

HOSTPLUS POOLED SUPERANNUATION TRUST
FINANCIAL STATEMENTS
30 JUNE 2023

Registered Address of the trustee is
Host-Plus Pty. Limited
Level 9
114 William Street
MELBOURNE VIC 3000

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**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

		2023	2022
	Note	\$	\$
Assets			
Cash and cash equivalents	10(a)	4,968,354,889	6,165,258,987
Deposits held with brokers for margin		59,071,715	29,620,862
Unsettled investment redemptions		177,078,650	443,423,064
Other receivables	3	180,820,321	191,602,449
Tax receivable - current	9(c)	323,252,927	253,719,564
Investments			
Financial assets held at fair value through profit or loss:			
Cash and term deposits held for investing activities		938,944,939	260,748,158
Fixed interest securities		6,562,348,847	4,528,233,506
Equities		45,122,933,384	36,095,099,150
Managed funds		44,398,223,379	40,853,016,959
Derivative assets		307,723,650	433,238,141
Total Assets		103,038,752,701	89,253,960,840
Liabilities			
Accounts payable	4	76,682,008	163,389,216
Margin balances with brokers		357,449	175,474
Unsettled investment applications		355,216,416	927,620,873
Derivative liabilities		446,298,053	1,303,268,560
Deferred tax liability	9(b)	1,544,926,123	814,997,075
Total liabilities		2,423,480,049	3,209,451,198
Net Assets		100,615,272,652	86,044,509,642
Equity			
Unitholder funds	5	100,503,762,441	85,948,553,291
Reserves	6	111,510,211	95,956,351
Total Equity		100,615,272,652	86,044,509,642

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Investment revenue			
Interest		399,404,138	130,701,235
Dividends and distributions		2,794,879,559	2,831,808,977
Changes in fair value of investments	7	6,221,406,230	(5,101,396,221)
Other income		45,707,214	33,748,447
Investment expenses		(289,400,180)	(280,543,220)
Total net investment income/(loss)		9,171,996,961	(2,385,680,782)
Other revenue			
Sundry income		10,626,756	9,026,965
Total other revenue		10,626,756	9,026,965
Total revenue from ordinary activities		9,182,623,717	(2,376,653,817)
Expenses from ordinary activities			
Administration and other expenses		2,879,954	2,070,888
Total expenses from ordinary activities		2,879,954	2,070,888
Operating profit/(loss) before income tax		9,179,743,763	(2,378,724,705)
Income tax expense/(benefit)	9(a)	747,541,008	(333,108,806)
Profit/(loss) for the period		8,432,202,755	(2,045,615,899)
Other comprehensive income		-	-
Total comprehensive income		8,432,202,755	(2,045,615,899)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

		Unitholder funds	Reserves	2023 Total
	Note	\$	\$	\$
Total equity at the beginning of the reporting period		85,948,553,291	95,956,351	86,044,509,642
Profit for the reporting period		8,416,648,895	15,553,860	8,432,202,755
Other comprehensive income		–	–	–
Total comprehensive income for the reporting period		94,365,202,186	111,510,211	94,476,712,397
Transactions with owners in their capacity as owners				
Applications		8,160,434,443	–	8,160,434,443
Redemptions		(2,021,874,188)	–	(2,021,874,188)
		6,138,560,255	–	6,138,560,255
Transfer to reserves		–	–	–
Balance at 30 June 2023	5/6	100,503,762,441	111,510,211	100,615,272,652
		Unitholder funds	Reserves	2022 Total
	Note	\$	\$	\$
Total equity at the beginning of the reporting period		68,246,706,867	70,615,918	68,317,322,785
Profit for the reporting period		(2,053,313,431)	7,697,532	(2,045,615,899)
Other comprehensive income		–	–	–
Total comprehensive income for the reporting period		66,193,393,436	78,313,450	66,271,706,886
Transactions with owners in their capacity as owners				
Applications		22,118,099,603	–	22,118,099,603
Redemptions		(2,362,939,748)	–	(2,362,939,748)
		19,755,159,855	–	19,755,159,855
Transfer to reserves		–	17,642,901	17,642,901
Balance at 30 June 2022	5/6	85,948,553,291	95,956,351	86,044,509,642

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
Note	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	53,377,273,689	44,939,839,916
Purchase of investments	(63,543,687,358)	(50,090,536,728)
Interest	373,930,662	129,006,849
Dividends and distributions	2,806,655,561	2,789,386,562
Other income	52,859,504	24,473,775
Tax instalments received/(paid)	(46,228,135)	(429,474,966)
Direct investment expenses	(325,924,694)	(239,346,324)
Total cash flows from operating activities	10(b) (7,305,120,771)	(2,876,650,916)
Cash flows from financing activities		
Proceeds from application by unitholders	8,176,029,787	7,262,509,279
Payments for redemptions by unitholders	(2,074,219,728)	(2,310,594,208)
Transfers in/(out) of reserves	-	2,942,901
Total cash flows from financing activities	6,101,810,059	4,954,857,972
Net increase/(decrease) in cash and cash equivalents	(1,203,310,712)	2,078,207,056
Effect of exchange rate changes on the balance of foreign currencies	6,406,614	6,228,680
Cash and cash equivalents at the beginning of the year	6,165,258,987	4,080,823,251
Cash and cash equivalents at the end of the year	10(a) 4,968,354,889	6,165,258,987

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 1. GENERAL INFORMATION

Hostplus Pooled Superannuation Trust ('the Trust') is an APRA registrable superannuation entity, initially established by a Trust Deed dated 7 February 2014. The Trust is incorporated and domiciled in Australia.

The Trust aims to generate significant long-term capital growth for its investors, in accordance with the objectives and risk management framework established by the Trust's Trustee. The Trust aims to achieve these objectives by trading a highly diversified portfolio of assets within an approved strategic asset allocation determined by the Trustee.

The Trustee of the Trust is Host-Plus Pty. Limited and it is the holder of a public offer class of Registrable Superannuation Entity License. The Trustee's registered office is 114 William Street, Melbourne, Victoria 3000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the Corporations Act 2001. They also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are presented in Australian Dollars and have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The financial statements were approved by the Board of Directors of the Trustee, Host-Plus Pty. Limited on 15 September 2023. The Directors of the Trustee have the power to amend and reissue this financial report.

(b) Financial instruments

(i) Classification

The Trust's investments are classified upon initial recognition at fair value through profit or loss. They comprise of the Trust's derivative assets and liabilities, cash and term deposits, fixed interest securities, equities and managed funds.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to a contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Trust measures a financial asset or liability at its fair value. Transaction costs are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, gains and losses arising from changes in the fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are traded in an inactive or unquoted market are determined by either:

- The redemption value, as reported by the external investment manager; or
- By using valuation techniques conducted by an external professional valuer.

For further details on how the fair values of financial instruments are determined please see Note 11(e) of the financial statements.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 12 of the financial statements for further information.

(d) Derivatives

The Trust enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Refer to Note 12 of the financial statements for further information.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and term deposits held for investing activities in the Statement of Financial Position is reported separately with further details relating to market risk and fair value hierarchy contained in Note 11.

(f) Income tax

The Trust is eligible for concessional tax treatment as it is a regulated Trust and has complied with the relevant provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations.

Investment income is taxed at 15% after allowance for deductions. Any tax credits available from investment managers have been brought to account in determining the final tax liability of the Trust.

Section 295-260 of the Income Tax Assessment Act 1997 enables a complying superannuation fund, which has an investment in a pooled superannuation trust to transfer the liability for tax on assessable contributions to the pooled superannuation trust provided certain conditions are met. The Trust intends to enter into an agreement with one of its investors, Hostplus Superannuation Fund to enable a transfer of assessable contributions received by the Fund in the year ended 30 June 2023 to the Trust. This agreement is consistent with that entered into in the prior period.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Trust expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(g) Other receivables and payables

Other receivables are recognised at the amounts receivable, which approximate fair value. Payables represent liabilities for goods and services provided to the Trust prior to the end of the financial year and which remain unpaid. The amounts are unsecured. Other debtors and creditors are subject to normal trade credit terms.

(h) Deposits held with Brokers for margin/ Margin balances with brokers

Deposits held with Brokers for margin/ Margin balances with brokers represent receivables for securities sold and payables for securities purchased that have been contracted for, but not yet delivered by the end of the year. These amounts are recognised initially at fair value and subsequently measured at amortised cost. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is initially recognised when it is expected that the Trust will not be able to collect all amounts due from the relevant broker. At each reporting date, the Trust shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Trust shall measure the loss allowance at an amount equal to 12-month expected credit losses. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(i) Redeemable units

The Trust issues redeemable units, which are redeemable at the unit holder's option and are classified as equity in accordance with the AASB 132 *Financial Instruments: Presentation* as amended by AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments Arising on Liquidation*.

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity. Redeemable units can be returned to the Trust at any time for cash equal to a proportionate share of the Trust's net asset value.

