



CLIMATE TRANSPARENCY REPORT 2019

CBUS Superannuation Fund

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-53C3D8BD-74E6-4148-BB6D-91B8ABBE3087/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS

Name	CBUS Superannuation Fund
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US\$ 30 - 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2006
Region	Oceania
Country	Australia
Disclosure of Voluntary Indicators	63% from 38 Voluntary indicators

CBUS Superannuation Fund

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

The Trustee believes that responsible investment is entirely consistent with its long-term return objectives and accords with acting in the best interests of the Funds members under its fiduciary duties and the sole purpose test.

As a responsible investor we can improve long term risk adjusted returns through active involvement in environmental, social and governance (ESG) issues.

We also believe we have a role in:

- influencing and contributing to the shift towards a sustainable finance system - and have identified the SDGs where Cbus believes it can invest, engage and advocate
- demonstrating leadership in the built environment and
- operating in a manner consistent with our responsible investment approach

The Trustee also believes that climate change is a complex environmental and social issue which creates both investment risks and opportunities. The Fund has developed a position statement approved by the Board and reports against the TCFD's.

Cbus has developed Responsible Investment Principles which communicate the issues that are important to Fund: climate change; cognitive diversity; health and safety; labour and human rights in direct operations and supply chains and product supply chains. The principles provide guidance to our investment managers and are also reflected in our voting and engagement activities.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Purpose and objectives of the policy

The Policy sets out Cbus' approach to managing responsible investment including ESG matters, and climate change, in its investments and the Fund. It directs the Fund to adequately consider ESG risks and opportunities as part of the investment process in accordance with the Investment Governance Framework. It is applicable across all investment options. Cbus aims to apply best practice approaches for responsible investment to the Fund's investments and within the organisation. The Policy is set by the Investment Committee and will be reviewed every two years, or more frequently.

Application

This Policy applies to all Trustee Directors, all Cbus Group Executives, and all members of the Fund's investment team.

Accountability

The Trustee is at all times responsible for the Fund's investments. The Trustee has delegated decision making responsibilities for responsible investment to Board Committees (primarily the Investment Committee) and management. The responsible investment team is primarily accountable for guiding the strategic direction for responsible investment. The investment team has accountability for supporting the implementation within the Fund's investments activities.

Responsible Investment Philosophy and Beliefs

Cbus beliefs are outlined in SG 01.4. In addition: Cbus also considers its role in climate change, built environment and the Fund as an organisation.

Responsible Investment Approach

The Trustee requires that responsible investment applies to all of the Funds investment activities including: across all geographic locations; all asset classes; direct, mandated and pooled funds; and all styles including active and passive.

The approach to implementation is shaped by the Fund's investment strategy including outsourcing to investment managers to invest on its behalf and direct investment through internally managed investment portfolios.

The manner and extent to which responsible investment is incorporated into investment decision will differ and is dependent on the investment characteristics of each strategy. The Trustee acknowledges that implementation of responsible investment may require a tailored approach within and between asset classes.

Internally Managed Investment Portfolios

The Trustee has implemented an asset class specific internalisation model. The Fund implements responsible investment processes or procedures as internal capability is built for each asset class. The Fund will seek to be a leader in responsible investment for the asset classes in which it invests directly.

Investment Managers

Responsible investment is a component of the investment manager selection and appointment process. The Fund prefers investment managers that have sound ESG practices or are actively developing their approach, which allows the Trustee to accommodate for managers at different stages in their responsible investment journey.

Investment managers are only appointed after a selection process in accordance with the Fund's Due Diligence Policy and, where appropriate, its Outsourcing Policy. Investment Management Agreements (IMAs) detail the specific requirements for responsible investment, including reporting and monitoring requirements, and are based on the type of asset class and investment strategy being employed.

After an investment manager has been selected, the Fund actively engages with the manager and monitors the integration of responsible investment into their processes.

Mandates and Pooled Trusts Mandates afford the Fund a greater level of control. They provide greater transparency and the ability to actively engage with both investment managers and the underlying companies on responsible investment. Some investments can only be accommodated in pooled arrangements. Where possible, the Fund uses its influence to ensure the terms of the pooled vehicles are aligned to its needs and will seek to incorporate the Fund's approach to responsible investment in the governing documents.

ESG Integration

Cbus believes integration is the most appropriate for the Fund given the ongoing increase in size and diversification of the Fund's investments across the global economy. It enables the Fund to use its ownership interest of listed and unlisted companies to influence their behaviour.

Exclusions

The Fund does not typically exclude particular companies, sectors or asset types. However, there are some circumstances in responsible investment where it is appropriate to consider exclusions of a sector or a specific stock from the Fund's portfolio.

