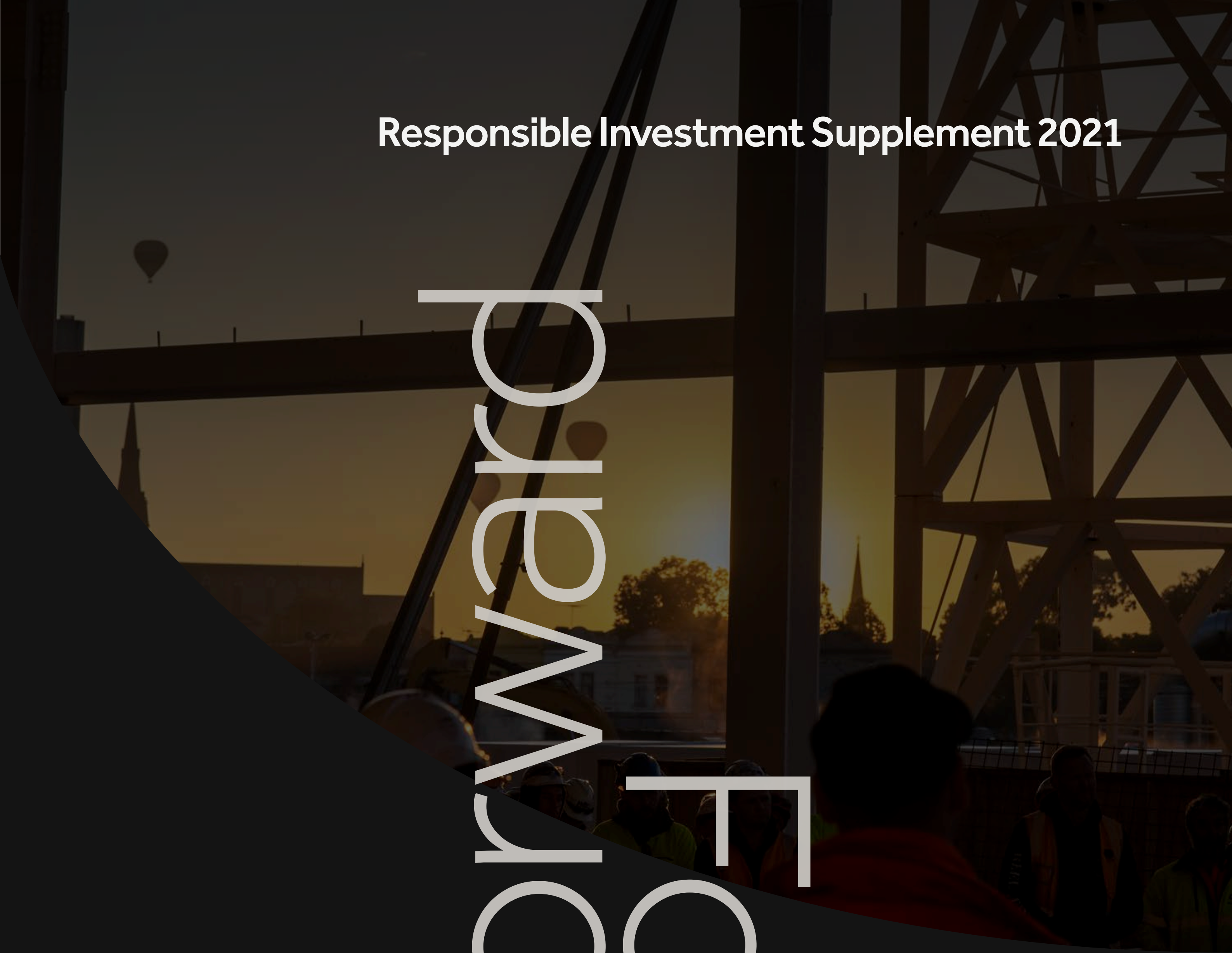

Responsible Investment Supplement 2021

Forward Focus

IN TIMES OF CHANGE

cbus super fund

Contents

Responsible Investment Supplement 2021

The Responsible Investment Supplement reports on the activities that Cbus undertakes to holistically incorporate material environmental, social and governance (ESG) considerations into its investment decision making processes. The supplement was prepared using the Global Reporting Initiative (GRI) Standards, the Taskforce on Climate-Related Financial Disclosures (TCFD) framework and considered the Australian Prudential Regulation Authority's (APRA) draft guidance on managing the financial risks of climate change.

Cbus takes a 'whole of fund' approach and does not offer a stand-alone ethical or socially responsible investment option. Our members, stakeholders and our governing bodies expect us to invest, protect and grow our members' retirement savings and Cbus believes a total portfolio approach and investing responsibly is in our members best financial interests.

The use of external benchmarking such as the Principles for Responsible Investment (PRI) and the Global Real Estate and Infrastructure Benchmarks (GRESB) also ensures that our internal ESG practices are robust and best practice.

We incorporate and consider the long-term impacts and financial risks when investing and advocate across a broad range of issues that impact our members' retirement savings. Our key areas of focus are workplace safety, human, community and labour rights and this year we have undertaken a significant amount of work in the area of climate change.

The Responsible Investment Supplement is a component of our reporting suite, expanding on our Annual Integrated Report. Our responsible investment approach exemplifies integrated thinking in action and is central to Cbus' capacity to generate strong and sustainable value for our members over the long term. As part of our commitment to clear, concise and rigorous transparency around our responsible investment approach, we have included this Responsible Investment Supplement and our disclosures in accordance with the relevant internal policies and procedures developed by Cbus and the Task Force for Climate-Related Financial Disclosures. The assurance report is presented on pages 38 to 39.

Online supplements

We have provided more detailed information about Cbus in our online supplements. This report and the supplements meet the core requirements of the GRI Standards. Our Responsible Investment Supplement reports against the TCFD recommendations.

Responsible Investment

Provides information about our approach to responsible investment, including our active involvement in 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-2021

Cbus Property Sustainability Report

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

cbusproperty.com.au/sustainability-strategy

Annual Financial Statements

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

cbussuper.com.au/cs/annual-financial-statements-2021

cbussuper.com.au/cs/united-super-financial-report-2021

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 Integrated Reporting <IR> Framework**.

cbussuper.com.au/cs/engagement-materiality-2021

Governance

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

cbussuper.com.au/cs/governance-framework-2021

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-2021

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 Responsible Investment Supplement in accordance with relevant internal policies and procedures developed by Cbus and the Task Force for Climate-Related Financial Disclosures. The assurance report is presented on pages 38 to 39.

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Cbus Property's 311 Spencer Street commercial investment in Melbourne

Credit ©Trevor Mein 2020

Our commitment to responsible investing

And why it is important

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

Our key areas of progress this financial year include management of climate-change risks and opportunities, increasing our focus on direct engagement with companies and the enhancement of our approach to integration.

We have improved our ability to measure our progress through the introduction and use of a range of tools and metrics, and developing a better understanding of the pathway to meet our net-zero goals. One of the most significant challenges we are facing as a society today is climate change. 2020 was a challenging time for Australia and whilst we were all navigating our way through the impacts of a global pandemic, bushfires and severe drought also made global headlines. Climate change and its impacts are becoming very real for many Australians and as custodians of our members' retirement savings we are continually considering the long-term financial impacts and implications.

How we approach responsible investing

At Cbus, we take a 'whole of fund' approach and apply responsible investment practices to all our investment activities across our total portfolio. As the leading industry super fund for the construction, building and allied industries, we aim to demonstrate responsible investing leadership in the built environment.

Our responsible investment policy details how we consider ESG risks and opportunities in our investment decisions and our approach is guided by our investment and board governance frameworks.

You can read our Responsible Investment Policy at:

cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf

Our progress

In August 2020, Cbus launched the second iteration of our Climate-change Roadmap which reinforced our support for the Paris Agreement with the setting of two new targets. The reduction of absolute portfolio emissions by 45% by 2030 and net-zero emissions by 2050. The course that we have charted will see Cbus reduce our portfolio emissions while investing further in renewable energy and climate solutions.

We have undertaken a significant amount of work to identify the risk and opportunities associated with climate change. This includes identifying companies that are heavily exposed to carbon-intensive products or operations and are at risk of not transitioning either due to the products they produce or inability or unwillingness to reduce carbon emissions of company operations. The direct outcome of this work is our increased ability to identify the speed at which different sectors and assets within our portfolio need to decarbonise to avoid transition risk and limit global warming. This knowledge will feed into company engagement and voting processes, enhance our ability to assess company transition plans, and enable Cbus to better identify and support companies in their transition to a low-carbon economy. In order to address systemic issues like climate change, individual actions alone are insufficient, and collaboration is essential. We have collaborated with peers, strategic investment partners and academia, and were the first Australian asset owner to join the United Nations convened Asset Owners Alliance.[1] Cbus is proud to be included in the Principle for Responsible Investment (PRI) Leaders' Group 2020, for our responsible investment work in climate reporting.

As the industry fund for the construction, building and allied industries, it also makes sense to invest in sustainable buildings that utilise technology and sustainable building practices and through Cbus Property, we own the most energy efficient commercial property portfolio in the country.[2]

Cbus Property assesses ESG performance against peers in the Global Real Estate Sustainability Benchmark (GRESB). In 2021, Cbus Property received another outstanding result, ranking among the top tier (1 per cent) of all participants.

You can read about Cbus Property's performance and its innovative approach in the 2021 Sustainability Report at:

cbusproperty.com.au/sustainability-strategy/

Our members feedback*

Our members place a high degree of trust in Cbus and how we approach investing their super. As part of ongoing member research, we asked some of our members whether sustainability is important to them.

72%

of Cbus members surveyed either 'strongly agree' or 'somewhat agree' that climate-change needs to be factored into their super fund's investment decisions because it poses both risk and opportunity.

90%

of Cbus members surveyed either 'strongly agree' or 'somewhat agree' that if you're investing for the long term you want those companies you invest in to protect their value and reputation.

88%

of Cbus members surveyed either 'strongly agree'or 'somewhat agree' that companies that do the wrong thing by their customers, employees or the environment are presenting a risk to investors like members of super funds.