The consideration received or paid for units is based on the value of the Trust's net asset value per redeemable unit at the date of the transaction. In accordance with the provisions of the Trust's Deed, investment positions are valued based on the last traded market price, net of transaction costs, for the purpose of determining the Trust's net asset value for unit pricing purposes. The Trust's net asset value per unit is calculated by dividing the Trust's net assets by the total number of outstanding units.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue

Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue on the date the dividend has gone ex-distribution as at reporting date. Distributions from managed funds are deemed to accrue to the extent the price has gone ex-distribution as at reporting date. Changes in the fair value of assets are recognised in the Statement of Comprehensive Income in the periods in which they occur.

(k) Goods and Services Tax (GST)

Where applicable GST incurred by the Trust that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Financial Position.

(l) Significant accounting judgements, estimates and assumptions

The preparation of the Trust's financial statements requires judgements, estimates and assumptions that affect the amounts recognised in the financial statements. Estimates and judgements are reviewed on an ongoing basis. Refer to Note 11(f) where the significant judgements, estimates and assumptions relating to investment valuations is explained.

(m) Accounting standards and interpretations

(i) New accounting standards and interpretations that are applicable for mandatory adoption in the current year

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(ii) New accounting standards that are applicable for early adoption in the current year but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

NOTE 3. OTHER RECEIVABLES

	2023	2022
	\$	\$
Accrued dividends and distributions	130,046,882	141,822,884
Accrued fixed income interest	226,684	353,044
Accrued bank interest	13,791,584	1,551,301
Accrued other income	35,754,344	32,279,877
Investor subscriptions receivable	1,000,827	15,595,343
Total other receivables	180,820,321	191,602,449

NOTE 4. ACCOUNTS PAYABLE

	2023	2022
	\$	\$
Management fees	31,107,279	72,279,001
Custody and administration fees payable	15,014,726	3,555,801
Audit and tax	1,146,318	188,956
Tax liabilities payable	29,413,685	35,019,919
Investor subscriptions payable	–	52,345,539
Total accounts payable	76,682,008	163,389,216

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	30 Jun 23	30 Jun 22	30 Jun 23	30 Jun 22
Hostplus Superannuation Fund	Units	Units	\$	\$
Opening Balance	44,840,688,708	34,182,957,785	80,013,953,371	61,926,434,171
Applications	3,882,401,254	11,051,410,134	7,285,624,296	20,783,875,756
Redemptions	(503,585,226)	(393,679,211)	(950,052,277)	(753,521,105)
Trust Transactions				
Investment revenue			8,994,572,159	(1,992,572,759)
Investment expenses			(275,348,389)	(265,448,667)
Income tax expense			(711,244,245)	315,185,975
Closing Balance	48,219,504,736	44,840,688,708	94,357,504,915	80,013,953,371
Other Investors				
Opening Balance	239,817,539	164,674,576	329,039,144	244,644,342
Applications	79,737,431	154,099,612	105,200,040	205,850,730
Redemptions	(51,568,173)	(78,956,649)	(72,327,530)	(111,065,231)
Trust Transactions				
Investment revenue			49,988,622	(10,656,703)
Investment expenses			(1,530,288)	(1,419,676)
Income tax expense			(3,952,842)	1,685,682
Closing Balance	267,986,797	239,817,539	406,417,146	329,039,144
Institutional Investors				
Opening Balance	2,310,016,908	2,365,466,653	5,605,560,776	6,075,628,354
Applications	367,817,365	615,726,854	769,610,107	1,128,373,117
Redemptions	(485,046,221)	(671,176,599)	(999,494,381)	(1,498,353,412)
Trust Transactions				
Investment revenue			409,029,302	(102,649,555)
Investment expenses			(12,521,502)	(13,674,877)
Income tax expense			(32,343,922)	16,237,149
Closing Balance	2,192,788,052	2,310,016,908	5,739,840,380	5,605,560,776
Closing Balance			100,503,762,441	85,948,553,291

The rights attached to each unit are not the same due to different fee structures. The units have the same entitlements, preferences and restrictions to the underlying investments.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 6. RESERVES

The Trustee maintains the following reserves for the purposes described below:

Administration reserve - is separately maintained to manage the receipt of administration fees paid by investors and the payment of Trust administration and other expenses.

Operational Risk Financial Requirement ('ORFR') reserve - is separately maintained to ensure the Trust has access to adequate financial resources in the event of losses arising from an operational risk event. The Trust has an approved ORFR policy detailing what constitutes an operational risk event and how the ORFR reserve is accessed (if an operational risk event occurs). The policy also provides that the target balance of the ORFR reserve is 10 basis points of the Trust's Net Assets (2022: 10 basis points).

The Trust held the following reserves as at 30 June 2023 and 30 June 2022:

2023

	Administration Reserve	Operational Risk Financial Requirement Reserve	Total
	\$	\$	\$
Opening Balance	9,449,948	86,506,403	95,956,351
Income	11,756,973	6,676,841	18,433,814
Expenditure	(2,879,954)	-	(2,879,954)
Transfer between reserves	(7,300,000)	7,300,000	-
Transfer to reserves	-	-	-
Closing Balance	11,026,967	100,483,244	111,510,211

2022

	Administration Reserve	Operational Risk Financial Requirement Reserve	Total
	\$	\$	\$
Opening Balance	5,607,908	65,008,010	70,615,918
Income	9,012,928	755,492	9,768,420
Expenditure	(2,070,888)	-	(2,070,888)
Transfer between reserves	(3,100,000)	3,100,000	-
Transfer to reserves	-	17,642,901	17,642,901
Closing Balance	9,449,948	86,506,403	95,956,351

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 7. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	2023	2022
	\$	\$
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	3,427,035,489	2,145,447,213
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	6,458,925,096	(4,351,349,520)
Net gain/(loss) on financial assets at fair value through profit or loss	9,885,960,585	(2,205,902,307)
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(4,523,060,039)	(2,180,744,735)
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	858,505,684	(714,749,179)
Net gain/(loss) on financial liabilities at fair value through profit or loss	(3,664,554,355)	(2,895,493,914)
Total net gain/(loss) on financial instruments at fair value through profit or loss	6,221,406,230	(5,101,396,221)

NOTE 8. COLLECTIVE INVESTMENTS

Host-Plus Pty. Limited is the Trustee for both the Hostplus Superannuation Fund ('Fund') and the Hostplus Pooled Superannuation Trust ('Trust'), collectively known as 'Hostplus'. The Fund uses the Trust as its primary investment vehicle. Hostplus invests in a number of entities, known as 'collective entities' that provide the Fund and the Trust with administration or investment services. The other investors in these collective entities include a number of other industry superannuation funds. All transactions with collective entities are based on normal commercial terms and arrangements. These collective entities do not meet the definition of a related party under the accounting standard AASB 124, however are being disclosed given they are both a direct investment of and provide services to Hostplus.

During the year, Hostplus transacted with the following collective entities:

Industry Super Holdings Pty Ltd and subsidiaries

Hostplus has a 14.64% (2022: 14.64%) shareholding in Industry Super Holdings Pty Ltd ('ISH'). ISH and its subsidiaries provide a range of services and investment products to Hostplus and other institutional clients.

As at 30 June 2023, Hostplus' investment in ISH was valued at \$257.3m (2022: \$232.4m). Total income earned by Hostplus from this investment for the year ended 30 June 2023 was \$29.3m (2022: \$40.0m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

During the year, Hostplus engaged several ISH subsidiaries to provide a range of services and investment products, as follows:

- IFM Investors Pty Ltd ('IFM') manages a selection of infrastructure, listed equity, private equity, fixed interest and cash portfolios on behalf of Hostplus totalling \$24,727.0m as at 30 June 2023 (2022: \$18,801.8m). Total income earned on the portfolios managed by IFM was \$2,802.8m (2022: losses of \$622.5m). Hostplus paid IFM investment management fees of \$19.7m (2022: \$18.7m) during the financial year. All transactions were made on normal commercial terms, under normal conditions and at market rates.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 8. COLLECTIVE INVESTMENTS (continued)

Industry Super Holdings Pty Ltd and subsidiaries (continued)

- Industry Fund Services Ltd ('IFS') provides the Fund financial planning and debt collection services. Total fees paid to IFS for the year ended 30 June 2023 were \$1.1m (2022: \$1.1m). All transactions were made on normal commercial terms, under normal conditions and at market rates.
- IFS Insurance Solutions Pty Ltd ('IFS Insurance') provides the Fund with insurance brokerage services. Total fees and brokerage paid to IFS Insurance for the year ended 30 June 2023 were \$0.07m (2022: \$0.06m). All transactions were made on normal commercial terms, under normal conditions and at market rates.
- Industry Super Australia Pty Ltd ('ISA') provides the Fund with marketing and lobbying services. Total fees paid to ISA for the year ended 30 June 2023 were \$4.1m (2022: \$4.0m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

Industry Super Property Trust

Hostplus has a 12.00% (2022: 12.00%) shareholding in Industry Super Property Trust ('ISPT'). ISPT manages unlisted property trusts on behalf of Hostplus and other institutional clients. Hostplus' investments include property trusts totalling \$1,755.1m (2022: \$2,067.8m). Hostplus paid ISPT investment management fees of \$8.6m (2022: \$7.1m) during the financial year. The losses incurred on this portfolio was \$22.0m (2022: gain of \$266.2m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

Hostplus has a 10.05% (2022: 11.00%) ownership in ISPT Operations Trust ('OpCo Trust') with a value of \$0.9m as at 30 June 2023 (2022: \$1.0m). The OpCo Trust owns ISPT Operations Pty Ltd, which is the operations and service entity for the ISPT Group that provides services to ISPT to fulfil its obligations as Trustee and Manager.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 9. INCOME TAX EXPENSE

Income tax expense in the Statement of Comprehensive Income represents the tax on the benefits accrued as a result of operations before income tax, adjusted for permanent differences. The tax effect of temporary differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the accounts, is included in the provisions for deferred tax liability or deferred tax asset, as applicable, at current taxation rates.

