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Mavis Tan  
ASX Corporate Governance Council  
C/O ASX Limited  
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Dear Ms Tan

## PROPOSED FOURTH EDITION OF THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATION

Cbus welcomes the proposed fourth edition of the Corporate Governance Principles and Recommendations (Principles and Recommendations), which reflect evolving perspectives in best practice corporate governance and include a greater emphasis on values, ethics and broader stakeholder accountability.

### *Background*

Cbus is the leading Australian Industry Super Fund for all those working in the building, construction and allied industries. As one of Australia's largest super funds, we provide superannuation to more than 755,000 members and we manage over \$45 billion of our members' money.

As a steward of our member's superannuation savings, Cbus believes that we can improve long term returns for our members through active involvement in environmental, social and governance issues (ESG). This is a key foundation of how we approach investment and consider this a core part of our fiduciary duty.

As a long-term investor, we believe companies in which we invest that take account of ESG factors are more likely to have sustainable business models. Therefore, an ability to generate long term shareholder returns for our beneficiaries.

Cbus also considers the Sustainable Development Goals (SDGs) represent the next evolution in responsible investment by providing a globally agreed framework for sustainable development. They can help inform our long-term investment strategy, support investment returns and enable us to articulate the impact our investments will have on the broader economy, environment and the society in which our members work and retire. In addition, we consider ESG risks and opportunities in the operations of the Fund itself.

Cbus welcomes the proposed fourth edition of the Principles and Recommendations, in particular, the improved requirements and focus on gender diversity, culture and social licence to operate, sustainability reporting and poll voting. We also strongly support the elevation of integrated reporting and climate change disclosure within the commentary.

## Feedback

We believe the proposed additions and amendments strengthen the Principles and Recommendations and will address a range of contemporary governance concerns. As such we strongly support:

- Improved gender diversity requirements in Recommendation 1.5.

Cbus is committed to diversity and inclusion, delivering an inclusive culture and a gender equal workforce: along with increasing its proportion of female directors. Delivering on our commitment, in relation to our domestic equity investments 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 also sits on the Australian Institute of Company Directors (AICD) Working Group of the 30% Club.

- The acknowledgment of the importance of a social licence to operate within Principle 3.

We agree that a social licence to operate can be lost or seriously damaged if the entity or its officers or employees are perceived to have acted unlawfully, unethically or in a socially irresponsible manner and therefore welcome the improved requirements in relation to core values/code of conduct/whistleblower policy/anti-bribery and corruption policies and related disclosures.

- The acknowledgement within the commentary (in Recommendations 4.4 and 7.4) regarding the usefulness of the integrated reporting framework for providing information about a listed entity's future prospects, risks and opportunities, strategy and business model.

In addition to reporting on sustainability, we have adopted the Integrated Reporting Framework which explains our performance, and our strategy for the elements of our business model that drive value creation for our members.

- The requirement in Recommendation 6.4 for all security holder meeting resolutions to be considered on a poll.
- Refinements to Recommendation 7.4 which limits the recommendations focus to environmental and social risks which eliminates duplication with existing economic risk reporting requirements and removes potential misunderstanding of what is required when companies report against Recommendation 7.4.
- Commentary within Recommendation 7.4 encouraging the use of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) as a reporting framework for entities with material exposure to climate change risk.

We have publicly supported the TCFD. The TCFD framework recommends that companies disclose their governance and risk management processes for identifying, assessing and managing climate-related risks and opportunities. As a Fund we are adopting the TCFD climate change disclosure recommendations going forward.

Investors need companies to report reliable and decision-useful climate-related financial information to price climate-related risks and opportunities effectively. Cbus will continue to actively engage with policy makers and influencers to promote stable policy, a steady transition and improved reporting requirements for the companies in which we invest. We believe there is a need for increased and higher quality climate related financial information on which to base investment decisions.

We believe the proposed revisions will provide improved insight into the robustness and effectiveness of the governance policies and practices of the entities that we invest in.

We also support the submission made by ACSI.

Lastly, Cbus also encourages the ongoing evolution and improvement of disclosure in relation to social risks and metrics. In particular, in relation global supply chains and how companies are managing workers; and disclosures that enable us to understand the impact that our investments have on the broader economy, environment and the society in which our members work and retire.

Please contact me if you have any questions regarding this submission.

Yours sincerely



Kristian Fok  
Chief Investment Officer