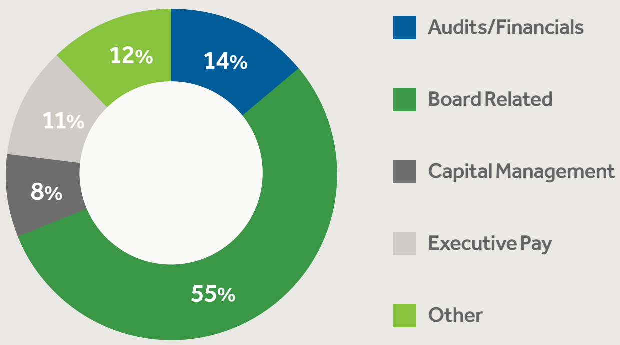
For our international voting, Cbus applies ACSI's International Voting Guidelines based on ACSI's Corporate Governance Guidelines. In FY20, we started actively voting our directly held global equities. We reviewed 75% of AGM's in the global equity portfolio.

FY 2020 Global voting outcomes

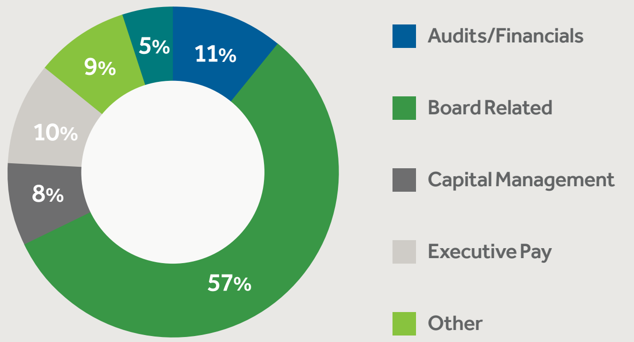
by number of votes



FY 2020 Global voting resolution by theme



FY 2020 issues Cbus voted 'against'



Shareholder proposals

Shareholder Proposals (SHP) are one tool investors have available to express concerns to a company on ESG matters where engagement is proving to be unsuccessful.

We assess SHPs on a case-by-case basis, and our position will differ each year based on a company's progress on a particular matter.

Typically, we have voted 'against' shareholder proposals:

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

We have supported shareholder proposals as a signal to companies that the pace of change by a company is too slow or insufficient or disclosure is inadequate. For ASX companies we inform them about our reasons for supporting the proposal.

We seek a range of inputs to inform our decision as detailed through this report, but in all instances our decisions are made in the best interests of our members.

We voted on 680 shareholder proposals across our Australian and global portfolios.

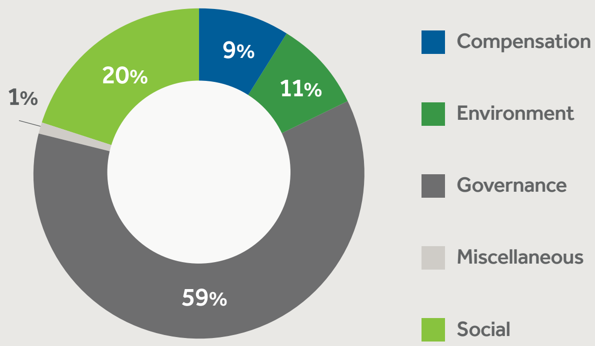
There has been a 25% increase in SHPs in Australia for FY2020. We voted for 40 SHPs for companies listed in the ASX200, including a 200% increase on climate-related resolutions.

For FY2020, the SHPs for the ASX200 were:

- 15 related to constitutional amendments
- 16 related to climate-related solutions
- 9 social focused resolutions.