	2023	2022
	\$	\$
(a) Income tax (benefit) / expense		
Current income tax expense	(10,508,856)	33,022,944
Adjustments in respect of current income tax of previous years	28,120,816	2,328,125
Deferred tax expense	729,929,048	(368,459,875)
	747,541,008	(333,108,806)

Deferred income tax (income)/expenses included in income tax expenses comprises:

(Decrease)/increase in deferred tax liabilities	729,929,048	(368,459,875)
	729,929,048	(368,459,875)

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax	9,179,743,763	(2,378,724,705)
Tax at the applicable Australian tax rate of 15%	1,376,961,564	(356,808,706)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Imputation credit	48,780,490	63,197,098
Exempt pension income	(85,805,478)	(23,246,087)
Non assessable investment income	(364,212,730)	399,024,213
	(401,237,718)	438,975,224
Income tax expense	975,723,846	82,166,518
Imputation credits	(256,303,654)	(417,603,449)
Under/(Over) provision in prior year	28,120,816	2,328,125
Income tax expense	747,541,008	(333,108,806)

(b) Deferred tax assets and liabilities

Deferred income tax relates to the following:

Deferred income tax liabilities

Unrealised gains on investments subject to CGT	1,576,254,846	965,304,589
Other	(31,328,723)	(150,307,514)
	1,544,926,123	814,997,075

(c) Current tax asset and liability

The current tax asset for the Trust is \$323,252,927 (2022: \$253,719,564) and represents the amount of income tax receivable in respect of current and prior periods. There is no amount recognised as receivable from the Fund to the Trust.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 10. NOTES TO THE STATEMENT OF CASH FLOWS

	2023	2022
	\$	\$
(a) Reconciliation of cash		
The figure shown for cash in the Statement of Cash Flows consists of:		
Cash and cash equivalents	4,968,354,889	6,165,258,987
(b) Reconciliation of profit / (loss) to net cash inflow / (outflow) from operating activities		
Profit / (loss) for the year	8,432,202,755	(2,045,615,899)
Proceeds from sale of financial instruments held at fair value through profit or loss	53,377,273,689	44,939,839,916
Purchase of financial instruments held at fair value through profit or loss	(63,543,687,358)	(50,090,536,728)
(Increase) / decrease in fair value of investments	(6,221,406,230)	5,101,396,221
(Increase) / decrease in assets		
Net change in receivables and other assets	23,745,248	(62,418,438)
Increase / (decrease) in liabilities		
Net change in payables and other liabilities	(33,644,560)	43,267,784
Deferred tax liabilities	729,929,048	(368,459,875)
Income tax (receivable) / payable	(69,533,363)	(394,123,897)
Net cash inflows / (outflows) from operating activities	<u>(7,305,120,771)</u>	<u>(2,876,650,916)</u>

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT

The Trust's assets predominantly consist of a range of financial instruments in various asset classes including cash, diversified fixed interest, Australian equities, international equities, property, infrastructure, private equity and alternative assets as per the strategic allocation set by the Trustee. The type of financial instruments held within each asset class are either held directly in the form of equity or debt type financial instruments or indirectly through collective investment vehicles.

Risk is inherent in the Trust's activities and is actively managed through the Trustee's Risk Management Framework as further described below. Depending on the type of financial instrument held (direct or indirect), the Trust is exposed to a variety of financial risks such as market risk (including currency, interest rate and price risk), credit risk and liquidity risk. This note represents information about the Trust's exposure to each of the above risks and the Trustee's objectives, policies and processes for measuring and managing that risk.

The Trustee is responsible for setting, monitoring and revising the investment strategy of the Trust, including the allocation of investments amongst various asset classes. The Trustee is also responsible for the appointment of various investment managers for each asset class via an investment manager mandate or through holding a collective investment vehicle. Investment manager mandates reflect the target asset allocation determined by the Trustee as well as the level of financial risk which the Trustee is willing to accept. Where an investment manager of a collective investment vehicle is appointed, the Trustee will have regard to the investment manager's investment strategy and the associated risks of the collective investment vehicle.

The Trustee has overall responsibility for the establishment and oversight of its Risk Management Framework. The Trustee's risk management policies are established to:

- Identify and analyse the risks faced by the Trust, including those risks arising from holding financial instruments;
- Set appropriate risk limits and controls; and
- Monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities. The risk framework is documented in the Trustee's Risk Management Framework which is subject to regular review both by Management and the Board including an annual review of compliance by internal audit.

The Trustee receives regular reports concerning the performance and activities of the Trust's investment managers from the Trustee's investment advisor and custodian. Divergence from target asset allocations and the composition of the portfolio is also monitored by the Trustee. Reports received by the Trustee include:

- Current asset allocations against target positions;
- Performance against benchmarks; and
- Investment manager compliance reporting against the investment manager mandate.

The Trust also utilises derivative financial instruments such as futures, options, swaps and forward foreign exchange contracts to manage market movement, currency risk and to also effect a change in the asset mix of the portfolio. The use of derivatives is subject to specified limits and gearing is not permitted.

The Trustee undertakes extensive due diligence to ensure fund managers have appropriate skills and expertise to manage the funds allocated prior to their appointment. The Trustee has appointed JANA Investment Advisers to provide external expert advice regarding asset allocation, the selection of investment managers and the management of the Trust's investment portfolio in accordance with the Trustee's Investment Strategy.

The Trustee's Risk and Compliance Committee oversees how management monitors compliance with the Trustee's risk management policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Trust, including investment related risks. The Committee reports directly to the Board.

Concentrations of risk arise when the number of financial instruments or contracts entered into are with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are managed through the regular review and reporting of exposures and concentrations to ensure risk remains within acceptable levels in accordance with the overall mandate of each investment manager.

The Hostplus investment department regularly tracks the value of the Trust's investments through monitoring of market conditions, relevant benchmarks and indices and review of regular reports provided by the custodian, investment advisers and investment managers.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

To mitigate market risk, the Trustee undertakes extensive due diligence to ensure fund managers have appropriate skills and expertise to manage the Trust's allocated investment prior to their appointment. Further, the Hostplus investment department tracks investment valuations on a daily basis through appropriate monitoring of the market conditions and benchmark analysis.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is exposed to foreign currency risk on financial instruments that are denominated in a currency other than Australian dollars, the functional currency of the Trust. Foreign exchange risk on all foreign currency denominated assets and liabilities is regularly monitored and managed against pre-determined limits and asset allocations.

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates.

Sensitivity analysis

Following analysis of historical data over 10 years by the Trustee's investment adviser, and assuming all other variables remain constant, the Trust has adopted a volatility factor for currency risk of 8% (2022: 8%) on the assumption that the Australian dollar will weaken / strengthen against each other currency to which the Trust is exposed. This represents management's best estimate of a reasonably possible shift in exchange rates having regard to historical data and is not guaranteed as actual results may vary from management's reasonably possible estimate.

An increase or decrease in foreign exchange rates would have impacted Net Assets and Profit/Loss for the year by the amounts shown below.

2023

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		-8.00%	8.00%	-8.00%	8.00%
USD	28,705,100,017	(1,951,946,801)	1,951,946,801	(1,951,946,801)	1,951,946,801
JPY	997,679,618	(67,842,214)	67,842,214	(67,842,214)	67,842,214
Euro	4,213,245,016	(286,500,661)	286,500,661	(286,500,661)	286,500,661
GBP	1,431,179,252	(97,320,189)	97,320,189	(97,320,189)	97,320,189
HKD	1,266,977,994	(86,154,504)	86,154,504	(86,154,504)	86,154,504
SGD	88,718,301	(6,032,844)	6,032,844	(6,032,844)	6,032,844
Other	5,505,886,436	(374,400,277)	374,400,277	(374,400,277)	374,400,277
	42,208,786,634	(2,870,197,490)	2,870,197,490	(2,870,197,490)	2,870,197,490

2022

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		-8.00%	8.00%	-8.00%	8.00%
USD	21,686,948,112	(1,474,712,472)	1,474,712,472	(1,474,712,472)	1,474,712,472
JPY	679,804,892	(46,226,732)	46,226,732	(46,226,732)	46,226,732
Euro	3,092,040,013	(210,258,721)	210,258,721	(210,258,721)	210,258,721
GBP	1,123,443,546	(76,394,161)	76,394,161	(76,394,161)	76,394,161
HKD	1,231,932,030	(73,299,956)	73,299,956	(73,299,956)	73,299,956
SGD	52,427,499	(3,565,070)	3,565,070	(3,565,070)	3,565,070
Other	4,384,838,773	(308,640,459)	308,640,459	(308,640,459)	308,640,459
	32,251,434,865	(2,193,097,571)	2,193,097,571	(2,193,097,571)	2,193,097,571

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's investments in fixed interest and cash instruments which are interest bearing securities are subject to interest rate risk. The interest rate risk associated with cash and cash equivalents held by the Trust is considered to be insignificant given its operating nature.

