

14 March 2025

Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: Economics.Sen@aph.gov.au

Dear Committee Chair

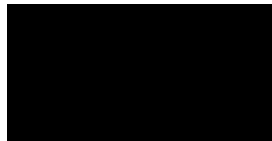
Written response to questions on notice

Thank you for the questions on notice dated 28 February forwarded to Deloitte. We have provided our responses on behalf of Deloitte at Appendix 1.

Yours faithfully



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Appendix 1

#	Question	Response
1	Why weren't BFID Frameworks included into Cbus's union Partnership Agreements in 2022? Why did it take until 2024?	We believe this question is best directed to the Trustee. As noted in our report, Cbus' BFID framework which outlines the Trustee's approach to meeting the BFID requirements was approved by the Board in August 2022. The BFID requirements were adopted in the Partnership Agreement Policy in 2024.
2	Who at Cbus is responsible for ensuring BFID is met?	All employees are responsible for meeting the requirements of BFID as set out in the BFID Framework. The Chief Risk Officer owns the BFID Framework.
3	Did your report look into the widely reported \$387,000 40th birthday party that Cbus threw? If not, why not?	No, we did not consider the 40 th birthday party as this was not within the scope of our review. The expenditures which were within scope and which we considered in our review were as directed by APRA, as outlined in the additional licence conditions imposed on Cbus.
4	Would that \$387,000 party meet the BFID of members?	As the party related expenditure was not in the scope of our review, we are unable to comment. We believe this question is best directed to the Trustee.
5	What would be the reasons for Cbus hiding union Partnership Proposals under "Discretionary" expenditure?	Expenditures related to partnerships are classified by Cbus as 'discretionary' as they fall under expenditure that is 'extraordinary in nature', as per their BFID framework. We have observed that it is general practice in the industry for marketing and sponsorship expenditures to be classified as 'discretionary' expenditures.
6	How might this impact the Trustee's ability to meet the BFID requirements?	Categorisation of expenditures related to partnerships as 'discretionary' does not impact the Trustee's ability to meet the BFID requirements as the Trustee has a BFID framework and associated policies which apply to different types of expenditure, including discretionary expenditure.
7	Did Deloitte find any areas where Cbus's union Partnership Proposals did not align with the Australian Institute of Superannuation Trustees?	In undertaking our review and in considering our recommendations for uplift in the design of BFID Framework, including the design of the Partnership Proposals, we took into consideration the better practice guidance outlined in the AIST Framework. We have made recommendations in our report for uplift of the Partnership Proposals based on a combination of industry practice, our interpretation of the requirements and the AIST Framework (refer to recommendations 3.1 and 4.1).
8	Is there approved expenditure based on information that is insufficient to meet the BFID obligations?	Consistent with the additional licence conditions imposed on Cbus by APRA, our review covered a specific list of expenditures, not all expenditures. With respect to these specific expenditures, our review found that the lack of consistency, appropriate process, appropriate governance, and necessary rigour, are all areas for improvement and currently lacking for the determination as to whether expenditure decisions have been made in the best financial interests of members.

#	Question	Response
9	Does the Partnership Spend Assessment Framework quantification thoroughly align to value to Member outcomes?	Our review found that the Spend Assessment Framework, which includes a quantification model, needs to be reviewed and uplifted to include clear guidance on the methodology, assumptions and rationale for the assessment process. Our report also recommended a formal review of the Framework considering technical accuracy and alignment with the BFID requirements (refer to recommendations 3.2 to 3.4 of our report).
10	What recommendations did you provide to Cbus in relation to financial practices that are in the best interests of members?	We have made recommendations in our report for uplift of the BFID Framework and related policies, processes, partnership proposals, oversight and monitoring and governance as it relates to the BFID requirements (refer to recommendations 2.1 to 2.3, 3.1 to 3.4, 4.1, 4.2, 5.1 to 5.4 and 6.1 to 6.4).
11	In conducting your review, were there any other major super funds that sent members to functions and events of a similar nature to that of Cbus' representatives?	Consistent with the additional licence conditions imposed on Cbus by APRA, our review covered a specific list of expenditures specific only to Cbus. Accordingly, we are not in a position to respond to this question.
12	Cbus's multimillion dollar Partnership Proposal provided no metrics on how to assess the BFID to members for each specific expenditure?	The expenditures considered in our review were at the direction of APRA as outlined in the additional licence conditions imposed on Cbus. Our review found that although there was high level metrics included in the partnership proposals, we recommended that relevant qualitative and quantitative metrics for each of the benefit channels should be incorporated into the partnership proposals (refer to recommendation 5.1). We note that Cbus has a BFID Framework and associated policies.
13	Why would that be?	See response to question 12.
14	Could that potentially lead to corruption or maladministration?	Our review was not a legal review. Our recommendations focused on improvements that could be made to Cbus' policies, processes and controls. Questions of corruption or maladministration are matters for the regulator and other legal authorities.
15	Did Cbus sign off on CFMEU assessments under their Partnership Agreement and Benefit Schedule without any evidence of the benefit being completed?	There were partnership proposals for each of the expenditures we reviewed. Pulse Checks and End of Period assessments of performance of partners and the delivery of benefits in line with the partnership agreements were undertaken through an informal process rather than formal documented reporting. Our report recommended a requirement for formal documented reporting and attestations from partners at the Pulse Check and End of Period assessment points (refer to recommendation 5.4).
16	Your report noted that the CFMEU were paid for benefits that it did not deliver on, and Cbus did not negotiate that lost value into their next Partnership, as per the agreement. How would you describe the power dynamic between Cbus and the CFMEU?	Our report recommended an uplift in the assessment template to support robust oversight and monitoring of the benefits and intended Member outcomes of the Partnership Agreements. (refer to recommendations 5.1 to 5.3). See our response to question 12. There was a partnership proposal for each of the expenditures reviewed and Pulse Checks and End of Period assessments of performance of partners and the delivery of benefits were undertaken through an informal process rather than formal documented reporting.