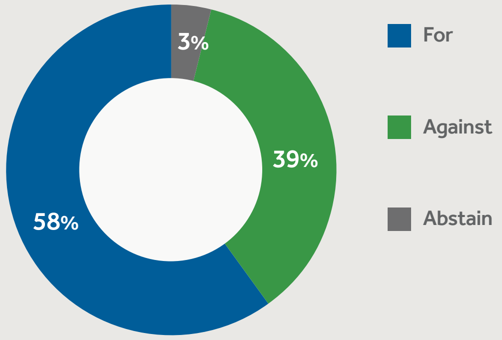
FY2020 Global shareholder proposals by theme

Including Australia



FY2020 Global shareholder proposals by vote

Including Australia



You can find Cbus' voting records on our website at viewpoint.glasslewis.com/WD/?siteId=CBUS

Examples where we voted 'FOR'

Socially focused resolutions	Climate-related solutions
Supply Chain Due Diligence A shareholder proposal asked that Coles' ethical sourcing policies and supply chain due diligence and compliance processes take a multi-stakeholder and worker-centric approach. Cbus supported the proposal on the basis that Coles' resolution was not prescriptive and to signal to Coles to continue focus on improving oversight for the domestic fresh food supply chains.	**Improved disclosure** At the 2020 AGM for Woodside Petroleum (WPL), two proposals were put forward for consideration by shareholders for WPL to consider goals and targets aligned with the goals of the Paris Agreement and for improved disclosure to climate-related lobbying. Cbus supported both SHPs to signal a need for improved disclosure of short, medium- and long-term goals and the need for greater recognition of climate change in executive's short-term incentives.

Advocacy

Cbus undertakes advocacy with the aim to influence the broader market and promote a shift towards a sustainable financial system. The focus is primarily on influencing standards, guidelines and regulatory reform that support long-term value creation. Our preference is to undertake advocacy through collaboration with other stakeholders.

