

**HOSTPLUS SUPERANNUATION FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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

HOSTPLUS SUPERANNUATION FUND
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**HOSTPLUS SUPERANNUATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Assets			
Cash at bank	9	61,515,798	48,823,353
Receivables		43,216,186	46,901,509
Prepayments		254,126	323,245
Investments			
Cash and cash equivalents		154,995,287	80,660,868
Fixed interest securities		36,281,133	36,963,905
Equities		279,994,935	206,348,905
Pooled superannuation trust and managed funds		48,796,179,411	45,071,795,009
Property, plant and equipment		6,102,935	6,677,554
Deferred tax assets	6 (d)	2,480,153	2,330,996
Total assets		49,381,019,964	45,500,825,344
Liabilities			
Employee entitlements		6,049,487	5,214,921
Payables		30,543,709	39,036,202
Current tax liabilities	6 (e)	540,693,365	433,188,420
Total liabilities excluding member benefits		577,286,561	477,439,543
Net assets available for member benefits		48,803,733,403	45,023,385,801
Member benefits			
Allocated to members		(48,442,730,046)	(44,680,088,093)
Unallocated to members		(5,628,350)	(15,480,203)
Total member liabilities	3	(48,448,358,396)	(44,695,568,296)
Net assets		355,375,007	327,817,505
Equity			
Residual reserve		(2,938,302)	(1,469,275)
Administration reserve		182,974,834	173,399,116
Operational Risk Financial Requirement reserve		110,501,371	112,590,078
Insurance reserve		64,837,104	43,297,586
Total equity		355,375,007	327,817,505

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

**HOSTPLUS SUPERANNUATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Revenue from superannuation activities			
Interest		2,670,671	3,176,013
Dividends and distributions		10,962,486	9,604,773
Changes in assets measured at fair value	4	(869,270,688)	2,782,641,852
Other income		1,050,622	609,449
Total revenue		(854,586,909)	2,796,032,087
Expenses from superannuation activities			
Investment expenses		7,096,253	5,189,410
Administration expenses	7	120,824,836	115,724,024
Total expenses		127,921,089	120,913,434
Profit/(loss) from operating activities before income tax		(982,507,998)	2,675,118,653
Income tax (expense)/benefit	6 (a)	54,669,138	58,411,151
Profit/(loss) from operating activities after income tax		(927,838,860)	2,733,529,804
Less: Net benefits allocated to members' accounts		932,925,199	(2,699,022,393)
Profit/(loss) after income tax		5,086,339	34,507,411

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

**HOSTPLUS SUPERANNUATION FUND
STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
		<u> </u>	<u> </u>
Opening balance of member benefits		44,695,568,296	33,432,040,808
Contributions received from:			
Employers'		3,818,703,210	3,148,394,657
Members'		583,967,610	529,424,594
Government		66,314,262	62,281,395
Transfer from other superannuation plans		4,969,429,986	7,140,332,093
Income tax on contributions	6 (c)	(598,928,830)	(494,440,637)
Net after tax contributions		<u>8,839,486,238</u>	<u>10,385,992,102</u>
Other transactions applied to / (deducted from) members' accounts			
Net investment income		(858,266,462)	2,793,222,436
Administration and other fees		(74,658,737)	(94,200,043)
Insurance proceeds		156,049,229	146,741,420
Benefits paid		(4,081,123,520)	(1,712,716,902)
Insurance premiums		(228,696,648)	(255,511,525)
Closing balance of member benefits	3	<u>48,448,358,396</u>	<u>44,695,568,296</u>

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

**HOSTPLUS SUPERANNUATION FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Residual reserve	Administration reserve	Operational Risk Financial Requirement reserve	Insurance reserve	Total equity
2020	\$	\$	\$	\$	\$
Opening balance	(1,469,275)	173,399,116	112,590,078	43,297,586	327,817,505
Net transfers to/(from) reserves	-	-	1,488,579	20,982,584	22,471,163
Net allocations to/(from) Members Benefits	853,140,801	79,784,398	-	-	932,925,199
Net allocations to/(from) Income Statement	(854,609,828)	(70,208,680)	(3,577,286)	556,934	(927,838,860)
Closing balance	(2,938,302)	182,974,834	110,501,371	64,837,104	355,375,007