Interest rate risk is mitigated by holding a diversified portfolio of instruments both in Australia and internationally including holding a mixture of fixed and floating rate securities. All investment managers are subject to extensive due diligence prior to being appointed.

The Trust's interest rate risk is monitored on a daily basis by the responsible investment managers awarded mandates in these asset classes and in accordance with the investment guidelines set for them by the Trustee.

Sensitivity analysis

In considering what may be an appropriate volatility factor for fixed interest securities, the Trustee's Investment adviser examined the average absolute movement in the yields of 10-year Australian and US Government bonds. US Government bonds were used as a proxy for offshore bond markets. The average annual absolute movement in the yields of 10-year Australian and US Government bonds over the past 10 years is 67 basis points (2022: 75 bps) and 69 basis points (2022: 68 bps) respectively. The Trust's fixed interest investments are approximately 40% invested domestically and 60% offshore, such that the weighted average of these two figures is 68 basis points (2022: 71 bps). Therefore, the Trust has adopted a volatility factor for interest rate risk of 68 basis points (2022: 71 bps). In considering what may be an appropriate volatility factor for interest on cash and term deposits, the Trustee's investment adviser examined the average absolute movement in the yields of the Bloomberg AusBond Bank Bill Index. The average annual absolute movement in the yields of the Bloomberg AusBond Bank Bill Index over the past 10 years is 30 basis points (2022: 50 bps). This represents management's best estimate of a reasonably possible shift in interest rates having regard to historical data and is not guaranteed as actual results may vary from management's reasonably possible estimate.

	2023	2022
Cash and term deposits	30 bps	50 bps
Fixed interest securities	68 bps	71 bps

An increase or decrease in interest rates would have impacted Net Assets and Profit/Loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

2023

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Cash and term deposits	938,944,939	2,394,310	(2,394,310)	2,394,310	(2,394,310)
Fixed interest securities	6,562,348,847	(37,930,376)	37,930,376	(37,930,376)	37,930,376
	7,501,293,786	(35,536,066)	35,536,066	(35,536,066)	35,536,066

2022

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Cash and term deposits	260,748,158	1,108,180	(1,108,180)	1,108,180	(1,108,180)
Fixed interest securities	4,528,233,506	(27,327,889)	27,327,889	(27,327,889)	27,327,889
	4,788,981,664	(26,219,709)	26,219,709	(26,219,709)	26,219,709

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Investments of the Trust that are exposed to other price risk include equities and managed funds. The Trust's exposure to other price risk is therefore limited to the market price movement of these investments. The Trustee has determined that these investments are appropriate for the Trust and are in accordance with the Trustee's published investment strategy.

Other price risk is mitigated by constructing a diversified portfolio of instruments, which are traded in various markets. The actual asset allocation is continually monitored and reported to the Board, and is adjusted if necessary having regard to the Trustee's strategic asset allocation. Other price risk is further mitigated by a thorough due diligence process and careful selection and monitoring of investments and managers.

Sensitivity analysis

Following analysis of the deviation in relevant indices over the past 10 years the following movements in other price risk are considered reasonably possible for the 30 June 2023 reporting period. This represents management's best estimate of a reasonably possible shift in market prices having regard to historical data and is not guaranteed as actual results may vary from management's reasonably possible estimate.

In considering other price risk for listed equity exposure, the investment adviser examined the average absolute annual returns of the S&P/ASX 300 Accumulation Index and the MSCI All Countries World Index ex-Australia. In terms of managed funds, the investment adviser examined the average absolute annual returns of the PST's managed funds on either a market benchmark of actual portfolio return basis as there are no 'investable' indices for managed funds investments.

	2023	2022
Equities	14.0%	16.0%
Managed funds	11.0%	12.0%

An increase or decrease in the market price of investments of the Trust at 30 June would have impacted Net Assets and Profit / Loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

2023

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	45,122,933,384	5,369,629,073	(5,369,629,073)	5,369,629,073	(5,369,629,073)
Managed funds	44,398,223,379	4,151,233,886	(4,151,233,886)	4,151,233,886	(4,151,233,886)
	89,521,156,763	9,520,862,959	(9,520,862,959)	9,520,862,959	(9,520,862,959)

2022

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	36,095,099,150	4,908,933,484	(4,908,933,484)	4,908,933,484	(4,908,933,484)
Managed funds	40,853,016,959	4,167,007,730	(4,167,007,730)	4,167,007,730	(4,167,007,730)
	76,948,116,109	9,075,941,214	(9,075,941,214)	9,075,941,214	(9,075,941,214)

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss. Credit risk also reflects uncertain asset values due to adverse movement in the credit quality of an asset.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. Other credit risk is considered to be insignificant to the Trust, as all amounts are held with investment grade banks. None of these assets are impaired nor past due.

Credit risk arising from investments is mitigated by extensive due diligence undertaken by the Trustee prior to the appointment of investment managers to ensure they have the appropriate skills and expertise to manage the Trust's allocated investments. The Trustee further mitigates credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained. Exposure to credit risk is monitored on an ongoing basis by counterparty, geographical region and by industry sector.

As a result, Management consider the probability of default to be close to zero and as such, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Trust.

The carrying amount of assets as at reporting date subject to credit risk is as follows:

2023

	Carrying Amount
	\$
Derivative Assets	307,723,650
Directly held fixed interest	6,562,348,847
	<u>6,870,072,497</u>

2022

	Carrying Amount
	\$
Derivative Assets	433,238,141
Directly held fixed interest	4,528,233,506
	<u>4,961,471,647</u>

Script lending

The Trustee has entered into a securities lending arrangement with Citibank N.A. – Sydney Branch ('Citibank') under which legal title to some of the Trust's assets may be transferred to another entity. The securities are loaned by Citibank, as agent of the Trustee, to certain brokers and other financial institutions (the 'Borrowers'). The Borrowers provide cash and/or securities as collateral against loans in an amount between 102% and 110% of the fair value of the loaned securities (2022: 102% and 110%). Cash collateral provided by the Borrowers is invested in high quality government debt, term deposits, Certificates of Deposits, Reverse Repurchase Agreements, commercial paper, and corporate debt.

The total fair value of assets subject to securities lending arrangements at the end of each reporting period, and which are included in the above, amounts to \$41,155,603,242 (2022: \$31,841,759,659). The total value of securities on loan at 30 June 2023 which are recognised as an asset in the balance sheet, amounted to \$175,252,543 (2022: \$386,626,723).

During the year ended 30 June 2023, the gross earnings on securities lending is \$6,857,007 (2022: \$8,308,790). These amounts were received and paid on behalf of Citibank and have been recognised in profit or loss.

During the year ended 30 June 2023, the Trust paid fees to Citibank in the amount of \$1,224,512 (2022: \$1,480,278) including GST for acting as lending agent.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Risks and Indemnification

The risks and benefits of ownership of the loaned assets remain with the Trust. Consistent with the accounting policy note for recognition/de-recognition of financial instruments, because the Trust continues to enjoy the risks and benefits of ownership, assets that have been loaned have not been derecognised (i.e. treated as having been sold). Citibank, as lending agent, indemnifies the Trust for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. As noted in Note 11 (b), all stock lending is fully collateralised by the borrower and Citibank as the indemnifying party hold an investment grade credit rating A+ (S&P Global Ratings).

The Trust invests in debt securities managed by specialist investments managers who are bound by guidelines and limitations set out in an investment management agreement. These guidelines and limitations are agreed between the Trustee and investment manager, in consultation with the Trustee's investment adviser.

