

Built with purpose



Contents

Our approach

- 1 About this report
- 2 Who we are
- 4 How we create value
- 6 Our 2017 performance
- 8 Message from the CEO
- 9 Message from the Chair
- 10 What matters to our stakeholders
- 12 Pension funds, Cbus and the Sustainable Development Goals
- 14 Our responsible investment journey
- 16 External environment

Our actions

- 18 Identifying and managing risk
- 20 Our strategy scorecard
- 22 Our strategy to 2020
- 23 Our approach to investment
- 27 Cbus Property
- 30 Putting our members first
- 34 A new approach to financial advice
- 35 Building better insurance for members
- 36 Employer experience
- 38 Expanding the Cbus digital capability
- 39 Our partnerships and distribution model
- 40 Policy and advocacy
- 42 Fund governance
- 46 Our people

Our results

- 50 Superannuation options
 - 51 Super Income Stream options
 - 52 Investment option costs
 - 53 Investment managers
 - 56 Cbus Annual Financial Reports
 - 59 Members' funds and reserves
 - 61 Glossary
- Back cover: Awards

Cover story

Angela Hamilton, Cbus Service Consultant, front counter, Perth with Cbus members Robert Jeremano (front) and Corey Hamilton (back).

As part of enriching and expanding our engagement with our members and responding to their needs, Cbus has now opened front counters in Perth, Adelaide and Sydney – with Brisbane due at the end of 2017. This followed the successful opening of the Melbourne front counter in 2016.

Angela Hamilton, who commenced her position on the front counter in Perth in March 2017, came to know the Fund several years ago while doing the books for her husband after he went out on his own and started a painting business.

Having favourably experienced Cbus as an employee, he decided to continue with them as an employer at Angela's urging.

"Behind every tradie, is a great woman," she laughs.

Angela was impressed not only by the fund's performance, but also by the focus on the members.

"Now that I'm in the job, I see that this philosophy really runs deep."



Important information

Past performance is not a reliable indicator of future performance. All care has been taken to ensure that the information contained herein is correct, but neither the Trustee nor its advisers accept responsibility for the content, any error or misprint, or for any person who acts on this information. Any advice is of a general nature and does not take into account your specific needs. You should consider your own financial position, objectives and requirements before making any financial decisions. You should read the appropriate Product Disclosure Statement (PDS) to decide whether Cbus is right for you. Call Cbus on 1300 361 784 or visit www.cbussuper.com.au for a copy. The Cbus Annual Report is issued by United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 RSE L0000604 as trustee for Cbus ABN 75 493 363 262.

Reporting awards

The Cbus 2016 Annual Integrated Report won the following awards:

- Australian Institute of Superannuation Trustees Awards for Excellence 2016 – Best Corporate Reporting
- Australian Reporting Awards, 2017, Silver Award.

About this report

Our reporting framework

Our report follows the International Integrated Reporting Framework, which allows us to tell our members and other stakeholders how we create value for them.

 www.integratedreporting.org

This year we have focused on improving our integrated reporting through more clearly explaining how we create value for members and our business model. This year's report explains our performance, and our strategy for the elements of our business model that drive value creation for members.

In late 2015 governments around the world agreed to 17 Sustainable Development Goals (SDGs), developed through the United Nations. The SDGs set an agenda for sustainability across the globe that includes ending poverty and hunger, improving health and education, tackling gender inequality, making cities more sustainable, combating climate change, and protecting oceans and forests. We acknowledge that we have an important role to play in helping the Australian Government fulfil its responsibilities to achieve the SDGs. Throughout our report we use the SDG icons to show how our work contributes to the achievement of these goals.

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

We also report using the Global Reporting Initiatives (GRI) Sustainability Reporting Framework. More information on our GRI reporting is available on our website

 www.cbussuper.com.au/sustainability

Our six capitals



FINANCIAL CAPITAL
Funds available to Cbus



MANUFACTURED CAPITAL
Our buildings and infrastructure



HUMAN CAPITAL
Our people



INTELLECTUAL CAPITAL
Our systems and processes



SOCIAL AND RELATIONSHIP CAPITAL
Our partnerships and networks



NATURAL CAPITAL
The earth's resources

Integrated reporting recognises six capitals that businesses use and transform. The idea is that we need more than just financial capital to create long-term value. Throughout this report, capital icons are pictured when we use them in our value creation process.

Sustainable Development Goals that Cbus contributes to are:



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



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



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



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



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



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

We have chosen six of the 17 SDGs after considering where we believe we contribute. In doing so we considered our investment decisions, business partnerships, responsibilities as a property developer through Cbus Property, role as an employer and relationships with stakeholders, policy makers and domestic and global influencers.

Obtaining a printed copy of this report

You can obtain a copy of the Cbus Annual Integrated Report 2017 by visiting www.cbussuper.com.au/AnnualReport or by phoning the Service Centre on 1300 361 784.

Who we are

Cbus is the leading superannuation fund in the building, construction and allied industries and is open to all working people.

Number of members

750,779
up by 1%

The foundations of our Industry fund were built from the leadership of trade unions and agreement with employers to provide superannuation for all workers. Their continuing stewardship guides our united approach to putting members' interests first in everything we do.

Members' superannuation contributions are invested by us to achieve the best possible outcomes. We invest in Australian and international shares, infrastructure – here and overseas – fixed interest and cash. We also invest in the building and construction industry in Australia through Cbus Property. This unique offering creates jobs and contributes in a positive way to the sector where our members work.

Average member account balance

\$50,597
up by 9.17%

The campaign for industry superannuation was part of a wages campaign led by major blue collar unions that negotiated with employers for a contribution to super in lieu of a wage rise. Cbus established a new model for superannuation where savings were maximised for the benefit of workers in the building and construction industry and not for the shareholders of privately owned banks.

Cbus pays no commissions and all profits go back to members. Our members also receive default insurance cover (subject to eligibility) and access to premium discounted health cover. Our Financial Advice Team – which is now an in-house service – provides advice tailored to members' needs.

Average member age

39 years

In what was considered a bold initiative, but is now a basic component of people's industrial entitlements, workers pool their capital and are able to invest in assets that would normally be well beyond their means.

We work hard to develop and maintain relationships with employers who help us grow the fund and have expanded our teams who work with them.

Number of employers

125,885
up by 15.75%

Thirty- three years later, Cbus continues to be true to the values built by its members and their employers by putting members at the heart of everything we do.

We care about our members' financial wellbeing and that of the future generations. We show care and prudence in how and where we invest. This is demonstrated by our past performance and acknowledged by our members whose satisfaction with us rates among the highest of all super funds.

Total funds under management

\$40 billion
up from \$34 billion

Our relationship with our members is a life-long one, spanning their working years and through their retirement as we meet their needs and act in their interests. This annual report provides detail on how we do this.

Our members want an adequate retirement income and information relating to the performance of their Fund, as well as any factors that might impact their financial wellbeing. We are constantly evolving to meet these needs and to provide a positive experience.



How we create value



Cbus creates value for members by investing their pooled superannuation contributions, returning all profits to them and providing solutions to help them achieve a dignified retirement.



External environment

We identify issues in our external environment that we must be responsive to in order to create value. These fall into four broad categories: ageing population, increased longevity and changes in the nature of work; global megatrends impacting investment returns and choices; increasing competition; and regulatory changes.

Our inputs

We use a range of capital inputs to create value starting with the financial inputs from members and employers that are driven by our strong partnerships with construction and building unions and employers and their associations. Our team of talented

people work with our key stakeholders and international partners to optimise our outputs and outcomes.

The value creation process

We draw on our unique heritage and continued links with the construction and building industry. Our partnerships, our collaborative culture and our central value of putting members' interests first in everything we do – utilises, directs and transforms these inputs to create value for members.

Our outputs

The capitals are transformed and directed to innovative, long-term investments with particular emphasis on investing sustainably

in the real economy and built environment. We tailor products, services and solutions – such as advice, insurance and support – to meet the needs of our members and employers.

Our outcomes

We provide strong, long-term returns to members while contributing to a strong economy and sustainable development. Our buildings are designed to maximise eco-friendliness, and during their construction provide employment and economic activity in our industry. We are satisfying our members' and employers' requirements. We are attracting, retaining and engaging talented people and continuing to evolve our internal systems and governance mechanisms.

4. Our outcomes



We provide strong, long-term returns to members while contributing to a strong economy and sustainable development.



Strong long-term returns to members



Growth in the Fund



Strong economy and sustainable development through our investment policies



Employment opportunities for members through Cbus Property's construction work



Collaborative and flexible work environment creating a great place to work



Buildings designed to minimise environmental impacts



Continually evolving internal systems and governance mechanisms to ensure reliability, transparency, stewardship and accountability

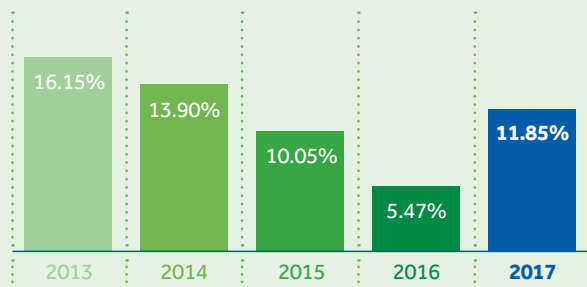
Our 2017 performance

This year, Cbus delivered a strong return to members of 11.85%¹

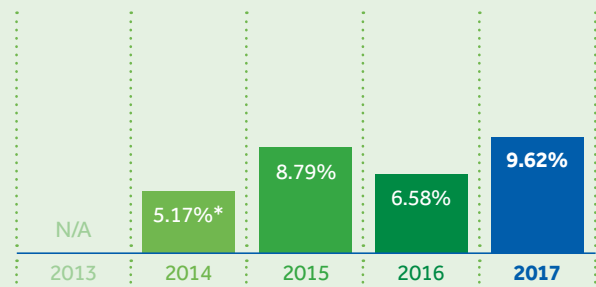
Crediting Rates

When we talk about Cbus returns throughout the Annual Integrated Report, we are using Crediting Rates. These are the return minus investment costs and taxes; and the Trustee Operating Cost and reserves. This excludes administration fees. Past performance is not a reliable indicator of future performance. All figures contained in this report are effective as at 30 June 2017, unless otherwise stated.

Superannuation returns Growth (Cbus MySuper) DEFAULT OPTION

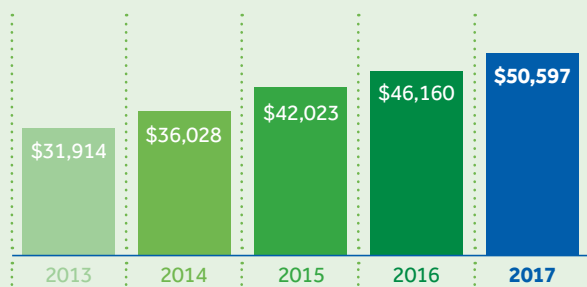


Super Income Stream returns Conservative Growth DEFAULT OPTION

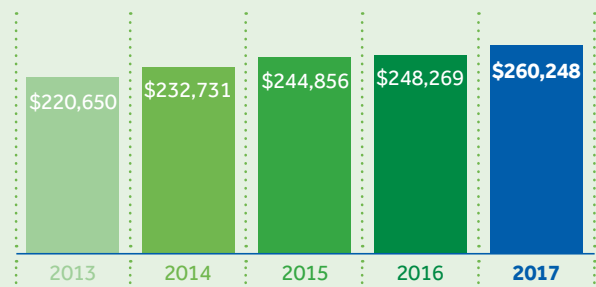


*For the seven months from December 2013.

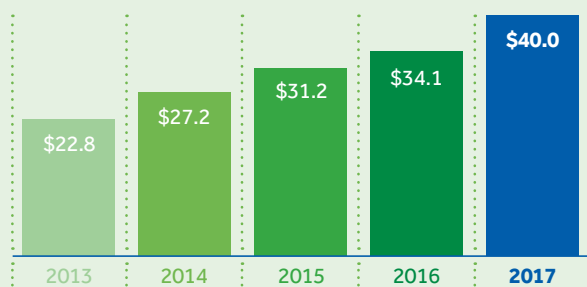
Average member super account balance as at 30 June



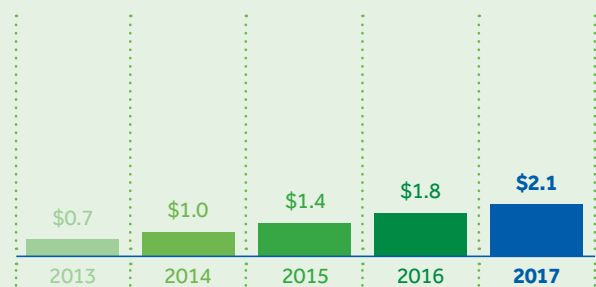
Average Super Income Stream account balances as at 30 June



Total funds under management \$ billion

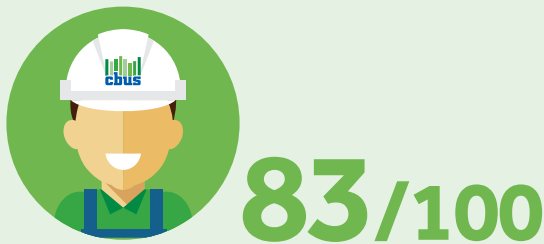


Super Income Stream Funds under management – \$ billion

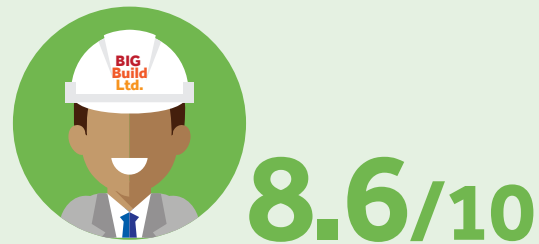




Member satisfaction²



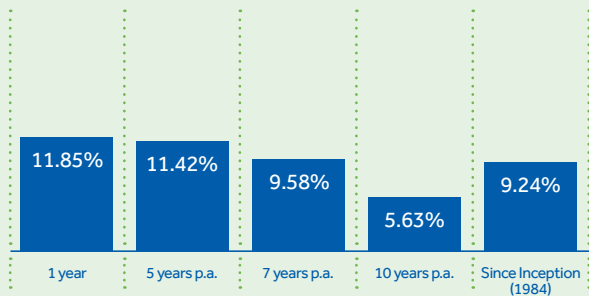
Employer satisfaction³



Our performance

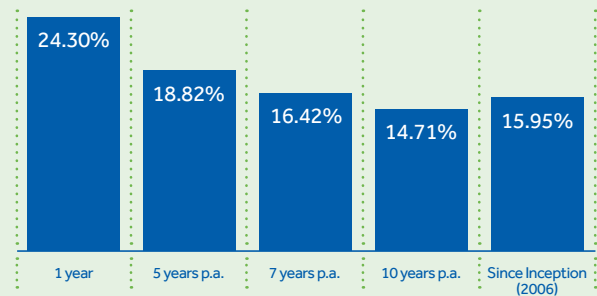
Growth (Cbus MySuper) DEFAULT OPTION

11.85%

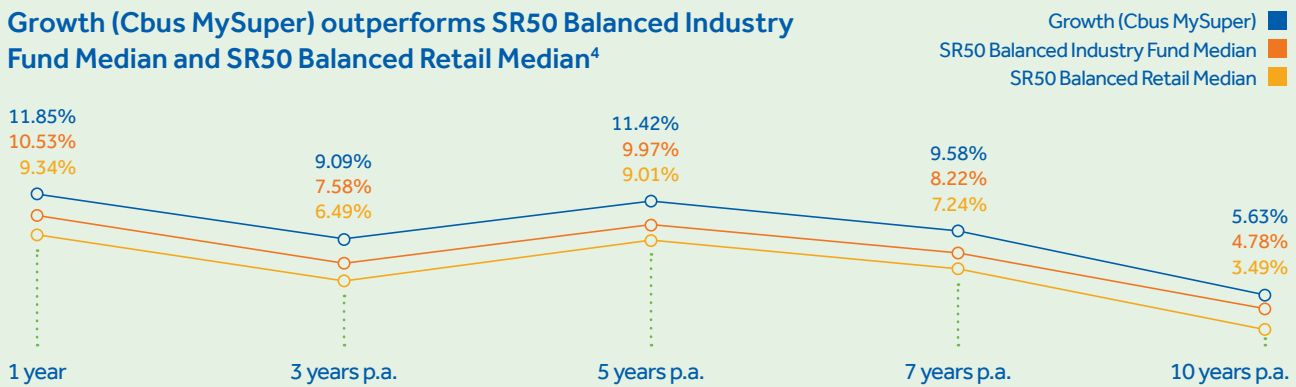


Cbus Property returns

24.30%



Growth (Cbus MySuper) outperforms SR50 Balanced Industry Fund Median and SR50 Balanced Retail Median⁴



1. Growth (Cbus MySuper).
 2. Investment Trends, May 2017, Member Sentiment and Communication Report. Survey conducted in May 2017.
 3. According to research conducted by Feedback ASAP, our employers who contacted the Service Centre rated us 8.6 out of 10 for satisfaction with handling their enquiry. The research was conducted on a continuous basis from 1 July 2016 to 30 June 2017 with employers who contacted the Service Centre.
 4. The median fund return is from the SuperRatings SR50 Balanced Survey, June 2017, published 20 July 2017. SuperRatings is a ratings agency that collects information from superannuation funds to enable performance comparisons. The SR50 Balanced Survey includes investment options that are broadly similar to the Growth (Cbus MySuper) option, as these funds are all diversified with an allocation to growth assets of between 60% and 76%.

Message from the CEO

The 2016/17 financial year has seen us successfully continue our program of transformation, which is driven by our total focus on getting the best possible retirement outcomes for members and improving both the member and employer experience of Cbus.

We achieved strong returns again this year, and we have continued to grow in a contracting market. The ageing population, the changing nature of work and the rightful emphasis on consolidation of superannuation accounts means continued growth – both in members joining the Fund and in net roll-ins – is a significant achievement.

We enjoy the highest overall member satisfaction ratings across the superannuation sector, strong brand recognition, and our members and employers are confident in promoting our services to others¹. Our sponsoring organisations, the building trade unions and employer associations are central to the Fund achieving this position.

The needs of our members are evolving and we are continually adapting to ensure we keep up with them. To do so, we need to respond quickly to an increasingly complex social, technological and economic environment.

This means building our internal capabilities in investments, advice, digital and direct servicing of members and employers. We are continuing to transition the servicing points with members and employers, from a traditional outsourced model to directly within the Fund.

As part of our insourcing program, we made 117 appointments during the year, which further expanded the Trustee Office headcount to 280 people. This included bringing the Advice Team in-house where they are now fielding up to 135 calls a day, assisting members with their superannuation planning and retirement outcomes.