	Residual reserve	Administration reserve	Operational Risk Financial Requirement reserve	Insurance reserve	Total equity
2019	\$	\$	\$	\$	\$
Opening balance	6,542,311	174,426,929	75,443,268	20,275,516	276,688,024
Net transfers to/(from) reserves	-	(37,700,000)	31,300,000	23,022,070	16,622,070
Net allocations to/(from) Members Benefits	(2,793,222,436)	94,200,043	-	-	(2,699,022,393)
Net allocations to/(from) Income Statement	2,785,210,850	(57,527,856)	5,846,810	-	2,733,529,804
Closing balance	(1,469,275)	173,399,116	112,590,078	43,297,586	327,817,505

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

**HOSTPLUS SUPERANNUATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Interest received		344,611	820,061
Insurance proceeds		156,049,229	146,741,420
Other income		1,049,335	608,968
Administration expenses		(133,469,355)	(94,400,121)
Insurance premiums		(238,199,997)	(257,177,140)
Investment expenses		(662,960)	(520,551)
Income tax refund/(paid)		-	3,004,715
Net cash inflows/(outflows) from operating activities	9	(214,889,137)	(200,922,648)
Cash flows from investing activities			
Purchase of investments		(5,488,400,000)	(8,955,200,000)
Proceeds from sale of investment		1,390,355,490	314,111,813
Sale/(Purchase) of fixed assets		(1,699,660)	(1,353,219)
Net cash inflows/(outflows) from investing activities		(4,099,744,170)	(8,642,441,406)
Cash flows from financing activities			
Contributions received from:			
Employers'		3,818,703,210	3,148,394,657
Members'		583,967,610	529,424,594
Government		66,314,262	62,281,395
Transfers from other superannuation plans		4,376,368,093	7,140,332,093
Benefits paid to members		(4,081,123,520)	(1,712,716,902)
Income tax paid on contributions		(436,903,903)	(317,116,528)
Net cash inflows/(outflows) from financing activities		4,327,325,752	8,850,599,309
Net increase/(decrease) in cash		12,692,445	7,235,255
Cash at the beginning of the financial period		48,823,353	41,588,098
Cash at the end of the financial period	9	61,515,798	48,823,353

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

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1. OPERATION OF THE FUND

Hostplus Superannuation Fund ('the Fund') (ABN: 68 657 495 890) is an APRA regulated (Licence no. R1000054), defined contribution fund established by a Trust Deed on 1 October 1987 and is domiciled in Australia. The Fund provides retirement benefits to its members and is divided into three divisions (Industry, Personal and Pension). The Fund accepts contributions from employers and members in accordance with its Trust Deed. Members may also transfer money from other superannuation funds. Hostplus is the industry superannuation fund for the hospitality, tourism, recreation, and sport industries.

The Trustee of the Fund is Host-Plus Pty. Limited (ABN: 79 008 634 704) and it is the holder of a public offer class of Registrable Superannuation Entity Licence (Licence no. L0000093). The registered office of the Trustee is Level 9, 114 William Street, Melbourne, Victoria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001, the Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed. The general purpose financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Fund is a not-for-profit entity which operates for the benefit of members.

The financial statements are presented in Australian Dollars which is the functional currency of the Fund.

The financial statements were approved by the Board of Directors of the trustee, Host-Plus Pty. Limited on 18 September 2020. The Directors of the Trustee have the power to amend and reissue this financial report.

(b) New Accounting standards and interpretations

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

AASB 16 *Leases (and applicable amendments)* – effective from 1 January 2019

AASB 16 *Leases*, issued in February 2016, includes significant changes for lease accounting, particularly for lessees. For leases, almost all leases will now go on the balance sheet as the distinction between operating and financing leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions from this are short-term and low-value leases. The accounting for lessors will not significantly change.

The Fund has performed a detailed assessment on the impact of AASB 16 at transition, which included:

- Reviewing all agreements to identify those which contain a lease or an embedded lease;
- Identifying those which have an option to extend and assessing the likelihood of the extension being exercised; and
- Calculating the Lease Liability and corresponding Right of Use Assets.

The Fund has determined that the adoption of AASB 16 is immaterial to the financial statements. A lease liability and right of use asset have therefore not been recognised, nor have the disclosure requirements within AASB 16. The Fund will continue to assess the impact of AASB 16 in subsequent years.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* – effective from 1 January 2019

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Interpretation has not had a significant impact on the recognition and measurement of the Fund's tax balances.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting standards and interpretations (continued)

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

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 2019 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

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108) – effective from 1 January 2020

The AASB has made amendments to AASB 101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and the Conceptual Framework for Financial Reporting, to clarify when information is material and incorporate some of the guidance in AASB 101 about immaterial information.