Below is the investment grade categorisation of the Trust's fixed interest securities:

	2023	2022
	Carrying	Carrying
	Amount	Amount
	\$	\$
Australian debt securities		
A-1+	2,920,483,600	1,654,902,085
A-1	674,988,500	440,271,030
A-2	528,179,262	844,817,682
AAA		1,268,063
AA+	8,203,269	3,504,716
AA	5,078,602	-
AA-	388,194,928	13,077,540
A+	52,804,148	71,019,049
A	4,101,785	16,031,838
BBB+		618,455
BBB	-	656,002
BBB-	30,681,028	-
B	-	-
Not rated	77,814,483	43,418,449
Total	<u>4,690,529,605</u>	<u>3,089,584,909</u>
International debt securities		
A-2	25,463,990	-
AAA	32,570,917	21,008,758
AA+	4,938,524	3,687,542
AA	6,713,586	8,413,318
AA-	2,775,087	718,486
A+	2,669,150	4,897,619
A	17,183,078	8,199,023
A-	7,808,799	4,386,213
BBB+	2,582,925	5,997,396
BBB	36,807,746	19,464,052
BBB-	90,932,818	78,606,672
BB+	57,105,463	9,603,281
BB	76,076,070	13,891,684
BB-	713,035,856	849,019,591
B+	127,907,944	83,299,218
B	83,233,131	9,368,543
B-	40,797,329	10,471,464
CCC+	19,924,034	8,468,452
CCC	3,385,942	-
CCC-	-	1,106,934
C	113	-
Not rated	519,906,740	298,040,351
Total	<u>1,871,819,242</u>	<u>1,438,648,597</u>

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk of failing to meet financial obligations as and when they fall due. A key consideration is the salability of assets. The Trustee's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trustee's reputation.

The Trust's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result the Trustee may not be able to liquidate quickly some of its investments at an amount close to fair value in order to meet its liquidity requirements. The investments of the Trust are monitored to comply with the asset allocation stipulated in the Trustee's Investment Strategy and also considers the Trust's expected future cash flow requirements.

The Trust's listed securities are considered to be readily realisable as they are all listed on recognised stock exchange around the world.

Liquidity risk is managed on a daily basis in accordance with policies and procedures in place and the Trustee's Investment Strategy. Stress testing and scenario analysis are completed on a regular basis.

The contractual maturity of financial liabilities is set out below.

2023

	Carrying Amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Accounts payable	76,682,008	76,682,008	–	–
Margin balances with brokers	357,449	357,449	–	–
Unsettled investment applications	355,216,416	355,216,416	–	–
Derivative liabilities	431,325	–	431,325	–
Foreign currency forward contracts				
Inflows	(54,657,763,422)	(15,529,482,245)	(24,221,713,644)	(14,906,567,533)
Outflows	54,801,702,671	15,774,154,512	24,129,771,477	14,897,776,682
Total	576,626,447	676,928,140	(91,510,842)	(8,790,851)

2022

	Carrying Amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Accounts payable	163,389,216	163,389,216	–	–
Margin balances with brokers	175,474	175,474	–	–
Unsettled investment applications	927,620,873	927,620,873	–	–
Derivative liabilities	604,949	–	604,949	–
Foreign currency forward contracts				
Inflows	(75,956,189,138)	(13,463,116,359)	(28,576,822,618)	(33,916,250,161)
Outflows	76,827,485,558	13,503,251,326	29,252,800,780	34,071,433,452
Total	1,963,086,932	1,131,320,530	676,583,111	155,183,291

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(d) Structured Entities

The Trust invests in structured entities, which are collective investment vehicles, which includes unlisted managed funds or trusts. The activities of the collective investment vehicle are directed under an investment management agreement and typically focus on a particular asset class. The Trust may control the structured entity but is not required to prepare consolidated financial statements as it applies the Investment Entity Exemption available under AASB 10.

The Trust's investments in structured entities by asset class at balance date is as follows:

Asset Class	Carrying amount 2023 \$	Carrying amount 2022 \$
Cash	–	–
Diversified fixed interest	4,346,885,285	3,258,869,131
Australian equities	4,067,176,134	3,560,619,792
International equities	10,373,395,008	8,607,939,216
Property	8,910,491,964	9,196,833,909
Infrastructure	9,311,511,709	7,570,717,274
Alternative assets	5,997,428,201	5,903,604,164
	<u>43,006,888,301</u>	<u>38,098,583,486</u>

The Trust's maximum exposure to loss from its interests in the structured entities is equal to the total fair value of its investments.

(e) Estimation of fair values

The Trust's financial assets and liabilities included in the Statement of Financial Position are carried at fair value on a recurring basis. The major methods and assumptions used in determining fair value of financial instruments have been disclosed at Note 11(f) Fair value hierarchy.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value by using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety of the instrument. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Trustee. The Trustee considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period. The Trust's investments are valued in accordance with the accounting policies disclosed at Note 2 Summary of Significant Accounting Policies. For the majority of its investments, the Trustee relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current redemption price; the appropriate quoted market price for financial liabilities is the current application price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The majority of the Trust's investments categorised under level 2 and 3 are held in unlisted managed funds and are recorded at the redemption value per unit, as reported by the external investment manager. Some of the inputs used by the external investment manager in their pricing models may not be market observable and are therefore subject to a level of estimation uncertainty.

The fair value of other financial assets and liabilities that are not traded in an active market is determined using valuation techniques by independent valuers. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The fair value of derivatives that are not exchange traded are estimated at the amount that the Trust would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy (continued)

The tables below set out the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy.

2023

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit and loss			
Cash and term deposits	938,944,939	–	–
Fixed interest securities	–	6,245,365,424	316,983,423
Equities	43,553,942,628	857,400	1,568,133,356
Managed funds	1,644,531,389	10,540,342,372	32,213,349,618
Derivative assets	5,796,171	301,927,479	–
Financial Liabilities			
Financial Liabilities designated at fair value through profit and loss			
Derivative liabilities	(431,325)	(445,866,728)	–
	46,142,783,802	16,642,625,947	34,098,466,397

2022

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit and loss			
Cash and term deposits	260,748,158	–	–
Fixed interest securities	422,791,016	4,061,994,274	43,448,216
Equities	34,687,428,230	–	1,407,670,920
Managed funds	1,469,804,688	10,843,461,737	28,539,750,534
Derivative assets	1,870,952	431,367,189	–
Financial Liabilities			
Financial Liabilities designated at fair value through profit and loss			
Derivative liabilities	(604,949)	(1,302,663,611)	–
	36,842,038,095	14,034,159,589	29,990,869,670

There were \$237,892,155 transfers from level 1 and level 2 to level 3 for the year ended 30 June 2023 (2022: \$75,255,464 transfers from level 3 to level 1).

Level 3 investments

The investments held by the Trust include unlisted financial instruments that are not traded in an active market. Hence, their fair values are based on prices advised by the external investment managers, as well as valuations determined by appropriately skilled independent third parties. The following table presents the movement in level 3 investments.

	2023	2022
	\$	\$
Opening Balance	29,990,869,670	21,634,533,061
Purchases	6,341,843,666	4,496,495,318
Transfers from other funds	–	3,484,030,246
Sales	(3,637,555,867)	(2,630,384,408)
Transfers into/(out) of level 3	237,892,155	(75,255,464)
Gains and losses recognised in profit and loss	1,165,416,773	3,081,450,917
Closing Balance	34,098,466,397	29,990,869,670

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy (continued)

Valuation inputs and relationships to fair value - level 3 investments

Details of the inputs and assumptions used in the current valuation of investments are described below. Detailed information has been provided where available. A significant amount of these investments are held via externally managed unlisted pooled investment vehicles, and as such the Trustee engages in effective and ongoing monitoring of all external managers to ensure the valuation processes used are aligned to that of the Trust.

The Trustee has an established control framework with respect to the measurement of fair values. The Trustee engages appropriately skilled independent third parties to perform a valuation, where required. With respect to investments held externally by investment managers, the Trustee reviews the appropriateness of the investment manager's valuation policies during the due diligence phase, prior to initial investment. Annually, the Trustee receives confirmation from the fund managers that the valuation policies used to determine fair value are consistent with those previously reviewed by the Trustee. Any significant changes to the fund manager valuation policies are re-reviewed by the Trustee. At least annually, final valuations are adopted by the Board in determining the final unit price.

Further details on valuation inputs of the Trust's level 3 investments can be explained under the following categories:

(i) Managed funds

As at 30 June 2023 the Trust has managed funds of \$32,213,349,618 (2022: \$28,539,750,534) categorised as level 3, which include unlisted unit trusts, partnerships and unlisted managed funds. These investments are recorded at the redemption value at balance date, as provided by the external investment manager or general partner. As these investments are not actively traded in a public market, the valuation provided by the external investment manager or general partner is considered unobservable in accordance with the definition of accounting standards. The range of inputs related to the unit price is not disclosed as the number of investments held would result in a wide range of unrelated inputs. Refer to Note 11(a) Other Price risk for further disclosure of the relationship of the unit price to fair value.

(ii) Equity securities

As at 30 June 2023 the Trust has equity securities of \$1,568,133,356 (2022: \$1,407,670,920) categorised as level 3, which include unlisted shares and preference shares.

Unlisted shares are subject to an annual valuation by a professional and independent third-party that uses valuation techniques appropriate to the company. The valuation techniques include discounted cash flow valuation methodologies and earning and trading multiples of broadly comparable companies. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and discounted using an appropriate cost of equity to arrive at a net present value.