Any proposed exclusions require approval by the Investment Committee.

Active ownership

The Fund seeks to influence the companies and assets in which it invests through engagement and voting. The purpose is to communicate the interests of the Fund with the aim of enhancing long term value creation and minimising risk. Internal guidelines form the basis of the Fund's approach to active ownership. These are approved by the IC and reviewed as required. Cbus acknowledges the additional responsibility of its influence in the Australian market. This reflects the size and ownership in Australian companies and assets and the location of Fund members.

Advocacy and collaboration

The Fund undertakes advocacy with the aim to influence the broader market and promote a shift towards a sustainable financial system. The focus is primarily on influencing standards, guidelines and regulatory reform that support long term value creation. The Fund has a preference to undertake advocacy through collaboration with other stakeholders, recognising that through collaboration with others the Fund can exert a greater influence and manage resources more effectively.

Reporting and disclosure

Cbus seeks to take a leadership role on transparency and disclosure and will report its responsible investment activities and progress to all stakeholders through the Fund's website and annual reports and through disclosure of the PRI Assessment Report.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
----------	-----------	--------	-------------	---------

SG 01.6 CC	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.
-----------------------	---

The Cbus Strategy and Business Plan identifies emerging trends in the external environment. Emerging themes include ESG and climate change considerations. Climate change risks are prioritised relative to other risks based on their materiality and Cbus' exposure. Existing and emerging regulatory requirements related to climate change are also considered as part of the risk analysis. Key short and medium term climate risks arise from structural change during the transition to a low carbon economy, through rapid policy and technology shifts, these could result in impacts on the Fund's investments. Long term risks may also arise associated with a failure to transition with consequences of higher physical damages from an increase in global temperatures. While there are many risks that we consider, physical risks are also particularly relevant for Cbus and our property and infrastructure assets. The risks are both chronic and acute. They can include the increase and intensity of extreme weather events (impacts on supply chain security and insured and uninsured impacts to property and infrastructure) and sea level rise (impacts to coastal assets such as ports). To understand the physical risks to our investments over the next 18 months, we will undertake assessments of our relevant portfolios. We will also proactively seek opportunities to invest in the transition and to improve portfolio resilience to climate change by mitigating exposure to risk. For example, our 100% owned direct property construction and development manager, Cbus Property, provides a great opportunity to invest in a transition to a climate resilient economy and targets minimum 5 star NABERS energy and Green Star ratings for commercial properties.

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
-----------------------	--

Yes

SG 01.8 CC	Indicate the associated timescales linked to these risks and opportunities.
-----------------------	---

The regulatory and technological risks are likely to operate over a medium-term time horizon (5-20 years, say) whereas the physical risks are likely to operate over a longer time horizon, and become more prominent in the absence of stronger regulatory action to reduce emissions.

Frontier undertook climate risk modelling on behalf of Cbus in 2018. The review focused largely on the impact of regulatory risks as a result of this shorter time horizon. The analysis examined the potential scale of regulatory impacts on the Cbus portfolio where it can be more readily quantifiable and in assets where these risks are more concentrated. As a result, the analysis focusses on energy stocks within the listed equities portfolio, with a particular emphasis on fossil fuel producers. The utilities sector is another sector at risk, with a higher carbon intensity than the energy sector as identified in a 2017 carbon footprint review of Cbus' equities portfolio. This higher carbon intensity is largely attributable to electricity generation.

However, the utilities sector has different dynamics to the energy sector and there is some capacity for companies to switch fuel type or energy source once existing plant and equipment becomes retrenched or economically unviable. There are also impacts on the Financial sector such as banking and insurance. For example, there is potential for mispricing the risks involved in providing debt financing to projects that extend or increase fossil fuel production.

No

SG 01.9 CC	Indicate whether the organisation publicly supports the TCFD?
-----------------------	---

Yes

No

SG 01.10 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
------------------------	---

Yes

	Describe
--	----------

During the year our Investment Committee approved a Climate Change Road Map, which sits alongside the Climate Change Position Statement to support making decisions that will lead to better long-term return outcomes for our members.

It also provides a consistent approach to considering climate related impacts of risks and opportunities. The Road Map will direct our activities with respect to climate change over the next 2 years. The key areas of focus include:

- Investment opportunities
- climate risk integration (asset allocation, fund manager integration and TCFD reporting, risk reduction for our passive equities portfolio)
- Engagement and voting
- Advocacy
- Built environment
- Monitoring and disclosure
- Trustee office alignment

The Road Map includes our commitment to reporting under the TCFD.