Such expansion requires that we attract high calibre people who understand that members are at the heart of everything

we do and who are committed to meeting their needs. To ensure our culture remains strong, we engaged the whole organisation, from the Board down, in refreshing our values.

The increasing capacity we are building in investments will allow us to be more agile and innovative in managing risk and taking opportunities to continue to provide returns for members, while reducing investment costs.

We are long-term holders of capital seeking to enhance long-term returns for our members. Social and economic inequality leads to instability and volatile markets – that's what has compelled us to recognise the importance of the United Nations' Sustainable Development Goals (SDGs).

We have identified SDGs that we can contribute to and are seeking to understand the impact we can have by shifting capital to new investment opportunities that facilitate achieving particular SDGs. The private sector cannot do this on its own and we look forward to policy innovations and forums to help us identify opportunities to assist the Australian Government in honouring its commitment to the United Nations.

The Investment Committee spent a lot of time considering our agreed Climate Change Position Statement. We seek to ensure a just transition for workers in carbon intensive industries. This approach also allows us to continue working with businesses that are willing to reconsider their business models. Our additional internal capability helps us work with companies on their long-term strategy to reduce their carbon footprint and the carbon footprint of the fund.

We are increasingly concerned about the casualisation of the workforce and the implications that has for adequacy of retirement outcomes for members. We are investing resources to examine how the trend of declining numbers of employees and the increasing number of contractors and casual labour impacts on member retirement incomes.



We continue to advocate on behalf of our members to ensure compliance with the payment of superannuation obligations. Our work in this area led to the establishment of a Senate Inquiry that has provided a policy roadmap to tackle the problem. We will continue to advocate for legislative change to ensure all Australians receive their superannuation entitlements.

It has been a strong performance year for Cbus, and we have refreshed our Executive Team to position us to continue our transformation program and to build on that strong performance into the future.

Utilising the Integrated Reporting Framework allows us to provide our stakeholders with an understanding of how all the pieces of our work link to serve the interests of our members through their working and post-working lives both directly and indirectly.

David Atkin
Chief Executive Officer

Message from the Chair



Cbus continues to be a stand-out performer in terms of both investment returns and fund growth, with a capable Board of Directors and talented and committed staff.

Our Fund returns all profits to members and has continued to achieve outstanding performance with a return this year of 11.85%¹. This places us in the top 25% of Australian superfunds over 1,3,5,7 and 10 years². We've achieved this by staying focused on who we are and on our members' needs. We maintain a strong understanding of the building and construction industry, which resonates with our members and their employers.

I'm passionate about the industry superannuation model. We have buy-in from all our stakeholders, including both employer representatives and trade unions. I expect the Productivity Commission will recognise the success of the model in its review of the sector and particularly the outperformance of industry funds compared to retail funds and the high levels of member satisfaction. The Australian industry superannuation model is one of the most successful models in the world.

The Board invested time in 2017 to consider our culture and adopt values that recognise our heritage and reinforce that members are at the heart of everything we do. We recognise that, as Directors, we set the tone for the Fund and we demonstrate the values of integrity, transparency and accountability.

We look to the long-term in everything we do. We approved a Climate Change Position Statement with this in mind, and are considering how we can contribute to the achievement of the United Nations Sustainable Development Goals. We invest long-term in infrastructure and are building our in-house capability to capture further opportunities in this important asset class.

Superannuation in Australia has about \$2.3 trillion under management, which is larger than Australian bank deposits and the Australian economy. We have to look for investments in Australia and beyond, and our portfolio will become increasingly internationally diversified. We are custodians of members' contributions and we are diligent in our risk assessment processes.

Our review of the Board skills matrix better informs our Board and Committee composition needs, and nomination of Directors by our sponsors. We supplement Board skills through advisers where needed. We have established a new Nominations Committee to help ensure the Board reflects all the required skills. John Dawkins finished his term as an independent Director at the end of June this year, and we thank him for his contribution over the past five years. Through the Nominations Committee process, we will identify and appoint his replacement in the first half of the 2017/18 financial year.

One of our biggest challenges in keeping up with members' needs is digitisation and developments in information technology. To that end we have appointed Julie Fahey to provide the Board with expert technical advice in the area of digital technology, cyber security and transformation.

Ms Fahey has over 30 years experience in technology transformation in the mining and automotive industries and is a former partner at KPMG.

During the year, the Australian Securities and Investments Commission (ASIC) finalised its investigation into the matter of member privacy referred by the Royal Commission into Trade Union Governance and Corruption. ASIC found that no further action was required. The Board is confident that the governance structures in place in the Fund relating to the management and security of member data meet all regulatory requirements and member expectations.

Following the Integrated Reporting Framework has enabled us to explicitly focus on our inputs and outcomes for multiple capitals. As a Board we acknowledge our responsibility to ensure the integrity of the Integrated Report. We considered how the Integrated Report is prepared and presented at our meeting on 22 August 2017. The Integrated Report has been prepared in accordance with the International Integrated Reporting Framework and we considered our approach to value creation in developing our strategy.

The Hon. Steve Bracks AC
Fund Chair

1. Growth (Cbus MySuper) default option.

2. Superratings SR50 Balanced Fund Survey, period ending 30 June 2017

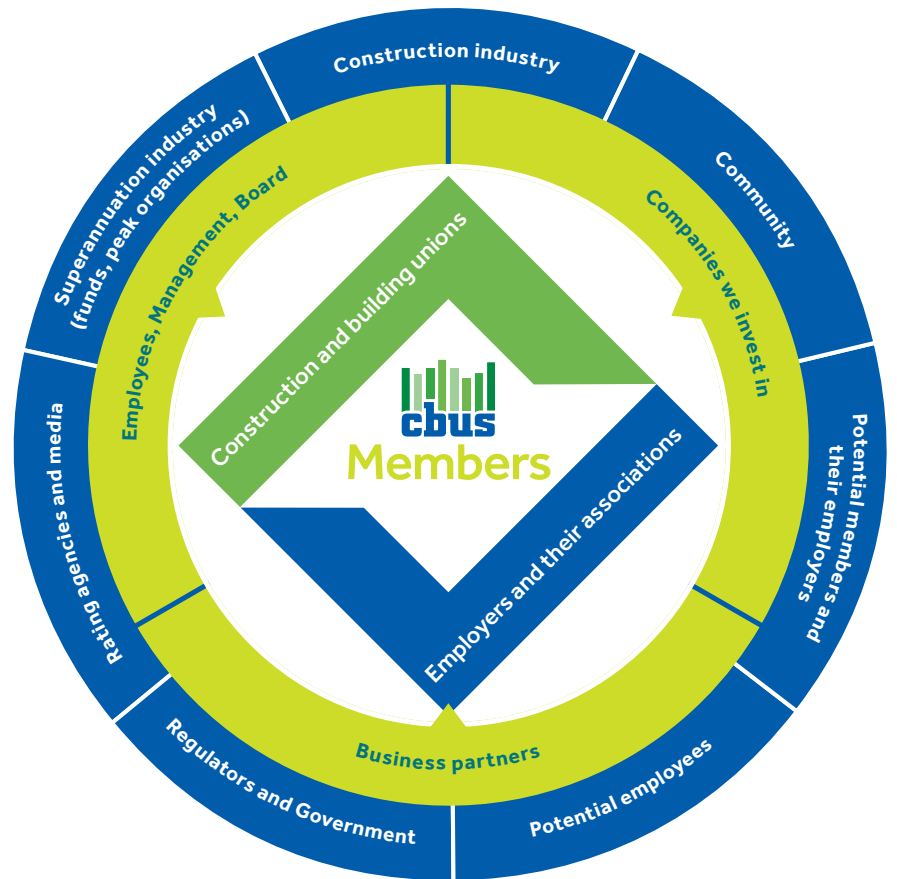
What matters to our stakeholders

Our strategy focuses on addressing issues we have identified as material to creating value for our members.

We have identified our key stakeholders and the issues of interest to them. We grouped these issues across four major themes as highlighted in the table. Detailed information on all issues identified across all our stakeholders and how we engage with them is available on our website.

 www.cbussuper.com.au/sustainability

Our stakeholders



- Stakeholders that provide inputs to our business model
- Other stakeholders in our external environment that influence, or potentially influence, our inputs, outputs and/or outcomes



Material Issues	Stakeholders
Having enough income in retirement	
<ul style="list-style-type: none"> • Adequacy • Longevity • Advice • Products • Investment performance • Selection of Default Funds • Unpaid super • Retirement products to address longevity • Government policy 	<ul style="list-style-type: none"> • Members • Sponsors • Media • Rating agencies • Australian Government • Cbus management
Member and employer service needs	
<ul style="list-style-type: none"> • Clear and transparent. 'Be on the lookout for me. Unburden me. Show me you care.' • Member and employer visits • Resolving problems, queries and claims • Arrears compliance • Informing stakeholders about regulatory updates/ changes and impacts • Insurance in super • Social contribution (access to super and affordability of insurance; member health and wellbeing). 	<ul style="list-style-type: none"> • Members • Employers • Sponsors • Business partners • Regulators • Industry associations • Cbus management
Strong, reliable, innovative fund	
<ul style="list-style-type: none"> • Integrity, competence and capability of Cbus governance • Privacy and data security obligations • Transparency, honesty and accountability • Financial stability • Inclusion and equality/diversity • Corporate culture and values • Governance model 	<ul style="list-style-type: none"> • Members • Employers • Regulators • Staff • Sponsors • Media • Rating agencies • Industry • Community
How we invest	
<ul style="list-style-type: none"> • Climate change and environmental impacts • Social and governance issues (e.g. Occupational Health and Safety) • Affordable housing • Nation building (jobs and investing in the built environment) 	<ul style="list-style-type: none"> • Members • Sponsors • Governments • Regulators • Community

Pension funds, Cbus and the Sustainable Development Goals

Together with other pension funds and responsible investment bodies, we are exploring investment opportunities that can contribute to the achievement of the Sustainable Development Goals.

The United Nations' Sustainable Development Goals (SDGs) tackle poverty, human rights, labour rights issues and climate change. Their achievement will reduce the volatility in financial markets brought about by climate change, social and economic inequality and unequal access to resources such as energy, water and food.

The six SDGs that we identified in 2015/16 are directly relevant to the competitiveness and value of our investments.

We recognise that the SDGs are interconnected and therefore any of our

strategic activities may contribute to more than one SDG, including those not listed here. However, we believe that these six are those we can make the most significant contribution to. They are also aligned with our strategy and our approach to investment.

SDGs 8, 9, 11 and 13 are particularly relevant to our investments through Cbus Property and our innovative approaches to design and construction, as well as our contribution to the competitiveness and long-term sustainability of Australian and overseas infrastructure

We have made a start thinking about the SDGs – which were agreed on by the governments of the United Nations in 2015, as the following timeline shows. We acknowledge that we have much more to do. As a long-term investor we understand our significant responsibilities in contributing to the SDGs.

Our contributions to these SDGs also represent outcomes for the multiple capitals of integrated reporting and contribute to value created for our members. We recognise that we need to further develop our strategy to contribute to the SDGs.

Linking our contribution to the SDGs with our current strategy

We set out below how we believe we contribute to the SDGs through our current investment and business strategies.



SDG 5 Gender equality

We provide a flexible and inclusive workplace that allows all employees to meet their potential.

Our Diversity and Inclusion Policy consists of a number of measures to encourage equal opportunity for women and men in the workplace.

For further information on these initiatives please see the 'Our People' section on page 46.

We help our male and female members understand how superannuation works for them. 92% of our members are male and many members have spouses and partners who will be dependent on the retirement income of our members. Across Australia women on average have lower super balances on retirement than men. This is, in part, a result of the gender pay gap, and yet they have longer life expectancies than our male members. We are advocating on behalf of all our members for policy changes to combat poverty in retirement (see page 40) and we are active members of Women in Super.

We work through the Australian Council of Superannuation Investors (ACSI) to increase the proportion of women on Boards and management to improve company performance. Our CEO sits on the Australian Institute of Company Directors (AICD) Working Group of the 30% Club, which has the objective of campaigning for 30% of ASX 200 board members to be women by the end 2018.



SDG 8 Sustainable economic growth, full and productive employment, decent work


Through our investments we are generating returns and creating jobs. Our investments in Cbus Property alone have created employment for more than 75,000 people directly and over 50,000 indirectly in construction since its inception in 2006. In addition there has been employment in the ongoing management of investment properties.

We are committed to our responsibilities for Occupational Health and Safety as set out in our Environmental, Social and Governance (ESG) Policy www.cbussuper.com.au/esg. Further information on our performance is included in the Cbus Property section on page 27 and in our Sustainability Report.

We are signatories to the investor statement in support of a Modern Slavery Act in Australia through the PRI. It was signed by 38 organisations representing US\$2.17 trillion in assets under management¹.

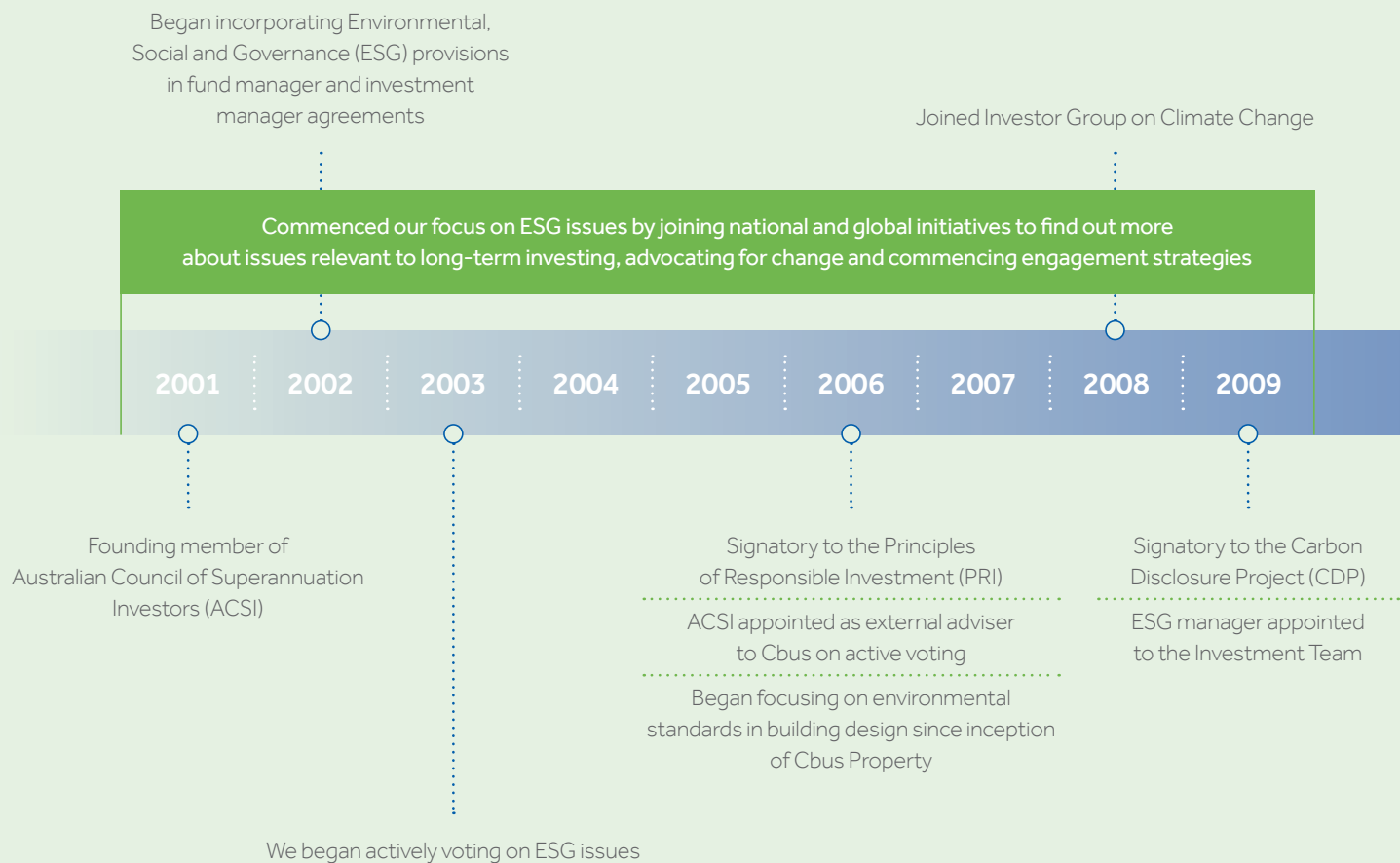
1. www.unpri.org/news/pri-submits-investor-statement-in-support-of-introduction-of-australia-modern-slavery-act