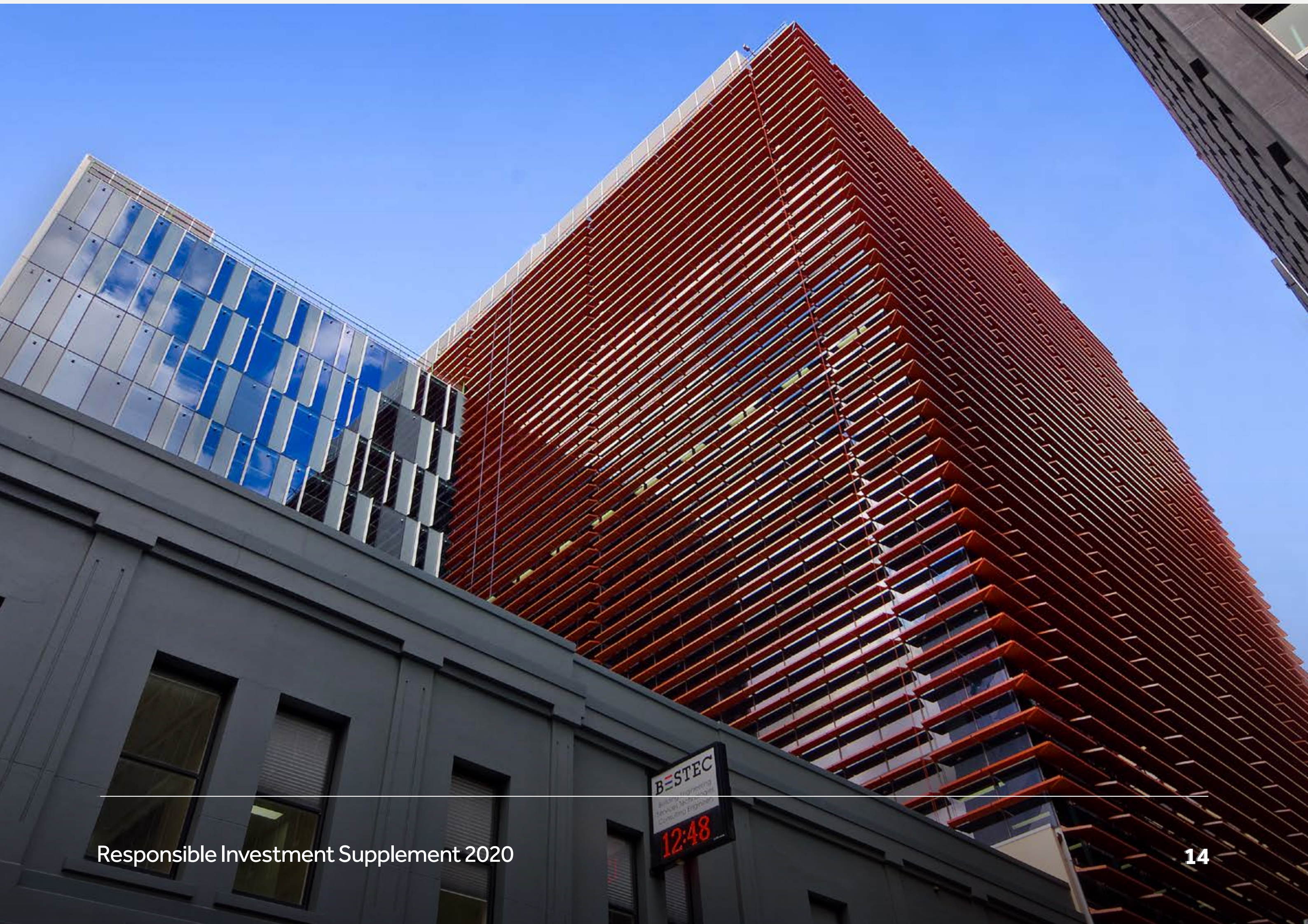
Advocacy - Asset Owners Alliance

To assist Cbus achieve its commitment to net zero greenhouse gas emissions by 2050, we have joined the United Nations Convened Net Zero Asset Owners Alliance. Cbus is the first Australian asset owner to do so. The initiative is convened by the PRI and UNEP Finance Initiative and is supported by global asset owners (representing USD 4.9 trillion in assets under management at September 2020) committed to transitioning their portfolios to net zero emissions by 2050.

Collaborating with Australian and international investors on these initiatives is beneficial in supporting Cbus achieve our own commitments and help influence the broader economy transition to net zero emissions.

UNEP FINANCE INITIATIVE

PRI Principles for Responsible Investment



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Climate change

We believe that climate change presents long-term investment risk and opportunities and is one of the most pressing issues of our time. The global economy faces major disruption and for many of our members, the effects of climate change will be increasing when they are starting to retire.

The Cbus Climate Change Position Statement sets our beliefs on climate change. The Climate Change Roadmap guides the integration of these climate change beliefs and considerations within the broader investment framework. This year marks the conclusion of our first Climate Change Roadmap.

We have undertaken many actions within our portfolio over the financial year to address climate change and decarbonise our investments. The Climate Change Roadmap on page 19, outlines these actions with further detail. Disclosure is guided by the recommendations made in the Taskforce on climate-related Financial Disclosures (TCFD). For information about how we have performed against the TCFD reporting requirements, please refer to page 23.

Measuring our carbon footprint

We are currently undertaking a review of good practice carbon emissions disclosures to ensure alignment with TCFD recommendations, and that we are appropriately communicating our approach to climate transition risk analysis.

For the past five years, we have been reporting the Cbus listed equities portfolio for the Weighted Average Carbon Intensity (WACI). This is also the TCFD recommended carbon intensity measurement. Weighted average carbon intensity is a measure of a portfolio's exposure to carbon intensive companies relative to a benchmark, based on Scope 1 and 2 emissions. This is computed as the sum of the portfolio companies' carbon intensities (emissions output / revenues) and weight of each company holding in the portfolio. This metric identifies carbon intensive companies irrespective of ownership share.