We also believe the built environment is a key enabler in the transition to a climate resilient economy and there is an opportunity for Cbus to use its leadership to continue to raise the standards of the built environment. As such we have also set targets in this area and committed our real estate and infrastructure portfolios to net zero emissions.

Going forward we will report our outcomes against these targets.

No

SG 1.12 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
-----------------------	---

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

	specify
--	---------

Our TCFD reporting appears in our Corporate Responsibility Report.

SG 02	Mandatory	Public	Core Assessed	PRI 6
--------------	------------------	---------------	----------------------	--------------

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
----------------	--

- Policy setting out your overall approach

	URL/Attachment
--	----------------

- URL

	URL
--	-----

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)

- Formalised guidelines on environmental factors

	URL/Attachment
--	----------------

- URL

	URL
--	-----

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)

- Formalised guidelines on social factors

	URL/Attachment
--	----------------

- URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)
- Formalised guidelines on corporate governance factors

URL/Attachment

- URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)
- Fiduciary (or equivalent) duties

URL/Attachment

- URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)
- Screening / exclusions policy

URL/Attachment

- URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment (will be made public)
- Engagement policy

URL/Attachment

- URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

Attachment

Reporting

URL/Attachment

URL

URL
 {hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment
- Climate change

URL/Attachment

- URL

URL
 {hyperlink:https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Policy-Summary.pdf}

- Attachment
- We do not publicly disclose any investment policy components

SG 02.3 Additional information [Optional].

Cbus has also publicly disclosed its Climate Change Position Statement which has been approved by the Cbus Board: <https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Climate-Change-Position-Statement.pdf>

Cbus has developed a set of Responsible Investment Principles to communicate to our fund managers the Environmental, Social and Governance (ESG) issues that are important to us as a Fund. The Principles are also used in our voting and engagement activities. <https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Responsible-Investment-Principles.pdf>

Cbus has also committed to the ACSI Australian Asset Owners Stewardship Code. Cbus supports the principles and guidance outlined in the Code which are designed to promote greater transparency and accountability in relation to stewardship activities. <https://www.cbussuper.com.au/content/dam/cbus/files/governance/policies/Investment-Governance-Framework-Policy.pdf>

Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
----------	-----------	--------	-------------	---------

SG 07.5 CC Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6
CC For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The same governance structure exists for climate change as it does for other RI activities (refer to SG 07.2). The Board has delegated authority to the IC for climate change related activities. The Chair, IC reports to the Board on key actions of note or for approval from the IC meetings. There is a monthly CIO report to the IC that has the capacity to include climate related initiatives, where relevant.

The Cbus Board approved the Climate Change Position Statement which stated alignment to the Paris Agreement and move towards a 2-degree world and net zero emissions by 2050.

Training is also provided to the Board on climate change activities.

**SG 07.7
CC**

For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

Like all RI activities, the IC has oversight responsibility (refer to SG 07). Climate change information is reported to the IC on at least a quarterly basis during the standing RI update or through the monthly CIO report. This includes both analysis of information and ongoing monitoring of implementation. This may include a range of activities from joining initiatives, engagement or carbon footprint analysis.

The CIO is present at the monthly IC meetings and provides a CIO update which may include climate change activities.

The IC committee considers the risk and opportunities of climate change.

The CIO sat on the IGCC Management Committee and is therefore well across climate change issues until December 2018 when our IC Committee Chair became the Chair of the Investor Group on Climate Change.

The Portfolio Head, Responsible Investment and RI team is responsible for setting strategy including climate change and sits on various IGCC working groups. The Portfolio Head, RI reports to the CIO.

Portfolio Heads - Public markets, Private markets and asset allocation all participate in climate related work including working groups. This is coordinated by the Portfolio Head, RI.

**SG 07.8
CC**

Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.

- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

Describe

Cbus requested Frontier, in 2018, to undertake modelling of risks that relate to climate change and that could impact upon portfolio returns in the medium-term.

In 2015, Cbus participated in the Mercer Climate Change Project. The output provided expected returns for various asset classes under different climate change scenario.

- No, not to assess future ESG/climate-related issues

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13.3 Additional information. [OPTIONAL]

In 2018, Cbus undertook work to review its asset allocation to international and domestic Australian equities. Part of this review assessed the climate risks concentrated in the Australian equities market. Whilst climate risks was only one part of the consideration for asset allocation and shifting greater weight to international equities, the findings from the climate work supported this view.

SG 13 CC	Voluntary	Public	Descriptive	General
-----------------	------------------	---------------	--------------------	----------------

SG 13.4 CC Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.