*Based on Responsible Investment survey undertaken by Essential Research on behalf of Cbus in 2019/2020. In total 1192 members and 533 employer representatives were surveyed.

[1] The Alliance is an international group of institutional investors committed to transitioning their investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050, which was launched at the Secretary-General's 2019 Climate Action Summit. The initiative is centred upon a united investor action to identify ways to align portfolios with a 1.5°C scenario, addressing the finance goal (Article 2.1c) of the Paris Agreement. [2] Source: nabers.gov.au/portfolio

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Cbus Property's 1 William Street commercial investment in Brisbane

Integration

Integration of responsible investment is an approach that enables more informed investment decisions by including ESG information along with traditional investment factors (for example cashflows, revenues, cost of capital) into the investment decision making processes, to reduce risk or enhance an investment return. This means considering how long-term ESG issues regarded as material, or highly likely to affect business or investment performance, are managed when making investment decisions and choosing and monitoring external investment managers, companies and assets.

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

Key successes during the year:

- the majority of investment staff have completed the principles for responsible investment course 'Getting Started in Responsible Investing' and new investment staff are automatically enrolled in the course upon joining Cbus
- an 'ESG dashboard' has been developed to analyse and report key ESG information. This new tool is available to all investment staff to assess a range of ESG criteria and can be drilled down to an individual investment level. A specific dashboard to monitor carbon emissions and track progress over time is also under development
- as part of our Modern Slavery Roadmap we have undertaken a modern slavery assessment which included reviewing our external investment managers and our direct infrastructure approach to assessing and mitigating modern slavery risk.

A range of tools are used to assess ESG practices and measure, monitor and manage material ESG issues across our external investment managers and asset classes. This is supplemented by third party ESG research, data, and analytics to provide additional insights into company and portfolio ESG performance.

External ESG training is a requirement for all our employees within the investment team. For relevant teams and individuals, annual performance planning includes ESG and specific climate-related key performance metrics.

Working with our external investment managers

Around 38% of our investments are directly managed by Cbus investment staff with the remainder via external investment managers who invest our members' money on our behalf. The quality of ESG integration practices is an important component in the selection and appointment process and the ongoing monitoring of external investment managers.

We work closely with our external investment managers to ensure that material ESG implications are factored into investment decision making. All external investment managers are expected to have sound ESG practices or be actively developing their approach. Our assessment framework for reviewing external investment managers considers the comprehensiveness of the managers' assessment of ESG risks across their portfolio and within investment decision making. To supplement our assessment, we have also developed analytical tools to view each external investment manager across a range of ESG dimensions. All these inputs inform our engagement with managers to understand and uplift practices.

We continue to develop our framework for assessing the ESG approach of our external investment managers and intend to report on future progress.

We focus on three key areas when overseeing integration of ESG practices.

Cbus' directly managed investments

Cbus seeks to be a leader in responsible investment where we directly manage our members' retirement savings. ESG capabilities are being developed for relevant investments and over time we aim to publish guidelines which will provide enhanced insights into how we integrate ESG into internal investment decision making across different asset classes.

For example, within our direct infrastructure investments, we have implemented the Sustainability Accounting Standards Board (SASB)[3] sector-level materiality framework. This forms part of our ESG due diligence to identify risks and opportunities that may impact financial performance for potential new investments. Research with university partners is also undertaken to help inform our ESG approach to investment strategies. We have recently commenced research with Monash University to analyse the systematic application of ESG signals to help inform our investment models for the quantitative equity strategies. Where appropriate, we also use external data sources and service providers to further assess any material issues that have been identified.

Risk management

Material ESG risks are monitored through Cbus' risk framework which includes regular reporting to the risk committee. We also monitor progress towards meeting our climate-change goals and workplace health & safety performance. A substantive review was undertaken over the year to enhance our key risk indicators (for example, the number of fatalities in unlisted assets, quality of manager integration process, net-zero commitments by top 20 emitters) and approach to monitoring the risks. We have added several metrics to monitor progress against our climate-change targets and uplifted the ESG quality metrics for the monitoring of our directly managed investments and external investment managers. Monitoring also occurs against our climate-change and modern slavery roadmaps.

Our key areas

1. **Benchmarking**
   All external investment managers in the portfolio are rated on the quality of their ESG practices and ESG due diligence is undertaken on all new external investment managers prior to appointment. ESG due diligence includes assessment of governance policies and practices, ESG training and resourcing, signatory status with major ESG initiatives, ESG integration practices with specific investigation into climate change, modern slavery and SDG practices, and review of stewardship and engagement activities.
2. **Monitoring**
   The approach to ESG for each external investment manager is monitored over time through surveys and meetings.

   Where relevant, ESG requirements are incorporated into contractual agreements that are monitored at least annually.
3. **Engagement**
   Involves engaging with external investment managers on a key area identified for improvement through the benchmarking process or working with leading investment managers to develop best practice.

[3] The SASB guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each industry.

Exclusions when investing directly in shares

Whilst Cbus' primary approach to responsible investment is through ESG integration, there are occasions where investment in shares of companies considered unsuitable for the long-term investment returns of members. We therefore exclude investments in companies involved in the manufacturing of controversial weapons (such as cluster munitions and land mines), tobacco products and companies identified in emerging markets as having poor ESG practices where Cbus or its external managers do not actively select the stocks.

Integrating the UN Sustainable Development Goals (SDGs)

As a Fund we have committed to meaningfully contribute to the SDGs and aim to assess the outcomes of investments in line with the SDGs. The SDGs are increasingly important and help identify future trends, regulation, and provide insights into investment risks and the impacts those investments have on the society in which our members will retire. We continue to develop and evolve our approach and we have identified seven SDGs that we can make the most significant contribution to.

During the year, we formed an investment team working group to review a range of data service providers to assist with our integration work. Key objectives included:

- suitability for investment decision-making purposes across a range of investment strategies
- to add a risk-management lens to investment decision making
- to monitor and measure outcomes of investments in line with the SDGs.

Some key insights from this review were that this is a rapidly developing area with an extremely diverse range of products with unique methodologies, taxonomies and therefore results. A provider has been selected and the data will be integrated in the coming year. Going forward we aim to be able to disclose more about our use of this data.

Tobacco Free Finance Pledge

Our approach to tobacco exclusion will be audited as part of our signatory of the Tobacco Free Finance Pledge.

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.

You can read more information on the SDGs at:

sdgs.un.org/goals

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Workplace safety

As part of our responsible investing approach, one of our areas of focus relates to employment practices and safety issues. At Cbus, we consider the financial impacts that unsafe workplace practices can have on companies and safety considerations form part of the details set out in the panel overleaf.

Safety disclosures and practices provide insight into a company's operational performance and culture. Serious safety incidents have a significant personal cost to employees and their families and financial costs to employers. They can impact productivity and performance and expose the company to compensation and litigation, and reputational damage.[4]

Over the last 12 months, we engaged directly with a range of companies on safety disclosures. Including where companies did not disclose any information about safety metrics and where they had disclosed a fatality within the last two years, yet disclosure was limited about the incident's cause, lessons and consequence management, and those we'd not previously engaged.

The majority of companies indicated they would enhance their disclosures and engagement will continue with those companies where no such commitment had been made. Responses will form part of our FY22 voting decision process at company meetings.

We also engaged Australian listed companies about their response to fatalities as part of our voting process, leading to a vote against a logistics company's remuneration report and a vote against a director at a construction company.

Over the past year we have also actively engaged an external infrastructure manager to better understand the circumstances of fatalities at investee companies during the last three years. Following extensive engagement, we were able to ascertain that none of the incidents, once investigated by relevant authorities, were found to be caused by negligence or a failure by the manager, nor its investee companies. The manager committed to revise its safety reporting to clients such as Cbus.

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

At Cbus, we consider the financial impacts that unsafe workplace practices can have on companies and safety considerations form part of:

- due diligence for infrastructure assets
- Risk Committee reports on significant safety incidents for our property and infrastructure assets
- reporting requirements in externally managed infrastructure agreements
- a discrete direct engagement program in FY21 focusing on ASX companies that did not disclose any information about safety performance and where there had disclosed a fatality within the last two years
- an external infrastructure manager to better understand the circumstances of any fatalities and receive reports on significant safety incidents and worked collaboratively to identify areas for improvement and share knowledge
- a fatality or a significant safety incident at an ASX300 company. We engage with the company about lessons learned and whether there has been any consequence management
- a contractor and consultant protocol for our direct investments outlining Cbus' expectations of contractors with regards to labour rights, OH&S, procurement and tendering (see page 29).

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Cultural heritage risk management

At Cbus some of the work undertaken in the focus area of cultural heritage risk management includes:

- considering adverse human, community and labour rights when undertaking our stewardship activities (see 'Juukan Gorge – one year on', origin and modern slavery)
- Cbus co-chairs ACSI's Rights and Cultural Heritage Risk Management Working Group (see page 12).

Juukan Gorge – one year on

Last year we reported on the blasting by Rio Tinto (RIO) in the Pilbara that destroyed two ancient rock shelters in Juukan Gorge, causing distress to the traditional owners and the wider Puutu Kunti Kurrama and Pinikura community, reputational damage for the company and financial consequences for investors. This tragic event highlights the substantial consequences for companies, communities and investors when engagement with First Peoples is inadequate and genuine consent is not achieved.

When processes breakdown or are not appropriately overseen it raises questions about a company's policies, standards and internal culture. It can increase the risk of legal costs, project delays, regulatory risk and reputational harm, impacting our members' investments.