The unobservable inputs that are reasonably available for the Trust's directly held investments that are significant to the Trust's holdings of Equity securities are as follows:

Security	Total Value \$m	Unobservable input	Input range	Input to value fair value
Australian Unlisted Equity	1,194.1	Discount rate	8.30 - 15.50%	The higher the discount rate, the lower the fair value
Australian Unlisted Equity	1,194.1	Terminal Growth	2.25 - 3.25%	The higher the terminal growth rate, the higher the fair value

Preference shares generally have fixed dividend payments and are valued by discounting future dividend payments to arrive at a net present value. Preference shares are not traded on secondary markets.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy (continued)

(iii) Fixed interest securities

As at 30 June 2023 the Trust has fixed interest securities of \$316,983,423 (2022: \$43,448,216) categorised as level 3, which include Government, Government related, corporate and securitised bonds, loans and other fixed interest instruments.

The valuations of fixed interest securities are based primarily on third party pricing servicers, brokers, market makers and valuation methodologies determined to be appropriate by the manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost and direct comparison.

Unobservable inputs and assumptions can include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparable and future economic and regulatory conditions. The Trustee is not privy to the unobservable inputs and assumptions used by the underlying investment manager and are therefore not able to quantify the effect of a movement in an unobservable input or assumption.

(g) Environmental, Social and Governance factors

The Trust's primary duty is to deliver the best retirement outcomes for its investors. These responsibilities guide every decision the Trust makes, and great care is taken to ensure each action fulfils these duties.

Responsible investment is an important part of the Trust's investment approach that helps it better manage risk and optimise retirement outcomes for its investors. It involves incorporating environmental, social and governance (ESG) factors (including climate change) into investment decisions. The Trust has a Responsible Investment Policy that outlines the principles and commitments that direct its approach to responsible investment. The Policy is reviewed on an annual basis by Management. Any changes that are required to be made to the Policy are referred to the Trustee Board for approval.

The Trust recognises that climate change may influence the performance of investments over time and that the impact will be dependent on the extent of physical, social and regulatory changes. The Trust recognises climate change as a financial risk to its investments, which includes valuation risk as a result of changed asset revenue or costs associated with physical damage to assets, regulatory change to transition to a lower-carbon economy, other costs to transition to a lower-carbon economy and litigation risk.

In order to manage the financial risk due to climate change, the Trust is committed to incorporating climate change into all aspects of the investment process:

- Climate change is incorporated within the Trust's investment philosophy.
- Climate-related risks are considered as part of the Trust's strategic asset allocation process alongside a range of other risks and are taken into account in setting investment objectives.
- Climate change scenarios are included as part of stress testing of investment options.
- Assessment of climate change risk management is part of the investment manager selection and review process.
- Engagement with investee companies and assets includes a focus on climate change risk assessment, management and disclosure.

Like other financial risks, climate change risks are considered to the extent they are relevant to the Trust's overall investment strategy and investment portfolio.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 12. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis to realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the table below:

Effect of offsetting on Statement of Financial Position

2023

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Net Amount
	\$	\$	\$	\$	\$
Financial Assets					
Derivative assets	54,663,559,593	(54,355,835,943)	307,723,650	(249,586,941)	58,136,709
Financial Liabilities					
Derivative liabilities	(54,802,133,996)	54,355,835,943	(446,298,053)	249,586,941	(196,711,112)

Effect of offsetting on Statement of Financial Position

2022

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Net Amount
	\$	\$	\$	\$	\$
Financial Assets					
Derivative assets	75,958,060,089	(75,524,821,948)	433,238,141	(319,791,524)	113,446,617
Financial Liabilities					
Derivative liabilities	(76,828,090,508)	75,524,821,948	(1,303,268,560)	319,791,524	(983,477,036)

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES

(a) Trustee

Host-Plus Pty. Limited is the Trustee for both the Hostplus Superannuation Fund ('Fund') and the Hostplus Pooled Superannuation Trust ('Trust'), collectively known as 'Hostplus'. The Trust is the Fund's primary investment vehicle.

The shareholders of the Trustee are United Workers Union and Australian Hotels Association ('AHA').

(b) Board of Directors and remuneration

Directors and Alternate Directors of the Trustee during the financial year were as follows:

Independent	Member nominated by United Workers Union	Employer nominated by AHA
D Frawley (Chair) ^(b)	T Lyons (Deputy Co-Chair)	C Laundry (Deputy Co-Chair)
A Grayson	I Beynon	D Attenborough
J Whiting	G Bullock	D Gibson
	B Myers ^(a)	B Kearney ^(a)

^(a) Alternate Director

^(b) Appointed, effective 1 July 2022

Under the terms of the Trust Deed, the Trustee is entitled to be reimbursed out of Trust assets for all expenses and liabilities it incurs in connection with the Trust or in performing its obligations. This reimbursement is otherwise referred to as a Trustee Services Fee and the amount paid and payable by the Trust is set out in Note 13(g). Embedded in the Trustee Services Fee is the Trust's share of remuneration paid/payable to Directors for services rendered to the Board and Committees of the Board as set out in the tables below.

The Trustee is also entitled to charge a fee to hold on its own account against the risk of acting as Trustee of the Fund and the Trust. This fee is otherwise referred to as a Risk Premium Charge and the amount paid and payable by the investors of the Trust for the year is set out in Note 13(g). The Risk Premium Charge is held by the Trustee in a Risk Premium Reserve to indemnify the Trustee or Directors for non-indemnifiable liabilities.

Year Ended 30 June 2023

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Frawley	191,070	-	27,500	-	218,570
A Grayson	129,443	-	19,417	-	148,860
J Whiting	147,169	-	22,075	-	169,244
Employer nominated					
C Laundry	135,086	-	20,263	-	155,349
D Attenborough	123,003	-	18,450	-	141,453
D Gibson	136,225	-	20,434	-	156,659
B Kearney	20,747	-	3,112	-	23,859
Member nominated					
T Lyons	166,034	-	24,905	-	190,939
I Beynon ^(a)	105,277	-	15,792	-	121,069
G Bullock ^(a)	87,551	-	13,133	-	100,684
B Myers ^(a)	69,421	-	10,413	-	79,834
Total	1,311,026	-	195,494	-	1,506,520

^(a) The Director Fee (Salary) in relation to the services provided by this Director is paid to their nominating association United Workers Union.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES (continued)

(b) Board of Directors and remuneration (continued)

Year Ended 30 June 2022

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Elmslie	191,070	10,013	27,500	-	228,583
A Grayson	129,443	-	19,417	-	148,860
J Whiting	147,169	-	22,075	-	169,244
Employer nominated					
C Laundry	126,577	-	18,986	-	145,563
D Attenborough	123,003	-	18,450	-	141,453
D Gibson	138,537	-	20,781	-	159,318
B Kearney	20,747	-	3,112	-	23,859
Member nominated					
T Lyons	166,034	-	24,905	-	190,939
I Beynon ^(a)	105,277	-	15,792	-	121,069
G Bullock ^(a)	58,367	-	8,755	-	67,122
B Myers ^(a)	81,373	-	12,206	-	93,579
R Buckler	11,996	-	1,799	-	13,795
Total	1,299,593	10,013	193,778	-	1,503,384

^(a) The Director Fee (Salary) in relation to the services provided by this Director is paid to their nominating association United Workers Union.

(c) Group Executive management and remuneration

Key management personnel of Hostplus as at 30 June 2023 included the following Group Executives:

Name of Executive	Role
D Elia	Chief Executive Officer (CEO)
K Cantwell	Group Executive - Administration Optimisation, Service & Insurance
S Fuller	Group Executive - Legal & Compliance
U Mecchi	Group Executive - Marketing, Corporate Affairs, Stakeholder Management, Policy & Advocacy
J Muir	Chief Risk Officer
S Sicilia	Chief Investment Officer
N Strickland	Group Executive - People, Performance & Culture
L Tassone	Group Executive - Finance, Technology & Investment Operations
P Watson	Group Executive - Member Experience
S Wilkinson	Group Executive - Strategy & Transformation

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES (continued)

(c) Group Executive management and remuneration (continued)

Remuneration of Group Executive management paid/payable by Hostplus is set out in the following tables:

Year Ended 30 June 2023

Name	Date commenced	Date change in position	Salary (\$)	Short-term incentives (\$)	Parking benefits (\$)	Super-annuation (\$)	Termination benefits (\$)	Total (\$)
D Elia	15/03/1999		1,028,576	492,069	10,373	27,500	-	1,558,518
N Brouwer	21/11/2016	25/01/2023 ^(a)	225,700	-	5,905	16,188	-	247,793
K Cantwell	10/10/2016		300,938	103,332	10,373	27,500	-	442,143
S Fuller	06/02/2023	06/02/2023 ^(b)	91,406	-	4,189	8,858	-	104,453
U Mecchi	07/02/2022		375,997	-	10,373	27,500	-	413,870
J Muir	04/04/2022	26/01/2023 ^(c)	160,462	-	3,425	11,846	-	175,733
S Sicilia	31/03/2008		760,000	488,973	10,373	27,500	-	1,286,846
N Strickland	17/02/2014		326,640	108,388	10,373	27,500	-	472,901
L Tassone	19/08/2013	10/11/2022 ^(d)	402,118	142,114	10,373	27,500	-	582,105
P Watson	21/03/2011		423,166	162,391	10,373	27,500	-	623,430
S Wilkinson	16/11/2015		369,610	138,599	10,373	27,500	-	546,082
Total			4,464,613	1,635,866	96,503	256,892	-	6,453,874

^(a) Resignation

^(b) Appointed as Group Executive - Legal & Compliance

^(c) Appointed as Chief Risk Officer

^(d) Position changed from Group Executive - Finance & Technology to Group Executive - Finance, Technology & Investment Operations

In addition to the remuneration outlined in the table above, N Strickland cashed-out accrued leave entitlements equal to \$12,663 and N Brouwer was paid-out accrued leave entitlements equal to \$105,686 upon resignation.