- Initial assessment

Describe

In 2018, Frontier undertook analysis that takes an initial focus on Cbus' listed equity portfolio and listed companies in the energy sector (and the resources sector to a lesser extent). This work informed our climate change roadmap milestones and targets.

Key elements of the review are as follows.

- Test sensitivities of energy companies and the broader equity portfolio to changes in benchmark commodity prices and GDP impacts;
- Stress test portfolio values to shocks in oil prices, which we estimate to be commensurate with an assumed shift in carbon prices and fossil fuel demand, using historical scenarios and a customised 2 degrees climate change scenario;
- Identify the scale of potential value at risk (VaR) for the Cbus listed equity portfolio under the customised 2 degrees scenario;
- Review three selected companies to illustrate how the estimate of VaR is derived and further test the sensitivities of estimates to macro assumption.

In addition, Frontier Partners Platform Climate Change module outlines the portfolio impact results of a range of climate change scenarios and is a complementary analysis to this review.

The potential impact at the portfolio level for a listed equities configuration does not appear alarming but this is based on assessing the contribution from a single sector - albeit, one likely most affected by medium-term carbon risks. The potential impact on the Australian Equities, Developed Markets Equities and Emerging Markets Equities portfolios appear to be of a similar scale, which partly reflects the fact that the Energy sector has a similar weighting in these listed markets.

Further analysis can be extended to other carbon-intensive sectors, however different methodologies and valuation methods may be required if this is done on a more granular basis. Overall, the results suggest that there are likely to be opportunities to de-risk the equities portfolios by modestly tilting away from Energy stocks. However, in the medium-term such a decision needs to bear in mind some further considerations such as:

- there will be secular movements in oil and gas demand that could materially affect performance both positively and negatively; and
- companies will respond to carbon risks with varying levels of engagement and some will more effectively integrate these risks into their longer-term strategies.

The second point suggests that engagement from fund managers and asset owners, or other focussed active equity selection strategies, can be an effective way of dealing with the risks (e.g. by bringing greater scrutiny to more risky projected capital expenditures) alongside any approach to de-risk a portfolio by tilting away from energy stocks.

In 2016, Cbus also used the Mercer scenario analysis, to undertake additional modelling to better understand the portfolio return impact if global warming was limited to only 2-degrees.

- Incorporation into investment analysis

	Describe
--	----------

Following the work from Frontier, Cbus is assessing how to tilt the passive equities portfolio to a low carbon transition index. The results will be implemented during 2019.

Cbus has also set itself a target to have all property and infrastructure fund managers commit to net zero emissions, which could assist to de-risk the unlisted portfolio from climate change transition risk.

- Inform active ownership

	Describe
--	----------

The Frontier work suggests engagement from fund managers and asset owners, or other focussed active equity selection strategies, can be an effective way of dealing with the risks (e.g. by bringing greater scrutiny to more risky projected capital expenditures) alongside any approach to de-risk a portfolio by tilting away from energy stocks.

Given the high amount of active equity stocks in the Cbus portfolio (approx 70%), engagement is considered a highly effective approach to managing risks in this area.

Cbus has joined the Climate Action 100+ initiative, had a direct engagement program with 7 companies with the highest climate risks in our Australian equities portfolio and also engages through its third party service provider ACSI and Hermes.

- Other

SG 13.5 CC	Indicate who uses this analysis.
-----------------------	----------------------------------

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

SG 13.6 CC	Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.
-----------------------	--

- Yes

Describe

In 2018, Frontier modelled Cbus' Growth option under five different climate policy response scenarios. The purpose of this analysis is to provide an understanding of the expected long-term impact on Cbus's Growth Option from a return perspective (gross of tax) of the above climate change scenarios.

- No Action - a scenario where there is no effective policy action (this is considered to have relatively little significance in terms of likelihood)
- Limit t=2 - policy action that limits global average temperature rises to 2 degrees (with 50% probability), which is an aspirational target involving greater effort by most countries compared to current policy settings. Emissions follow an "optimal" pathway
- Limit t=2 (2030 delay) - policy action that limits global average temperature rises to 2 degrees (with 50% probability), but which is delayed until 2030 (prior to which the emissions pathway is similar to the "no Action" scenario). The rate of emissions reduction is relatively rapid after 2030
- Paris Pledges - policy action based upon the aggregate pledges made by countries at the Paris conference in 2015, with a continuing trend in emissions beyond 2030 (allowance has been made in respect of the proposed U.S. withdrawal)
- No Action (Extreme temperatures) - there is no effective policy actions and temperature rises follow the trajectory of the 90th percentile of outcomes in the IPCC estimates

The scenario "No Action (extreme temp.)" has the biggest estimated cost on portfolio returns to 2060, due to higher damage costs, relative to other scenarios. Negative return impacts on Australian and Emerging Markets' asset classes are slightly higher than for Developed Markets (ex-Australia) due to greater carbon intensity and higher expected levels of physical impacts.