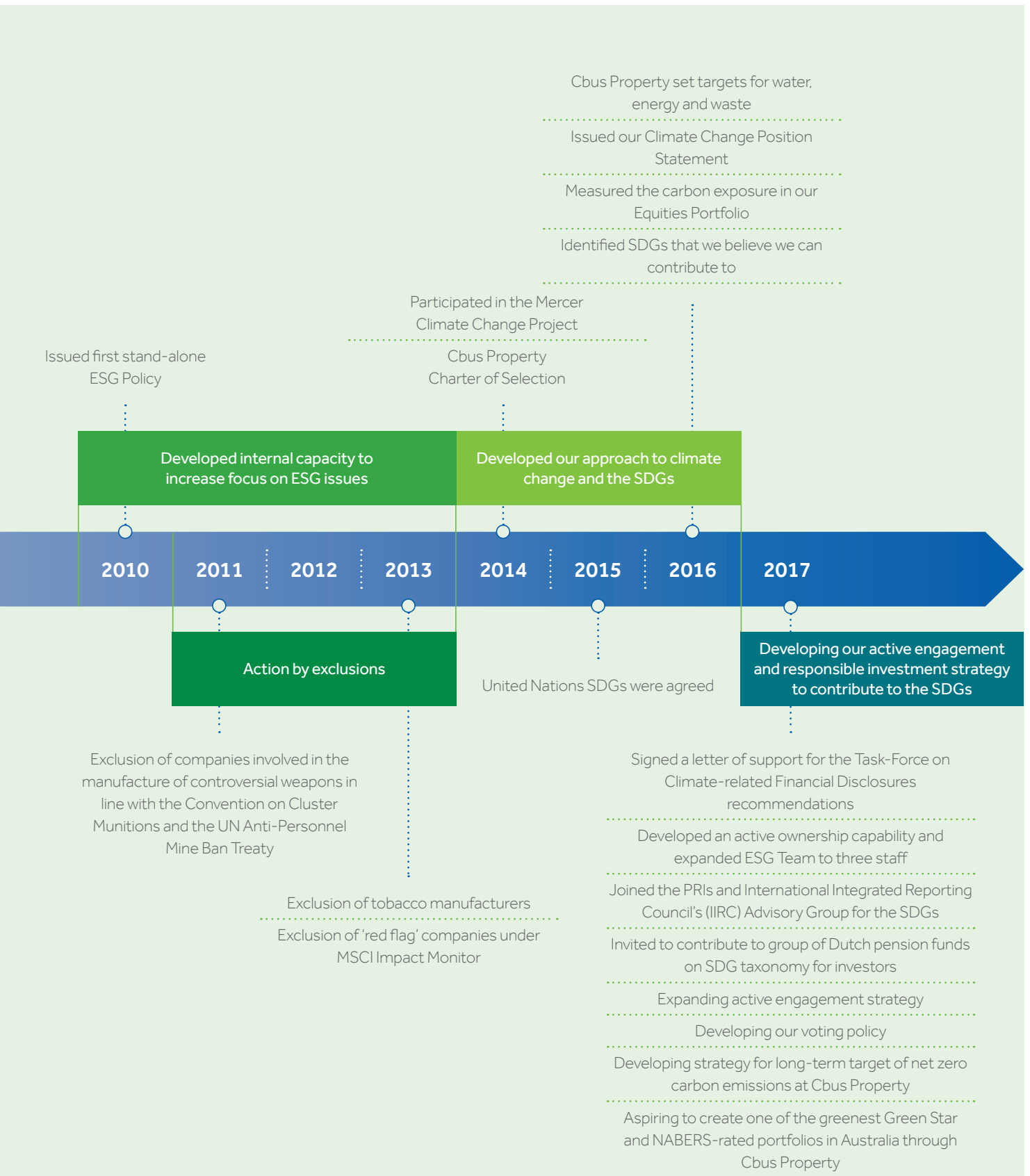


 <p>SDG 9 Build resilient infrastructure</p>	<p>We invest over \$4 billion in infrastructure, which drives social and economic development in Australia, the US, the UK and Europe. These investments include social infrastructure, roads, rail, ports, airports, utilities including water, energy and telecommunications.</p>
 <p>SDG 11 Make cities safe, resilient and sustainable</p>	<p>We support the development of sustainable buildings within our property portfolio. Our commitment is set out in our ESG Policy www.cbussuper.com.au/esg</p> <p>Cbus Property strives to achieve a minimum 5 Star 'Design & As-Built' rating under the Green Star system for its office developments. Cbus Property monitors the environmental performance data of its Commercial Portfolio and has set targets for performance improvements. The targets can be viewed at www.cbusproperty.com.au/sustainability/key-objectives</p> <p>We seek to increase the supply of affordable housing. Pension funds can play a role in providing much needed capital to help boost the supply of affordable housing. We are actively seeking opportunities to invest in the affordable housing market.</p>
 <p>SDG 13 Urgent action to combat climate change and its impact</p>	<p>Climate change contributes to many of the issues addressed by other SDGs. It brings both risk and opportunities for long-term investors like Cbus.</p> <p>Our Trustee Board issued a Climate Change Position Statement in August 2016 www.cbussuper.com.au/sustainability. It supports decision-making that both protects members' assets and takes advantage of opportunities presented by the transition to a low carbon economy. It recognises that the way we invest in the built environment is a key enabler of this transition.</p> <p>We have increased our resources to understand the risks and opportunities brought about by climate change and we are developing a strategy to address them.</p> <p>We measure and monitor the carbon footprint of our investment portfolio. This is a measure of the amount of carbon dioxide released into the atmosphere as a result of the activities of the organisations in which we invest. At this stage, we have measured the carbon footprint of our listed investments, and they comprise around 47% of our investments. We compare our carbon footprint to a global index, which acts as a benchmark.</p> <p>Our carbon footprint measures are included on page 25.</p> <p>We are advocating a Just Transition for workers in carbon intensive industries. We are partnering with First Super to sponsor research about issues in transitioning to a low carbon economy and actively participating in forums with fellow investors, such as the Investor Group on Climate Change (IGCC).</p> <p>This year our CEO signed a letter supporting the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We believe there is a need for increased and higher quality climate related financial information on which to base investment decisions. We will encourage companies we invest in to provide such information and incorporate it into our investment decision-making. Later this year, we will also assess ourselves against the TCFD's recommendations with a view to reporting against this framework.</p> <p>One of the benefits of companies following the TCFD recommendations is that we will be able to review their forward-looking strategy, which will help us in our investment decision-making.</p>
 <p>SDG 17 Global partnerships for sustainable development</p>	<p>We work in partnership with a number of national and global organisations to develop approaches to investing that promote economic growth consistent with sustainable development. The timeline on the following pages shows how our commitment to sustainable development has evolved and the partners we have worked with along the way.</p>

Our responsible investment journey

We began our journey thinking about risks associated with environmental, social and governance issues and our negative impacts. We are moving towards thinking about how we can contribute to the Sustainable Development Goals through active engagement and our investment strategy.





External environment

At Cbus we have identified key long-term trends and ongoing issues that we must be responsive to in order to continue creating value for our members.

We examine these trends alongside what matters to our stakeholders' and weigh the threats and opportunities they present to member value to develop our business strategy.

We briefly discuss the issues and how we are responding. We take a deeper look at how our strategy translates to value creation for stakeholders and how we measure its impact throughout this report.

Ageing population, increasing longevity and changes in the nature of employment

Between 1996 and 2016, the proportion of Australia's population aged 65 years and over increased from 12% to 15.3%. In addition to the population ageing, Australians are living longer with the population of people aged over 85 years doubling over the period from 1.1% to 2%¹.

An ageing population also raises budget challenges for governments and the economy. Currently, the ratio of 15–64-year-olds to every Australian over 65 is 4.5. By 2054/55 that ratio is expected to halve to 2.7² potentially seeing fewer people in taxable employment supporting greater numbers of retirees.

The number of Cbus members aged over 55 is expected to increase significantly over the next five years, rising by 20% to comprise 17.5% of all members.

Members remain concerned that they will outlive their superannuation savings, and this highlights the need to ensure adequate levels of contributions and as well as the enforcement of compulsory superannuation.

There is a growing need for Cbus and other superannuation funds to respond to these demographic shifts by developing products that reduce investment volatility and longevity risks. The Government is also exploring the merits of introducing compulsory or default retirement products.

However, blunt responses, such as raising the eligibility age for the Age Pension, fail to consider circumstances across occupations. Construction and building workers in manual occupations are either unlikely to be physically able to work longer or get passed over in favour of younger workers.

The Australian superannuation system is intrinsically linked to the employment relationship.

The changing nature of work and the rise of the 'gig economy' which sees people moving in and out jobs much more frequently and more often as self-employed, casual or on a contract basis, poses a significant challenge to the design and efficacy of the current superannuation system.

Related to these concerns, SDG 8 includes this target:

- By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Further, SDG 10 calls for the reduction of inequality with targets that include:

- By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age.
- Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

We call on the Australian Government to take action to contribute to these SDG targets and stand ready to assist because achieving these targets is in our members' interests.

1. Australian Bureau of Statistics 2016. 3101.0 – Australian Demographic Statistics. June 2016

2. The Commonwealth of Australia. 2015 Intergenerational Report *Australia in 2055*. 5 March 2015



Global megatrends impacting investment returns and choices

High valuations for some asset classes, ageing demographics and high debt levels in many economies will be a moderate headwind for investment returns over the next five years, requiring that maximum value be extracted from the returns that are available.

Increased lending constraints on banks through changes related to the Basel Banking Accords will provide opportunities for direct lending to companies.

Greater opportunities in infrastructure, domestically and globally, and more public private partnerships are anticipated, given the constrained fiscal position of many developed world economies.

Increased societal demands for a greater focus on sustainable development issues and the requirement for greater portfolio transparency means increased scrutiny of the investments of super funds.

As custodians of members' money we have an obligation to invest their money responsibly for sustainable long-term returns. They expect that we will do this with a view to promoting fairness and justice in labour practices; ensuring safe and healthy workplaces; creating sustained and meaningful employment; good governance practices; and looking after our environment for current and future generations.

Increasing competition

Regulatory changes, increased competition and the benefits from economies of scale are likely to result in considerably fewer superannuation funds over the medium term. We anticipate a continued focus on costs in the industry. Success in this environment is likely to stem from sufficient scale and deployment of resources in a cost-effective manner that delivers favourable outcomes to members.

Customer service expectations via digital channels are increasing across all sectors, with increased demand for education, advice and real-time consumer experience. Funds will need to adapt quickly to meet consumers' changing needs.

Understanding our stakeholders' changing needs and the potential for advancing technologies to throw up disruptors in the market is central to ensuring we retain and grow membership while offering a unique value proposition.

Regulatory changes

The Government has tasked the Productivity Commission to come up with alternative default superannuation fund selection processes to the current selection of default funds by the Fair Work Commission. Cbus, as an industry fund for the construction and building industry, is a recognised default fund in most Modern Awards covering workers in our industry. The Productivity Commission is due to report and recommend its preferred alternative, if deemed necessary, following an analysis of the efficacy of the current system across the next 12 months.

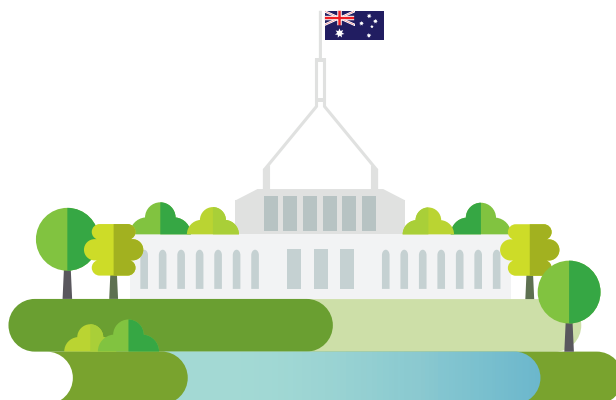
The Government has stated that it will continue to pursue changes to fund governance seeking to again introduce legislation requiring a compulsory one-third 'independent' directors on fund Boards.

A Senate Inquiry heard this year that the level of unpaid superannuation had increased to between \$3.6 and \$5.6 billion per annum.

This year the eligibility age for the Age Pension moves from 65 to 65.5 years. This will progressively increase to 67 by 2023 with the Government signalling its preference for further increases to age 70 by 2035. Increases in compulsory superannuation contributions remain frozen until 2021, and will not reach 12% until 2025.

Parliamentary inquiries have focused on the merits of automatic personal risk insurance in superannuation, its impact on superannuation savings and the ability to successfully claim. The Government is signalling an intention to legislate change.

Regulatory changes to the level of disclosure of investment, fees and costs will come into effect in the 2017/18 financial year requiring a deeper level of disclosure. While Cbus agrees with consistent and comparable transparency of costs, we believe these changes will fail to achieve this outcome.



Identifying and managing risk

Cbus' risk appetite and its broader Risk Management Framework aligns risk and strategy.

Cbus is willing to accept risk in pursuit of value as long as risk is understood, can be appropriately managed within the parameters of Cbus Risk Management Framework and is consistent with Cbus' overarching strategic objectives of generating the best possible retirement outcomes for our members.

Cbus is exposed to a wide range of risks as part of its business operations. We report on those we believe are likely to have the greatest impact on Cbus and have been the focus of Directors and Management. The details of these risks, including our risk appetite and response or mitigation, are following. The risks listed do not denote an order of priority and do not comprise all risks identified and managed by Cbus.

During the year Cbus introduced a more dynamic approach for assessing its material risk exposures including a greater focus on risk connectivity. Cbus will seek to build on this analysis to inform strategic planning and to coordinate control responses.

Cbus Material Risks

Risk	Description	Current context	Risk appetite	Response
1	<p>Regulatory change</p> <p>There is a risk that regulatory change in the superannuation sector negatively impacts Fund members and beneficiaries.</p>	The financial services industry is constantly evolving and there is a great deal of regulatory change underway in the superannuation industry relating to the default funds allocation and governance arrangements.	Cbus seeks to proactively influence regulatory change in a coordinated manner and advocate policy positions that are in the long-term best interests of Cbus members and beneficiaries.	<ul style="list-style-type: none"> Established relationships with peak industry bodies Internal policy and advocacy capability Active engagement with stakeholders to proactively advocate for retirement adequacy
2	<p>Changing customer expectations</p> <p>Digital technology is disrupting the traditional business model, forcing Cbus to adapt to new technologies faster to improve customer experience and establish competitive edge.</p>	Customer service expectations via digital channels are increasing across all sectors, with increased demand for education, advice and real-time consumer experience to guide members in their financial journey to ensure retirement adequacy.	Cbus seeks to innovate its product and service offerings in a sustainable and controlled manner to improve member net benefits and strengthen the trust and loyalty of our customers.	<ul style="list-style-type: none"> Integration and uplift across Cbus digital channels will enhance customer engagement tools to gain richer insights into customer needs and improved organisational agility to proactively respond to their needs more quickly
3	<p>Evolving the business model and managing change</p> <p>Our ability to fully realise quality outcomes for all beneficiaries relies on a clear strategy, a sound operational governance framework, and the right capabilities and culture to support enterprise transformation.</p>	Cbus continues to evolve its operating model into a customer-centric, competitive digital organisation aimed at delivering quality member and employer experiences, and extracting maximum value from our investment management and strategy.	Cbus will undertake major organisational change where the Board determines that such changes will derive realisable long-term benefits for Cbus members and beneficiaries.	<ul style="list-style-type: none"> Program governance and framework to ensure appropriate planning, sequencing, rigorous dependency management, robust stage testing, program delivery oversight and measurement at an enterprise-wide program level



Risk	Description	Current context	Risk appetite	Response
<p>4</p>	<p>Investment performance and operations</p> <p>To improve members' retirement adequacy, Cbus needs to set appropriate investment objectives and strategies and execute effectively and efficiently to achieve these objectives.</p>	<p>Current valuations of assets, high debt levels and demographic changes, and economic volatility are anticipated to lower returns over the next five years or so. There is also increasing competition on fees from retail funds.</p>	<p>Cbus aims to take investment risk where it is most likely to be rewarded and to maximise the probability of achieving its investment objectives. Cbus believes operational risk is largely unrewarded and will implement strong business processes, procedures and controls to manage the risk effectively.</p>	<ul style="list-style-type: none"> Implementation of a new investment model
<p>5</p>	<p>ESG investment risks</p> <p>Cbus needs to factor appropriate ESG considerations into investment decision-making processes to ensure long-term viability and sustainability of investment performance.</p>	<p>Cbus recognises the importance of managing ESG risks. In addition, there is a greater focus on ESG-related issues and increased scrutiny from members, regulators and activists on the investments and actions of superannuation funds.</p>	<p>Cbus seeks to build on its approach as a responsible long-term investor and provide industry leadership on ESG risk issues.</p>	<ul style="list-style-type: none"> Development of ESG Policy and Climate Change Position Statement Increasing Cbus' contribution to the UN Sustainable Development Goals Active engagement on ESG issues with companies and fund managers
<p>6</p>	<p>Information security</p> <p>Australian industry is persistently targeted by a broad range of malicious cyber activity, risking the profitability, competitiveness and reputation of Australian businesses.</p>	<p>Cbus is currently developing a holistic IT strategy and enterprise architecture that will inform the development of its integrated information security operating model, which includes an integrated information and security (including cyber) management framework.</p>	<p>Cbus will establish a comprehensive risk-based information security framework with accountability for the identification, classification and management of information.</p>	<ul style="list-style-type: none"> Establishment of Data Governance and Information Security Council Established information security controls including policies, procedures and technologies Crisis management and response plan
<p>7</p>	<p>Culture and talent</p> <p>Cbus needs to attract, engage, develop, motivate and retain the right talent to achieve our strategic business objectives and foster a member-focused culture that is underpinned by Cbus values and purpose.</p>	<p>The Fund's growth and change in operating model have driven a need to refresh Cbus' values to enable the Fund to successfully deliver strategy. There is an increasing focus from regulators and the general public on the culture and conduct of financial institutions.</p>	<p>Cbus seeks to be an innovative workplace that adopts leading employment practices and offers strong employee value proposition. Cbus expects its leaders to promote and role model behaviours that are consistent with Cbus' values and best interest duty to members at all times.</p>	<ul style="list-style-type: none"> Board's active involvement in refreshing and embedding Cbus' values Flexible work arrangement and diversity policies Continued development in performance management Review of remuneration policy

Our strategy scorecard

We develop strategy to create value for our members taking into account the external environment. Our strategy scorecard looks back at what we said we'd do and what we actually did.

Member and employer experience

What we said we'd do	What we did
Shift more active members into adequate retirement savings levels from 60%.	Active Cbus members on track to meet the adequate retirement income target – exceeded 67%.
Bring the Cbus Advice Team in-house.	Cbus Advice Team brought in-house in September 2016.
Commence delivery of operating model for the complete transition and retirement advice, products and service referrals.	<p>Developed service hub concept to assist members and partners adjusting to retirement.</p> <p>Tested a range of service concepts to assist members adjusting to financial and non-financial aspects of retirement.</p> <p>Five new Transition to Retirement investment options introduced to the Super Income Stream.</p>
Develop and implement an Income Stream join online solution.	To be progressed as part of the Information Technology Strategy Roadmap.
Roll out Front Counter services nationally.	New and expanded front counters now open in Sydney, Melbourne, Perth and Adelaide. Brisbane will be open later in 2017.
Develop and deploy new tailored insurance solutions.	New products (including income protection for non-manual), premiums and cover levels introduced.
Introduce new member card to aid compliance and monitoring of payments.	New member card currently piloting in Victoria, will be rolled out nationally by the end of 2017.
Improve legacy administration processes to reduce the burden on employers.	We have redesigned the refunds process to streamline the process and minimise the administrative burden on employers.
Develop improved employer sponsorships ensuring genuine and valued relationships.	We now have a dedicated Marketing Team that is responsible for executing and leveraging the value in our sponsorship arrangements including events, trade shows, digital and print media.
Continue to research member work and retirement experience to build thought leadership and policy advocacy.	<p>Commissioned paper on member work and retirement experience.</p> <p>Engaged with and sponsored prefabAUS conference.</p>



Investments

What we said we'd do	What we did
Continue to embed new investment structure to increase direct investment, lower fees and enhance risk governance.	Additional 22 investment professionals employed. Investment fee for Growth (Cbus MySuper) option reduced by 0.03%. Built internal capabilities to enable investment in direct assets.
Extend the direct investment strategy in the 'built' environment, drawing on established capabilities.	Cbus Property projects commenced at 311 Spencer Street and 447 Collins Street. Established inhouse infrastructure team.
Extend carbon footprint analysis and company engagement across the portfolio.	Achieved.
Evolve the Investment Risk Management Framework.	Achieved.
Renew and implement ESG policy including adoption of the Sustainable Development Goals.	Renewed ESG Policy.
Deepen engagement and long-term investment in companies that take their sustainability practices seriously.	New Active Ownership Policy endorsed.