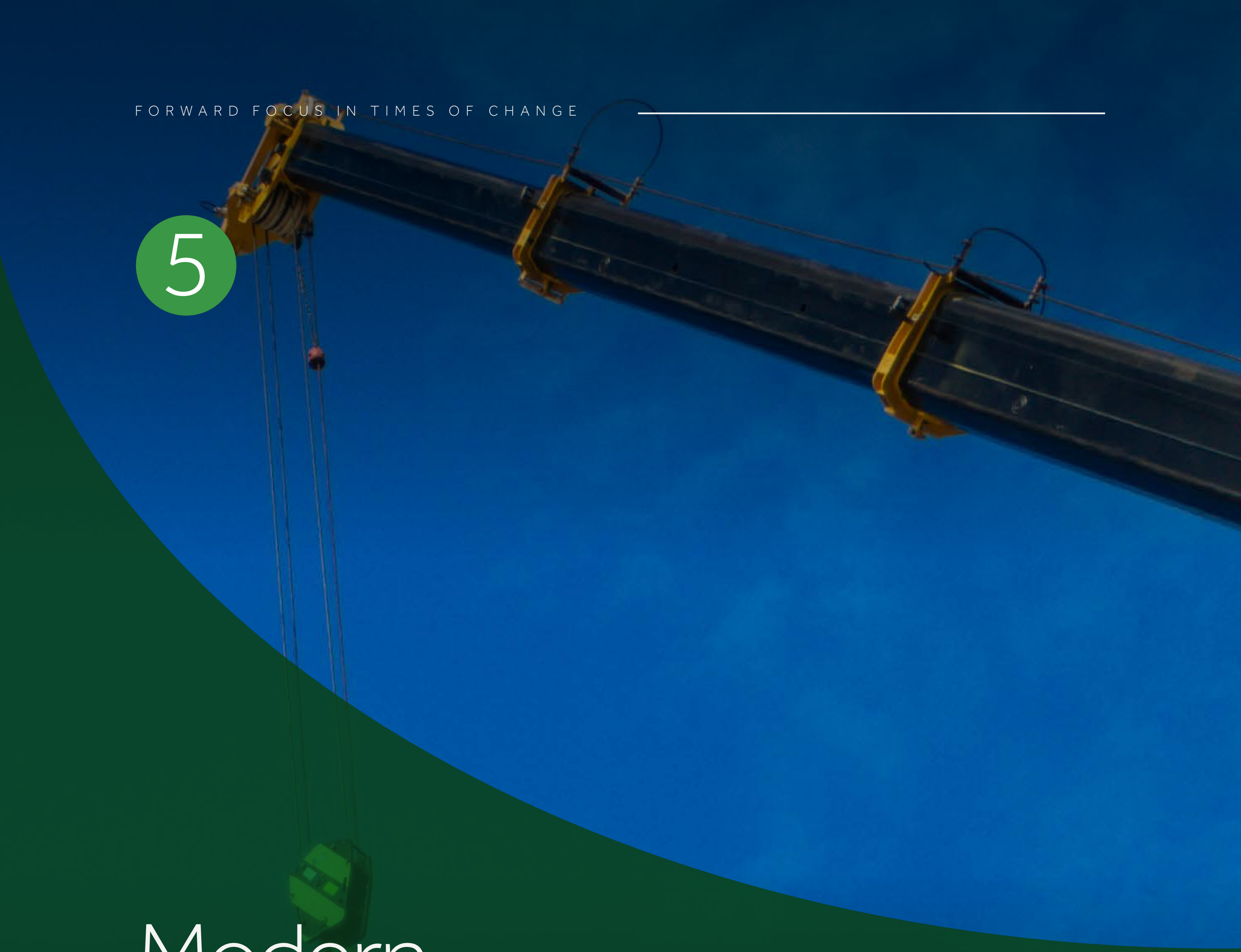
Since our last report through ongoing engagement by investors (including Cbus), during FY21 RIO's chairman announced that he would retire prior to the next annual meeting, acknowledging accountability for oversight failures that led to destruction of Juukan Gorge. Another long-serving board member also announced his retirement.

In addition, RIO has committed to improved cultural heritage management disclosure. The commitment was achieved by engagement with global investors and investor groups.

Ultimately, while we did not support the company's remuneration report at its annual meeting due to payments made to departing executives, we supported all director elections given the level of change at board level. Our engagement with RIO continues.

Recent events like Juukan Gorge have prompted many investors such as Cbus to take a deeper look at how relationships between companies and First Peoples are formed and are maintained over the long term. There is a need for investors to educate themselves, learning from First Peoples about this complex area. Cbus is committed to working collaboratively with companies, First Peoples and other relevant stakeholders, to consider the challenges and understand the risks and opportunities because it is in the best long-term interest of all parties.

This is why Cbus has committed to co-chairing ACSI's rights and cultural heritage risk management working group. Over the past year the focus of the working group has been on educating ourselves and other investors, engaging with stakeholders and better understanding existing practices and challenges across the market. The aim is to create tools for improved risk management for investors and those we invest in.



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Modern slavery

This is the second year that Cbus is reporting against the Modern Slavery Act. This reporting requirement aims to increase business awareness of and reduce modern slavery risks in Australian goods and services and we recognise that modern slavery can occur in many forms.

Cbus and Cbus Property have taken an integrated approach to addressing modern slavery. Together we are committed to minimising the risk of modern slavery in our operations and supply chains. Over the past year key actions include (see right):

Going forward our focus will continue to build on this work through further improving our systems, processes and methods to mitigate and address modern slavery when it is identified.

- Undertaking detailed reviews of areas where the risk of modern slavery is potentially elevated
- Supporting or joining collaborative initiatives through the Property Council of Australia, the Cleaning Accountability Framework (CAF), and the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC - see page 17)
- Appointing a new service provider to help identify annually where the risks of modern slavery may be in our operations and supply chains
- Developing policies and frameworks
- Targeted training of staff
- Updating agreements to explicitly cover or enhance requirements regarding modern slavery risks.

6

Stewardship

Cbus has a long history of stewardship that involves voting, engaging with companies, the consideration of stewardship practices of our external managers and advocacy. Ultimately, our engagement and voting focuses on improving companies' governance and oversight, policies, practices and disclosures so that they generate sustainable long-term returns for our members so they can retire with dignity. In relation to voting we do this by supporting or otherwise, issues related to governance such as executive pay and the appointment or re-election of directors who oversee management of the companies we invest in (who for example are responsible for approving strategy and setting the tone for workforce matters such as labour practices, culture and safety). A range of inputs inform our voting and engagement positions. With this information we form our own views, based on the best long-term interests of our members.

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

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

Engagement

Through engagement with companies we seek to gather information on ESG issues to inform our vote decision making, understand a company's perspective and advocate for improvement in practices to protect or enhance long-term value of the companies on our members behalf.

To identify the areas and method of engagement we consider the systemic nature of the risks, materiality of the issues, the level of our holdings, emerging regulatory requirements and whether the matters are being covered by other initiatives/service providers. Our focus areas in FY21 were climate change, safety, cultural heritage risk management and modern slavery. With the key being the way that companies approach these matters from a governance and oversight, policies, practices and disclosures perspective.

Our preference is to work alongside others where we can share knowledge and learnings and manage resources more effectively.

Cbus has an escalation process when ongoing engagement has been unsuccessful, or a company has been unresponsive. You can view more about our escalation process at **cbussuper.com.au/about-us/sustainability/escalation-process**. For example, raising issues with other investors or other company directors, making a public statement, shareholder proposals, legal action and exiting the stock as a last resort.

We undertake three types of engagement:

Direct

Involves meetings with a company on financially material ESG issues.

Service providers

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

Collaborative

With industry partners and like-minded investors. For example, through Climate Action 100+ initiative and IAST/APAC (see overleaf).

Our service provider engagements

We are a founding member of ACSI, who provides research on ASX listed companies and a strong voice on important ESG issues. In FY21, ACSI conducted 332 engagement meetings with 198 ASX300 companies. ACSI supports our work in understanding material ESG risks and in fulfilling our obligations as a responsible investor.

Key engagement priorities focused on material financial risks for investors including climate change, board diversity and accountability, workforce (including safety and wage underpayments), cultural heritage, modern slavery, corporate culture and remuneration.

Federated Hermes EOS undertake engagement on our behalf for our global equity holdings covering approximately 65% of Cbus' total global equity holdings.

In FY21, Federated Hermes EOS engaged with 437 global companies with progress made on approximately 42% engagement objectives across climate change, human capital management, human and labour rights, and board effectiveness.

The table overleaf outlines some of the significant engagements or impacts that have occurred over the last financial year through both ACSI and Federated Hermes EOS.

Issues	ACSI and Federated Hermes EOS outcomes with listed companies	
	Australian listed companies	Global listed companies
Climate change	Progress on climate-change disclosure: • 14 out of 20 priority companies committed to net-zero emissions by 2050. • Five companies explicitly linked or committed to link pay incentives to decarbonisation strategies.	• A US bank reported it will not finance oil and gas exploration in the arctic, joined the Partnership for Carbon Accounting Financials and announced initial steps to achieve net-zero emissions in its financing activities. • A UK car manufacturer committed to net-zero emissions in its operations and facilities by 2030.
Workplace safety, modern slavery	• 30 of 44 companies improved reporting on workforce issues, including consequence management. • Ongoing discussions with supermarkets and food suppliers focused on the use of labour hire companies. One company which uses a seasonal workforce has reduced the number of labour-hire contractors, improving ability to monitor suppliers.	• A Chinese technology company agreed to cover human rights risk in the development of a new ESG strategy and joined the UN Global Compact. • A multi-national electronics manufacturer updated its human capital metrics and improved disclosure about supply chain audits. • A multi-national contract food service company agreed to an independent review being conducted of its migrant workforce.
Governance	• Board diversity is nearing 34% in the ASX200 and approaching 32% in the ASX300. • 15 companies improved executive pay (for example introducing higher incentive hurdles).	• A Japanese beverage manufacturer committed to a new target to increase the proportion of female managers to 30%. • A European pharmaceutical company started disclosing individual board director skills. • A US technology company charged its audit committee with oversight of sustainability, data privacy and civil and human rights risks.

Our collaborative engagement

Climate Action 100+
Global Investors Driving Business Transition

Climate Action 100+ (CA100+) is one of the largest investor-led engagement initiatives globally, with 617 investors with $55 trillion in assets under management across 167 companies representing over 80% of global corporate greenhouse gas (GHG) emissions. CA100+ focuses on governance, reducing emissions and improving disclosure. Cbus leads one engagement and actively supports several CA100+ engagements.