The other carbon emissions measurements we will seek to measure in future include:

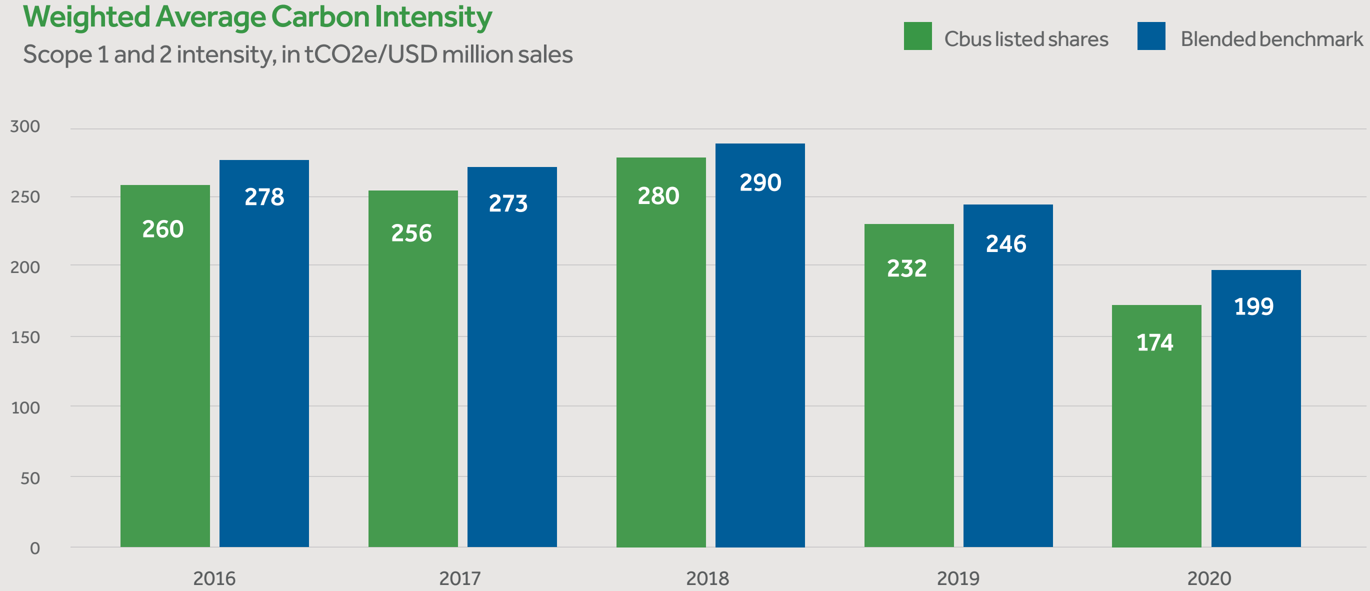
1. Absolute (Total Carbon) Emissions (tCO2e): measures the total carbon emissions, based on our share of ownership in all companies in the portfolio.
2. Financed (Relative) Emissions: refers to the sum of emissions that Cbus owns (based on ownership shares for all companies in portfolio) divided by market value of assets under management. The measurement does not include an assessment of a company's revenues, rather the amount Cbus has invested in that company. This metric enables comparisons with a benchmark, between multiple portfolios, and over time regardless of portfolio size.

Carbon intensity over time

The following chart illustrates the WACI in Cbus' shares portfolio as at 30 June 2020 and changes over time. It demonstrates that our portfolio is less carbon intensive than the reference blended benchmark index and there has been a 32% reduction in intensity from 2018.

Weighted Average Carbon Intensity

Scope 1 and 2 intensity, in tCO2e/USD million sales



Source: 2020 MSCI ESG Research LLC. Reproduced with permission. Blended Benchmark Carbon Intensity exposures are calculated by taking the Asset Allocation weights to Australian, Global and Emerging market shares and applying those weights to the Carbon Intensity exposures of each of the corresponding sectors' indexes. Disclaimer: Although Cbus information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of data herein. None of the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Top holdings contribution to WACI

The top 10 holdings in our actively managed listed equity portfolios contribute to at least 34% to the WACI carbon emissions intensity. This is not necessarily a reflection on the quality of the company, with several having climate reduction targets in place except for emerging markets equities.