Year Ended 30 June 2022

Name	Date commenced	Date change in position	Salary (\$)	Short-term incentives (\$)	Parking benefits (\$)	Super-annuation (\$)	Termination benefits (\$)	Total (\$)
D Elia	15/03/1999		978,636	323,863	10,013	27,500	-	1,340,012
M Abramovich	01/06/2021	25/02/2022 ^(a)	374,016	-	6,584	24,856	-	405,456
N Brouwer	21/11/2016	21/02/2022 ^(b)	223,156	43,286	3,566	27,500	-	297,508
K Cantwell	10/10/2016	02/05/2022 ^(c)	285,515	37,578	10,013	27,500	-	360,606
U Mecchi	07/02/2022	07/02/2022 ^(d)	136,610	-	3,950	11,106	-	151,666
S Sicilia	31/03/2008		723,005	354,812	10,013	27,500	-	1,115,330
N Strickland	17/02/2014		250,836	40,749	10,013	27,500	-	329,098
L Tassone	19/08/2013		363,750	57,118	10,013	27,500	-	458,381
P Watson	21/03/2011		401,798	61,877	10,013	27,500	-	501,188
S Wilkinson	16/11/2015	01/07/2021 ^(e)	350,779	56,730	10,013	27,500	-	445,022
Total			4,088,101	976,013	84,191	255,962	-	5,404,267

^(a) Parental leave contract position ended

^(b) Returned from parental leave

^(c) Position changed from Group Executive - Administration Optimisation to Group Executive - Administration Optimisation, Service & Insurance

^(d) Appointed as Group Executive - Marketing, Corporate Affairs, Stakeholder Management, Policy and Advocacy

^(e) Position changed from Group Executive - Strategy, Transformation & Services to Group Executive, Strategy & Transformation

In addition to the remuneration outlined in the table above, N Brouwer and N Strickland cashed-out accrued leave entitlements equal to \$5,738 and \$11,739, respectively.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES (continued)

(d) Chief Executive Officer remuneration

Hostplus believes that remuneration of its employees should:

- facilitate the delivery of superior long-term results for its members;
- promote sound risk management principles;
- support corporate values and desired culture;
- attract, retain, motivate and align the talent it needs to achieve its business goals;
- reinforce leadership, accountability, teamwork and innovation; and
- align with the contribution and performance of the business, teams and individuals.

The Chairman, on behalf of the Board, conducts the performance assessment of the Chief Executive Officer, having regard to objectives set in the previous year including setting objectives for the coming year. This is discussed with the Board as a whole in the absence of the Chief Executive Officer. Feedback is subsequently communicated to the Chief Executive Officer.

In accordance with its Terms of Reference, Chief Executive Officer remuneration related matters are considered by the Board's People and Remuneration Committee before approval by the Board. Remuneration reviews have regard to general market conditions, with a focus on what is happening within the financial services sector, including the superannuation sector. Base or fixed salary reviews for the Chief Executive Officer occur annually with amendments payable from 1 July.

For the year ended 30 June 2023, the CEO's total remuneration was equal to \$1,558,518, which compares to the full-time equivalent remuneration earned by other Hostplus employees as follows:

- the 25th percentile Hostplus employee earned \$100,695 during the year ended 30 June 2023, which is 15.5 times less than the CEO's remuneration;
- the median Hostplus employee earned \$138,000 during the year ended 30 June 2023, which is 11.3 times less than the CEO's remuneration; and
- the 75th percentile Hostplus employee earned \$178,448 during the year ended 30 June 2023, which is 8.7 times less than the CEO's remuneration.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES (continued)

(e) Directors' attendance at Board and Committee meetings

Year Ended 30 June 2023

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees														
			Audit		Risk & Compliance		Claims Review		People & Remuner- ation		Special Investments Group		Operations		Nominations and Board Renewal Committee		
			A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Directors																	
D Frawley	8	8	-	-	-	-	-	-	3	4	4	4	-	-	2	2	
J Whiting	8	8	4	4	3	3	-	-	-	-	-	-	-	-	-	-	
A Grayson	8	8	-	-	-	-	-	-	-	-	-	-	5	5	-	-	
D Gibson	8	8	-	-	-	-	-	-	4	4	4	4	-	-	-	-	
C Laundry	8	8	-	-	-	-	-	-	-	-	4	4	5	5	1	2	
D Attenborough	8	8	4	4	3	3	-	-	-	-	-	-	-	-	-	-	
T Lyons	7	8	4	4	2	3	-	-	-	-	2	4	-	-	2	2	
G Bullock	7	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
I Beynon	8	8	-	-	-	-	-	-	4	4	-	-	-	-	-	-	
Alternate Directors																	
B Myers	2	-	-	-	-	-	18	19	-	-	-	-	5	5	-	-	
B Kearney	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Observers																	
D Frawley	-	-	2(*)	-	2(*)	-	-	-	-	-	-	-	2(*)	-	-	-	
B Myers	5(#)	-	-	-	-	-	-	-	-	-	2(*)	-	-	-	-	-	
G Bullock	-	-	-	-	-	-	-	-	-	-	1(*)	-	-	-	-	-	
B Kearney	8(#)	-	-	-	-	-	-	-	-	-	1(*)	-	-	-	-	-	
D Attenborough	-	-	-	-	-	-	-	-	-	-	2(*)	-	5(*)	-	2(*)	-	
J Whiting	-	-	-	-	-	-	-	-	-	-	4(*)	-	-	-	-	-	
I Beynon	-	-	-	-	-	-	-	-	-	-	1(*)	-	1(*)	-	-	-	
A Grayson	-	-	-	-	-	-	-	-	-	-	1(*)	-	-	-	-	-	

A Number of meetings attended

B Number of meetings held during the time the Director held office or was a member of the Committee during the year

(#) Alternate Directors are invited to attend Board Meetings as an Observer

(*) All Directors and alternates are invited to attend Committee meetings and receive full Committee papers

Where a non-committee member has attended a Committee, attendance has been noted.

Year Ended 30 June 2022

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees													
			Audit		Risk & Compliance		Claims Review		People & Remuner- ation		Special Investments Group		Operations		Nominations and Board Renewal Committee	
			A	B	A	B	A	B	A	B	A	B	A	B	A	B
Directors																
D Elmslie	7	7	-	-	-	-	-	-	4	4	7	8	-	-	3	3
J Whiting	7	7	3	3	3	3	-	-	-	-	-	-	-	-	-	-
A Grayson	7	7	-	-	-	-	-	-	-	-	-	-	3	4	-	-
D Gibson	6	7	-	-	-	-	-	-	4	4	8	8	-	-	-	-
C Laundry	7	7	-	-	-	-	-	-	-	-	3	6	4	4	3	3
D Attenborough	7	7	3	3	3	3	-	-	-	-	-	-	-	-	-	-
T Lyons	7	7	2	3	2	3	-	-	-	-	7	8	-	-	3	3
B Myers	3	7	-	-	-	-	-	-	-	-	-	-	4	4	-	-
G Bullock	3	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I Beynon	6	7	-	-	-	-	-	-	4	4	-	-	-	-	-	-
Alternate Directors																
R Buckler	-	-	-	-	-	-	9	9	-	-	-	-	-	-	-	-
B Myers	1	-	-	-	-	-	16	16	-	-	-	-	-	-	-	-
B Kearney	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Observers																
D Elmslie	-	-	3(*)	-	3(*)	-	-	-	-	-	-	-	-	-	-	-
C Laundry	-	-	-	-	-	-	-	-	1(*)	-	-	-	-	-	-	-
B Myers	3(#)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R Buckler	1(#)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G Bullock	-	-	-	-	-	-	-	-	-	-	1(*)	-	-	-	-	-
B Kearney	5(#)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D Attenborough	-	-	-	-	-	-	-	-	1(*)	-	5(*)	-	3(*)	-	2(*)	-
J Whiting	-	-	-	-	-	-	-	-	-	-	3(*)	-	-	-	1(*)	-

A Number of meetings attended

B Number of meetings held during the time the Director held office or was a member of the Committee during the year

(#) Alternate Directors are invited to attend Board Meetings as an Observer

(*) All Directors and alternates are invited to attend Committee meetings and receive full Committee papers

Where a non-committee member has attended a Committee, attendance has been noted.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 13. RELATED PARTIES (continued)

(f) Related party unit holdings

The only related party that has unit holdings in the Trust is the Fund.