Technology and business architecture

What we said we'd do	What we did
Commence data governance and security project.	Initial data governance and privacy capability deployed. Information and cyber security roadmap has been developed and is being implemented. Manager, Information Security appointed.
Enhance digital member and employer platforms.	Adobe digital platform implemented. Website reviewed, redesigned and deployed. Market leading Employer App designed and deployed. Member App redesigned and deployed.

Organisational capability

What we said we'd do	What we did
Review and evolve the Investment Risk Management Framework.	Enhanced the Investment Risk Management Framework
Review and revise the Risk Appetite Statement.	Developed an integrated series of risk appetite statements with detailed modelling of residual risk and mitigants.
Maintained research and insights to continue to drive strategy.	Expanded our research capability.
Increase flexible work take-up.	Up from 20 to 68 employees meaning we're now at 22% against a target of 30%.
Increase gender diversity.	Now 47.5% female staff for total organisation; exceeded Investment Team target of 40%.
Refresh and relaunch Cbus values across expanded operation.	Values refreshed and relaunched.
Review Remuneration Framework and receive Board endorsement.	Remuneration Framework reviewed.

Our strategy to 2020

<p>How we will create value</p>	<p>Cbus creates value for members by investing their pooled superannuation contributions, returning all profits to them and providing solutions to help them achieve a dignified retirement</p>			
<p>Our strategy to 2020</p>	<p>Member</p> <p>To have >70% of active members at adequate retirement savings level</p>	<p>Employer</p> <p>Preferred super provider for >50% of the employers in our industry</p>	<p>Retirement</p> <p>80% of current Cbus members who reach preservation age and decide to continue to be invested in superannuation products will choose our Fund.</p>	<p>Investments</p> <p>Returns in the top 25% of funds over 5 year rolling period; 20% of portfolio investment inhouse; 0.10% investment fee reduction</p>
<p>Key Program of work</p>	<p>Member experience</p> <ul style="list-style-type: none"> • Deliver a member focused capability and service delivery model • Extend the advice model capacity to deliver the transition and retirement capability and improve retention • Enhancing the insurance claims experience • Implement personalised member portal • Increase engagement with sponsoring organisations to drive member growth 	<p>Employer experience</p> <ul style="list-style-type: none"> • Develop new product and service propositions for employers including advice and tools to assist members transitioning into their own business • Implement an integrated employer portal. • Leverage our sponsoring organisation relationships to drive growth • Expand our National Business Development Team. • Develop a multi-channel digital acquisition capability 	<p>Transition and Retirement Capability</p> <ul style="list-style-type: none"> • Deliver the transition and retirement product and service strategy • Identify the strategic partnerships and capability required to deliver • Establish an integrated operating model that integrates our Internal Advice Team, online capability and key strategic partners • Develop and deliver a holistic approach that delivers to the 'community' of Cbus retirees 	<p>Next generation investment model</p> <ul style="list-style-type: none"> • Increase internalisation of investment activities and reduce costs • Actively assess opportunities arising from the new built environment investment strategy. • Enhance investment tax management, reduce agency costs and improve efficiency of portfolio management • Implement an investment research and development program
<p>Capital inputs and capabilities</p>	<p>Technology</p> <p>Enabling technology and business architecture to deliver an integrated digital capability</p> 	<p>People</p> <p>Organisational capability, people development and performance management. Industry thought leadership through our people</p> 	<p>Governance</p> <p>Evolve our governance and risk model and capability to align with the new organisational capability</p> 	<p>Financial</p> <p>Evolve financial and commercial frameworks to drive performance and support the increasing growth and complexity of our Fund</p> 

Our approach to investment



The adequacy of superannuation to meet members’ financial needs in retirement is the most important issue for our key stakeholders.

Our investment strategy aims to improve our built environment, which increases the productive capacity of our community, drives economic activity and employment, and improves members’ quality of life during their working years and retirement.

As a substantial investor in the Australian and global economy we have an obligation to encourage the management of companies and assets to operate in a sustainable manner, and to advocate for the transparency of markets and good corporate governance practices.

We also understand this responsibility and influence extends further. The investments we make today have a role in shaping the society of the future. We expect that companies, over time, will also consider their ability to create long-term value and have a positive impact on society and the global economy, thereby contributing to the Sustainable Development Goals (SDGs).

Investment return environment

The overall global outlook is more positive than a year ago, although this differs between countries and regions. While the economic data out of the US around inflation and unemployment continues to improve, the outlook for major European economies is still fragile with quite modest growth expectations. The UK faces uncertainty post-Brexit and the pound weakened further after a close election in June.



In Australia, the challenge is improving business confidence while we have lower consumer confidence, little or no wage growth and underemployment. There is also concern that we’re seeing a peak in the property cycle.

While competition for good quality infrastructure assets makes investing into this asset class challenging, we believe that opportunities may arise in the future as state and federal governments in Australia drive more spending into new infrastructure projects.

For these reasons, we’re expecting it to be more challenging to generate the level of returns experienced in the 2017 financial year over the medium term.

Our awards

An internationally recognised Innovative Investment Strategy

In November, Cbus won an award for excellence in investment innovation at the annual World Pension Summit in the Netherlands. Cbus was one of the 10 funds recognised for excellence in retirement across four categories – communication, technology, investment and pension reform.

Above: Cbus Portfolio Head, Innovation and Strategy, Alexandra West, receiving the award in the Netherlands.

Our approach to investment continued

Our performance

The Growth (Cbus MySuper) option, which is where around 90% of our members are invested, delivered a return of 11.85% for the financial year. This was predominantly driven by rising global share markets, despite many geopolitical events over the year, and strong gains from property and infrastructure – particularly through Cbus Property following completion of some major residential and commercial projects.

Economic news out of the US continued to be strong, with the US Federal Reserve raising interest rates three times over the last year. Slowly improving economic conditions in Europe, steady data out of China and Australia continuing to navigate its way back from the post-resources boom, have all resulted in solid contributions to member returns.

Interest rates in many countries, including Australia, remain very low. This means returns from cash and fixed income have continued to be on the lower side again this year, which is reflected in the lower returns for the Cash Savings and Conservative options.

The Growth option's investment objective is to return 3.25% above inflation over rolling 10-year periods 75% of the time. This objective has been met.

For more information on investment option returns and their performance against objectives, refer to page 50.

Managing risk

As an investor, we have an appetite to take investment market risk so that we can deliver on returns to members; however, we do not have an appetite for risks associated with investment operations.

Over the year, we revisited the material investment risks and how they interact with Cbus' enterprise-wide risks and our risk appetite. The material risks include performance risk, liquidity risk, operations risk and Environmental, Social and Governance (ESG) risk. We identified the major drivers of the risk, the effects, and the lead and lag indicators to help us monitor and manage for changes in the risk profiles.

Greater internalisation of investment decisions has resulted in material changes in our governance and compliance processes. We enhanced the Investment Governance Framework to take these changes into account. We introduced new risk, performance and data management tools to allow us to more deeply interrogate our portfolio, better manage risk and report investment decision outcomes.

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

We expect the companies in which we invest to understand ESG issues across their value chain. As part of our own social licence to operate, we also have a responsibility to understand and influence ESG across our value chain. Over the coming year we will be engaging with our key suppliers, service providers and fund managers seeking to align our ESG focus areas.

 www.cbusuper.com.au/esg

Extending our active ownership

Direct engagement with the largest companies we invest in is one of the key ways in which we can reduce portfolio risk from ESG issues and contribute to the achievement of the SDGs. We launched a new active ownership policy in June with the aim of directly engaging with the top

20 Australian companies in our portfolio, comprising 48% of the value of our Australian equities portfolio.

Our approach is to integrate ESG into investment decision-making. We require our external investment managers to incorporate ESG into their investment decisions, and with the introduction in the 2018 financial year of internally managed portfolios, we will be embedding a similar approach. Cbus is an active owner and will provide reports on its engagement conducted over the past year, largely through the Australian Council of Superannuation Investors (ACSI). ACSI engaged directly with 140 companies during the financial year with 67 companies targeted for engagement on the priority themes: corporate governance; climate change risk; board gender diversity; labour and human rights risks and business franchise risk.

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

Cbus invests in Domino's Pizza Enterprises, which was involved in allegations of wage fraud within its franchises. In response, Cbus worked with its fund managers to ensure the issue was being addressed. We commenced engagement with Domino's Chairman, CEO and Head of Audit and are maintaining that engagement to satisfy ourselves that they are comprehensively redressing the issue. The issue gave us the opportunity to engage with our global fund managers to discuss their processes around ensuring sustainable practices in the franchisee model companies they invest in.

Cbus is active on gender diversity, as there is a strong link between high-performing companies and diversity on boards and in management.

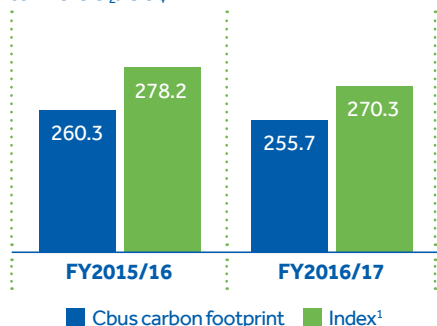
During the coming AGM season, Cbus will be voting against director elections and re-elections of ASX200 companies with zero women on the board where engagement with them on the issue has failed to bring about change.

Climate change, our portfolio and how companies are transitioning to a low carbon economy

We use carbon footprint data to help facilitate an engagement discussion with companies.

The chart below shows the average weighted carbon intensity (a measure recommended by the Task Force on Climate-related Financial Disclosures (TCFD)) for our combined Australian and international equities portfolio.

Equity carbon footprint
Weighted average carbon intensity
 tonne CO₂/US\$m



1. For the total, we have calculated a combined index based on the weights in our portfolio. The weights applied were: Australian Equities (55%, ASX 300), Developed Markets (34%, MSCI All Countries World (Ex-Australia) Index) and Emerging Markets (11%, MSCI Emerging Markets Index).

We are also working with our infrastructure fund managers in terms of understanding the physical risk associated with climate change on infrastructure and opportunities for energy efficiency.

We recognise the need for additional forward-looking climate-related measures to complement our carbon footprint. We are continuing to develop our strategic approach to climate change and how we assess and measure both the risks and opportunities of the low carbon transition.

We believe investors have an important role with respect to climate change. Our Chief Investments Officer sits on the Management Committee of the Investor Group on Climate Change (IGCC) and our Portfolio Head of ESG is Chair of the Low Carbon Finance Working Group, and is on the Policy Working Group.

How we invest

We invest members' funds across a wide range of asset classes including shares, infrastructure, property, fixed interest, cash, private equity, alternative debt and opportunistic growth assets. See page 50 for the asset allocation of each option.

Over the year, we invested 91.6% of members' funds through external fund managers with 60 Australian and international investment managers investing across 122 investment strategies. We monitor our investments daily and over the year there were no significant breaches of our agreements with managers. We internally manage a portion of the cash asset class (3.2% of the Fund) and we have a significant direct investment in property through Cbus Property (5.2% of the Fund).

The investment objectives for our investment options are reviewed every year to ensure they remain adequate for members. We consider our member demographic expectations of the economic

environment and the expected long-term returns of the different asset classes. No changes were made to the investment objectives this year.

We also periodically adjust the targeted asset allocation for each option, considering the Fund's views on shorter-to medium-term risks and opportunities arising in investment markets.

Over this financial year, Cbus modestly raised the Growth (Cbus MySuper) allocation to defensive assets, from 28.7% at 30 June 2016 to 29.5% at 30 June 2017. The major change was to raise the allocation to fixed interest by 1.5 to 6.0% (by lowering the allocation to cash and to alternative growth assets). This reflected a rise in bond yields, which made fixed interest more attractive than previously. However, fixed interest is still materially underweight when compared to our long-term allocation view as we expect bond yields are likely to rise further.

Asset Class	Target portfolio allocations (%)				
	June 2016	August 2016	November 2016	February 2017	May 2017
Australian equities	25.0	24.0	24.0	25.0	25.0
International equities	21.5	21.5	21.5	21.5	21.5
Alternative growth	10.0	10.0	10.0	9.0	9.0
Private equity	6.0	6.0	6.0	5.5	5.5
Opportunistic growth	4.0	4.0	4.0	3.5	3.5
Infrastructure	11.0	11.0	11.0	11.0	11.0
Property	11.0	11.0	11.0	11.0	11.0
Alternative debt	7.5	7.5	8.0	8.0	8.0
Fixed interest	4.5	4.5	6.0	6.0	6.0
Cash	9.5	10.5	8.5	8.5	8.5
TOTAL	100.0	100.0	100.0	100.0	100.0
Growth assets (%)	71.3	70.3	70.5	70.5	70.5

Our approach to investment continued

Increased options for our members

Cbus has created new Transition to Retirement super income stream options (TTR) for members who are not fully retired in response to the legislated removal of the tax exemption on investment earnings, which came into effect from 1 July 2017. These options reflect the same product offering under the existing Super Income Stream, but are modified to incorporate tax on investment earnings. The TTR Conservative Growth option is the default option for this product.

The Self-Managed Investment Option is not available to members in the Transition to Retirement income stream.

We developed a new option for our superannuation members – Conservative Growth. The same six options are now available for Cbus Accumulation and fully retired Income Stream members.

Transitioning our investment model for the future

We project that we will hold assets under management of over \$60 billion in the next five years. To continue to deliver strong returns and lower costs to members, our new investment model is designed to allow greater flexibility and innovation in investment.

Over the year we commenced our transition to our new investment model. Key themes that helped shape this model are:

- Being an innovative investor with a long-term focus.
- Taking a whole of portfolio perspective when making decisions – moving away from silo asset class decision-making and considering investments in terms of their contribution to the overall risk and return of the whole portfolio.
- Leveraging our expertise in investing in the real economy, particularly the built environment.

These themes enable us to consider not only how to drive great return outcomes for members, but also how we add value to the

economy and our society. We believe that climate change and the societal changes that it will drive will also create investment opportunities.

During the year, we established a new role, Portfolio Head – Strategy and Innovation, to build on our strategic capability, drive innovation and forge strategic partnerships. Our Portfolio Asset Allocation Team has also been expanded, to enhance our ability to assess opportunities across asset classes and how they may be positioned into the existing portfolio.

This structure allows us to identify new opportunities across our whole portfolio, save money through scale and ensure our investments align with our members' interests.

Building internal investment capability

A significant component of our investment model is to bring investment capability in-house, transitioning Cbus to a hybrid model. Our internal capabilities are designed to work alongside our existing externally managed funds.

We expect to manage at least 20% of our assets internally by 2020, and we expect to lower our investment costs by up to 0.15% by 2021. Most of these savings will be made in the later years, when our internal strategies are fully operational. This translates to reducing costs to members by around \$80 million per year.

We currently manage a portion of cash and property assets internally. Over the past year, Cbus recruited an additional 22 investment professionals, including new teams to invest directly in shares, company loans, and infrastructure, as well as people to support, monitor and manage the transactions and other investment services required to run internal portfolios.

The first new internal portfolio is a global shares portfolio, scheduled to commence in late 2017 and designed to take a longer-term view of investing in quality companies. We have already commenced a hybrid strategy in the company loans

portfolio where we have more control over investment decisions, but outsource the management to external managers.

Our Internal Infrastructure Team will focus on mid-size opportunities, which contrasts well with the larger assets of our current infrastructure managers and our co-investments. As well as considering existing infrastructure ownership, this team will explore new build (greenfield) infrastructure. Where suitable, we will work with Cbus Property for those opportunities with a property development component.

This strategy takes advantage of Cbus' strong association with the construction industry, enabling us to create employment and generate attractive long-term investment returns.

Fees and costs

Investment fees make up the largest component of fees and costs for managing member's super.

This financial year investment fees for the Growth (Cbus MySuper) option fell from 0.65% for 2016 to 0.62% for 2017 financial years. This largely reflected benefits of increased scale and ongoing fee renegotiations with our listed equities managers.

The Australian Securities and Investment Commission (ASIC) has released legislation and guidance requiring all superannuation funds to disclose greater details on investment related costs. This will raise the investment costs reported across the industry, including for Cbus. For example, we will be required to include the costs of buying and selling assets. The new disclosures will be reported progressively, from Product Description Statements in October 2017, to member statements for the 2018 financial year. While the reporting of investment costs will look different it will not affect members' net return outcomes.

Cbus Property



Cbus Property is a wholly owned subsidiary of Cbus and contributes to the local economy through high quality property developments.

Cbus Property contributes to retirement adequacy, to the built environment and provides employment in the building and construction industry. As a direct investment vehicle we extract value for members through reducing intermediary costs.

Since 2006, Cbus Property has created employment for an estimated 75,000¹ people.

Our unique proposition stems from our ability to manage our portfolio through market cycles, and to extract value through the delivery of quality office and residential developments and active asset management.

Our performance

We achieved a return of 24.3% for the year, compared to an industry average of 12.05 %². The return was driven by strong capital growth on the core office portfolio and above-budgeted returns on recently completed developments. Highlights included the completion of 1 William Street Brisbane (office) and 35 Spring Street Melbourne (apartments).

This is the third year in succession we have achieved returns above 20%. Since inception in 2006, we have generated returns averaging 15.95% per year.



Looking forward we have a substantial pipeline of projects worth approximately \$4.5 billion including prime office, mixed use and residential developments that we believe are well-positioned in the current market.

Our commercial portfolio is well-positioned to take advantage of generally strong purchaser demand for institutional-grade property, and is further enhanced by the low vacancy levels and robust leasing conditions in Sydney and Melbourne.

Similarly, we believe our residential development portfolio, targeting mainly owner-occupiers, is well-placed to absorb the forecast impact of high supply levels of investor product anticipated in a number of apartment markets.

Return for 2016/17

24.3%

up by 0.04%

Above: Artist's impression of 447 Collins Street, Melbourne.

1. Based on estimated and actual induction numbers for past and current developments.

2. The industry average is the Mercer/IIPD Australian Property Pooled Fund index. Cbus Property is benchmarked against the index, plus 2%, over a 7-year rolling period.

Cbus Property continued

Cbus Property sustainability achievement

Cbus Property scored 92/100 this year in the Global Real Estate Sustainability Benchmark (GRESB). We are assessed on environmental, social and governance (ESG) and compared with peers in Australia and globally. Approximately, 850 property companies and real estate funds participated in GRESB this year, representing 77,000 assets and over US\$3.7 trillion in value.

This ranks us in the top commercial property companies here and internationally, while achieving 20% plus returns each year over the last three years.