The revised definition of material is not expected to have a material impact on the measurement, recognition or disclosures of balances or transactions within the Fund.

(c) Financial assets and liabilities

(i) Classification

The Fund classifies its financial assets and financial liabilities into the following categories:

Financial instruments classified at fair value through profit or loss upon initial recognition in accordance with AASB 1056.

These financial assets are classified on the basis that they are part of a group of financial assets, which are managed and have their performance evaluated on a fair value basis in accordance with the financial risk management and investment strategies of the Fund. Refer to note 10 for further details.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an 'active market'. The Fund includes in this category short term receivables and are recognised initially at fair value.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(ii) Recognition

The purchase or sale of a financial asset that requires delivery of the asset within a time frame that is generally established by regulation or convention in the marketplace is recognised on the trade date, being the date that the Fund commits to purchase or sell the asset and recognises changes in the fair value of the financial assets or financial liabilities from this date.

The Fund recognises all other financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

(iii) Derecognition

A financial asset (or part of) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under contract is discharged, cancelled or expires.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and liabilities (continued)

(iv) Initial measurement

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the Income Statement, unless specified otherwise. All transaction costs for such instruments are recognised directly in the Income Statement.

Financial assets and financial liabilities not classified at fair value through profit or loss are measured initially at fair value, plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Fund measures financial assets and liabilities at fair value through profit or loss. This means subsequent changes in fair value are recorded as 'changes in assets measured at fair value' through the Income Statement.

(d) Fair value measurement

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

In the absence of quoted market prices, the fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. This can include using valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. Where possible, the Fund will seek to maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

All assets and liabilities that are measured and disclosed at fair value in the financial statements are categorised within the fair value hierarchy. Refer to Note 10(e) for further details.

(e) Cash at bank

Cash at bank in the Statement of Financial Position includes cash held with banking institutions, which is subject to an insignificant risk of change in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank as defined above.

(f) Property, plant and equipment

(i) Recognition and measurement

Plant and equipment (P&E) is measured initially at cost and subsequently revalued at cost less accumulated depreciation and impairment losses. If significant parts of an item have different useful lives, then they are accounted for as separate items.

The cost of leasehold improvements is capitalised as an asset and depreciated over the assets' useful life.

Any gain or loss on disposal of an item is recognised in the Income Statement.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated as the cost of the item less its estimated residual value, multiplied by their annual depreciation rate.

The estimated useful lives of P&E are as follows:

Asset	Useful Life	Depreciation Rate	Depreciation Method
Office Equipment	10 years	20%	Diminishing value
Furniture & Fittings	5 years	40%	Diminishing value
Computer Hardware	3-4 years	67-50%	Diminishing value
Intangibles	4-5 years	25-20%	Prime cost

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Unless stated below, revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair value

Changes in the fair value of financial assets and liabilities is calculated as the difference between the fair value at sale, or at balance date and the fair value at the previous valuation point. All changes are recognised in the Income Statement.

Interest

Interest revenue earned on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

Dividends and distributions

Dividend and distribution revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the Income Statement.

Group Life Insurance Proceeds

Insurance claim proceeds received on behalf of beneficiaries are brought to account when received from the Fund's insurer.

(h) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

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 Fund intends to enter an agreement to transfer a portion of its assessable contributions earned during the year ended 30 June 2020 to the Hostplus Pooled Superannuation Trust.

Income tax in the Income Statement for the year comprises current and deferred 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).

Deferred tax is accounted for using the comprehensive balance sheet 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.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax (continued)

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 Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(i) Insurance arrangements

The Fund provides death, disability and salary continuance benefits to its members. The Trustee facilitates the provision of these benefits via a group life policy with Metlife Insurance Limited. The Trustee acts as an agent for these arrangements.

(j) Goods and services tax (GST)

Where applicable, GST incurred by the Fund that is not recoverable from the Australian Taxation Office, has been recognised as part of the asset, revenue or expense to which it applies.

Receivables and payables disclosed in the Statement of Financial Position are stated as GST inclusive.

(k) Member liabilities

Member liabilities is the Fund's present obligation to pay benefits to members and beneficiaries and has been measured as the amount of member account balances as at reporting date.

(l) Reserves

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

Residual reserve - is separately maintained to manage the receipt of investment income, the payment of investment related expenses and tax and the allocation of investment earnings to members via the process of declaring unit prices.

Administration reserve - is separately maintained to manage the receipt of administration levies and the payment of Fund administration expenses.