You can read further information about the achievements of the Climate Action 100+ initiative at:

climateaction100.org/

Key achievements for CA100+ include:

- release of new net-zero Company Benchmark to analyse which and how companies are leading the transition to net-zero emissions, alongside a range of other indicators used by investors to inform investment and corporate engagement strategies
- 9 out of 15 focus companies in Australia now have some level of commitment to 2050 net-zero emissions targets and all have reported using the TCFD framework.

Some of the ASX company case study examples include:

- BHP enhanced its approach to industry associations and improved real-time disclosure on misalignment and escalation and set a medium-term target to reduce operational emissions by 30% by 2030
- Woolworths set a medium-term science-based target to reduce its operational emissions by 63% and scope 3 emissions by 19% by 2030, endorsed by the Science Based Targets Initiative.

IAST APAC

Given the universal nature of modern slavery our preferred approach is to support collaborative engagement with other investors to seek improvements in listed companies practices where modern slavery may exist or existing practices may lead to modern slavery.

Business models and supply chains that rely on forced labour, poor treatment of their workforce and other forms of modern slavery drive unsustainable earnings. Beyond the unacceptable harm to the people that these practices cause, it exposes companies to compliance, litigation and reputational risk, which can be costly and time consuming to address.

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

The initial focus has been on identifying the sectors and companies that will be engaged. Cbus is leading and supporting several company engagements. We look forward to reporting more about the achievements of the initiative over time.

Our climate engagement

In relation to our Australian listed holdings our focus when engaging with company chairs, directors and/or management is on ongoing improvement in practices and commitments in relation to management of climate-change risks and opportunities. For example we discuss and encourage improvements in:

- **board skills, goverance, risk management and oversight**
- **science-based short, medium and long term targets aligned to the Paris Agreement and net-zero by 2050**
- **scope 3 emissions - those that aren't owned or controlled by a company but occur as a consequence of a company's activity, such as emissions generated by consumers using their products**
- **alignment of strategy, executive pay, investment and spend with companies climate commitments**
- **understanding what practical actions are being undertaken to mitigate adverse impacts and deliver better outcomes for their workforce and community as businesses transition**
- **alignment of advocacy activities through industry associations**
- **improved disclosures in line with the TCFD and within a companies financial disclosures.**

Say on climate

Following collaborative investor engagements led by ACSI (including Cbus) eight companies have committed to give shareholders an advisory vote on their climate transition plans at their Annual General Meetings in future. This includes BHP, AGL, Sims Metals, Origin, RIO Tinto, Oil Search, Santos and Woodside. These 'Say on climate' resolutions will improve discussion between companies and investors on climate strategies and will form an important point of engagement going forward.

Voting

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 to improve their long-term performance in the best financial interests of our members. One way of doing this is through voting at company meetings.

Cbus takes an active approach when voting on resolutions for Australian companies and our directly held global equities. The Fund's voting practices domestically and internationally are guided by ACSI corporate governance guidelines to ensure consistency of our voting process.

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

You can read more information about how we vote on our website at:

cbussuper.com.au/content/dam/cbus/files/governance/reporting/Key-Voting-Positions.pdf

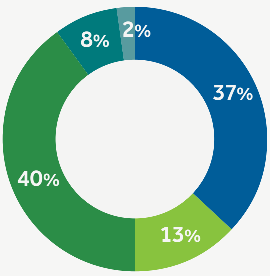
Australian share voting

Financial year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2021[5]	2249	86	12	2
2020	2206	87	12	1
2019	2187	87	12	1
2018	2133	87	12	1
2017	1952	87	9	4

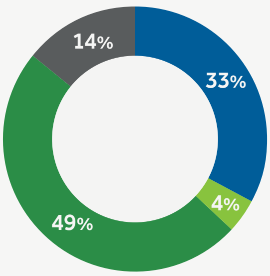
Global share voting

Financial year	# of resolutions voted	For (%)	Against (%)	Abstain (%)
2021	24,278	81	17	2
2020	31,694	84	15	1
2019	31,601	79	15	2
2018	31,754	73	22	2
2017	35,850	95	5	-

FY21 Voting resolution by theme

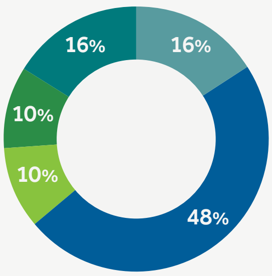


FY21 issues Cbus voted against

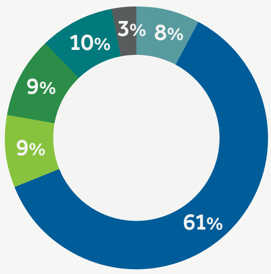


AUDIT/FINANCIALS
ELECTION OF DIRECTORS
CAPITAL MANAGEMENT
EXECUTIVE PAY
SHAREHOLDER RESOLUTIONS
OTHER

FY21 Voting resolution by theme



FY21 issues Cbus voted against



AUDIT/FINANCIALS
BOARD RELATED
CAPITAL MANAGEMENT
EXECUTIVE PAY
SHAREHOLDER RESOLUTIONS
OTHER

[5] In years before 2020, data included the count for Take No Action and No Vote in the total figure. From 2020, data is based on only the above three values.

Shareholder proposals

Shareholder proposals (SHPs) are one tool available to raise concerns with a company on ESG issues and put forward by shareholders as opposed to the company boards. Cbus assesses SHPs on a case-by-case basis based on a range of inputs and our position can vary year on year, depending on a company's progress on an issue.

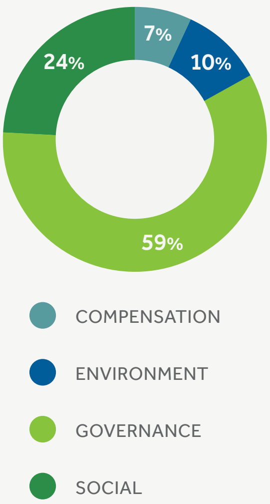
For the ASX300, there were 46 SHPs in FY21:

- **12 climate-related resolutions**
- **6 social-related resolutions**
- **28 governance-related resolutions (13 of which related to constitutional amendments which are needed for a shareholder proposal to be effective).**

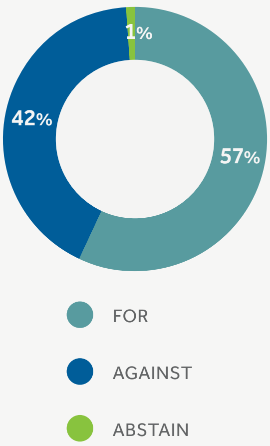
There has also been a steady increase in the number of SHPs globally. Of the 356 SHPs at Cbus investee companies in FY21, resolutions covered climate, human-capital management, board governance, skills and diversity, human rights and lobbying:

- **29 environment-related resolutions**
- **89 social-related resolutions**
- **238 governance-related resolutions.**

FY21 Global shareholder proposals by theme
(including Australia)



FY21 Global shareholder proposals by vote
(including Australia)



Cbus supported 61% of all global climate-related shareholder proposals during the year and supported 81% of all social-related global shareholder proposals (for example of equal employment opportunities and human-capital management).

We assess SHPs on a case-by-case basis, and our position will differ each year based on a company's progress on a virtually particular matter. Typically, we have voted 'against' where:

- **we have had concerns regarding the drafting of the resolution i.e. too prescriptive and stepped on management prerogative**
- **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 already 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 all voting decisions, but in all instances our decisions are made in the best interests of our members.

Examples of where we voted 'for'

Shareholder proposal on free, prior and informed consent (FPIC)

At Origin Energy's October 2020 Annual General Meeting, we supported a SHP requesting the company conduct an independent review of the process undertaken to obtain free, prior and informed consent (FPIC) from Aboriginal Native Title holders and claimants on whose lands the company intends to undertake hydraulic fracturing (fracking) in the Beetaloo Sub-Basin. Where effective engagement with First Nations peoples is not undertaken this can lead to project delays, production implications and reputational damage.

While Cbus did not support similar resolutions in FY18 and FY19, given the length of time the relationships and assessments had been in place more information about how the company is managing these relationships was warranted. Origin has subsequently released a report regarding Beetaloo Native Title Holder Engagement.

Shareholder proposal on climate-change

While acknowledging the work QBE has done in relation to its climate-change strategy and commitments, we supported a climate related SHP to signal the further importance we attach to QBE assessing its alignment with the Paris Agreement before 2030.

You can find Cbus' voting records at:

viewpoint.glasslewis.com/WD/?siteId

Advocacy

Cbus undertakes advocacy where we believe it will support long-term value creation for our members retirement with the aim to influence the broader market and promote a shift towards a sustainable financial system. Our focus is primarily on influencing standards, guidelines and regulatory reform; the aim being to increase our ability to identify, measure and mitigate risk.

Cbus monitors the advocacy activities of its member organisations through participation on committees, board representation and through reviews.

Two collaborations that support Cbus' own commitments and help strengthen the ability of asset owners to work with their underlying companies to transition to net-zero emissions are the United Nations Convened Net-zero Asset Owners Alliance (AOA) and the Australian Sustainable Finance Initiative (ASFI).

Since the AOA's launch it has published papers focused on the transition to a low-carbon economy, recovery post coronavirus, sector pathways and a paper on helping asset owner members set their own targets to meet net-zero commitments.

During the year ASFI released the Australian Sustainable Finance Roadmap – a plan for the Australia's financial system to become more sustainable, which will help the transition to net-zero, and support Australia achieving the SDGs. ASFI (with the support of members like Cbus) is now focusing on forming a body to oversee the roadmap's delivery.

Cbus also made several submissions and supported an investor statement during the period in the best financial interests of our members:

- *Treasury* consultation *Greater Transparency of Proxy Advice*
- *2021 Global Investor Statement to Governments on the Climate Crisis*
- *APRA's Prudential Practice Guide CPG 229 Climate-change Financial Risks* consultation.