We scored:

- **3rd in Australia** (out of 19 for: Australia/office/non-listed)
- **4th globally** (out of 131 for: global/office/non-listed)
- **3rd globally** (out of 338 for: participants with development projects)
- **19th globally** out of all GRESB participants all categories (out of 823)

The value of Cbus Property's portfolio is

\$3.5 billion

A focus on a quality, sustainable portfolio

Our aim is to be at the forefront of fostering innovation and creativity in the built environment.

In alignment with SDG11 – making our cities safe, resilient and sustainable – we strive to achieve a minimum 5-star NABERS Energy rating for our completed commercial properties. With continued improvement in building management, better usage of energy and smarter technology, Cbus Property has achieved this outcome for all eligible¹ properties (seven properties as at 30 June 2017).

Below: 88 Albert Street, Milsons Point.



We monitor environmental performance data within our commercial portfolio and have set short-term environmental targets for the portfolio. Specifically, to reduce electricity, gas, emissions, water and waste by 2% annually, and to target a portfolio waste recycling rate of 60% by 2018. We are also developing a strategy for a long-term target of net zero carbon emissions.

We have a continued focus on buildings' impact on occupants' health and wellbeing and are investigating applying for WELL certification² for a number of our commercial buildings. Our performance against these targets can be viewed at the link below:

www.cbusproperty.com.au/sustainability/strategy

For our residential buildings, we focus on liveability and quality, with apartments targeted to owner occupiers, centrally located close to highly developed urban infrastructure and public transport.

Driving best practice business practices and setting industry standards

We recognise the importance of Occupational Health and Safety (OH&S) practices in the building and construction industry. We seek to set the highest standards and are working with our partners to ensure best practice. Our directors review OH&S performance on a regular basis.

We have a Charter of Selection and Conduct Criteria for Consultants and Principal Contractors that guides our business practices and outlines our expectations for project partners. The expectations include best practice management of Occupational Health and Safety, labour practices, procurement and environmental issues. The tender selection process requires companies to identify how they meet this Charter, which can be accessed at the link below:

www.cbusproperty.com.au/About-Us#Builders-Suppliers-43

1. Eligible properties are those that are 12 months past completion and have greater than 75% occupancy.

2. WELL certification focuses on improving health and wellbeing for everyone that visits, works in, or experiences a building.

Governance and risk management

Cbus Property has its own Board and Management Team. The Directors of the Cbus Property Board are Mark Ford (Chair), The Hon. Steve Bracks AC, Ian Costley, Allan Davison, Georgina Lynch, Anthony McDonald and Dave Noonan. John Murray retired on 30 June 2017 after being a Director with Cbus Property since inception. He was replaced by Wilhelm Harnisch. The fees payable to Cbus Property Directors, who are also Directors of Cbus, are disclosed on the Cbus website and are available at the link below:

 www.cbussuper.com.au/governance

Managing risk is fundamental to the operations of Cbus Property. The identification, monitoring and reporting of risk occurs continuously throughout the year. An annual review is undertaken by both Cbus and Cbus Property to re-assess the materiality of risks and prioritise activities for the coming year. These reviews are formalised in the Risk Management Framework and the Risk Appetite Statement approved by the Cbus Property Board. Over the year, Directors and management reviewed the Cbus Property Risk Management Framework, and are progressing enhancements to the articulation of our risk appetite in the context of our strategic plans.

Right: 35 Spring Street, Melbourne.

Cbus Property awards

Our focus on innovative, sustainable development continues to receive industry recognition with Cbus Property receiving awards including:



171 Collins Street, Melbourne

- Best Victorian Development Award, PCA
- People's Choice Award, PCA

5 Martin Place, Sydney

- Australian Development of the Year Award, PCA
- Best Sustainable Development for Existing Buildings Award, PCA
- President's Award 2016, UDIA NSW

140 Williams Street, Perth

- Best Commercial Building Energy Efficiency Project 2016, Energy Efficiency Council



Putting our members first

To meet competition pressures and members' expectations Cbus is evolving its service and product offering.



Member satisfaction¹

83%

highest level compared to major peers

1. Investment Trends, May 2017, Member Sentiment and Communication Report. Survey conducted in May 2017.

Cbus is a consistently strong-performing, well-known and regarded fund, but we don't rest on our laurels. To remain strong, we know we must constantly look and listen to better understand what our members want. Our members tell us that they want us to be clear and transparent and on the lookout for them. They do not want to be burdened by complex administration and they want us to respond to their needs by finding solutions to their problems.

Listening to members

In May, Cbus launched a new member survey to ensure it has constant feedback on members' concerns. The Voice of Cbus conducted via email and SMS is sent to members and employers, so that Cbus can hear what it needs to do better or what members value in the service.

It enables us to address any concerns. If we do get negative feedback we are able to respond immediately to the problem.

New website

In order to meet member and employer preferences for how they engage with their superannuation and in continuing response to digital changes, Cbus launched a new website in May 2016. Since that time, the number of members joining online has increased by 16% from 21,107 last year to 24,548 this year. Online tools usage has climbed and members are spending more time on the website.

The site was constructed to be more mobile friendly as research showed that our members are using their mobile phones to engage with us. In fact, mobile traffic usage is up by 100%.

Introducing video statements

To drive better member engagement with superannuation statements, Cbus delivered video statements to 70,000 members this year. The statements provide a retirement income estimate upfront complementing our approach to written statements, as well as delivering core information via a short video.

In focus

Luke Petersen Cbus Coordinator

Melbourne-based Cbus Coordinator Luke Petersen knows firsthand the value to members of workplace visits.

"There's always people asking questions," Luke Petersen says. "If we're not on site, most of the members will leave it and not think about their insurance or super. I see some people are learning things for the first time."

On one of his visits to a construction site in Melbourne's north, Luke runs through the importance for members working night shifts, or overtime, to ensure they are getting paid the right amount of super.

"Just come up after the meeting and we can check if you're unsure," he says. The new Cbus compliance cards help with this and Luke says he's able to get one to anyone who still doesn't have one.

He reminds them to keep adding to their superannuation while he's at it.

"You need to add extra yourself to your super account," he says. "Fifty dollars a week isn't much when you earn good money. You need to get on top of your

finances and just put a little sprinkle on top of it yourself to make sure you've got enough in retirement."

On this day, it's the topic of insurance that draws a lot of attention.

"You need to think about what is enough for you if you can't work again?" he says.

"I go out to help a guy with a TPD claim. He has young kids, a sizeable mortgage and his wife has never worked. \$26,000 is all he's covered for. I don't want the same thing to happen to you. The price per unit of insurance is \$3.50 per week and it's soon going down by 25%. You can apply to increase your insurance and get two extra units straight away."

There's a question from a member, "Does it only cover me at work?"

"No, 24/7" he replies.

Cbus also gives members insurance who have pre-existing conditions.

"Your insurance will cover anything except that pre-existing condition," he says.

It's very important to make it clear who are the beneficiaries of your superannuation.

"Superannuation sits outside of your Will," he says. "One way to give the money to someone is through a binding nomination, which has to be done every three years. I've seen a lot of problems between wives, girlfriends and children. Don't leave those problems behind – fill out the form."

Site visit: What do our members think?

Wayne Watson is 48 years old and has been in the building and construction industry for 23 years.

"It's really good speaking to Cbus onsite. We get the answers to the questions we have promptly. We think it's good service to have blokes like Luke come out. People are confident and happy with how Cbus is managed. We've never had any complaints."

Travis Smith is 32 years old and works in the crane industry. He has twin girls who are 18 months old.

"All my superannuation is with Cbus and the app is good. The investments are good, but I don't do enough to check it."

"I'm very interested in a value comparison of the insurance – to compare what I have outside Cbus to what Cbus offer, especially around the pricing of income protection insurance."

Below:
Luke Petersen (right) speaks to Cbus members on site about their super.



Putting our members first continued



Cbus Member, Matt Kapoulitsa.

Super recovered on behalf of members in the 2017 financial year

\$74.6 million

Ensuring compliance

The construction industry is one of the worst offenders of unpaid super due to the prevalence of insolvencies, contracting and casualisation of the workforce, and the cash economy.

We actively ensure our members are being paid their entitlements. This includes monitoring when companies fall into arrears, encouraging compliance and pursuing unpaid super on behalf of our members. Last year, we recovered \$74.6 million on behalf of members.

As part of our compliance work, Cbus is piloting new members cards in Victoria which will be rolled out nationally by the end of 2017. The new cards, will enable the checking of compliance, whether members' payments are up to date and if they are being paid the right amount of super, in order to address non-compliance faster and more efficiently.

Taking it to the workplace

From its inception, Cbus has had a dedicated team of Coordinators across Australia who visit members on the job to provide information and answer their questions about superannuation and insurance. Currently, our 22 Coordinators travel far and wide to spread the word and assist members with queries. This unique service is part of a suite of services designed to enhance our engagement with members.

Rolling out the front counters nationally

In response to a desire from members for face-to-face communication, we have rolled out more front counters in the last year. With Melbourne already established, 2017 saw the establishment of services in Adelaide, Sydney and Perth. The Brisbane office will be operational by late 2017.

In the six months from January to June 2017, the monthly average of members visiting the front counter, nationally, was 368 per month.

Retirement planning seminars

Cbus continues to hold retirement planning seminars across Australia with attendance continuing to grow. These seminars also include the attendance of a Certified Financial Planner from the Cbus network to allow members to meet a planner who can help if they require personal financial advice. Members are required to complete and submit a seminar feedback questionnaire, which allows Cbus to manage the referral and the reporting outcome.



Retirement readiness

We have developed a measure to estimate improvement, or otherwise, to members' retirement adequacy over time, while acknowledging that circumstances differ for each person.

The retirement readiness target income is \$27.8k per annum and is inclusive of any Age Pension entitlements.

We have seen a consistently positive trend in overall retirement readiness from key controllable factors being investment returns and, to a lesser extent, rollovers and voluntary contributions.

Looking after our retired members

Retirement Income Manager Calculator

In 2017 we launched the Retirement Income Manager Calculator aims to better help retired members with their spending. It forms part of a broader program to create better resources for retired members.

The calculator was developed based on an understanding that members have varied needs in their retirement. Retirees may access their super to take a holiday, buy a new car, pay for surgery or renovate their house.

The new calculator allows members to model their expenses, take into account their pension and see the impact on their income across a changing timeline, whether that be two years or 20 years.

Retiree information seminars

Retiree information seminars are tailored to retired Super Income Stream members for the purpose of keeping members engaged with their super, and informed of the new developments and legislative changes affecting their retirement and super. Equally important is that the attendees give us an opportunity to ascertain what the issues of concern are for retired members, and how we can better improve our services to them.



Jeanette and Neil O'Sullivan at a Cbus Information Seminar for retired members.

The three retiree information seminars held during the year in Perth, Melbourne and Sydney were well attended, attracting over 200 members in total.

More services for retired members

Research conducted with members supports expanding products and services for retired members, and there has been more focus in this area. Cbus has introduced five new transition to retirement investment options for Super Income Stream members, a new Conservative Growth Investment option to the Accumulation product range and is working on a range of services to assist members' adjustment to non-financial aspects of retirement related to health and wellbeing.

Facts

- 46 seminars held during the year
- Total members who have attended a seminar 2,331
- Average attendance per seminar, members and partners: 75
- Average satisfaction rating from members who have attended a seminar: (out of 10) 9.26
- Total financial planner meeting requests (FPA Professional Practices) from members who have attended a seminar: 652



A new approach to financial advice



Having enough income in retirement is the key issue for our members. They want trusted advice about their superannuation and their financial circumstances.

Facts

Brought Advice Team in-house
31 October 2016

Team has 25 staff

Team fields approximately
135 calls per day

29,287 member conversations
have been conducted



Research has shown that our members want and need advice – proper, independent advice that is in their best interests.

To this end, Cbus has taken the step to introduce an Advice Team in-house that answers members' questions about their financial concerns. We have done a great deal of work developing an integrated advice service model that includes 'advice over the phone service', a national seminar program and a landmark referral program with the Financial Planning Association.

What's different about our in-house Advice Team?

At Cbus, unlike other financial advisers, the only target we are required to reach is getting the best possible outcome for members. This means our Advice Team is not rewarded for recommending particular products, but instead are focused on:

- professional engagement with members
- technical competence
- outstanding service
- closure of actions.

We are about helping members make astute and informed decisions. Our service is based on having the right conversations and imparting our considered knowledge so that our members can make more informed decisions in their best interest.

A trained performance and development specialist also listens to calls and provides continual feedback to the Advice Team. The result is that members' interests are put at the forefront of the team's interaction with them.

Cbus adviser model

Cbus has a national adviser partnership with the Financial Planning Association, connecting its members to 53 approved planner practices across Australia. This program allows the Cbus Advice Team to refer a member to a financial planner if specific financial advice is needed. We actively engage with the planners and maintain strict controls to ensure they act in our members' best interests. Every year the planners have to renew their services agreement with the Fund. Cbus reviews the advice given to members and we do not hesitate to question it if there is any doubt that it's in the members' interest.

Since it was introduced on 1 January 2014, over 3,000 members have been referred under the program, which provides that the cost of the first consultation is free with a fee for service arrangement should members proceed.

In focus



Long-time Cbus member Steve Keys consulted the Cbus Advice Team for help when planning for a transition to his retirement. After taking the time to listen to his concerns and consider his circumstances, he came away with a plan created for him.

"They walked me through the process, step by step, explaining everything I needed to know in simple terms, in order to help me make an informed decision about my retirement planning."

Building better insurance for members



We are expanding our insurance product offering, simplifying our processes, reducing premiums, improving member claims experience and offering additional insurance for members who need it.

Recent scandals in the banking sector have brought insurance under the critical gaze of government and policy makers. Concerns have been raised about the value insurance is providing when premiums increase and claims get harder to access. Multiple superannuation accounts with different funds carrying default insurance cover can mean members' superannuation savings are eaten into by insurance that isn't needed.

We understand that our insurance offering needs to be fit for purpose, affordable and accessible to our membership. Cbus was one of the first superannuation funds to provide personal risk insurance for its members.

More insurance for less

Cbus reviews its insurance rates each year to provide the best possible value to members.

In September 2017, the cost of insurance for death and TPD cover was reduced by 25% per unit. Our income protection premium rates for accident-only cover for sole traders will drop by 44%.

Default premiums for members between the ages of 15 and 20 will drop from \$7.16 to \$2.68 per week. Further, recognising that they are less likely to have dependants at this age, their default death cover will reduce to one unit of \$56,000. Their TPD cover will remain unchanged.

The level of cover per unit of TPD is increasing by between 20% for 44-year-olds to 100% for 15–20 year-olds.

Proactive and faster response to processing claims

While insurance is cheaper, the likelihood of claim success is still maintained and the claims process is being improved.

Over the next 12 months we will be introducing Claims Assist Officers, who will explain the claims process to members and assist them through the process. Every member who makes a claim will be allocated a dedicated case manager to help them throughout the process.

Members will receive monthly updates on their claims rather than just being informed when the next stage has been reached.

Making changes to insurance coverage easier

In February 2017, Cbus launched an application tool enabling members to apply for cover, increase or decrease their cover, change or cancel their insurance entirely online. As a result, applications for insurance have tripled, with more than 65% of applications received online.

More than 50% of members now receive a decision on their proposed

insurance change within the same day. The average time to receive a decision on an application is less than five days.

In March 2017, Cbus also introduced an insurance needs calculator on our website. It is designed to enable members to better determine how much insurance coverage they require.

 www.cbussuper.com.au/tools-resources/calculators

New products on offer

In February 2017, as a direct response to feedback from employers, we introduced a new income protection insurance product for members in non-manual and professional occupations. It further broadens the insurance coverage we offer.

Working with industry

Cbus participates in industry forums and working groups to consider ways in which insurance in superannuation can be improved. Cbus is a member of the Insurance in Superannuation Working Group, which will establish a code of practice for insurance services in superannuation.

Claims made and paid

	2016/17	2015/16
Claims made	2,368	2,268
Claims paid	2,239	2,018
Death	\$129m	\$122m
TPD	\$94m	\$84m

While every claim is assessed on its merits, over time the Cbus TPD claim acceptance rate has been over 80%.

Employer experience

Our employers want to deal with a superannuation fund that unburdens them, is on the lookout for them and is prepared to resolve problems or deal with their queries promptly and expertly.

Contacts with prospective employers during the year was over

4,000

Meeting employer expectations

Cbus understands and recognises that employers play a central role in the success of our Fund. By running successful businesses, they provide the economic basis for the growth and employment in our industry and the payment of both wages and superannuation. Cbus adds value by providing solutions to employers that make superannuation administration easy and efficient, while providing a top performing fund and industry specific insurance for their employees.

Our employer organisations advocate and promote our Fund and are an increasingly important part of our multi modal distribution model that includes employers, workplace and direct/digital. As we develop closer ties with these organisations we are creating new areas for collaboration including workplace safety, mental health and the future of work models as the industry continues to evolve.

Supporting employers

Cbus is increasingly taking direct control of key customer touch points as we mature as an operational financial institution. We now have an in-house Relationship Management Team in every capital city that provides direct one-on-one service for our largest 4,000 employers. This team handles more than 1,000 enquiries and service events for employers each month, including a revised refund process that has substantially improved the experience for employers. This team also conducts face-to-face visits with employers' to answer questions about superannuation, assist with systems set up and, increasingly, to talk to white collar staff about joining the Fund.

We also maintain a dedicated call centre that provides personalised service to all of our employers, which is complemented by a market-leading website and online service portal that links to our clearing house.

Cbus has commenced an extended outreach program to all new employers. Over the first 18 months with the Fund, employers will receive a call from a relationship manager and a follow-up email. Many of these contacts result in further assistance to set up systems and transfer existing employees across from other funds.

We have also developed a National Business Development Team that is responsible for building on existing employer relationships and bringing new employers into the Fund. This team completed over 4,000 contacts with prospective employers during the year, and is also responsible for leveraging the employer sponsorship arrangements.

**Below from left to right:
Jeah Long, Learna Bugge and Emmaline Abell,
Shadforth's Civil Contractors.**





Listening to employers

The new Voice of Cbus survey tool, allows the relationship managers to receive weekly feedback reports from employers. Since May this year, 7,413 businesses have provided feedback on the Fund resulting in follow-up direct contact to resolve any outstanding matters.

A Voice of Cbus survey conducted in June showed:

- 90% of new employers rate their experience with Cbus as 7 out of 10 or higher
- 88% of new employers surveyed rate Cbus 7 out of 10 or higher for ease of joining
- 87% rate Cbus 7 out of 10 or higher for clear and transparent communications
- 68% rate the Cbus online payments systems as being easy, or very easy.