Operational Risk Financial Requirement ('ORFR') reserve - is separately maintained to ensure the Fund has access to adequate financial resources in the event of losses arising from an operational risk event. The Fund has an approved ORFR reserve 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 25 basis points of the Fund's net assets available for member benefits.

Insurance reserve - is separately maintained to manage the insurance premiums to Metlife Insurance Limited under the Premium Adjustment Mechanism (PAM) agreement. The PAM agreement reduces the risk of the insurer and facilitates lower insurance premiums for members.

(m) Significant accounting judgements and estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The Fund primarily invests in the Hostplus Pooled Superannuation Trust ('Trust') where additional judgement exists. The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to Note 10(e) where the significant judgements, estimates and assumptions relating to investment valuations is explained.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Significant accounting judgements and estimates and assumptions (continued)

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(n) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the Statement of Financial Position and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

NOTE 3. MEMBER BENEFITS AND FUNDING ARRANGEMENTS

(a) Member entitlements

Obligations relating to member entitlements are recognised as member benefits and are measured as the amount of the member account balances as at reporting date.

Members bear the investment risk relating to the underlying investments of the Fund. Net investment income is allocated to members' accounts through the release of daily unit prices.

The Fund has received contributions and other related member inflows that have not been allocated to members' accounts by the reporting date. These amounts are reported as unallocated member benefits.

	2020	2019
	\$	\$
Member benefits		
Allocated to members	48,442,730,046	44,680,088,093
Unallocated to members	5,628,350	15,480,203
Net assets available for member benefits	48,448,358,396	44,695,568,296

(b) Funding arrangements

Employers contribute to the Fund on behalf of members in accordance with the Fund's Trust Deed, relevant industry Award agreements and the mandated minimum Superannuation Guarantee Charge rate of 9.50% (2019: 9.50%) of the gross salaries of the employees. In addition, Members and Employers can elect to contribute further amounts to the Fund at their own discretion.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 4. CHANGES IN FAIR VALUE OF INVESTMENTS

	2020	2019
	\$	\$
Investments held at balance date		
Equities	(792,524)	13,859,709
Pooled superannuation trust and managed funds	(797,529,399)	2,771,255,586
Total unrealised gains/(losses)	(798,321,923)	2,785,115,295
Investments realised during the year		
Equities	(6,591,526)	1,423,893
Pooled superannuation trust and managed funds	(64,357,239)	(3,897,336)
Total realised gains/(losses)	(70,948,765)	(2,473,443)
Change in fair value of investments	(869,270,688)	2,782,641,852

NOTE 5. 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 10.61% (2019: 10.61%) 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 2020, Hostplus' investment in ISH was valued at \$113.8m (2019: \$114.0m). Total income earned by Hostplus from this Investment for the year ended 30 June 2020 was \$1.9m (2019: \$18.9m). 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 \$11,607.8m as at 30 June 2020 (2019: \$9,768.9m). Total losses incurred on the portfolios managed by IFM was \$188.3m (2019: gain of \$938.0m). Hostplus paid IFM investment management fees of \$16.9m (2019: \$14.6m) during the financial year. All transactions were made on normal commercial terms, under normal conditions and at market rates.
- 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 2020 were \$0.8m (2019: \$0.8m). 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 2020 were \$0.06m (2019: \$0.05m). 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 2020 were \$4.0m (2019: \$4.0m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

**HOSTPLUS SUPERANNUATION FUND
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NOTE 5. COLLECTIVE INVESTMENTS (continued)

Industry Super Property Trust

Hostplus has a 14.20% (2019: 14.40%) 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 \$2,102.4m (2019: \$2,051.8m). Hostplus paid ISPT investment management fees of \$6.9m (2019: \$6.2m) during the financial year. The income earned on this portfolio was \$19.6m (2019: \$102.6m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

ME Bank

Hostplus' investments include a 14.81% (2019: 14.81%) shareholding in ME Bank. ME Bank offer and provide banking products to the members of the Fund at the members' discretion. As at 30 June 2020, Hostplus' investment in ME Bank was valued at \$184.8m (2019: \$200.8m). Total income earned by Hostplus from this investment for the year ended 30 June 2020 was a loss of \$16.0m (2019: gain of \$9.9m). All transactions were made on normal commercial terms, under normal conditions and at market rates. As at 30 June 2020, Hostplus had \$41.8m outstanding commitments (2019: \$9.6m).