7

Climate change

Climate change presents long-term investment risks and opportunities and as trustee of our members retirement savings we have a responsibility to safeguard our members' long-term retirement future.

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 financed emissions for 2020 – the emissions we "own" through our investments

Scope 1 and 2:
1.6M tCO_2e
This is across our equities, property, and infrastructure portfolios (~70% of our total portfolio)

Scope 3:
11.9M tCO_2e
This is across our equities portfolio

Movement towards our 2030 45% reduction target using carbon intensity

2019 (baseline):
52.2
tCO_2e/M$ AUD

2020:
43.5
tCO_2e/M$ AUD

2030 target:
29
tCO_2e/M$ AUD

17% reduction in portfolio carbon intensity from 2019 to 2020

*This is across our equities, property and infrastructure portfolios. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. 2030 target may be adjusted as additional asset classes are added to our carbon footprint analysis. Further information on our financed emissions calculations and methodology can be found at cbussuper.com.au/cs/FY2020-financed-emissions-methodology

Climate solutions and opportunities

Increased investment in solutions across Cbus' equities portfolio

83% of Cbus' property sector portfolio is now committed to net-zero operational emissions by 2030

20% of Cbus' equities portfolio has a transition risk overlay

As per MSCI LCT methodology

This represents 100% of all unlisted property managers

Movement of our property sector towards 2030 net-zero target

2019 (baseline):
45.8
$kgCO_2/m^2$

2020:
37.9
$kgCO_2/m^2$

2030 target:
net zero

17% reduction in property sector carbon intensity from 2019 to 2020

*This is across our unlisted property managers.

Our progress has been significant and in the last 12 months our key achievements include:

- releasing our new climate change Position Statement and a new climate change Roadmap: Beyond 2020 which outlines our total portfolio approach to realising the investment opportunities and managing the risk
- a significant amount of work has been undertaken in the collection and analysis of the underlying data for our entire portfolio
- measuring our progress against roadmap aligned key indicators and metrics including reporting our activities internally and through our investment committee on a regular basis
- further strengthening our internal capability including conducting detailed and extensive scenario analysis
- appointing a dedicated resource, the Head of Research, Responsible Investment to lead key research initiatives, with an initial focus on climate change. Through this appointment we have been able to develop proprietary research and undertake our climate modelling internally
- increased investment in dedicated climate solutions through investment with Impax
- setting and measuring our baseline emissions so we can track progress towards our 45% reduction target in 2030
- identifying the possible decarbonisation trajectories of our portfolio under different conditions to meet our 45% reduction target by 2030
- supporting the development of research into how investors can support an equitable transition to net-zero
- improved risk management (see page 7)
- voting and engaging with companies (see page 18).

The Paris Agreement, net-zero, and 2030

The Paris Agreement, which over 190 countries (including Australia) signed in 2015, committed the world to "holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C recognising that this would significantly reduce the risks and impacts of climate change." (Paris Agreement, Article 2.1(a))

Following the Paris Agreement, the Intergovernmental Panel on Climate Change (IPCC) Special Report in 2018 demonstrated that carbon emissions would need to fall by 45% by 2030, and reach net-zero by 2050 in order to have a 50% chance of limiting global warming to 1.5°C. The "net" means that by 2050 the world needs to achieve a balance between the amount of emissions released into the atmosphere and the amount of emissions being removed from the atmosphere by either natural (e.g., trees) or technological (e.g., carbon capture) means. This scientific evidence was used to inform the basis of Cbus emission reduction targets.

ClimateWorks Australia[6] have independently assessed Cbus' commitments as 'fully aligned' with the goals of the Paris Agreement. This means as per ClimateWorks that our 2030 and 2050 targets are aligned with the reductions currently required to meet the Paris Agreement targets. The work undertaken by Cbus also seeks to address requirements outlined by one of Australia's financial regulatory agencies, Australian Prudential Regulation Authority (APRA).

APRA have recently released a draft guidance on climate change aimed at guiding regulated institutions, including superannuation funds, towards good practice in managing climate risk.[7] The purpose of the draft guidance is for the finance industry to provide greater clarity and disclosure on its approach to managing climate change as a financial risk.

Climate change financial risks

We believe that climate change represents a financial risk to the long-term returns for our members. Climate change financial risk includes physical, transition and liability risk.

What are the physical risks of climate change?

Physical risks relate to the physical impacts of climate change as global temperatures increase. Examples of physical risks include increases in extreme weather events (e.g., floods and wildfires). They also include longer-term shifts in climate patterns such as rising sea levels.

[6] ClimateWorks Australia is co-founded by Monash University and The Myer Foundation and works within the Monash Sustainable Development Institute. They produce regular updates on emissions reduction pledges and activity across key sectors.

[7] apra.gov.au/sites/default/files/202104/Draft%20CPG%20229%20Climate%20Change%20Financial%20Risks_1.pdf.

Physical risks can lead to:

- **loss of property, infrastructure and ecosystems**
- **increased adaptation costs**
- **increased insurance costs**
- **food insecurity**
- **increased morbidity and mortality.**

At a total-portfolio level, Cbus has completed its initial analysis to understand and consider how physical damage may negatively impact economic growth, and investment returns over the long term. At an asset level, Cbus has begun work to ensure we understand the physical risks our assets are likely to be exposed to, and the resilience of our assets under different temperatures.

What is climate-change transition risk?

Transition risks are those that arise as the world moves or "transitions" to a low-carbon economy.

They include risks from:

- **policy changes (e.g., energy policy)**
- **shifts in technology (e.g., towards low carbon solutions**
- **reputational risk as community and stakeholder perceptions change**
- **shifts in supply and demand for certain commodities or products as consumer behaviour changes or the cost of raw materials increases.**

Cbus has begun work to understand how the assets in our portfolio need to adapt and move as the world moves towards net-zero emissions. At an asset level, we will undertake work to integrate transition risk into investment decisions, to ensure we can review the appropriateness of company transition plans and their ability to avoid or mitigate the range of transition risks they may be exposed to.

What is climate-change liability risk?

Liability risks arise when a company doesn't adequately consider or respond to the climate-change risks they are exposed to. This can result in disruptions to their business as a result of litigation, or penalties arising from regulatory enforcement. From a superannuation perspective, failure to act on climate change could be considered a breach of fiduciary duties and pose significant reputational damage.

In 2018, repeated requests were made by a member of a large super fund to provide information on how the fund was managing climate change. The fund was subsequently sued, which resulted in the fund publicly committing to a number of actions on climate change.

Scenario analysis

Impact of climate change on investment returns

Cbus has used scenario analysis to consider how the physical and transition risks of climate change may impact the global economy and how this will impact our investment returns. In our research, we have used scenarios from the Network for Greening the Financial System (NGFS) and adopted reference scenario SSP2 (disorderly scenario) as our central scenario, to estimate the potential impact on economic growth and expected returns, going out to 2050. We have used the disorderly transition as our base case aligned with our view of current progress on climate policies and the speed of technology advancements.

What is scenario analysis?

Scenario analysis enables us to imagine and plan for possible futures. Climate scenarios have varying assumptions about the likely timing of policy changes, technology adoption, changes in energy mix, and other factors. The analysis allows us to identify the risks and opportunities that different futures will bring.

What is a disorderly transition?

A disorderly transition assumes climate policies are not introduced until 2030. Since action is taken relatively late, the speed of decarbonisation needs to be fast to limit global warming. This could result in abrupt changes in asset prices and financial stability and reduced global growth.

What are Cbus' absolute emissions?

Cbus' absolute emissions are our financed emissions, these are the emissions that Cbus is responsible for through ownership of a company or asset.

Over time as more data becomes available, we will be able to access scenarios that allow us to model how returns may change for different asset classes, sectors and geographic regions.

Adopting the NGFS framework and under the SSP2 pathway, the forecast impact is a 6% loss in Gross Domestic Product (GDP) by 2050. This information was then incorporated into the annual review of forward long-term expected returns. Given the forecast impact of a 6% loss in GDP, we have incorporated a 0.2% p.a. reduction in the expected returns of growth-related asset classes (i.e. 100% of our investments in Australian, International and Emerging Market equities, Private Equity, Alternative Growth and 50% of our investments in Property and Infrastructure) in the long term. As further data becomes available and policy action progresses, we will continue to evolve our scenario modelling and total portfolio implications.

Measuring our 2019 baseline emissions

The portfolio-wide emission reduction targets for both 2030 and 2050 are measured against a 2019 baseline (or starting point). To understand how our portfolio might transition to net-zero, we had to first understand what our 2019 baseline emissions were.

Our reduction targets are based on the scope 1 and 2 emissions of the companies and assets we invest in, and the share of those emissions we "own" or "finance" through our investments. We are currently able to measure scope 1 and scope 2 financed emissions within our equities, property and infrastructure portfolios, representing approximately 70% of our total portfolio. In 2019 the financed emissions for the Cbus portfolio were 1.9M tCO_2e or 52.2 tCO_2e per $M invested. We are working on sourcing emissions data for other asset classes within the portfolio. Fixed income and cash are currently excluded due to challenges with identifying appropriate methodologies.

