

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS  
SUPERANNUATION SECTOR**

**CBUS**

**CBUS62QW:** Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Cbus has ownership of property assets through its subsidiary Cbus Property.

The Cbus Property portfolio is tenanted predominately by government, ASX-listed entities and major law firms (collectively representing in excess of 70% of rental income) and the exposure to SMEs is relatively small. Nevertheless, in the current COVID-19 environment, Cbus Property recognises the importance of supporting its SME tenants. Consistent with the principles set out in the recently released National Mandatory Code of Conduct (**the Code**), Cbus Property has been proactive in its communication with SME tenants, including requesting further information to assess their eligibility under the Code in order to agree appropriate arrangements. During the process of inviting, assessing and receiving individual tenant submissions, Cbus Property has instructed its Property Managers not to issue rental arrears notices and to work collaboratively with tenants.

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**CBUS**

**CBUS63QW:** Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Cbus does not engage in day to day management or leasing of any commercial building which meets this definition, with these investments made through pooled funds managed by external fund managers.

Each of Cbus's fund managers are currently working through the requirements of the National Mandatory Code of Conduct.

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**CBUS**

**CBUS64QW:** Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Please see response to CBUS62QW.

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**CBUS**

**CBUS65QW:** Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Please see response to CBUS63QW.

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**CBUS66QW:            On 1 January 2020 what was your percentage share and nominal value  
of your listed and unlisted assets?**

**Answer:**            As of 31 December 2019, the fund held interests in approximately \$28.9b or  
51% of value in listed assets and \$27.5b or 49% in unlisted assets. Unlisted  
assets include Cash and Fixed Interest asset classes as per the definition  
adopted by APRA.

Details of the fund's investments are also reported to APRA (SRF 530.0  
Investments) and published in its Fund Level Superannuation Statistics  
(Annual and Back series) at Table 9, Columns M to S. APRA does not report  
asset allocation by listed and unlisted.

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**CBUS**

**CBUS67QW:            On 1 January 2020 did your fund have liquidity issues resulting from  
honouring obligations to members?**

**Answer:                No.**

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#### CBUS

**CBUS68QW:** What write down, if any, has been made to the value of unlisted assets?

**Answer:** All Cbus assets are valued in accordance with Cbus' Asset Valuation Policy which is in accordance with the requirements of Prudential Regulations SPS530 Investment Governance and SPG531 Valuations. Cbus' Valuation Policy was provided to the Committee as part of Cbus' response to CBUS7QW (attachment marked CBUS7.1QW).

The market value of assets is expected to fluctuate due to short term revenue impacts and economic conditions. The impact of COVID-19 on the value of unlisted assets will vary depending on the underlying nature of the particular asset and the asset's exposure to the impacts of COVID-19 and to government policies in response to it. Valuations of both listed and unlisted assets will incorporate the impact of COVID-19. Any revaluations are reflected in the unit prices and crediting rates published on Cbus' website and reported by APRA and various ratings agencies.

Cbus' unlisted assets were revalued leading into 31 March 2020 taking into account the impact of COVID-19. This included a number of the valuations being decreased and these were reflected in Cbus' crediting rates at the time. Valuations are generally undertaken on a quarterly basis by independent valuers on a rotating basis and on an out of cycle basis where there is a reason to do so (for example due to COVID-19).

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**CBUS**

**CBUS69QW:**           **Listed companies holding infrastructure assets have had write downs of around 40 per cent:**  
**a. How does this compare to your write down of unlisted assets?**  
**b. If there is a difference, why is there a difference?**

**Answer:**               As set out in the response to CBUS68QW, all assets are valued in accordance with Cbus' Asset Valuation Policy.

The pricing of listed assets is often more volatile than unlisted assets. Price setting of listed assets is a product of general market sentiment and economic fundamentals specific to the relevant assets. Listed assets often end up overvalued due to the impact of general market sentiment (which occurred leading up to the onset of COVID-19), resulting in more significant falls when sentiment turns.



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**CBUS**

**CBUS70QW:**           **Have you had any liquidity issues in honouring your obligations to members as a result of the:**

- a. recent decline in the share market?**
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?**

**Answer:**                   **No.**

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**CBUS**

**CBUS71QW:           What has been the current reduction of the value of your fund, and the  
unlisted and listed components since 1 January 2020?**

**Answer:**           From 31 December 2019 to 31 March 2020, the fund has reduced in value by  
approximately \$5.4b.

This information is reported to APRA quarterly in the SRS 530 Investments  
report on the fund's position of listed and unlisted assets across asset classes.

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**CBUS**

**CBUS72QW:**           **How many members have requested the early release of their superannuation since 12 March 2020?**

**Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:**           Cbus' responses for CBUS72QW, CBUS73QW and CBUS74QW relate to members who have requested early release under the new category announced by the Government in March 2020 in response to COVID-19.

All requests for early release of superannuation are received by the ATO, who approves requests as part of its role in administering the scheme. The ATO therefore has the most up to date information about requests for early release of superannuation.

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**CBUS**

**CBUS73QW:** How many members have had approved the early release of their superannuation since 12 March 2020, and to what value?

**Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:** Please see response to CBUS72QW. The ATO approves requests for early release under this temporary scheme. As at 1 May 2020, 52,520 members had been approved by the ATO for early release of funds from Cbus. The value of these requests is \$440,882,269. Cbus is actioning all early release requests received by the ATO.

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**CBUS**

**CBUS74QW:**           **If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.**

**Answer:**               Please see response to CBUS72QW. The ATO approves requests for early release under this temporary scheme. Cbus is actioning all early release requests received by the ATO.

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#### CBUS

CBUS75QW:

**Liquidity management:**

- a. **What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?**
- b. **How is the plan being reported to the trustee directors?**
- c. **Who is responsible for the day-to-day liquidity management for the fund?**

**Answer:**

a. Cbus maintains a Liquidity Policy (**the Policy**), including a Liquidity Action Plan that is reviewed and updated at least every year.

The Policy is set by the Trustee Board and outlines the principles and strategies Cbus considers when managing liquidity risk in both normal and stressed liquidity environments.

The Policy, alongside other Cbus investment policies, is reviewed annually. Together with other liquidity risk management policies and processes, the Policy forms part of Cbus' Investment Governance Framework (**the Framework**). The appropriateness, effectiveness and adequacy of the Framework is comprehensively reviewed on a triennial basis by the Fund's Internal Auditor, KPMG. This review was most recently completed in 2019.

The Trustee's investment risk policies and processes are subject to ongoing prudential supervision by APRA. APRA most recently completed a Prudential Review of the Trustee's investment governance and risk management practices in 2019.

Cbus has been proactively engaging with APRA throughout the evolving COVID-19 situation; meeting regularly and providing detailed liquidity, asset allocation and cashflow reporting on a weekly basis.

b. The Policy is presented to the Investment Committee of the Trustee Board at least every year.

Every six months, the Fund conducts a liquidity review in accordance with the Policy that includes stress testing that the level of liquidity risk remains within the Trustee's tolerance levels. This liquidity review is reported to the Investment Committee.

The Investment Committee also receives quarterly reporting against key liquidity risk indicators.

c. The Cbus Investment Team, led by the Chief Investment Officer, manages the day-to-day liquidity requirements of the Fund in accordance with parameters approved by the Investment Committee.