Hostplus also invests in the Super Loans Trust ('SLT'), a fixed interest vehicle managed by ME Bank. As at 30 June 2020, Hostplus' investment in the SLT was valued at \$6.1m (2019: \$14.2m). Total gain earned by Hostplus from this Investment for the year ended 30 June 2020 was \$1.7m (2019: loss of \$0.3m). ME Bank received \$0.01m (2019: \$0.03m) in fees from the management of Hostplus' investment. All transactions were made on normal commercial terms, under normal conditions and at market rates.

Term deposits held with ME Bank on behalf of ChoicePlus members within the Fund as at 30 June 2020 were \$36.1m (2019: \$36.7m). Term deposit income earned on behalf of Fund members for the year ended 30 June 2020 was \$0.8m (2019: \$0.6m). The ChoicePlus product also operates a cash account with ME Bank, which as at 30 June 2020 had a balance of \$145.1m (2019: \$75.2m). The cash account earned \$1.6m (2019: \$1.5m) of interest in the year ended 30 June 2020.

Hostplus also holds negotiable certificates of deposits with ME Bank. As at 30 June 2020, the value of the negotiable certificates of deposits were \$184.4m (2019: \$181.8m). Total income earned by Hostplus from this investment for the year ended 30 June 2020 was \$2.6m (2019: \$4.5m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

NOTE 6. INCOME TAX

	2020	2019
	\$	\$
(a) Recognised in the Income Statement		
Current tax expense		
Current year	(54,784,230)	(57,664,203)
Adjustments in respect of current income tax of previous years	264,249	(2,901,694)
	<u>(54,519,981)</u>	<u>(60,565,897)</u>
Deferred tax expense		
Movement in temporary differences	(149,157)	2,154,746
Total income tax expense/(benefit) reported in Income Statement	<u>(54,669,138)</u>	<u>(58,411,151)</u>
(b) Reconciliation between income tax expenses and the accounting profit before income tax		
Profit/(loss) from operating activities	(982,507,998)	2,675,118,653
Tax at the complying superannuation fund tax rate of 15%	(147,376,200)	401,267,798
Non-assessable investment income	128,846,937	(415,536,764)
Net imputation and foreign tax credits	(2,099,627)	(2,503,360)
Deductible insurance premiums	(34,304,497)	(38,326,729)
Anti-detriment deductions	-	(410,402)
Under/(over) provision in previous year	264,249	(2,901,694)
Total income tax expense/(benefit)	<u>(54,669,138)</u>	<u>(58,411,151)</u>

**HOSTPLUS SUPERANNUATION FUND
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NOTE 6. INCOME TAX (continued)

(c) Recognised in the Statement of Changes in Member Benefits

Contributions and transfers-in	9,438,415,068	10,880,432,739
Tax at the complying superannuation fund tax rate of 15%	1,415,762,260	1,632,064,911
Non-assessable contributions	(78,972,937)	(77,539,595)
Non-assessable transfers-in	(741,568,723)	(1,063,706,250)
No TFN Tax	256,993	33,555
Under/(over) provision in previous year	3,451,237	3,588,016
	598,928,830	494,440,637

(d) Deferred tax assets and liabilities

Unrealised (gains) losses in investments subject to CGT	(840,570)	(2,258,446)
Insurance premiums	2,413,300	3,807,204
Employee entitlements and other accruals	907,423	782,238
	2,480,153	2,330,996

(e) Current tax asset and liability

The current tax liability for the Fund of \$540,693,365 (2019: \$433,188,420) represents the amount of income tax payable in respect of current and prior periods.

NOTE 7. ADMINISTRATION EXPENSES

	2020	2019
	\$	\$
Fund administration	63,595,186	59,377,429
Staff expenditure	35,089,369	31,701,918
Marketing, advertising and sponsorship	13,856,115	15,686,706
Office expenditure	5,168,279	4,791,750
Depreciation and amortisation	2,274,279	3,302,071
Trustee services fees	841,608	864,150
	120,824,836	115,724,024

NOTE 8. AUDITORS' REMUNERATION

	2020	2019
	\$	\$
Remuneration paid or payable for services provided by the auditor, PricewaterhouseCoopers:		
- Audit of Financial Statements	57,951	56,257
- Other Assurance Services	76,689	74,433
- Other Non-audit Services	56,100	-
	190,740	130,690

**HOSTPLUS SUPERANNUATION FUND
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NOTE 9. CASH FLOW STATEMENT RECONCILIATION