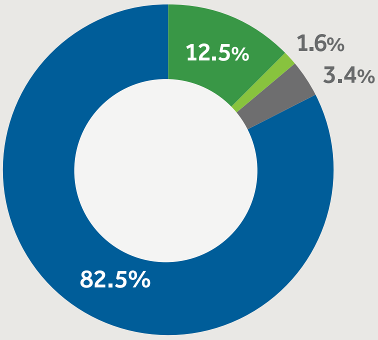
	Company name	Sector	Country
1	Origin Energy Limited	Energy	Australia
2	BHP Group Limited	Materials	Australia
3	Newcrest Mining Limited	Materials	Australia
4	RIO TINTO Limited	Materials	Australia
5	AGL Energy Limited	Utilities	Australia
6	Santos Limited	Energy	Australia
7	Incitec Pivot Limited	Materials	Australia
8	Iluka Resources Limited	Materials	Australia
9	Korea Electric Power Corporation	Utilities	South Korea
10	South32 Limited	Materials	Australia

Source: 2020 MSCI Carbon Portfolio Analytics. Data as at June 2020.

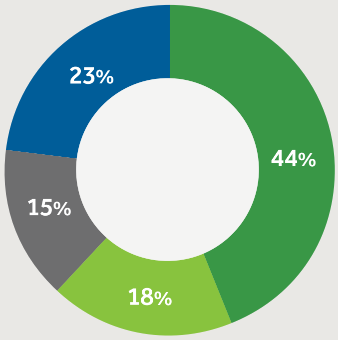
Listed equity exposure to key fossil fuel sectors materials, utilities and energy based on WACI

The following chart illustrates that the Materials, Utilities and Energy Sectors in the Cbus equities portfolio contribute to over 80% of carbon emissions yet make up just 17.5% of the portfolio.

Market Value



Contribution to Carbon Emissions



Source: 2020 MSCI Carbon Portfolio Analytics. Data as at June 2020.

Aligning our quantitative strategies with the transition

We have done a lot of work to mitigate the potential negative performance impacts from uncertainty around companies that are heavily exposed to transition risk within our directly managed quantitative factor strategies.

We have collaborated with peers, strategic investment partners and academia to develop a strategy to address transition risks within this portfolio. As part of this work, in August 2019 we hosted a 'Climate Change Leadership' roundtable in collaboration with MSCI to discuss cutting-edge climate change investment solutions within the asset-owner community.

We have applied the MSCI's Low Carbon Transition (LCT)[1] score to help us reduce our carbon transition risk exposure in our quantitative equity strategies. The LCT score has been developed for investment decision making purposes. It is a comprehensive measure of the carbon intensity profile of companies whilst also considering company management's efforts in addressing their climate risks. Companies are then categorised into varying levels of transition risk. Companies identified as 'asset stranding' will be removed from the investment universe of the quantitative equity portfolios. For more information see - An innovative approach to integrating transition risk on page 5.

1 https://www.msci.com/climate-data-and-metrics

Scenario analysis

Scenario analysis is a key component to enhance our understanding of the risks and opportunities of climate change, address asset stranding and identify opportunities. This work will help with the development of medium-term metrics to measure our progress in reducing our exposure to climate risk. Research is being undertaken on two strands of scenarios and stress testing, namely macroeconomics to assess systematic risks and measuring climate-related financial risks for specific sectors and industries and mispricing of stranded assets.

Cbus has previously undertaken work on scenario analysis with Mercer (2015) and our asset consultant Frontier (2018). While not directly impacting asset allocation, these reports have helped us focus our efforts. Our work in this complex area continues and will also be informed by the work of central banks globally (including the Reserve Bank of Australia).

Thus far, preliminary scenario analysis has been conducted based on the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) framework and consideration of the alternative Shared Socioeconomic Pathways (SSP)[2], drawing implications for impact on aggregate economic growth. Acknowledging there are a wide range of potential outcomes, we have assumed the SSP2 'disorderly scenario' for transition risks as our baseline for the aggregate economic and portfolio impact. The implication of this is being considered as part of the current Annual Strategy Review, with reduced assumptions from baseline GDP growth from 2030 to 2050, due to transition costs and physical risks.

Further allocation to climate-related solutions

In December 2018 we announced an allocation of 1% (approximately $500m) of the Growth (Cbus MySuper) default investment option to climate-related opportunities that sits within the Alternative Growth asset class. This is a multi-asset portfolio with investments from equities, infrastructure, debt and private equity.