Building stronger ties with industry

We have continued to develop wide ranging sponsorship programs with key employer organisations including the Australian Constructors Association, Australian Construction Industry Forum, Air Conditioning & Mechanical Contractors Association, Association of Consulting Architects, Consult Australia, Master Builders Association, National Electrical Contractors Association, Master Plumbers Association, Australian Institute of Building, and the Master Landscapers Association.

Our Relationship and Business Development Teams have attended over 155 industry partnership events this year including award evenings, trade shows, industry training events, networking breakfasts, conferences and Cbus sponsored events. In addition, they held over 170 partnership meetings with our sponsoring employer organisations to build on these relationships and increase the referral rate of new employers.

We have also introduced a national secondment program with the Master Builders Association, which sees our business development staff located in an MBA office several days per week.



Left to right:
Cbus member Jake Gwyther-Jones
and AIO Contracting General Manager, Grant Savari.

We continue to actively participate in a range of industry-wide initiatives including Superfriend, Mates in Construction and RU OK Day.

Developing better solutions for employers

Cbus also provides fast and simple online payment systems for employers through the Employer SuperSite and Cbus Clearing House. These systems make superannuation administration simpler and easier for employers. Feedback from our employers suggests these systems are significantly cutting down the time spent on superannuation administration.

Continuous support to employers is provided through the Cbus Super Hub and content relating to updates to superannuation legislation. The Cbus Super Hub provides downloadable resources designed to assist employers with frequently asked questions from their employees. Resources include workplace posters, fliers, forms and factsheets on topics across salary sacrificing, voluntary contributions, insurance and retirement.

Currently, the Cbus Super Hub is experiencing 1,100 downloads of content per month.

This year Cbus launched an industry first employer mobile App to make it easier for employers to pay superannuation to members. The Cbus Employer Mobile App – launched in November 2016 – allows employers to establish or change superannuation accounts for their staff and transfer funds, wherever they are. More than 10% of our employers now use the service each month and the App was awarded the Financial Service App of the year at the MAX Awards.

The App cuts down on the administrative time spent by employers by allowing them to simply take a photo of an employee's driver's licence on their phones and put them onto the system. It also features a receipting function that sends an email once the funds reach the employee's superannuation account, providing visibility on the transaction status.

Expanding the Cbus digital capability



Emerging technologies and Fintech start-ups are changing the way people interact with financial institutions. While not new, the change is accelerating and we recognise the need to keep pace to meet members' needs.

Cyber security

Australian businesses, like businesses across the world, are subject to cyber disruption or attacks. Cbus partnered with a key cyber consulting company this year to identify possible cyber risks and ensure appropriate safeguards and responses are in place.

We run regular tests across our digital offerings to ensure there is no serious vulnerability to the funds, or our members. Our most recent test found there has been no outside interference with our systems.

One of the most common ways organisations can be compromised is by the inadvertent actions of its staff, for example, opening unknown email attachments. We run a cyber awareness program at Cbus to ensure staff are alert to such possibilities.

Other cyber security risks can arise through external technology providers. Part of our reason for expanding our IT Team is to ensure we are managing our vendors properly and that forensic tests of their services are continually being run.



To meet our objectives of improving the member and employer experience of Cbus and support the complexities of taking greater direct control over our investments, we are expanding our digital capability.

We understand our members and employers want us to unburden them. A major part of delivering that outcome is to provide integrated technologies that allow them to easily engage with us via the platforms they prefer.

This means better applying technology, data and information management to deliver personalised services across the membership and to employers through new online portals.

It also means continuing to adapt and develop online tools that assist members through education and advice about their superannuation.

We have commenced our data governance and security project that will underpin our capacity to deliver our digital strategy. The Cbus Board has approved funding for continued delivery of this work. We have appointed a Manager, Information Security to drive this process across the Fund.

We have implemented a new Adobe digital platform to provide greater digital functionality and accessibility for members and employers. The Cbus website has been reviewed and refreshed making it more user-friendly, particularly from smart phones, which is the preferred technology for the majority of our members.

In all, there are 11 separate streams of work underway or planned across the Fund overseen by the Executive to expand our digital capability.

Our partnerships and distribution model



Our industry partnerships contribute to the strong performance of the Fund and our ability to meet the objectives of our strategy.

Cbus' Industry Partnership program is designed to facilitate the creation of productive partnerships between Cbus and key industry stakeholder organisations, and other parties of influence. The primary purpose is to promote and recognise effective advocacy for the Fund, facilitating the retention and acquisition of members, strengthening the brand and supporting our strategic objectives.

Combined with the low-cost model of workplace distribution, in the context of default selection decided by awards and enterprise bargaining, our industry partnerships contribute to the strong performance of the Fund and our ability to meet the objectives of our strategy.

The long-term strength in performance of industry funds such as Cbus can be attributed to the 'industrial ecosystem' in which we operate. Importantly, we return all profits to members, utilise a low-cost workplace distribution model for most of our products, are selected by a collective industrial agreement, and are governed by representatives of employees and employers whose first and only duty is to fund members.

Every year since 2004, industry funds that utilise an industrial distribution system have substantially lower average expenses per member than retail funds – which make extensive use of marketing and direct sales. This again shows the decisive importance of the not-for-profit business model and its related culture of service to members – rather than 'competition' – in explaining better outcomes for members¹.

Our partnership agreements are delivered through commercial contracts that meet the following key deliverables:

	Opportunities to retain and grow the Fund's member base
	Direct advertising and brand benefits
	Advocacy building engagements
	Activities that promote members and their employers engagement with the Fund
	Opportunities to progress Cbus' broader strategic imperatives

Cbus only enters into partnership agreements to serve the interests of the Fund and its members.

Our partnerships create the most value where Cbus' and our partner's interests intersect. The greater that alignment is, then the greater the opportunity is for the partnership to create value for both organisations.

Partnership agreements enable and support partners to proactively advocate the benefit and purpose of Cbus to their membership and networks.

Shared values and genuine advocacy

When the interests of Cbus and our industry partners intersect, we share common values, and the opportunity to build a foundation of trust and genuine advocacy emerges. This is the core of our business model and the industry fund model more generally.

Industry partnerships evaluation

We evaluate our industry partnerships using a model that measures the advocacy benefit delivered by Cbus' industry partners.

The evaluation model considers the strategic opportunity that may exist within a particular location, category of profession, or trade, and provides flexibility for partnership agreements to be implemented for the purpose of penetration into new markets.

1. Industry Super Australia: *Assessing the Competitiveness and Efficiency of the Superannuation System – Productivity Commission Issues Paper*, submission September 2017.

Policy and advocacy

The issue of adequacy in superannuation retirement savings continues to be a priority for Cbus members, and for Cbus in its policy and advocacy work.

Our review of our external environment identifies a range of issues that have the capacity to reduce or improve the retirement outcomes for our members arising from government policy and public debate across the highly regulated environment of superannuation.

Our policy and advocacy work involves direct engagement with Government, regulators, media, our sponsors and other stakeholders. We also provide input into the relevant policy formation and advocacy work of industry bodies such as Industry Super Australia (ISA), Australian Institute of Superannuation Trustees (AIST) and the Association of Superannuation Funds of Australia (ASFA).

Adequacy for construction workers

Construction and building workers often experience broken work patterns that impact on their retirement savings. The average balance for Cbus members retirement zone is still only \$111,200 meaning they remain largely dependent on the Age Pension. To help address this we advocate for adequacy of contribution levels, arguing that the superannuation guarantee rate needs to move to 12% much earlier than current policy settings of 2025.

Cbus research has highlighted issues and difficulties faced by older construction workers. Many of these workers can no longer do physically demanding work and are forcibly retired early. We argue against increasing the Age Pension eligibility age as this will only extend financial hardship for these members.

We are exploring the types of different paid occupations mature-age construction workers might move to after they are unable to continue with physically demanding labour. More ways to retain these experienced construction workers in paid employment could be explored through better skills retraining options for workers aged in their 40s and 50s, especially given the technological changes taking place in the industry that increase both the urgency and opportunity to tackle these issues.

Unpaid super

The Superannuation Guarantee (SG) is a critical part of Australia's retirement income framework and an important instrument of social and economic policy. Employers are obliged to pay a minimum 9.5% of an employee's wages to superannuation; however, this does not always occur.

For many years, Cbus has been highlighting the issue of SG non-compliance, and in December 2016 Cbus and ISA released the landmark report, 'Overdue: Time for action on Unpaid Super'. It is estimated that there is between \$3.6 and \$5.6 billion in SG non-compliance each year that affects around 30% of the workforce.

The issue has widespread ramifications. It impacts employees through lower balances at retirement, distorts the competitive landscape for employers, decreases government revenue through unpaid taxes, and increases reliance on the Age Pension.

The construction and building industry is one of the worst offenders. The black economy is active; employer insolvency is prevalent, contracting and casualisation of labour is widespread.

As a result of our report, the Senate Economics References Committee held an inquiry into SG non-compliance resulting in a comprehensive report in May 2017.

The Committee adopted all of the Cbus and ISA recommendations including our central recommendation – that super be paid at least monthly and preferably in line with wages.

In total the Committee made 32 recommendations providing a useful roadmap to address the issue. We will continue to advocate for Government to implement the recommendations.

Casualisation of the economy

A pronounced shift is occurring in the nature of employment with the rise of casual, insecure work and self-employment. This is sometimes referred to as the 'gig economy' based on models such as Uber.

The construction industry is typified by a transient workforce based on project work. Labour hire, sub-contracting and self-employed tradespeople are not new to the sector. But increasingly, workers are being expected to take on their own employment risks and costs, both legitimately but also through sham-contracting.

The superannuation system is predicated on the concept of a traditional employment relationship where the employer must pay their employees' superannuation. However, independent contractors, the self-employed and casuals earning less than \$450 a month do not have to have superannuation contributions made.



Policy makers must rethink the nature of employment, redefine and enforce rules on what constitutes independent contracting, do away with antiquated laws, such as the \$450 threshold, and ensure the payment of superannuation is factored in to the exchange of labour in all its forms.

Housing

Access to affordable and secure housing is an important part of ensuring a dignified and comfortable retirement. We have long advocated that superannuation funds can, and should, play a role in helping to improve the supply of affordable housing for Australians through institutional investment in this area. We welcomed the Commonwealth Government’s Budget announcement that a National Housing Finance and Investment Corporation would be established to operate an affordable housing bond aggregator designed to encourage greater private and institutional investment in affordable housing.

Our members build our nation so there is a natural symmetry with their superannuation being invested to build a better future for Australia. If there’s an appropriate risk and return profile, then Cbus stands ready to invest in affordable housing and has the capacity to make meaningful investments in this space.

Default fund selection and consumer protection

Generally, default superannuation funds are currently determined through industrial instruments – be they modern awards or collective agreements. This process is anchored in the industrial relations system, which recognises the heritage of superannuation in Australia as largely the

result of the industrial process, and that superannuation is the deferred wages of employees.

We believe the most appropriate body to determine default funds is the Fair Work Commission. It is independent, transparent, experienced in determining workplace entitlements and subject to appeal.

This is important in the context of the selection of default funds in a compulsory superannuation system that provides an effective form of consumer protection mechanism for the majority of consumers who do not make an informed choice.

In 2016, the Productivity Commission, at the Government’s request, commenced a wide-ranging inquiry into the efficiency of the superannuation system, and to come up with alternative models for the allocation of members to default funds. Cbus welcomes genuine scrutiny of the system; however, the approach taken by the Productivity Commission did not include an assessment of the current arrangements and proposed four alternative models that would fundamentally depart from the successful industrial model.

We will continue to highlight that the current model has ensured members are defaulted into funds with the highest net performance. And that current default funds, including Cbus deliver additional value to members and to the broader economy through patient, long-term and sustainable investment.

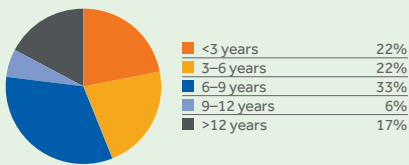
\$3.6 billion
in unpaid superannuation
across the economy

Fund governance

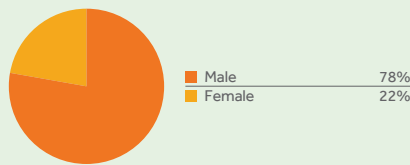
We create value for members through having sound governance mechanisms to ensure reliability, transparency, stewardship and accountability.

About our Board

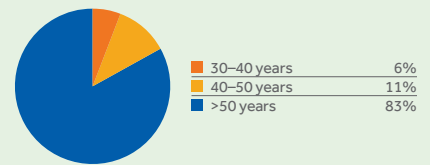
Tenure %



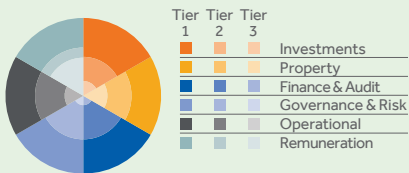
Gender %



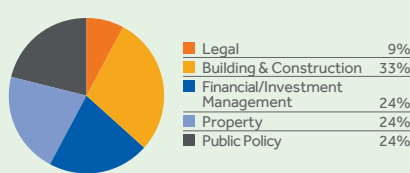
Age %



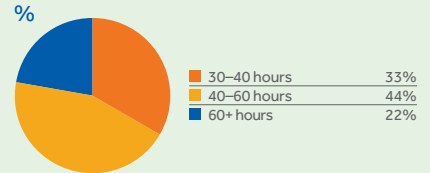
Skills* %



Experience %



Continuing professional development %



* Tier 1 – All responsible persons to meet this within 12 months of appointment. Tier 2 – More in depth knowledge and applications of skills – responsible persons sitting on Committees are expected to meet this tier within 12-18 months of joining a committee. Tier 3 – Expert



Above from left to right: Anthony McDonald, Dave Noonan, John Dawkins, Scott Beynon, Glenn Thompson, Stephen Dunne, Rita Mallia, Peter Kennedy, Misha Zelinsky, Hon. Steve Bracks AC (Fund Chair), Anne Milner, Earl Setches, Peter Smith, Frank O'Grady, Wilhelm Harnisch and Ged Kearney.

Left from left to right Alternate Directors: Anne Donnellan, Ben Davis and Allen Hicks.

Biographies of all Cbus Directors are available at:

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



All Cbus Directors are required to meet the minimum training standard set by the Fund, which is completion of RG 146 or its equivalent and complete at least 30 hours of further training and development each year.

Governance Framework of the Fund

United Super Pty Ltd is the Trustee Company ("the Trustee") of Cbus (the "Fund"). The Trustee is the legal entity responsible for the prudent management of the Fund. The Trustee is governed by a Trust Deed and Articles of Association, which are available at:

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

All Directors are required to demonstrate and continue to develop the following attributes:

- ability to employ individual independent thinking, every decision must be made on its own merits;
- ability to apply strategic thinking, including awareness and evaluation of risk;
- ability to speak with candour – willingness to speak the unspeakable, to air any conflicts that could undermine consensus; and
- ability to question, constructively challenge and evaluate.

The Board is supported by four standing committees: Investment Committee, Audit & Risk Management Committee, Member and Employer Services Committee and Remuneration Committee. All directors are required to sit on at least one committee. The role and responsibilities of the Board and its Committees are set out in Charters, which are available at:

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

Director remuneration

Director fees are externally benchmarked against peer funds and other similar financial institutions at least every three years.

Cbus Directors are currently paid a base fee (which is paid regardless of attendance) and an additional attendance fee for meetings attended.

Cbus does not pay a bonus or performance-based incentives to Directors. Full remuneration disclosures are available at:

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

Review processes

All Directors are reviewed every three years from the date of appointment on their performance and future role with the Fund. This review involves discussion with the Fund Chair, CEO, Committee Chairs and Sponsoring Organisations, as well as review of attendance and professional development undertaken.

All Directors and senior management complete annual fit and proper assessments as Responsible Persons of the Fund.

The Board and its Committees are reviewed internally every year on how they have performed their program of work. Every three years the Board, Committees and the Fund Chair are reviewed by an independent external party. The next external review will occur in 2018.

The Fund Governance Policy set out the Governance Framework of the Fund and the roles and responsibilities of the Directors. The Fund Governance Policy is available at:

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

The Board has adopted a goal of achieving

30%

female Directors

Fund governance continued

Board's focus

The Board's role is to approve, review and monitor the implementation of the Fund's rolling three-year strategy, and ensure the Fund operates with high standards of governance and risk management.

The Board held full meetings on seven occasions throughout the year placing significant focus on the following areas of the Fund's strategic direction and progress:

Strategy and risk

Each year the Board meets offsite to review the strategy of the Fund. This is an opportunity for Directors to reflect on the performance of the Fund, engage with senior management, and hear from different external presenters on a variety of topics.

To ensure Cbus is focusing on the right risks, Directors during the year reviewed our material risk and existing assessment of risk by considering how emerging macro-economic, socio-political and other trends impact our risk profile. Directors and senior management also participated in a dynamic risk assessment to inform the re-articulation of the Board's Risk Appetite Statement. This process actively engaged Cbus Directors to test the Fund's existing material risks, their interconnectivity (i.e. risks that link together and, therefore, have the potential to create contagion) and their velocity (i.e. expected speed that risks will impact the Fund).

The Board reviews progress against its strategy and risk tolerances at each of its meetings via an Enterprise Performance Scorecard, which sets out clear Key Performance Indicators.

Culture and conduct

The Board was actively engaged in reviewing and refreshing the values of the Fund. Directors are very cognisant of their role in setting the tone of the Fund, which is centred around members being at the heart of everything we do. Our work on values sets out to encourage integrity, respect, continuous improvement and innovation, accountability and collaboration – behaviours that support the achievement of this are encouraged and fostered in the Fund.

A Board to Business program was also developed during the year, whereby Directors observe and interact with different operational teams in the Fund. The program is designed to assist the Board in assessing the culture of the Fund, as well as to enable employees to interact directly with Board members.

Investment internalisation

During the year the Board supported a new investment model for the Fund that involves increased internalisation of Cbus investment activities. A key driver behind the new model is increasing net returns to members through a focus on reducing external investment management fees and performance.

Annual determination of scale

Each year the Board reviews its MySuper product, Growth (Cbus MySuper), to ensure members are not disadvantaged due to a lack of scale.

Cbus has reviewed the size of the membership and the assets under management in its MySuper option and is comfortable it has sufficient scale, which is being utilised effectively to ensure beneficiaries are not disadvantaged relative to beneficiaries of other MySuper products. In reaching its scale determination the net outcome for members across a range of dimensions is considered, including: net

returns; long-term performance against objectives; fee levels; and benefits and services provided to MySuper members. External benchmarking of the product is utilised.

Remuneration framework

After extensive consideration, a limited variable reward program was approved by the Board for the Executive Team and select investment roles. The level of reward was determined as enough to be meaningful, but not at a level that would distort behaviours in relation to risk-taking or cultural frameworks of the Fund.