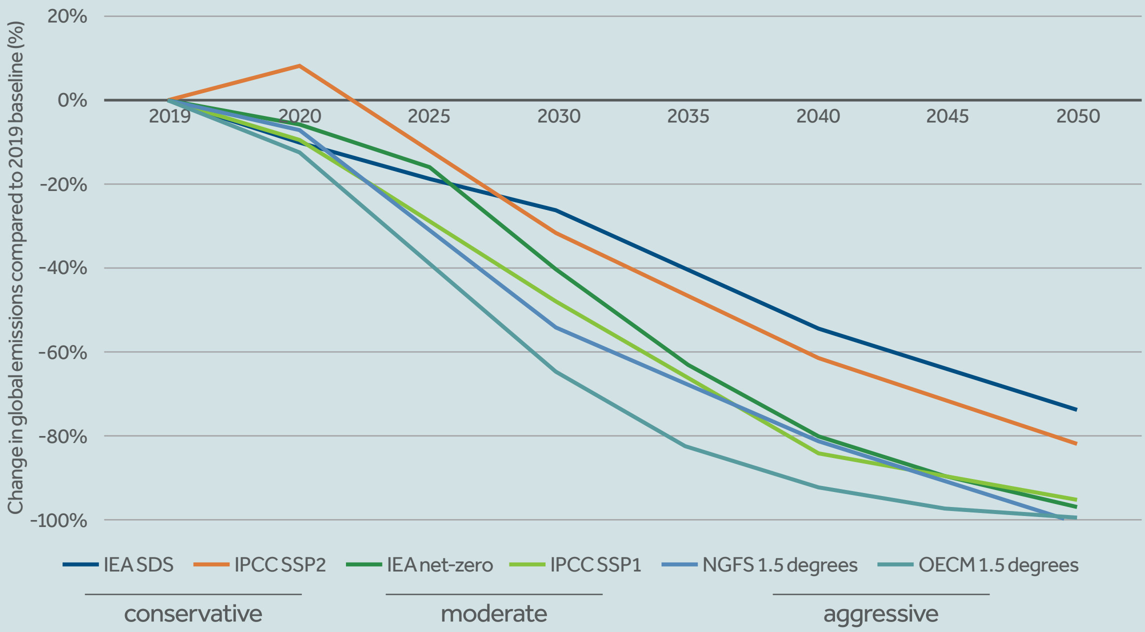
How does our portfolio transition?

In addition to using scenario analysis to consider the potential impact on our investment returns, we have also used scenario analysis to consider how the investments within the portfolio could decarbonise. We believe that being able to identify companies and assets that are leading this transition, as well as being able to engage with companies to increase their alignment with the transition required, should help protect our long-term returns.

For this analysis we used our baseline carbon footprint to assess how companies and assets within the portfolio move towards a net-zero economy over time. This analysis enables us to identify the required transition trajectory at the portfolio level as well as the underlying companies, asset classes and sectors we invest in. The information will be used to inform our engagement strategies, assess company transition plans and ensure any reduction in Cbus portfolio emissions supports long-term return objectives for our members whilst reducing economy-wide emissions.

We have used a range of conservative, moderate and aggressive scenarios from the International Energy Agency (IEA), One Earth Climate Model (OECM)[8], IPCC and NGFS to model how the Cbus portfolio would decarbonise under different trajectories and growth assumptions for our portfolio.

Decarbonisation trajectory of climate models used in scenario analysis



[8] Teske et al. (2019) *Achieving the Paris Climate Agreement Goals*

The moderate scenarios (IPCC SSP1 and IEA Net-zero), that enable the portfolio to reach a 45% reduction by 2030, are now being used to track and guide our progress towards our interim target. This analysis will become more sophisticated as we gain access to climate models with greater sector and regional granularity.

As our funds under management (FUM) grow, we will ensure that our growing share of investments in the economy aligns with our targets. Our work suggests that if our companies and assets decarbonise in line with 1.5°C scenarios our increased size means that our financed emissions might remain flat or increase (as we "own" more of the economy). We will still be working to meet and report our carbon reduction commitments by measuring financed emissions using a portfolio carbon intensity metric (financed emissions per one million ($M) invested). This should enable ongoing comparisons over time, regardless of FUM growth (i.e., through mergers, contributions and investment valuation growth) and increased portfolio coverage, and enable us to track our progress towards our 2030 and 2050 targets.

From a global perspective, the two main factors that influence the speed and quantum of the transition towards a low-carbon economy are policy and technology, both of which continue to evolve. There has been increased global momentum on the policy front in the past 12 months, and the possibility of a more inclusive, green transition post-Covid is driving technological innovation. We understand that the goalposts are constantly shifting, and we will continue to review and update our assumptions and analysis.

Financed emissions

Calculates the emissions that Cbus is responsible for through ownership of a company or asset. Our approach is informed by the Partnership for Carbon Accounting Financials (PCAF) methodology and proposed TCFD methodology with ownership being shared between equity and debt holders. The Cbus investment value in a company is divided by the company's enterprise value including cash. This is then multiplied by the company's absolute scope 1 and 2 emissions. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2020-financed-emissions-methodology**.

Emissions per $M

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

Weighted average carbon intensity (WACI)

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

tCO_2e

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

Carbon data

There is currently a lag in the availability of carbon data of approximately twelve months. This is based on the time it takes for companies and assets to report their emissions and for these disclosures to be reviewed and accepted by data providers. For this reason, we are reporting on our FY20 financed emissions in this report. In the case of equities data, the lag is currently greater than 12 months. The equities carbon data used for the FY20 analysis includes a combination of 2019 and 2020 carbon data. This will be updated as complete data becomes available, and the updated analysis will be provided in our next report.

Carbon provider

Carbon data for listed assets is provided to Cbus by Urgentem. Carbon data for unlisted assets is provided by relevant external investment managers and individual assets.

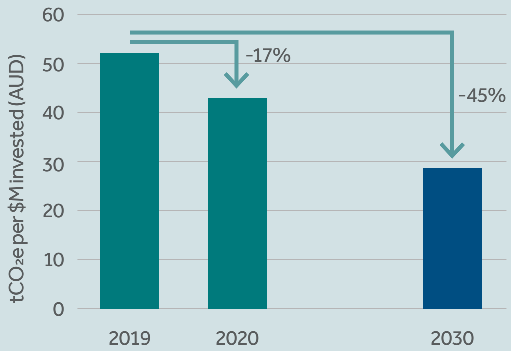
Accuracy and disclaimer

Although Cbus information providers, including without limitation, Urgentem and MSCI (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. All 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.

Our progress towards net-zero

In 2020 the financed emissions per $M invested for the Cbus portfolio was 43.5 tCO_2e. This represents a reduction of 17% from the 2019 baseline. We were encouraged to see that the majority of our top emitting assets reported a reduction in carbon emissions in 2020. However, we believe the global COVID pandemic contributed to our overall reduction both at an asset level (e.g., reduced productivity) and at a portfolio level. This was particularly pronounced in the equities portfolio where our FUM remained stable while global valuations increased, resulting in Cbus "owning" less of the emissions.

Cbus carbon footprint baseline at 2019 and progress against 2030 target (Cbus financed emissions per $M invested (Scope 1 and 2 financed emissions in tCO_2e/$AUD million invested))



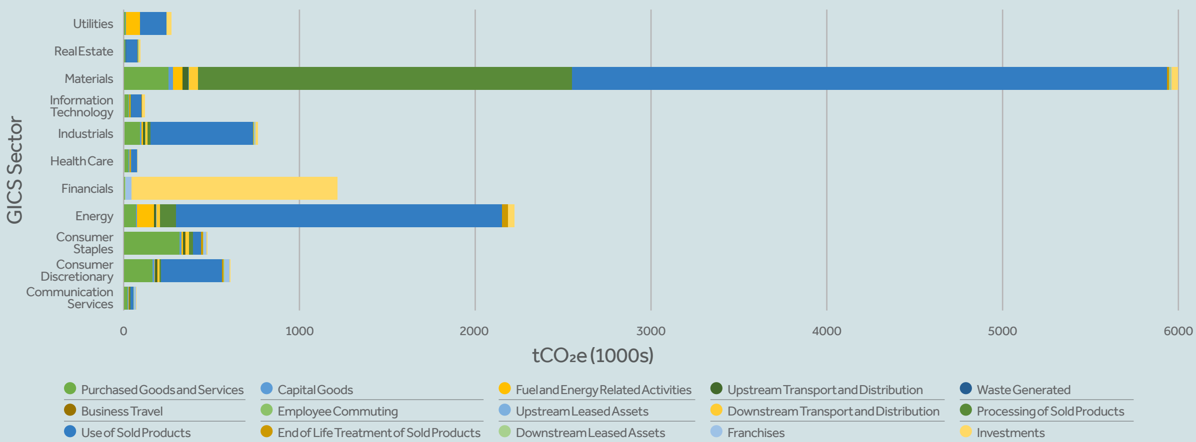
The chart above represents equities, property and infrastructure portfolios as at 30 June 2019 and 30 June 2020. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. Data sourced from Urgentem, external investment managers and individual assets. Carbon data for the infrastructure and property portfolios was largely up to date for both 2019 and 2020. The equities analysis for 2020 includes a mix of 2019 and 2020 carbon data. This will be updated as complete data becomes available. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2020-financed-emissions-methodology**

Scope 3 emissions

For the first time Cbus has also measured the scope 3 emissions of the companies within our equities portfolio. Scope 3 emissions are those emissions a company doesn't directly control, and include emissions in their supply chain, emissions arising from the transportation of raw materials and products, and the emissions generated by consumers using their products. This analysis will help to identify companies and sectors where scope 1 and 2 emissions are low, but scope 3 emissions are high.

When engaging with such companies the focus will be on their value chain, and how these emissions can be reduced. It should be noted that scope 3 disclosures are in their infancy, so we will continue to engage with companies on improving climate-related reporting.

Cbus scope 3 financed emissions by scope 3 category (tCO_2e)

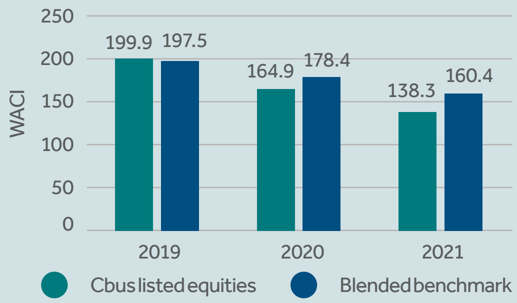


The chart above represent Cbus' equities portfolio as at 30 June 2020, data sourced from Urgentem. It should be noted that the materials sector includes mining, and the industrials sector include transportation.

Exposure to carbon-intensive assets

The following chart illustrates the weighted average carbon intensity (WACI) of Cbus' equities portfolio at 30 June for the past 3 years. It demonstrates that our portfolio is less carbon intensive than the benchmark we measure against and there has been a 31% reduction in the carbon intensity of the Cbus equities portfolio since 2019.