The objective of this 1% allocation is to increase investment in climate-related opportunities that cannot sit within existing investment strategies. To meet the objective, we brought together inhouse specialists across different asset classes to identify opportunities with a strategic and thematic focus on climate. Conventional climate related opportunities include renewables and green buildings however there are other opportunities in areas like sustainable transport, water infrastructure, agriculture, waste and information technology that can all support the climate transition. International standards were used, where possible, such as the Climate Bonds Initiative taxonomy to classify any potential climate investment opportunity.

This work resulted in the seed investment of A$80m in Capital Dynamics to fund renewable energy through a leading clean energy manager in Europe and the US, with an additional A$40m to be further invested over time. Investment allocation to climate solutions will continue.

Built environment

For property and infrastructure, energy efficiency and renewable energy play a major role and we have a strong foundation through Cbus Property and our wind and solar investments in Bright Energy Investments.

We have also set targets in this area and committed our real estate and infrastructure portfolios to net zero emissions. You can read more about the progress in meeting these targets in the Climate Change Road Map on page 20.

Carbon Neutral

In December 2019, Cbus met its target of receiving Carbon Neutral Certification from the Australian Federal government.

You can read about this at cbussuper.com.au/content/dam/cbus/files/governance/reporting/Cbus-Carbon-Neutral-Public-Disclosure-Summary.pdf

2 Socioeconomic pathways are key background assumptions in climate scenarios. These assumptions, such as GDP, population and urbanisation, have been standardised by the academic community as the Shared Socioeconomic Pathways (SSPs).

Met
Close to completion
In progress
In development

Climate Change Roadmap – metrics and targets

Action	2018-2020 Performance Indicators	Target 2020	Met/ Not yet	2020 Progress
1. Investment				
Increase investment in climate change-related opportunities	% of climate-related investments in property and infrastructure	1% allocation to climate change solutions	Close to completion	• Seed funded with renewable infrastructure • Shortlisted equity fund managers
2. Integration				
Asset allocation	Climate scenarios incorporated into asset allocation annual review	CC scenarios in annual asset allocation review	In development	• Desktop peer review conducted • Previous Frontier and Mercer asset allocation assessments • It has not been possible to meet the June 2020 target. This is a key action item for the new Climate Roadmap – 2020 and Beyond
Equities	High impact strategies and tools identified for forward looking risk analysis	Identify high impact strategies and transition risk metrics	In progress	• Identified transition risk metric 'Low Carbon Transition Score (LCTS)' • LCTS incorporated into Global Value Quantitative Factor Strategy
Fund managers	% relevant fund managers reporting against TCFD	65% or more reporting by June 2020	Close to completion	• All equities managers now have reporting obligations to keep us informed about progress of implementing the TCFD • Incorporation of reporting requirements into Investment Management Agreements continuing for other asset classes
Portfolio physical risk assessment	% of relevant portfolio undertaken physical risk assessment	100% of portfolio assessed by June 2020	Close to completion	• Engaged a physical risk service provider and 75% portfolio assessed
Risk management	Enterprise risk management metrics identified (annual reporting to Audit and People, Culture and Remuneration Committee)	Completion by June 2019	Met	• This was fully met in 2019
3. Stewardship/active ownership				
Engaging priority companies	Annual meetings (directly or in partnership with ACSI, or Climate 100+ initiative)	100% by June 2020	Close to completion	• Through ACSI and Climate Action 100+, 85% of our largest emitters have been engaged • 100% of the companies are reporting against the TCFD
Shareholder proposals	Actively consider all climate change shareholder proposals	100%	Met	In FY 2020, we actively considered all ASX climate- related shareholder proposals. We supported four of the 12 resolutions