The variable pay opportunity will be set as a percentage range of the total remuneration package of the employee dependent on role, and achievement of organisational, team and individual performance hurdles. The opportunity is between 0 – 30%. The program is a deferred one, with payments made progressively over a three-year period. The program will come to effect in 2018 financial year.

Retirement readiness index

The Board approved the development of the Retirement readiness index, which is designed to allow members to track benefits accrued against the average ASFA benchmarked retirement income.

Governance

During the year the Board also approved the setting of appointment terms for all Directors of three years, with a maximum individual tenure of 12 years (noting there are circumstances where the Board may allow a Director to exceed 12 years). New skills sets were also approved along with the establishment of a Nominations Committee to provide additional oversight of appointments to the Board and its Committees.

Board Committees – specific focus areas:

Role	Areas of special focus over the year
<p>Investment Committee Total meetings: 11</p>	
<p>The Investment Committee assists the Board in its implementation of the Fund's Investment Governance Framework, including developing and monitoring the Fund's investments and investment strategies.</p>	<ul style="list-style-type: none"> • Approval and oversight of the development of the new investment model and reviewing the governance and decision-making frameworks to support the model and ongoing review around required capabilities. • Investment component of the fund's Risk Management Framework, including the development of a stand-alone investment risk appetite statement and supporting new key risk indicators • Regulatory changes for reporting investment fees and costs, in particular, focus was on policy issues relating to the regulatory guide (RG97) • Reviews of market environment and asset allocation, asset classes and investment products. • Evolving the fund's ESG and climate change policies.
<p>Audit and Risk Management Committee Total meetings: 5</p>	
<p>The Audit & Risk Management Committee assists the Board by reviewing the effectiveness of the Fund's financial governance, reporting responsibilities and the Risk Management Framework.</p>	<ul style="list-style-type: none"> • Oversight of annual budget and reforecasting processes, including reviews of the Financial Statements and external audit reports. • Development of the Fund's internal information technology team, the cyber security program and the development of a data governance roadmap.
<p>Member and Employer Services Committee Total meetings: 5</p>	
<p>The Member and Employer Services Committee assists the Board in the oversight and implementation of material strategies and operational matters and systems that are relevant to the delivery of member and employer products, services and benefits.</p>	<ul style="list-style-type: none"> • Oversighting the delivery of an improved insurance offer to members. • Reviewing the performance and robustness of its Insurance Management Framework for details. • Oversight of the outsourced administration service function with Link Administration to review the services provided to Cbus members and employers. • Overseeing the material projects being undertaken with a key focus on evaluating the objectives, risks, timeframes.
<p>Remuneration Committee Total meetings: 4</p>	
<p>The Remuneration Committee assists the Board in the oversight and implementation of the Fund's Remuneration Framework.</p>	<ul style="list-style-type: none"> • Considered and endorsed Executive remuneration and performance based pay outcomes. • Evaluated comparable peer industry reward systems and their cultural and behavioural implications. • Considered and endorsed a new variable reward program for Executives and select roles for 2018.

Our people

Providing members with strong long-term returns and satisfying our stakeholders' requirements means we need to attract, develop and retain the right talent.



Above from left to right:
CBUS Executive Team

Keith Wells-Jansz (Finance Risk and Governance), Mark Comer (Enterprise Transformation – temporary appointment), Robbie Campo (Brand, Advocacy, Marketing and Product), CEO David Atkin, Kristian Fok (CIO Investment Management), Trish Donohue (Investment Services and Solutions), Michelle Boucher (Member Experience), Jarrod Coysh (Employers, Corporate Development and Strategy).

Below:

Michelle Murray, appointed September 2017, as Group Executive Enterprise Transformation.



A structure to support our strategy

In 2017, we implemented a new organisational structure to ensure our enterprise support functions are aligned and embedded in our core business divisions.

This has resulted in a restructuring of our Executive Team. Two new executive portfolios were created – Group Executive Brand, Advocacy, Marketing & Product; and Group Executive Enterprise Transformation. The other Group Executive Portfolios were broadened to organisation-wide responsibilities. The current organisational structure and biographies of our new Executive are available at:

 www.cbussuper.com.au/management

All our Executives are employed on ongoing contracts and are excluded from the Cbus industrial agreements. No Executive, including the CEO, has any termination payments included in their contract. Executives are entitled to accrued entitlements in the event of resignation and are required to give six weeks' notice. The CEO is required to give six months' notice of resignation.

A transformational year

To address the risks and challenges of an evolving environment in which Cbus operates and to meet our strategic objectives, we have transitioned and aligned structures resulting in increasing organisational capability in key areas.

Our growing size and competence is crucial to the Fund's success and how we provide maximum value to members. In 2017 we hired 117 people increasing our overall employee numbers by 72% from the previous year and our voluntary turnover rate was 3.93%, up from 2% last year.



Our values

Following input from our staff and members, the Board adopted a series of values that define and underpin who we are, how we lead and collaborate in meeting our goals.

Our inclusive culture, defined and underpinned by Cbus values is a key differentiator of the Fund, giving us a competitive advantage.

The values are:

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

Remuneration of Executives

The Executive Team participate in a performance-based pay program as part of their remuneration package. The program is measured on three components – organisational, team and individual performance, as detailed in our Remuneration Policy.

All Executive Team members' salary packages are benchmarked annually against a market of Cbus peers via externally sourced data. Salary increases are subject to endorsement by the Remuneration Committee and subject to approval by the Cbus Board. Full remuneration disclosure of the CEO and Executive Team is available at:

www.cbussuper.com.au/management

Remuneration of our people

All Cbus people (except Executives) are employed under collective Enterprise Bargaining Agreements (EBAs). The Agreements provided for a 3% increase from 1 July 2016. Cbus did not administer bonus or performance-based incentive schemes for EBA employees in the 2016–17 financial year.

Following extensive consideration a limited variable reward program was approved by the Board for the Executive Team and select Investment roles only, and will come into effect for the 2018 financial year.

A summary of the Cbus Remuneration Policy is available at:

www.cbussuper.com.au/governance

Number of people hired in 2017

117

Below:
Members of the Cbus inhouse Advice Team.



Our people continued

Fund area	Gender equity target	As at 30 June 2017
Whole of Fund	50%	47.5%
Cbus Board	30%	18%
Investment Team	40%	43%

Gender pay gap

4%

down from 12% in 2012

Diversity and gender equality

During the year we built upon our Diversity and Inclusion Policy focusing more on gender equality, mainstreaming workplace flexibility and diversity of thought. Research shows that high levels of workplace diversity are linked with improvements in organisational decision-making, better performance, profitability, revenue generation and innovation – all leading to better outcomes for our members and employers.

Our policy is about removing barriers that prevent all genders from achieving equality in the workplace. We are committed to a recruitment process to eliminate gender bias by ensuring gender-balanced selection panels; gender-balanced candidate short lists; and gender-neutral language in job advertisements.

We have set a target to improve gender equity to 50% across the whole of the Fund.

At 30 June 2017, 37% of the Executive Team were women down from 44% last year. However, subsequent appointments will see this move back to 50% in the first quarter of 2017–18 financial year. Twenty five per cent of the Leadership Team were women, down from 30% last year.

In addition to our proactive recruitment policies, we plan to improve the number

of women in our fund through measures that support gender equality across the Cbus performance management system and promotion policy. This includes ensuring promotional opportunities are widely advertised, considering employees on parental leave for promotion and conducting analysis on the number of promotions for all genders. It is also supported across talent identification and succession planning and ensuring all genders have equal access to training and development opportunities.

Further information on the gender breakdown at Cbus is available at:

 www.cbussuper.com.au/careers

Gender pay equity

We reported our gender pay gap at 4% at 30 June 2017 to the Workplace Gender Equality Agency (WGEA), down from 12% in 2012.

While our pay gap compares favourably to the 2015/16 fulltime employment gender pay gap in Australia of 17.7%, and even more favourably to the Australian Financial and Insurance Services industry fulltime employment pay gap of 33%, we continue to work towards a target of zero.

Our CEO is a WGEA Pay Equity Ambassador.

Workplace flexibility

This year, Cbus was one of the first employers to be 'FlexAble' Certified by Diverse City Careers reflecting the Fund's encouragement of flexibility at work. Currently 22% of staff work under flexible arrangements. The organisational target is 30% however, numbers of staff accessing flexibility has increased from 20 to 68.



Right:
Members of Cbus Investment staff in Sydney.
From left to right: Alex Miller, Justine Sefton,
Anna Weickart, Mi Moe Lim, Diana Callebaut,
Alexandra West.

Cbus is also committed to retaining talent through various initiatives for expectant parents and staff on parental leave including return to work coaching and supporting flexible work arrangements.

Our 16-week Parental Leave Policy is paid to both men and women. This year we extended our pre-post maternity leave coaching program to support first-time fathers. Cbus currently has a 100% return from primary carers leave. We also have a Family Violence Policy providing paid leave and support in the event of domestic violence.

Professional development

All Cbus staff participate in regular discussions to review and set annual performance and professional development goals. On average, Cbus people completed 17.4 hours of training during the year, down from 25.7 hours last year.

We exceeded our minimum requirement of providing 'authorised representatives' of the Australian Financial Services Licence (AFSL) holder with 30 hours per year of continuous professional development. On average, Cbus representatives completed 62.76 hours of training.

Thirty managers completed a General Manager Development Program which received a highly commended award from the Australian Institute of Training and Development.

Listening to Cbus

The 'Listening to Cbus' platform measures employee engagement rather than employee satisfaction. A full census is conducted in June each year with a six-monthly staff check in during December.

Currently, Cbus' engagement score is 77%, a 1% increase from 2016, which places Cbus seven percentage points above the external finance services benchmark and eight percentage points above the external professional services benchmark. Results show that our employees experience high levels of pride and are extremely likely to recommend Cbus as a place to work.

Cbus staff engagement score is

77%

placing Cbus 7% above the external financial services benchmark.

Occupational health and safety

Cbus is committed to providing a safe and healthy place for work. Incidents are reported to the Executive Team and the Board. During the year there were no work-related lost time incidents. We are proactive in supporting health and wellness activities in order to support our staff's mental and physical health.

Community involvement

Cbus staff are encouraged to volunteer in the community to support organisations aiding the homeless, refugees, community care, animal care, animal welfare and by donating blood. Cbus Melbourne and Sydney-based staff joined together for the fourth year to donate gifts to disadvantaged children as part of The Smith Family Christmas Appeal. Cbus also continues to support the national Mother's Day Classic fun run and raised over \$4,000 for breast cancer research.

Superannuation options






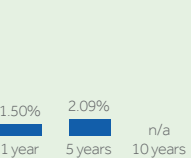
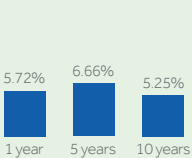
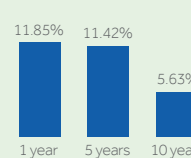
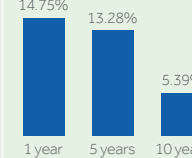
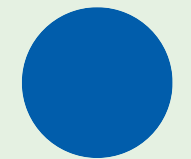
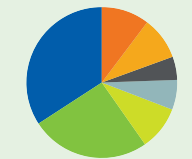
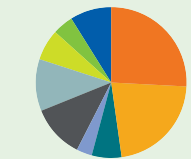
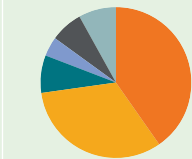
	Cash Savings	Conservative	Conservative Growth	Default option Growth (Cbus MySuper)	High Growth
Risk /return					
Risk level/(band) ¹	Very low	Low to medium		Medium to high	High
Investment objective ²	Inflation plus 0.75% a year over rolling 10-year periods	Inflation plus 1.75% a year over rolling 10-year periods		Inflation plus 3.25% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
Likelihood of negative annual returns	0 in 20 years	1 in 20 years		3 in 20 years	5 in 20 years
Actual number of negative annual returns	0 in 8 years	1 in 17 years		3 in 33 years	5 in 19 years
Actual performance average return over 10 years ending 30 June 2017 ⁴	This figure is unavailable as this option was introduced on 1 April 2009	5.25% (inflation plus 2.89% p.a.)	n/a option commenced 1 July 2017	5.63% (inflation plus 3.27% p.a.)	5.39% (inflation plus 3.03% p.a.)
Annual investment return (Crediting Rate %) at 30 June 2017					
Annual return since inception (p.a.) ⁴	2.70% (1/04/2009)	6.14% (1/10/1999)		9.24% (1/07/1984)	7.34% (1/01/1998)
Asset allocation ³ (%)					

Table notes:

- Risk level: The Risk Level is based on an industry wide Standard Risk Measure, which relates to the number of expected negative annual returns over a 20-year period.
Risk band: The Standard Risk Measure ranges across seven risk bands, from 1 (very low risk) to 7 (very high risk). The Standard Risk Measure is not a complete assessment of all forms of investment risk. For more information about the Standard Risk Measure, go to www.cbussuper.com.au/risk
- For all investment option objectives: Cbus expects all investment options to achieve their targeted after-tax returns 75% of the time.
- Cbus sets a Long-Term Strategic Asset Allocation and a Target Portfolio allocation. For more details, go to the investment section on www.cbussuper.com.au
- Average returns are to the period ending 30 June 2017.
- Formerly known as Credit.
- Investment performance is the gross return minus investment costs. Excludes administration fees and taxes, which are applied by the Cbus Self Managed platform, where applicable. Past performance is not a reliable indicator of future performance.
- Since inception on 29 July 2015.

Super Income Stream options

	Cash Savings	Conservative	Default option Conservative Growth	Growth	High Growth
Risk /return					
Risk level/(band) ¹	Very low	Low to medium	Medium	Medium to high	High
Investment objective ²	Inflation plus 1.25% a year over rolling 10-year periods	Inflation plus 2.25% a year over rolling 10-year periods	Inflation plus 3.0% a year over rolling 10-year periods	Inflation plus 3.5% a year over rolling 10-year periods	Inflation plus 3.75% a year over rolling 10-year periods
Likelihood of negative annual returns	0 in 20 years	1 in 20 years	2 in 20 years	3 in 20 years	5 in 20 years
Actual number of negative annual returns	0 in 7 years	0 in 7 years	0 in 2.5 years	0 in 7 years	0 in 7 years
Actual performance average return over 10 years ending 30 June 2017 ⁴	These figures are unavailable as these options were introduced on 1 July 2009		This figure is unavailable as this option was introduced on 1 December 2013	These figures are unavailable as these options were introduced on 1 July 2009	
Annual investment return (Crediting Rate %) at 30 June 2017					
Annual return since inception (p.a.) ⁴	3.25% (1/07/2009)	7.41% (1/07/2009)	8.44% (1/12/2013)	10.60% (1/07/2009)	11.83% (1/07/2009)
Asset allocation ³ (%)					

Accumulation	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High risk	High risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 2.75% p.a.	inflation + 3.25% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:^{6,7}	12.45%	13.94%
Super Income Stream	Cbus Self Managed Property	Cbus Self Managed Infrastructure
Risk Profile	High risk	High risk
To deliver an after tax and investment fees return, over 10-year rolling periods	inflation + 3% p.a.	inflation + 3.5% p.a.
To limit the likelihood of negative returns to:	4 in every 20 years	4 in every 20 years
Actual performance:^{6,7}	12.45%	13.94%

Investment option costs

Cbus incorporates the fees of the underlying managers (selected by our investment managers) into our investment costs. We do this because we believe members should be informed of total investment management costs when these are identifiable and measurable.

	High Growth		Growth (Cbus MySuper)		Conservative		Cash Savings	
	2016/17 %	2015/16 %	2016/17 %	2015/16 %	2016/17 %	2015/16 %	2016/17 %	2015/16 %
Investment Costs by Accumulation Option								
Base Fee	0.39	0.40	0.35	0.38	0.17	0.18	0.04	0.05
Performance Fee	0.09	0.09	0.07	0.09	0.02	0.03	0.00	0.00
Direct Investment Manager Fees	0.48	0.49	0.42	0.47	0.19	0.21	0.04	0.05
Underlying Fund of Funds Base Fee	0.11	0.12	0.09	0.10	0.00	0.00	0.00	0.00
Underlying Fund of Funds Performance Fee	0.04	0.03	0.03	0.03	0.00	0.00	0.00	0.00
Underlying Fund of Fund Manager Fees	0.15	0.15	0.12	0.13	0.00	0.00	0.00	0.00
Other Investment Costs	0.08	0.05	0.08	0.05	0.08	0.05	0.08	0.05
Total Investment Costs	0.71	0.69	0.62	0.65	0.27	0.26	0.12	0.10
Super Option Crediting Rates								
Total Earnings¹	15.65	5.39	12.66	6.31	6.18	6.38	1.81	2.11
Less: Indirect Cost Ratio	0.90	0.88	0.81	0.84	0.46	0.45	0.31	0.29
Total Investment Costs	0.71	0.69	0.62	0.65	0.27	0.26	0.12	0.10
Trustee Operating Cost	0.13	0.11	0.13	0.11	0.13	0.11	0.13	0.11
ORFR	0.06	0.08	0.06	0.08	0.06	0.08	0.06	0.08
= Final Crediting Rate:	14.75	4.51	11.85	5.47	5.72	4.83	1.50	1.82

	High Growth		Growth		Conservative Growth ²		Conservative		Cash Savings	
	2016/17 %	2015/16 %	2016/17 %	2015/16 %	2016/17 %	2015/16 %	2016/17 %	2015/16 %	2016/17 %	2015/16 %
Investment Costs by Super Income Stream Option										
Base Fee	0.39	0.40	0.35	0.37	0.24	0.26	0.17	0.18	0.04	0.05
Performance Fee	0.08	0.09	0.07	0.08	0.04	0.06	0.02	0.03	0.00	0.00
Direct Investment Manager Fees	0.47	0.49	0.42	0.45	0.28	0.32	0.19	0.21	0.04	0.05
Underlying Fund of Funds Base Fee	0.11	0.12	0.09	0.10	0.02	0.02	0.00	0.00	0.00	0.00
Underlying Fund of Funds Performance Fee	0.04	0.03	0.03	0.03	0.01	0.01	0.00	0.00	0.00	0.00
Underlying Fund of Fund Manager Fees	0.15	0.15	0.12	0.13	0.03	0.03	0.00	0.00	0.00	0.00
Other Investment Costs	0.08	0.05	0.08	0.05	0.08	0.05	0.08	0.05	0.08	0.05
Total Investment Costs	0.70	0.69	0.62	0.63	0.39	0.40	0.27	0.26	0.12	0.10
Super Income Stream Option Crediting Rates										
Total Earnings¹	17.00	6.19	13.63	7.42	10.10	7.09	6.58	6.28	2.11	2.46
Less: Indirect Cost Ratio	0.79	0.80	0.71	0.74	0.48	0.51	0.36	0.37	0.21	0.21
Total Investment Costs	0.70	0.69	0.62	0.63	0.39	0.40	0.27	0.26	0.12	0.10
Trustee Operating Cost	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
ORFR	0.06	0.08	0.06	0.08	0.06	0.08	0.06	0.08	0.06	0.08
= Final Crediting Rate:	16.21	5.39	12.92	6.68	9.62	6.58	6.22	5.91	1.90	2.25

1. Total earnings are gross of indirect costs and net of investment taxes.

2. The Super Income Stream's Conservative Growth option commenced in December 2013.

Please note the figures above are subject to rounding.