Weighted Average carbon Intensity (Scope 1 and 2 intensity in tCO_2e/$USD million sales)

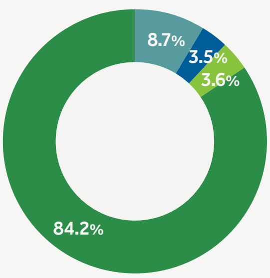


Figures above represent Cbus' equities portfolio at 30 June each year. Carbon intensity values sourced from Urgentem. All carbon data is from 2019 and this analysis will be updated as more recent carbon data becomes available. Blended Benchmark Carbon Intensity exposures are calculated by taking the 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.

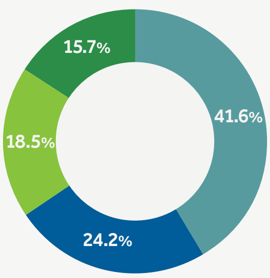
Sector emission exposure

The following chart shows the concentration of Cbus' financed emissions within the Materials, Utilities and Energy sectors. These sectors contribute 84% of Cbus' financed emissions yet make up just 16% of the portfolio (across equities, infrastructure and property).

Market value



Contribution to financed emissions



MATERIALS UTILITIES ENERGY OTHER

Data represents equities, property and infrastructure portfolios at 30 June 2020. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. Data sourced from Urgentem, investment managers and individual assets. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2020-financed-emissions-methodology**

Our top holdings that contribute to financed emissions

To further demonstrate the concentrated nature of our emissions, our top 10 emitters across equities, infrastructure and property contribute 41% of Cbus' financed emissions. Unsurprisingly, all assets within our top 10 sit within those sectors with high exposure to fossil fuels; energy, utilities and materials. All but two of these assets have net-zero targets in place, and all but one are being engaged by Cbus on climate where we are exploring what engagement is possible. It should be noted that Cbus engages either directly or via collaborative efforts with 100% of the top emitters within the Australian equities portfolio.

Company name	Sector	Carbon targets	Cbus engagement
Origin Energy Ltd	Energy	net-zero 2050 + medium term targets	yes
AGL Energy Ltd	Utilities	net-zero 2050	yes
Woodside Petroleum Ltd	Energy	net-zero 2050 + medium term targets	yes
South32 Ltd	Materials	net-zero 2050 + medium term targets	yes
Incitec Pivot Ltd	Materials	No long-term carbon reduction targets have been set	yes
Bluescope Steel Ltd	Materials	net-zero 2050	yes
BHP Group Ltd	Materials	net-zero 2050 + medium term targets	yes
Rio Tinto Ltd	Materials	net-zero 2050 + medium term targets	yes
Veolia Engergia Polska	Utility	No long-term carbon reduction targets have been set	no
Heidelberg Cement AG	Materials	net-zero 2050 + medium term targets	yes

Data above represents the equities, property and infrastructure portfolios at 30 June 2020. One of our methodology's limitations is the completeness of the available data and only ~70% of our portfolio has the available data to inform this calculation. Data sourced from Urgentem, investment managers, individual assets and company disclosures. Further information on our financed emissions calculations and methodology can be found at **cbussuper.com.au/cs/FY2020-financed-emissions-methodology**

The climate transition and our communities

A key risk of the climate transition is the impact on workers and communities. Where there is inadequate employee, community and stakeholder engagement it can lead to business decisions not being fully informed, attract external criticism and create reputational issues. This may lead to future impacts to financial performance.

We contributed (along with other investors) to the development of a report written by EY *'Empowering Communities: How investors can support an equitable transition to net-zero'* which highlights the opportunities that the transition to a net-zero world presents for workers and communities through job creation and economic growth. This paper provides practical tools for investors to support and benefit from an equitable transition.

Whilst Cbus is already participating in engagement with listed companies on this social issue, we have developed a protocol for our directly held infrastructure assets. We will continue to work on this important and evolving area.

Physical risk

An assessment of physical risk typically aims to identify the risk an asset has to a set of physical events, such as those shown below, at different points in time, and under different global warming scenarios. Cbus has started this process with an initial focus on the built environment, and in particular, our infrastructure portfolio. Our infrastructure managers have already completed physical risk assessments of the assets within their portfolios. Cbus has engaged Four Twenty Seven (427) to provide data on physical risks and we now hope to build on the work already completed by our managers to obtain a more comprehensive understanding of how this risk impacts the portfolio. Internally, Cbus is including a physical risk assessment in the due-diligence process for relevant new assets within the portfolio. Our monitoring framework for external equities and credit managers also explicitly considers whether a physical risk assessment has been undertaken.

In time, we plan to expand our use of physical risk assessments beyond the built environment and identify how these risks can be integrated into our investment decision making process.

Heat Stress

Wildfires

Floods

Hurricanes & Typhoons

Sea Level Rise

Water Stress

Socioeconomic Risk

Case study – Fair and decent work opportunities

A contractor and consultant selection protocol for our directly-held infrastructure assets has been developed, centred around decent and fair work in the new green economy. It aligns with the broader Cbus Investment Model and is focused on long-term asset quality, strong investment performance, commitment to the built environment and inclusion of responsible investment practices.

The protocol is aspirational and seeks to encourage directly-owned infrastructure assets to procure construction and other services in a manner that ensures compliance with all applicable legislation and regulations including the Commonwealth of Australia Modern Slavery Act (2018). It also seeks to actively encourage innovation and alternative delivery systems where they are reasonable and appropriate. For example, the protocol provides that any consultants and contractors who are directly contracted to design, engineer, procure or construct an infrastructure project should demonstrate that they will use reasonable endeavours to obtain the same standards from the entities that they contract with (such as renewable energy equipment suppliers) which are often based overseas. This includes meeting high standards of occupational health and safety, labour rights, and fair working and pay conditions.

Cbus views the protocol as being a guide to best practice and it should not be interpreted as either prescriptive or restrictive. The protocol aims to encourage high ethical standards in the industry to achieve better procurement practices, high-quality construction work, better working conditions and avoidance of malpractice. This benefits Cbus as a long-term investor, as well as the broader community and Cbus' members.

Progress on our stranded asset framework

Our preference is to work with companies to support their transition to a new energy future. However, there will be cases where some investments face a risk of decline in the value of their business due to the transition away from fossil fuels to new alternative products and ways of operating. We call this stranded asset risk.

Over the past several years, we have been developing a stranded asset framework. This framework will be used to identify companies with elevated risk of being adversely impacted by the global transition away from fossil fuels. The risk assessment will consider the carbon intensity of the company, whether the company is involved in zero-carbon alternatives, as well as any management action or commitments taken to address the risk of asset stranding which may lessen the transition risk faced by the company.

We have now applied this approach across all of our internal quantitative systematic strategies, following a trial of one strategy in the previous year. 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. Over the coming year we will continue to refine our approach to managing this risk with a view to further implementation across the portfolio.

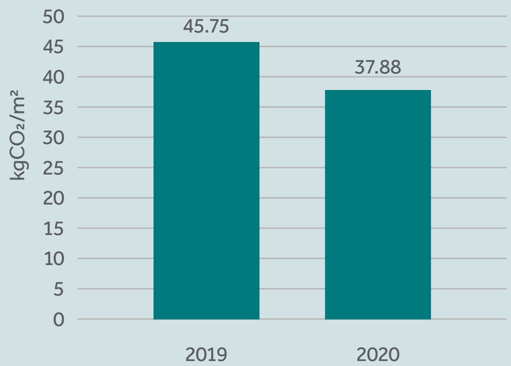
Built environment

While Cbus has a target of net-zero by 2050, the investment managers within our property asset class are aiming for a more ambitious target, net-zero by 2030. Cbus' Australian property investment managers had already committed to the 2030 target, and in the last year our unlisted international property investment manager, Heitman, has announced they will also reduce their portfolio's carbon emissions to net-zero by the year 2030 (where they have operational control).

We are tracking the progress of our property portfolio on both financed emissions and carbon-intensity metrics.

Through the actions of our property investment managers, the Cbus property asset class has reduced its financed emissions by 8% between 2019 and 2020 and has reduced its carbon intensity by 17%. This has been achieved through energy efficiency improvements, on and off-site renewable installations and Power Purchase Agreements.

Carbon intensity ($kgCO_2/m^2$) of the Cbus property asset class in 2019 and 2020



Data sourced from investment managers.

Cbus Property case study – 83 Pirie Street development

83 Pirie Street, Adelaide, is Cbus Property's first net-zero carbon-designed development, targeting world-leading performance in sustainable design and delivery of commercial buildings.

In addition to a recently awarded 6 Star Green Star Design Review rating, the 83 Pirie Street commercial office is designed to achieve a 5.5 Star NABERS Energy rating and uses no natural gas. A 100-kilowatt-capacity solar system will power the base building, supported by a 100% renewable off-site electricity agreement, while the construction process is being powered by renewable energy.

Another area of focus for the project has been tackling embodied carbon. Through various design interventions, material selection and improving construction processes, 83 Pirie is targeting a 15% reduction in embodied carbon.

In addition, a full-floor wellness centre will help Cbus Property deliver a Platinum WELL Certified building, showcasing its focus on enhancing the health and wellbeing of future tenants of 83 Pirie.

Climate solutions and opportunities

A thorough assessment and understanding of climate change should enable us to identify both the risks and potential opportunities that arise as the world transitions to a low-carbon economy. At this stage Cbus has committed to investing 1% of funds under management (FUM) to climate solutions in a dedicated fund. The table below shows our progress towards this 1% and also highlights some of the other areas within the Cbus portfolio where investments are being made into climate-related investment solutions, where managers are explicitly targeting companies at risk of asset stranding, and where managers have ambitious carbon reduction targets. This is not an exhaustive list, however in time we hope to better identify all of these solutions within our portfolio, and those companies leading in the transition to a low-carbon economy.