● Met
◕ Close to completion
◑ In progress
◔ In development

Climate Change Roadmap – metrics and targets

Action	2018-2020 Performance Indicators	Target 2020	Met/ Not yet	2020 Progress
4. Advocacy on climate change				
Supporting peak industry climate-change bodies	Contribution to research reports and support for public submissions	Various	●	• Chair, IGCC Management Committee • Chair, IGCC Transition to net zero working group
5. Built environment				
Fund manager engagement	% Australian property fund managers that have introduced science based targets to commit to net zero emissions by a specific date	100% by June 2020	●	• All property fund managers made commitment
	% Infrastructure managers introducing a net zero commitment	N/A	○	• Given the complexity of infrastructure investments, a revised target has been included in the new roadmap
	% property fund managers reporting against GRESB	90% by June 2020	●	• 100% of all property managers (excluding listed managers) report against GRESB
6. Transparency and disclosure				
Cbus disclosures against the TCFD recommendations	% Cbus portfolio compliance against TCFD, including direct investments	Annual reporting	●	• Cbus completed 2nd year of TCFD reporting
	% portfolio undertaken carbon footprint			• >50% portfolio reported carbon footprint
Governance framework approved and disclosed		Investment Committee approved governance framework for climate change	●	• Approved
Revised Climate Change Position Statement		Triennial review of CCPS	◕	• New Climate Change Position Statement released in August 2020
7. Trustee office alignment				
Trustee office carbon neutral	Cbus carbon neutral certified by the Federal Government	Achieve certification	●	• Certified 2019

Cbus headed for the future

This year concludes the current Cbus Climate Change Roadmap.

In August 2020, Cbus released a new Climate Change Position Statement and a new Climate Change Roadmap: Beyond 2020. In doing so we have set new commitments targeting an ambitious 45% reduction in absolute portfolio emissions by 2030 and a commitment to net zero Greenhouse Gas Emission by 2050.

Many of our members will be looking to draw income from their retirement savings in 20 to 30 years' time, when the financial and physical impact of climate change will have intensified. As custodians of our members retirement savings we are obliged to consider the long-term investment implications posed by climate change.

Cbus is a large investor in the global economy and can help direct the pathway towards a net zero emissions economy. We can do this by planning for and managing the impacts of the climate transition and to realise investment opportunities to protect and enhance our members investments. Our actions also have a flow-on benefit to society and the broader economy in which our members work and retire.

Our new two-year roadmap to 2022 will continue to see climate pathways developed across sectors and asset classes, acknowledging the economy will decarbonise at different rates. We will develop a stranded assets framework, building on the LCTS work detailed on page 5 and 17, enabling us to reduce exposure or remove high-risk climate holdings from our portfolio.

"Cbus' Climate Change Roadmap represents a strong and sure determination to see our members retire securely in a safe climate".

"The average Cbus member is 39 years old. It's our responsibility to safeguard their investments as the financial impacts and physical effects of climate change intensify".

"This science has made clear the targets and timeframes. The course that we have charted will see Cbus reduce our portfolio emissions while investing further in renewable energy and climate solutions, as well as avoiding 'stranded assets' as the economy transitions."

Kristian Fok, CIO.

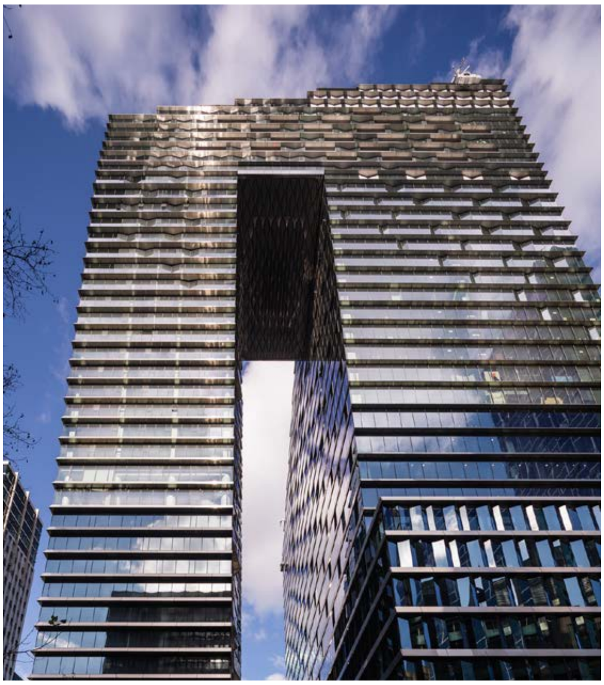
You can view the new roadmap on our website at cbussuper.com.au/content/dam/cbus/files/governance/reporting/Climate-Change-Roadmap.pdf

Cbus Property

Cbus Property aspires to be a sustainability leader in the development and management of commercial and residential buildings. Their sustainability program has been integrated systemically into the way they manage all assets.