#	Question	Response
17	What broad experience does Deloitte have in auditing the appointment of company directors and board governance?	We have experience in supporting our clients with governance and accountability reviews, including specific reviews in relation to compliance with the relevant prudential standards such as Prudential Standard SPS 520 Fit and Proper (SPS 520). There is no Audit or Assurance standard that covers governance or the appointment of directors.
18	What consultations did Deloitte have, if any, with other super funds in constructing this review?	We consulted with APRA to confirm the scope of our review. We did not consult with any other funds.
19	In providing recommendations that are listed in the review, does Deloitte believe that Cbus has adequately complied with these recommendations in their appointments of directors to the Cbus board?	The directors of the board were appointed and approved prior to the conclusion of our Independent Review. We determined at the time of our review that all the directors met the fit and proper person test per the requirements in SPS 520 and Prudential Practice Guide SPG 520 Fit and Proper (SPG 520). We have made a number of recommendations to further enhance Cbus' processes and documentation in relation to assessing fitness and propriety. Refer to recommendations 1 to 8 from our review.
20	Did Deloitte find any improper practices in Cbus' appointment of directors to the board?	No. We have however made recommendations for improvement in relation to the process and documentation for fit and proper. Refer to recommendations 1 to 8 from our review.
21	Was Cbus accepting of both the findings and the recommendations laid out in the review?	Yes. Cbus have agreed to all of our recommendations and have developed an action plan as per a requirement of the APRA licence conditions. This action plan has been approved by APRA.
22	How does the appointment of Cbus directors compare to directorships of other businesses?	Our review did not provide a comparative analysis of the appointment of directors but was an objective assessment of the processes and procedures adopted by Cbus in complying with the Fit and Proper requirements (SPS 520 and SPG 520). We do note that the Fit and Proper requirements provide a framework for Boards to elect members who understand and reflect the requirements of their organisation. It is subjective and flexible to reflect the different needs of organisations and their Boards.
23	What governance improvements would Deloitte recommend to the appointment of Cbus directors?	We have made recommendations for improvement in relation to the process and documentation for fit and proper in our report. Refer to recommendations 1 to 8 from our review.
24	Would you describe the Deloitte report into Cbus, as "giving industry super governance a big tick"?	Our review was limited to the scope as outlined in the additional licence conditions imposed by APRA. We did not undertake a broader governance review and our review of Cbus fit and proper approach does not represent a view of any other organisation.
25	Have you seen the Samuel review?	Yes.
26	When did you see the Samuel review?	When it was released through the production of documents.

#	Question	Response
27	Do you agree with the comments made by Mr Samuel? In comments to the AFR in August 2024, Mr Samuel said: <i>“It’s a very powerful position to hold as Chair. It sets the tone and culture of the organisation. If they’ve got a tendency or history towards supporting certain groups, then you’ve got a problem. And Wayne Swan is the perfect example of a political operative, so then you’ve got to question the absolute independence of the chair.”</i>	We have no comment on Mr Samuel’s view. Our views on the fit and proper test for each director, as per the additional licence conditions imposed by APRA, is outlined in our report.
28	Have you had a chance to see the review?	Subsequent to the finalisation of our review we have had a chance to see the Samuel review.
29	Does Deloitte believe that Mr Swan is fit and proper to serve as Chair of Cbus, given Mr Samuel’s comments about Mr Swan being “the perfect example of a political operative”?	Our review determined that Mr Swan meets the fit and proper person test per the requirements in Prudential Standard SPS 520 Fit and Proper and Prudential Practice Guide SPG 520 Fit and Proper.
30	Cbus now manages close to \$100 billion, has it implemented more independent trustees since the Samuel Review? An AFR article in May 2015 stated: <i>“Cbus needs to appoint more independent trustees to its board to avoid a repeat of the damaging information leaking scandal that rocked the \$31 billion superannuation scheme last year.”</i>	Our review did not assess whether Cbus had implemented any recommendations from the Samuel Review. The scope of our review, as directed by the additional licence conditions and approved by APRA, did not consider the question of independent directors.
31	Did Cbus consult with Deloitte prior to releasing this statement? <u>Cbus Deleted Media Release</u> On 19 November 2024, Cbus released a statement on their website declaring all members of their board of directors as fit and proper, as per the recommendations outlined in the Deloitte review. However, this statement was quickly deleted, and is no longer available on Cbus’ website.	No.
32	Did Deloitte advise Cbus on the deletion of the statement?	No, we did not advise Cbus to delete the statement. We did contact Cbus following the release of their media statement expressing our concerns as our report was still in final draft stage and had not been released as a final report.
33	Did Deloitte give Cbus any advice following the deletion of the media release, and prior to the uploading of the updated release the next day, on 20 November?	No, we did not provide any advice to Cbus. Refer to our response for question 32.