Climate Solutions across the Cbus portfolio	Investment Value ($m)	% of Asset Class	% FUM
Dedicated Climate Solutions Fund*	312	27.0	0.5
Infrastructure**	270	4.1	0.4
Equities***	1091	3.0	1.7
Investment Strategies with transition risk overlay#	**Investment Value ($m)**	**% of Asset Class**	**% Total FUM**
Equities	7475	20.5	11.4
Real Estate targeting net-zero 2030¶	**Investment Value ($m)**	**% of Asset Class**	**% Total FUM**
Property	5315	82.8	8.1

All portfolio data at June 30 2021
* Dedicated Climate Fund targeting 1% of FUM
** Renewable investments within the Cbus Infrastructure Portfolio
*** Securities held within the Cbus Equities Portfolio that are classified as a solution by the MSCI Low Carbon Transition Methodology

#Quantitative systematic strategies within the equities portfolio that have implemented an asset stranding framework using the MSCI Low Carbon Transition Methodology. The global value systematic strategy is further constrained with both average CO_2 emissions and intensity to be no higher than the benchmark as additional guardrails.
Property managers targeting (at a minimum) net-zero operational emissions by 2030.

Climate-change Roadmap

Our Climate-change Roadmap: 2020 and Beyond builds on existing commitments to net-zero for property (2030) and infrastructure (2050) and has locked in a commitment to net-zero emissions across the portfolio by 2050 and an ambitious 45% reduction in portfolio emissions by 2030.

Our Climate Change Roadmap on page 32 is the cornerstone of our TCFD reporting. It outlines the actions we are taking to address the investment risks and opportunities that climate change presents.

“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. Our members expect their fund to be guarding their retirement savings and we have a fiduciary duty to do so.

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. It shows the clear path Cbus is taking and aligns with what our members, regulators and our stakeholders expect of us.”

Cbus Chief Investment Officer, Kristian Fok

Climate Change Roadmap: Beyond 2020 - Metrics and Targets

Action	2020-2022 Performance Indicators	Completed/ In progress	2021 Progress
1. Targets			
Portfolio commitment	Explicit public commitment to net-zero greenhouse gas (GHG) emissions by 2050 in line with Paris Agreement	Completed	Commitments announced
	Develop interim 2030 and 2040 targets in line with Paris Agreement	In progress	• 2030 commitment announced • Developing asset class pathways
Increase investment in climate-change related opportunities	Target 1% of capital to climate-change solutions strategy	In progress	• Additional investments made through appointment of global equities manager
Portfolio scenario analysis	Preliminary scenario analysis and stress testing incorporated into asset allocation annual review	In progress	• Scenario analysis incorporated into expected return assumptions • Analysis updated as new data and models become available
2. Asset-class pathways			
Asset-class pathways	Develop relevant asset class and sector carbon transition pathways	Completed	• Portfolio baseline measured • Work continues to implement and operationalise
Stranded assets	Develop stranded asset framework	In progress	We have implemented transition-risk metrics whereby 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. We have incorporated this into all relevant equities factor systematic strategies and a framework beyond factor strategies is in progress
Investment manager engagement	TCFD reporting and climate-change reporting requirements incorporated into all relevant mandates	Completed	• All relevant agreements include TCFD and climate risk reporting
	All relevant internal and external managers benchmarked and engaged on climate change	In progress	• All equities managers benchmarked with remaining asset classes benchmarking underway
Physical risk assessment	Conduct physical risk assessment for relevant portfolios	In progress	• 427 appointed • Property and infrastructure assessments undertaken

Action	2020-2022 Performance Indicators	Completed/ In progress	2021 Progress
2. Asset-class pathways (continued)			
Equities			
Factor strategies	Incorporate stranded asset risk management metrics in all relevant equities factor systematic strategies	Completed	Complete
Stewardship	Develop engagement strategy with ten highest emitting ASX companies	Completed	Strategy developed
	Actively consider all ASX climate-change shareholder resolutions	Completed	In FY 2021, all ASX climate-related shareholder proposals were actively considered. We supported three of the 12 shareholder proposals
Unlisted Property			
Australian property net-zero 2030 commitments	Property investment managers develop strategy and demonstrate progress for net-zero emissions by 2030	Completed	All managers committed to net-zero by 2030 and progressing against the target
Australian property embodied energy	All new developments measure embodied carbon and commit to a reduction by 10% in line with Green Star rating	In progress	Process for tackling embodied carbon being incorporated
International unlisted property net-zero commitment	International unlisted property investment managers commit to net-zero emissions by 2050	In progress	International unlisted property investment managers committed to net-zero
Unlisted Infrastructure			
Infrastructure net zero commitment	Infrastructure investment managers commit to net-zero emissions by 2050	In progress	Some managers have committed to net zero by 2050 with engagement continuing
Resilience plans for real assets	All infrastructure and property investment managers have physical risk resilience plans in place	In progress	Engagement ongoing with investment managers
Internally managed due diligence	Update directly managed asset class due diligence processes	Completed	Due diligence for all new investments developed
3. Advocacy, Governance and Transparency			
Advocacy			
Actively support peak industry climate change bodies	Including Investor Group on Climate Change (IGCC), Principles for Responsible Investment (PRI)	Completed	• Chair, IGCC management committee • Chair, IGCC transition to net-zero working group
	Participate in Asset Owner Alliance / Climate League 2030	Completed	Ongoing participation

Action	2020-2022 Performance Indicators	Completed/ In progress	2021 Progress
3. Advocacy, Governance and Transparency (continued)			
Advocacy (continued)			
Just Transition	Co-chair collaborative research project on Just Transition	Completed	EY research report published July 2021 'Empowering Communities: How investors can support an equitable transition to net-zero'
	Member of PRI Working Group	Completed	Member of PRI just transition working group
Governance			
Governance	Board approval of revised Climate-change Position Statement	Completed	Completed
	Review climate-change Governance Framework following release of APRA regulatory guidance	In progress	Submission made to the APRA Climate Change Guidance consultation
Risk management	Provide regular information sessions to all staff on climate change	Completed	Completed
Training	Provide regular information sessions to all staff on climate change	Completed	Regular presentations to investment teams, fund-wide teams
Transparency			
TCFD reporting	Reporting against Taskforce for Climate-Related Financial Disclosures (TCFD)	Completed	Annual TCFD reporting complete
Trustee office carbon neutral	Annual carbon neutral certification	Completed	Recertification underway

8

Taskforce for Climate-Related Financial Disclosures index

The following table in this section summarises Cbus' reporting against the recommended Taskforce for Climate-Related Financial Disclosures (TCFD). This is our fourth year of reporting and we recognise our disclosures will continue to evolve over time in accordance with our Climate-change Roadmap.

TCFD alignment

TCFD Pillar	Disclosure	Reference to activities
Governance	Describe the board's oversight of climate-related risks and opportunities	cbussuper.com.au/about-us/sustainability/board-governance-framework
	Describe management's role in assessing and managing climate-related risks and opportunities	
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Refer to the climate-change section on page 21 Refer to the medium and long-term targets on page 28 Refer to the concentration of exposure to carbon-related assets on pages 28-29 Refer to the integration section on page 6 Refer to the integration section on page 6
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Refer to the integration section on page 6 Refer to the Asset Stranding Framework implemented into quantitative strategies on page 30 Refer to the climate-change section on page 21 Climate solutions portfolio, see page 31
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Refer to the climate-change section on page 21 Refer to the scenario analysis section on page 24 including economy-wide scenario analysis to determine reduction in expected returns Bottom-up scenario analysis to determine decarbonisation trajectory of asset classes and individual assets. See page 25 & 31
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks	Refer to the integration section risk management on page 7 Refer to the integration section on page 6 Refer to the stewardship section on page 14 Refer to the climate-change engagement section on pages 28-29
	Describe the organisation's processes for managing climate-related risks	Refer to the integration section on page 6 Refer to our Asset Stranding Framework update on page 30
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Refer to the integration section risk management on page 7 Cbus Risk Management Framework Climate-related key risk indicators

TCFD Pillar	Disclosure	Reference to activities
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Refer to the climate-change section on page 21 Refer to our disclosure on Financed emissions and WACI on page 22 Please refer to the Asset Stranding Framework on page 30 Cbus will continue to develop metrics to identify both climate change risks and opportunities. See page 31
	Disclose Scope 3 greenhouse gas (GHG) emissions and the related risks*	Refer to the climate-change section on pages 21-34 Refer to our disclosure of our carbon footprint on pages 21-30
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Refer to the climate-change section on pages 21-34 Refer to our portfolio emission reduction target and progress on pages 21-34 Refer to our property carbon intensity target and progress on pages 21-34 See climate solutions on page 31

* Cbus' Scope 1 and 2 emissions are immaterial in comparison to Scope 3 and therefore, this is what is disclosed.

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

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the content of the Cbus Annual Responsible Investment Supplement 2021 for the year ended 30 June 2021 (the Responsible Investment Supplement), which has been prepared by Cbus in accordance with the relevant internal policies and procedures developed by Cbus and the Task Force for Climate-Related Financial Disclosures (TCFD) Framework, as disclosed in the Responsible Investment Supplement.

Information subject to assurance

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

Criteria used as the basis of reporting

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

Basis for conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Responsible Investment Supplement, whether due to fraud or error
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of procedures performed

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

- interviews with executives, senior management, and staff to understand the internal controls, governance structure, and reporting process relevant to the Responsible Investment Supplement
- assessment of the suitability and application and extent of disclosure of the relevant internal policies and procedures developed by Cbus and the TCFD Framework in respect of the Responsible Investment Supplement. This included an analysis of relevant content elements of the Responsible Investment Supplement compared to the TCFD Framework
- reviewing Board minutes to check consistency with the Responsible Investment Supplement
- agreeing the Responsible Investment Supplement to the relevant underlying documentation on a sample basis
- analytical procedures over the key metrics in the Responsible Investment Supplement
- review of the Responsible Investment Supplement in its entirety to check it is consistent with our overall knowledge obtained during the assurance engagement.

How the standard defines limited assurance and material misstatement

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The Standard requires our report to be worded around what we have not found, rather than what we have found. Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Cbus.

The limitations of our review

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

Use of this Assurance Report

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

Management's responsibility

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

Our responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Cbus Annual Responsible Investment Supplement 2021 for the year ended 30 June 2021, 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

29 October 2021