The units held in the Trust were as follows:

2023

Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)
The Fund	44,840,688,708	48,219,504,736	95.14	3,882,401,254	(503,585,226)
External Investors	239,817,539	267,986,797	0.53	79,737,431	(51,568,173)
Institutional Investors	2,310,016,908	2,192,788,052	4.33	367,817,365	(485,046,221)
	47,390,523,155	50,680,279,585	100.00	4,329,956,050	(1,040,199,620)

2022

Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)
The Fund	34,182,957,785	44,840,688,708	94.62	11,051,410,134	(393,679,211)
External Investors	164,674,576	239,817,539	0.51	154,099,612	(78,956,649)
Institutional Investors	2,365,466,653	2,310,016,908	4.87	615,726,854	(671,176,599)
	36,713,099,014	47,390,523,155	100.00	11,821,236,600	(1,143,812,459)

(g) Trustee fees and other transactions

Under the terms of the Trust Deed, the Trustee is entitled to receive a Trustee Services Fee and collect a Risk Premium Charge (refer to Note 13(b) for more details). During the year, Trustee Services Fees paid and payable by the Trust to the Trustee are as outlined in the following table.

	2023	2022
	\$	\$
Trustee Services Fee	1,120,485	1,818,005
Risk Premium Charge	15,278,014	6,096,107
	16,398,499	7,914,112

(h) Other transactions with the Fund

During the year, the Fund entered into a section 295-260 agreement for the transfer of its assessable contributions tax liability for the year ended 30 June 2022 to the Trust totalling \$780,421,454 (30 June 2021: \$604,763,618). Refer to Note 2(f) for more details.

(i) Investment in Hostplus Commercial Property Pty Ltd

On 19 November 2021, Hostplus Pooled Superannuation Trust ('Trust') acquired Hostplus Commercial Property Pty Ltd ('HCPPL'). The Trust owns 100% of HCPPL which holds a commercial property (Icon Place) situated at 270 Adelaide Street Brisbane QLD 4000. The rental income earned on the portfolio was \$0.4m (2022: \$0.2m) for the financial year. All transactions were made on normal commercial terms, under normal conditions and at market rates. The fair value of the investment in HCPPL is \$8.7m (2022: \$8.2m).

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 14. REMUNERATION OF AUDITORS

	2023	2022
	\$	\$
Remuneration paid or payable for services provided by the auditor, PricewaterhouseCoopers		
- Audit of Financial Statements	183,840	171,498
- Other Assurance Services	76,240	49,200
- Other Non-audit Services		
- Merger Due Diligence & Procedures	16,500	-
	<u>276,580</u>	<u>220,698</u>

NOTE 15. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No significant events have occurred since the end of the reporting period which would impact on the Statement of Financial Position, Statement of Comprehensive Income or Statement of Cash Flows of the Trust for the year ended 30 June 2023.

NOTE 16. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

Commitments for the acquisition of investments contracted for at the reported date but not recognised as liabilities payable:

	2023	2022
	\$	\$
Fixed interest securities	723,215,304	-
Equities	82,480,494	-
Managed Funds	5,881,794,745	5,593,951,704
	<u>6,687,490,543</u>	<u>5,593,951,704</u>

There were no other contingent assets or liabilities as at 30 June 2023 and 30 June 2022.

**HOSTPLUS POOLED SUPERANNUATION TRUST
TRUSTEE STATEMENT**

In the opinion of the trustee:

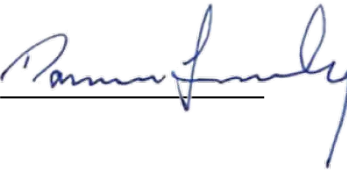
- (a) the financial statements and notes set out on pages 2 to 35 are drawn up so as to present fairly the financial position of Hostplus Pooled Superannuation Trust as at 30 June 2023, the results of its operations, changes in equity and its cash flows for the period ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) the financial statements are prepared in accordance with the requirements of the Trust Deed dated 7 February 2014 and the Superannuation Industry (Supervision) Act 1993 and Regulations; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This statement is made in accordance with a resolution of the directors of the trustee company, Host-Plus Pty. Limited.

DIRECTOR:



DIRECTOR:



Melbourne
15 September 2023



Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE that is a reporting entity

Report by the RSE Auditor to the trustee and unitholders of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340)

Opinion

I have audited the financial statements of Hostplus Pooled Superannuation Trust (the PST) for the year ended 30 June 2023 comprising the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Hostplus Pooled Superannuation Trust as at 30 June 2023 and the results of its operations, cash flows, and changes in equity for the year ended 30 June 2023.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Materiality

For the purpose of our audit, I used approximately 1% of the PST's Net Assets to set our overall materiality.

I applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

I chose Net Assets because, in my view, it is the metric against which the performance of the PST is most commonly measured and is a generally accepted benchmark in the superannuation industry.

I utilised 1% as the threshold based on my professional judgement, noting it is within the range of commonly acceptable thresholds.



Audit Scope

My audit of the financial statements focused on where the PST made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

My audit approach reflects the nature of the PST's investment operations and administration of unitholder funds, with consideration to the work undertaken by the PST's third-party service organisations and external investment managers.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I communicated the key audit matters to the Audit Committee.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Valuation of investments in managed funds <i>Refer to note 11(f)(ii) Fair value in an inactive or unquoted market (level 2 and level 3)</i></p> <p>At 30 June 2023, the PST's investments in managed funds comprised primarily of Australian and international investments in infrastructure investment funds, property investment funds and private equity investment funds, amongst others.</p> <p>Note 11 of the financial statements describes the valuation methodology used by the PST to measure the fair value of investments in managed funds under Australian Accounting Standards. Note 11 states that the PST's investments in unlisted managed funds are recorded at the redemption value per unit, as reported by the external investment manager.</p> <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none">• financial significance of level 2 and 3 investments in managed funds;• the level of judgement involved in the determination of the redemption value by the external investment manager• the sensitivity of the fair value of investments in managed funds to material changes in key data and assumptions used by the external investment manager in the determination of the redemption value.	<p>I assessed the design and tested the operating effectiveness of key controls supporting the PST's valuation methodology relating to level 2 and 3 investments in managed funds, including controls relating to the PST's oversight and review of the valuation policies and methodology adopted by the PST's external investment managers.</p> <p>I performed risk assessment procedures, taking into consideration the characteristics of the indirectly held assets, as well as the nature and type of underlying assets held by the investment funds.</p> <p>Based on the risk assessment procedures performed, I performed the following procedures amongst others for a sample of investments:</p> <ul style="list-style-type: none">• obtained a confirmation from the PST's custodian at 30 June 2023 and for a sample of investments, agreed the number of units from the custody confirmation to the units within the accounting records;• obtained a valuation statement as at 30 June 2023 from a sample of external investment managers and compared the valuation quoted by the external investment manager to the PST's accounting records; and• assessed the reliability of the valuation statements provided by a sample of external investment managers by reference to the audited financial statements of the managed funds, or by performing other corroborative procedures such as inspecting recent transactions.



Valuation of level 1 & 2 financial assets and liabilities (excluding Managed Funds)
Refer to note 11(f) Fair value hierarchy

At 30 June 2023, the PST's level 1 and 2 financial assets and liabilities primarily included investments in listed equity securities, fixed interest securities and derivative assets and liabilities.

Note 11 of the financial statements describes the valuation methodology used by the PST to measure the fair value of the level 1 and 2 financial assets and liabilities under Australian Accounting Standards.

Valuation of level 1 and 2 financial assets and liabilities was a key audit matter because of the financial significance of the balances in the PST's statement of financial position. A discrepancy in the valuation of level 1 and 2 financial assets and liabilities could cause the net assets attributable to unitholders to be materially misstated.

I assessed the designed and operating effectiveness of key controls operated by the third-party service organisations of administration and custody services. I performed the following procedures, amongst others:

- Inspected the most recent reports provided to the PST by the service providers setting out the controls in place at that service provider, which included an independent audit opinion over the design and operating effectiveness of those controls.
- Developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor, to the extent relevant to our audit of the valuation of the PST's level 1 and 2 financial assets and liabilities.

Together with assistance from PwC valuation experts I performed the following procedures, amongst others:

- For listed equity securities obtained an independent external market price and compared that price to the PST's valuation of listed equity securities.
- For a sample of fixed interest securities and derivative assets and liabilities, independently recalculated the valuation and compared that valuation to the value of the PST's fixed interest securities and derivative assets and liabilities.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.



From the matters communicated with the trustee, I determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my report unless law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'George Sagonas'.

George Sagonas
Partner

Melbourne
15 September 2023