This approach has resulted in Cbus Property being awarded the most energy efficient portfolio in Australia by NABERS for 2019.

You can read about Cbus Property's performance and their innovative approach in their 2019 Sustainability Report available at cbusproperty.com.au/sustainability-strategy



ESG performance

Cbus Property assesses its ESG performance against peers in the Global Real Estate Sustainability Benchmark (GRESB). At the time of print, the scores for 2020 had been delayed due to the impact of COVID-19 however we will publish the scores on our website once they are announced.

Cbus Property – managing COVID-19 on site

Cbus Property is committed to supporting those working on development sites during and beyond the COVID-19 virus pandemic. On Cbus Property's 'Langston' development in Epping, NSW, a range of measures were adopted to reduce the risks to those working on site. These measures included:

- Hand sanitiser stations around the site, and additional hand wash stations installed
- Tracking system allowing detailed contact tracing should an outbreak occur
- Signage encouraging social distancing including jump form stencil
- Additional lunch shed accommodation with more separated furniture to encourage social distancing
- Staggered break times
- Additional cleaning of amenities (after each break)
- Focus on COVID awareness during inductions
- Removed bubblers (bottle fill stations only)
- Limited site gatherings and toolbox talks.

Cbus Property is committed to assist in the COVID-19 economic recovery through investing in new development projects that will lead to creating employment and supporting the interests of our members. You can read more about Cbus Property's strategy on page 57 of the Annual Integrated Report.

● Met
◕ Close to completion
◐ In progress
◔ In development

TCFD Recommended Disclosures Index

The table below summarises Cbus' reporting against the TCFD recommended disclosures. This is our third year of reporting. We recognise our disclosures will continue to evolve over time in accordance with our Climate Change Roadmap.

Requirement	2020 met/ not yet	Going forward
Governance		
a) Describe the board's oversight of climate-related risks and opportunities	●	https://www.cbussuper.com.au/about-us/sustainability/board-governance-framework
b) Describe management's role in assessing and managing climate-related risks and opportunities	●	
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	◐	In July we committed to achieving net zero emissions by 2050 and to target a 45% reduction in our absolute portfolio emissions by 2030. These targets will assist in navigating the risks and opportunities in each of our asset classes and across the portfolio.
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	◐	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 20C or lower scenario	◐	During 2020 a further preliminary scenario analysis has been conducted based on the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) framework (which includes the RBA).
Risk management		
a) Describe the organisation's processes for identifying and assessing climate-related risks	◐	Pathways towards our new targets will be developed for each asset class. This will incorporate the work from scenario analysis and establish a baseline for monitoring progress.
b) Describe the organisation's processes for managing climate-related risks	◐	Cbus has already undertaken significant work to understand companies that are at risk of not transitioning either due to products they produce or lack of management capability. We will develop a stranded assets framework to help reduce emissions in the real economy and avoid assets that will increasingly become stranded as the economy transitions.
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	◐	We are developing measurable risk tolerances and indicators.
Metrics, targets and scenario analysis		
a) Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	◐	We will disclose weighted average carbon intensity (WACI) which identifies carbon intensive companies irrespective or level of holding and financed emissions as it is agnostic to growth and enables comparisons with a benchmark, between multiple portfolios, and over time regardless of portfolio size.
b) Disclose Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks	●	We will continue to disclose our carbon footprint.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	●	Our 2030 and 2050 commitments and targets along with our asset class pathways and our broad climate change roadmap will measure our performance.