In 2015, Cbus participated in the Mercer Climate Change Project. The output provided expected returns for various asset classes under different climate change scenarios and four climate risk factors, modelled between 2015 and 2050.

No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.
-----------------------	--

- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

SG 13.8 CC	Indicate the climate scenarios the organisation uses.
-----------------------	---

Provider	Scenario used	
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #cccccc; padding: 2px;">Other (1) please specify:</div> Mercer: Transformation limiting to 2c.
Other	<input checked="" type="checkbox"/> Other (2)	<div style="background-color: #cccccc; padding: 2px;">Other (2) please specify:</div> Mercer: Coordination keeping to 3°C.
Other	<input checked="" type="checkbox"/> Other (3)	<div style="background-color: #cccccc; padding: 2px;">Other (3) please specify:</div> Mercer: Fragmentation rising to 4°C

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
---------	--

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
---------	--

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.
--	--

	trillions	billions	millions	thousands	hundreds
Total AUM		3	252	000	000
Currency	AUD				
Assets in USD		2	398	341	141

	Specify the framework or taxonomy used.
--	---

This figure is as at June 2018 based on the low carbon registry taxonomy reflecting Nabers 5 star ratings (investment value is taken from Cbus Property Investment figures from Cbus annual Integrated Report 2018).

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

1. Mercer Climate Change Study 2. Engagement through ACSI and Climate Action 100, Development of a climate change roadmap and TCFD reporting.

- None of the above

SG 14.4

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

Cbus disclosed its carbon footprint using several different metrics. This informed and supported our engagement with companies individually and influenced which target companies to engage with through our service provider.

Cbus has publicly reported using the TCFD recommendations.

Cbus also uses its Annual Integrated report to communicate climate change related information.

ACSI and Climate Action 100+ use data from climate-related disclosures to inform company engagement and research reports

SG 14.5

Additional information [Optional]

Our external ESG provider ACSI uses company engagement and proxy voting for ASX-listed companies as a tool for managing climate change risks and opportunities.

ACSI has been engaging with ASX companies for years on the disclosure and integration of climate-related risks and opportunities. ACSI engages with a broad range of companies on climate risk and also prioritises particular companies based on materiality and exposure.

ACSI also uses proxy voting as a mechanism to create engagement on climate-related resolutions and as a tool for signalling where improvement on climate-related issues can be made

SG 14 CC	Voluntary	Public		General
-----------------	------------------	---------------	--	----------------

**SG 14.6
CC**

Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets		NA	
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Measure carbon Footprint	t/USD million sales	The average weighted carbon intensity for our combined Australian and international equities portfolio, which comprises around 50.3% of our investments.
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			

**SG 14.7
CC**

Describe in further detail the key targets.

Targettype	Time Frame	Description	Attachments
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	2020	% Australian property fund managers that have introduced science based targets to commit to net zero emissions by a specific date	
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target			

**SG 14.8
CC** Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

- Process for climate-related risks is integrated into overall risk management

Please describe

The Investment Committee (IC) and Audit and Risk Management Committee (A&RM) have delegation from the Board to deal with responsible investment matters, including climate change.

At least annually, responsible investment risks, including climate change, will be formally reviewed and presented to A&RM. This occurs in conjunction with the revision of the Cbus Risk Appetite Statement.

Formal reporting to the IC on progress against the climate change roadmap will occur on a quarterly basis. The CIO Monthly Report to the Investment Committee also outlines any other responsible investment matters in respect of climate change such as company engagement, voting and advocacy related work.

- Process for climate-related risks is not integrated into our overall risk management

**SG 14.9
CC** Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

- Yes

Please describe

Cbus encourages TCFD adoption through its direct engagement, ACSI's engagement and through Climate Action 100.

No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
-------	---	--------	-------------	-------

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
---------	---

Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
---------	--

	%
--	---

6.96

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
---------	--

	Area
--	------

- Energy efficiency / Clean technology
- Renewable energy
- Green buildings

	Asset class invested
--	----------------------

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

	% of AUM
--	----------

67.49

- Infrastructure
- Hedge funds
- Cash
- Other (1)
- Other (2)

Brief description and measures of investment

Using IGCC standard for low carbon investments registry for property, being a 5 star or above NABERS Energy rating.

- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

No