Investment managers

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

 = Related parties

Investment Managers managing 5% or above of the total Fund's assets		
	At 30 June 2017	At 30 June 2016
Industry Funds Management	17.77%	18.47%
Vanguard Investments Australia	10.39%	8.74%
Colonial First State Asset Management	6.94%	8.40%
Cbus Property	5.27%	5.17%

Cbus Total Investments	At 30 June 2017		At 30 June 2016	
	(\$ millions)	(%)	(\$ millions)	(%)

Australian Equities				
Industry Funds Management	2,640.3	6.6	2,334.2	6.9
Paradise Investment Management	1,550.1	3.9	1,368.2	4.0
Perpetual Investment Management	1,059.6	2.6	916.4	2.7
Hyperion Asset Management	964.0	2.4	903.6	2.7
Ausbil Dexia	923.6	2.3	804.9	2.4
Ellerston Capital	907.1	2.3	771.6	2.3
Allan Gray Australia	738.2	1.8	600.2	1.8
Airlie Funds Management	736.3	1.8	660.2	1.9
Citigroup Global Markets Australia	189.8	0.5		
Kinetic Investment Partners	166.5	0.4	163.5	0.5
Novaport Capital Pty Ltd	119.3	0.3	107.7	0.3
Mesirow Financial Currency Management ²	3.5	0.0		
Other ¹	35.4	0.1	18.8	0.1
Total Australian Equities	10,033.8	25.1	8,649.3	25.4

International Equities				
Vanguard Investments Australia	1,546.8	3.9	1,265.5	3.7
Orbis Investment Management	1,109.6	2.8	831.3	2.4
Baillie Gifford Overseas	1,105.6	2.8	757.7	2.2
Global Thematic Partners	1,026.0	2.6	805.5	2.4
MFS Institutional Advisors	988.3	2.5	837.7	2.5
Realindex Investments	896.2	2.2	682.1	2.0
AQR Capital Management	793.6	2.0	752.1	2.2
Wellington Management Company	550.7	1.4	414.3	1.2
Genesis Emerging Markets Investment Company	287.5	0.7	250.4	0.7
Trilogy Global Advisors	268.8	0.7	182.2	0.5
First State Investment Management	192.5	0.5	140.6	0.4
Citigroup Global Markets Australia	47.4	0.1	301.1	0.9
Mesirow Financial Currency Management ²	22.7	0.1	23.6	0.1
Other ¹	10.4	0.0	7.1	0.0
Total International Equities	8,845.9	22.1	7,251.3	21.3

Investment managers continued

Cbus Total Investments	At 30 June 2017		At 30 June 2016	
	(\$ millions)	(%)	(\$ millions)	(%)
Property				
Cbus Property	2,109.8	5.3	1,748.4	5.1
ISPT	1,437.1	3.6	1,225.2	3.6
AMP Capital Investors	535.1	1.3	500.8	1.5
Resolution Capital	126.2	0.3	126.1	0.4
Fortius Funds Management	4.3	0.0	4.5	0.0
Franklin Templeton Investments Australia	3.2	0.0	4.9	0.0
Mesirow Financial Currency Management ²	2.3	0.0	2.8	0.0
Blackrock (formerly Macquarie)	0.1	0.0	0.6	0.0
Total Property	4,218.1	10.5	3,613.4	10.6
Infrastructure				
Industry Funds Management	2,804.8	7.0	2,499.9	7.3
Hastings Funds Management	1,017.5	2.5	949.2	2.8
Rare Infrastructure	199.1	0.5	180.8	0.5
Mesirow Financial Currency Management ²	3.9	0.0	8.8	0.0
Total Infrastructure	4,025.4	10.1	3,638.7	10.7
Private Equity				
ROC Private Equity	479.2	1.2	410.4	1.2
Siguler Guff & Company	231.5	0.6	235.3	0.7
ME Bank	186.0	0.5	167.8	0.5
Industry Funds Management	163.2	0.4	196.2	0.6
Mesirow Financial Private Equity Advisors	147.0	0.4	204.9	0.6
Newbury Associates	138.6	0.3	145.8	0.4
Industry Super Holdings	104.4	0.3	87.1	0.3
Performance Equity Management	102.4	0.3	115.3	0.3
Greenspring Associates	75.1	0.2	81.7	0.2
VenCap International	68.4	0.2	73.9	0.2
Stafford Capital Partners	65.0	0.2	65.3	0.2
LGT Capital Partners	58.7	0.1	83.0	0.2
Adveq Management	57.5	0.1	65.1	0.2
Lexington Partners	38.0	0.1	51.6	0.2
Weathergage Venture Capital	32.2	0.1	37.6	0.1
Mesirow Financial Currency Management ²	18.5	0.0	34.2	0.1
Pomona Australia	17.1	0.0	34.0	0.1
Wilshire Private Markets Group	7.5	0.0	16.7	0.0
Contiuty Capital (previously Wilshire Private Markets Group)	3.3	0.0	4.8	0.0
Frontier Advisors	1.4	0.0	1.4	0.0
Total Private Equity	1,995.0	5.0	2,107.2	6.2

Cbus Total Investments	At 30 June 2017		At 30 June 2016	
	(\$ millions)	(%)	(\$ millions)	(%)
Opportunistic Growth				
Bridgewater Associates	1,039.0	2.6	843.1	2.5
Industry Funds Management	179.0	0.4	91.4	0.3
TPG Opportunities Partners II	46.8	0.1	60.8	0.2
Oaktree Capital Management	19.8	0.0	28.9	0.1
Artwork	8.3	0.0	7.9	0.0
Mesirow Financial Currency Management ²	1.6	0.0	2.2	0.0
Total Opportunistic Growth	1,294.3	3.2	1,034.2	3.0
Fixed Interest				
Vanguard Investments Australia	2,611.8	6.5	1,710.2	5.0
State Street Global Advisors, Australia			16.3	0.0
Other ¹	3.9	0.0	2.4	0.0
Total Fixed Interest	2,615.7	6.5	1,728.9	5.1
Alternative debt				
Industry Funds Management	1,068.0	2.7	904.9	2.7
Barings (previously Babson)	902.9	2.3	632.6	1.9
Goldman Sachs Asset Management	338.6	0.8	319.0	0.9
ME Portfolio Management	61.9	0.2	156.7	0.5
T Rowe Price	297.8	0.7		
Hayfin Direct Lending	75.0	0.2	135.8	0.4
Mesirow Financial Currency Management ²	-1.1	-0.0	3.8	0.0
Total Alternative debt	2,743.1	6.9	2,152.9	6.3
Cash				
Colonial First State Asset Management	2,473.6	6.2	2,717.2	8.0
Industry Funds Management	259.6	0.6	254.0	0.7
Internally managed	1,286.1	3.2	856.1	2.5
Other ¹	251.4	0.6	30.5	0.1
Total Cash	4,270.7	10.7	3,857.8	11.3
Total Investments	40,041.8	100.0	34,033.7	100.0
	40,041.8		34,033.7	

Note

1. Other may include operational cash, options, reserves, funds in transition, small holdings and outstanding fees on closed accounts, as well as Cbus Self Managed holdings.

2. Mesirow Financial Currency Management manages the currency hedging for Cbus.

Figures are subject to rounding.

Cbus

Annual Financial Reports

The Cbus Annual Financial Report is based on the Fund's general ledger balances and Custodian investment and taxation reports, together with members' funds information sources from Link/AAS administration systems. The report includes the Fund's Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and a Statement of Cash Flows, and Notes to these Financial Statements. It also includes a Trustee Declaration and the Independent Auditor's Report on the Financial Statements. The report is reviewed and endorsed by the Trustee Board and is available at:

 www.cbussuper.com.au/AnnualReport

Financial statement inputs

There are several different inputs that support the completeness and accuracy of the Financial Statements.

Existence

An independent audit of the existence and valuation of the Fund's investments held under custody by the Fund's Custodian is completed by the Custodian's external auditor, and the audit report is provided to the Fund. The investments audited are reflected in the Financial Statements and Notes to the Financial Statements.

Custodian administration controls

An independent audit of the internal controls and procedures the Custodian has over custody, investment administration, accounting and tax reporting, unit registry and related information technology services is completed by the Custodian's external auditor and the audit report is provided to the Fund. The internal controls and procedures audited support the investment-related information reflected in the Financial Statements and Notes to the Financial Statements.

Administrator's controls

An independent audit of the internal controls and procedures the Administrator has over superannuation and pension member administration is completed by an independent auditor and their audit report is provided to the Fund. The internal controls and procedures audited support member related information reflected in the Financial Statements and Notes to the Financial Statements.

Tax review

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

External audit

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

Internal audit

The Fund's internal auditor (KPMG) completes reviews of internal controls and procedures over key Fund transactions that are represented in the Financial Statements and Notes to the Financial Statements. The Fund's internal auditor attends all Audit and Risk Management Committee meetings and has unfettered access to the Committee. The internal audit function is responsible to the Board through the Audit and Risk Management Committee.

Through the execution of an internal audit program, the internal audit function is responsible for:

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


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

Trustee insurance

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

Management of derivatives

Cbus allows some of its investment managers to use derivatives to reduce risk and/or enhance efficiency. The managers must use derivatives within strict parameters, including that they are not used to gear the Fund and that there are sufficient cash assets to back the derivatives exposures at all times. The derivatives charge ratio (the percentage of the Fund being used as security for derivative investments) was less than 0.5% during the financial year. The Derivative Management Plan and other investment-related policies are located on the Cbus website.

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

Super surcharge payments

The superannuation contributions surcharge applied to certain super contributions made after 20 August 1996 and before 1 July 2005. Although it was abolished from 2005, the surcharge is still paid for any outstanding or amending assessment by the Australian Tax Office (ATO). The ATO has announced it will stop issuing super surcharge assessments from August 2017, however; any assessments issued prior to this date will remain due and payable. Surcharge payments (if any) are deducted from members' accounts and paid to the ATO.

Eligible rollover fund

Cbus may transfer accounts to an eligible rollover fund (ERF) if no contributions have been received for 12 months and the account balance is less than \$6,000. As a result, any insurance cover will cease and members may be charged fees by AUSfund (the ERF chosen by Cbus).

To contact AUSfund write to PO Box 543 Carlton South Vic, 3053. Email admin@ausfund.net.au. Phone: 1300 361 798 or visit their website:



www.ausfund.com.au/how-can-we-help-you/contact-us/

Temporary residents' benefits transferred to the Australian Taxation Office

If a former temporary resident employee has left Australia and their visa has expired or been cancelled, Cbus is required to pay their benefit to the ATO if it has not been claimed from the Fund within six months of departure. Visit www.ato.gov.au for more information about superannuation for temporary residents. Cbus relies on ASIC's class order relief in that we are not obliged to notify or give an exit statement to a non-resident in the above circumstances. However, this information is available on request.

Financial statements

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

Movement in member funds for the year ended 30 June 2017	2017 \$'000	2016 \$'000
Opening balance	33,574,719	30,745,880
Contributions	3,074,138	2,544,709
Transfers in	997,321	675,114
Income from superannuation activities	4,437,049	1,989,507
Total income	8,508,508	5,209,330
Benefits paid	1,870,862	1,686,638
Investment expenses	145,586	110,014
Administration expenses	141,362	129,695
Insurance premiums	139,330	145,444
Tax	570,475	308,700
Total benefits and expenses	2,867,615	2,380,491
Net assets available for member benefits	39,215,612	33,574,719
Members funds	38,904,478	33,350,779
Reserves	311,134	223,940
Members funds and Reserves	39,215,612	33,574,719

Cbus Annual Financial Reports continued

Balance sheet as at 30 June 2017	2017 \$'000	2016 \$'000
Assets		
Investments	40,096,381	34,202,561
Cash at bank	39,346	37,044
Receivables	3,044	2,110
Other assets	15,035	28,724
Total Assets	40,153,806	34,270,439
Liabilities		
Payables and other liabilities	94,816	83,100
Financial liabilities	54,556	116,131
Income tax payable	92,407	0
Deferred tax liabilities	696,415	496,489
Total Liabilities	938,194	695,720
Net assets available for member benefits	39,215,612	33,574,719

Members' funds and reserves

Members' funds

Members' funds represent benefits accrued to members at 30 June 2017.

General reserve account

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

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

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

The level of the general reserve account will be set annually as part of the Fund's annual financial statements and review process.

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

Members' funds and reserves

Year (as at 30 June)	\$'000	% of Fund assets
2013	55,739	0.20%
2014	29,996	0.25%
2015	19,364	0.11%
2016	84,368	0.25%
2017	77,888	0.19%

The table below shows how net assets of the Fund are attributed across the Fund's investment choices and reserves.

Members' funds and reserves	At 30 June 2017 %	At 30 June 2016 %
Growth	86.03%	86.30%
High Growth	4.31%	4.00%
Conservative	2.08%	2.24%
Cash Savings	1.19%	1.44%
Cbus Self managed	0.10%	0.09%
Cbus Super Income Stream	5.49%	5.27%
Operational Risk reserve	0.28%	0.25%
Insurance reserve	0.31%	0.25%
General reserve	0.20%	0.17%

Members' funds and reserves continued

Operational risk reserve

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

In light of the Trustee's strategic initiatives and planned business activities, Cbus considered it appropriate to set the target level of this reserve to 0.28% of net assets during the 2017 financial year. The additional three basis points reflects changes in the Fund's operational risk profile resulting from the insourcing of a number of business functions.

Insurance reserve

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

The Fund is only used for insurance related purposes to:

- collect deductions and pay insurer the premiums
- to pay for the operating and administration costs for insurance and claims
- to provide premium price relief to insured members
- to set aside monies to meet the financial obligations of the Fund's insurance providers
- to fund its insurance claims reduction strategies aimed at generating a long-term improvement in the claims experience
- to fund development and implementation costs associated with the delivery of improved insurance offerings.

Our contractual arrangement between Cbus and the Fund's insurer is one where favourable claims experience relative to premiums paid against contracted levels provide a payment from the insurer to the

Fund, and unfavourable claims experience against contracted levels provide a payment from the Fund to the insurer. Any payment from the Fund is limited to 10% of premium paid for any one year.

Any payment made to Cbus under the contractual arrangement is used only for insurance-related services.

The Fund did not receive any claims experience adjustments during the 2016/2017 financial year. However, the Fund paid \$770,000 to the prior insurer as a claims experience adjustment after a recalculation of claims experience.

The target level of the reserve is set at 20% of the annual premiums paid to the insurer, with a minimum level of any contingent liabilities for potential claims experience adjustments.

The level of insurance reserves as at 30 June 2017 is higher than the target level and part of the reserve is being used to reduce premiums for insured members. Each year the level of insurance reserves (including the application of any premium rate subsidy) is reviewed. The situation in relation to the subsidy from September 2017 is expected to apply for two to three financial years.



Left:
Cbus members in Queensland.

Glossary

arrears

Unpaid superannuation.

asset

Resource determined to hold current and future value or benefit.

benchmark

The standard measured against.

built environment

manmade environments including buildings and infrastructure and those who plan, build, utilise and maintain them.

Consumer Price Index (CPI)

Common measure of inflation.

Crediting Rate

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

Custodian

A financial institution that holds the Fund's assets for safekeeping and provides investment administration.

Default option

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

Environmental, Social and Governance (ESG) issues

Issues, beyond financial, requiring attention to build sustainability in business practices.

fund manager

An organisation that selects and manages assets for Cbus or for a group of funds including Cbus.

gig economy

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

income stream

Allocated pension scheme for members transitioning to or in retirement.

infrastructure

Essential service and facility systems such as transport, water, electricity and telecommunications.

integrated reporting

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

investment options

Different options available to members to meet their risk and return preferences.

materiality

A matter or amount of significance.

MySuper

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

outperformance

Performance of a higher level than benchmark or peers.

remuneration

Pay for services rendered.

risk appetite

The level of risk the Trustee is willing to expose itself to.

related parties

Entities that Cbus has ownership in and which provide services to Cbus.

short termism

A focus on immediate or short-term outcomes often creating risk or undermining sustainability.

sponsors

Organisations that sponsor the Fund – ACTU, AMWU, AWU, CEPU, CFMEU and MBA.

stakeholders

Organisations or groups of people that have an interest or relationship with the Fund.

stewardship

Responsible management and investment of member's superannuation.

SuperStream

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

sustainability

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Trust Deed

Legal document stating the requirements and governance rules of the Fund.

Trustee

Collective description of the Board of Directors and their delegated representatives responsible for managing and administering the Fund in accordance with the Trust Deed.

Thank you

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

We welcome your thoughts

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

You can also review this report online.



www.cbussuper.com.au/AnnualReport

Cbus National Office

Level 28, 2 Lonsdale Street, Melbourne VIC 3000

For more information:

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

Write to: Locked Bag 5056, Parramatta, NSW 2124

Visit: www.cbussuper.com.au

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

Follow us:



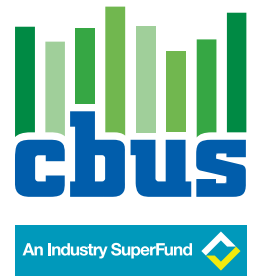
www.facebook.com/cbussuperfund



www.linkedin.com/company/2735200



www.youtube.com/user/CbusSuper



Awards

SuperRatings Awards



Chant West Apples Fund Rating



Selecting Super (Rainmaker) AAA Rating



World Pension Summit, Netherlands 2016

Excellence in Investment Innovation

Conexus Financial

Superannuation Awards 2017

Chief Investment Officer of the Year,
Cbus' Trish Donohue & Kristian Fok



Money Magazine Awards 2017

Best Balanced Super Fund



Certified by Diverse City Careers in
recognition of Cbus' commitment to
flexibility at work



FEAL Fund Executive of the Year Award 2017

Winner – David Atkin, Cbus CEO



Marketing, Advertising and Sales Excellence Awards 2017

Winner – Financial Services App



Australian Institute of Training and Development

Highly Commended Award for Cbus
General Manager Development Program