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020	2019
	<u>\$</u>	<u>\$</u>
Cash at bank	<u>61,515,798</u>	<u>48,823,353</u>

Reconciliation of net cash from operating activities to net profit after income tax

Profit / (loss) after income tax	5,086,339	34,507,411
Adjustments for:		
Net investment income (non-cash)	862,989,647	(2,789,217,336)
Depreciation and impairment	2,274,279	3,302,071
Net insurance activities	(72,647,420)	(108,770,105)
(Increase) / decrease in receivables and prepayments	(17,339,719)	12,891,469
(Increase) / decrease in deferred tax	(149,157)	5,159,461
Increase / (decrease) in payables and employee entitlements	(7,657,927)	2,747,885
Increase / (decrease) in income tax payable	(54,519,980)	(60,565,897)
Allocation to members' accounts	(932,925,199)	2,699,022,393
Net cash outflows from operating activities	<u>(214,889,137)</u>	<u>(200,922,648)</u>

NOTE 10. FINANCIAL RISK MANAGEMENT

In March 2020, the World Health Organisation (WHO) declared COVID-19 a pandemic. The Board and Management acknowledge the increased market volatility the pandemic has created within the financial markets the Fund operates. This volatility has had a corresponding impact on the fair value of the Fund's investment portfolio during the financial year.

The Trustee and Management are monitoring developments closely, noting that given the nature of the pandemic and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Fund. Notwithstanding, Management actively manages the financial risks that the Fund is exposed to, as described below. The fair value of the Fund's investments continue to be valued in accordance with the frequency set out in the Fund's valuation policy, which includes applying valuation methodologies reflective of the prevailing market conditions.

The Fund predominately invests its assets through the Hostplus Pooled Superannuation Trust ('Trust'), a related entity with the same Trustee as the Fund. 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 Board. The type of financial instruments held by the Trust within each asset class are either held directly in the form of equity or debt type 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 (directly or indirectly) 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.

The Trustee is responsible for setting, monitoring and revising the investment strategy of the Fund including its exposure amongst the various asset classes. The Trustee has determined the Trust's investment strategy is consistent with the investment strategy of the Fund and has therefore selected it as the predominant investment vehicle. The Trustee maintains the responsibility 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.

**HOSTPLUS SUPERANNUATION FUND
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

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 Fund, 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 Fund's activities. These are also documented in the Trustee's Risk Management Framework, which is subject to regular review both by management and the Board, including an annual audit of compliance.

The Trustee receives regular reports concerning the performance and activities of the Trust, as well as the Trust's underlying investments 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.

While the Fund does not directly trade in derivatives, the Trust does use derivative financial instruments, such as futures, options, swaps and forward foreign exchange contracts to manage market movement, currency risk and 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 actively monitors the activities of the Fund and the Trust 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 expert advice regarding asset allocation and the management of the investment portfolio in accordance with the Trustee's Investment Strategy.

The Trustee's Audit, 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 Fund, 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 for both the Fund and the Trust, to ensure risk remains within acceptable levels.

(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 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.

With the Fund's assets invested in the Trust (an Australian dollar denominated investment) the Fund does not have any direct foreign currency exposure as at 30 June 2020.

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 Fund's investments in fixed interest and cash instruments, which are interest bearing securities are subject to interest rate risk.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Interest rate risk (continued)

The Fund's exposure to interest rate risk is considered low and is isolated to the interest it earns on:

- Surplus cash in operating bank accounts held with the NAB;
- Uninvested cash in custodian accounts held with Citi; and
- Surplus cash and term deposits held by members with ME Bank through the Fund's ChoicePlus platform.

Sensitivity analysis

In considering what may be an appropriate volatility factor for interest rate exposure, the Trustee's investment advisor 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. In considering what may be an appropriate volatility factor for interest on cash and term deposits, the Trustee's investment advisor examined the average absolute movement in the yields of the RBA cash rate. 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.

	2020	2019
Fixed Interest	70 bps	50 bps
Cash and cash equivalents	50 bps	50 bps

An increase or decrease in interest rates would have impacted the Fund's profit and loss after income tax and net assets by the amounts shown below. This analysis assumes that all other variables remain constant.

2020	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Fixed Interest	36,281,133	(215,873)	215,873	(215,873)	215,873
Cash and cash equivalents	154,995,287	658,730	(658,730)	658,730	(658,730)
	191,276,420	442,857	(442,857)	442,857	(442,857)

2019	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Fixed Interest	36,963,905	(157,097)	157,097	(157,097)	157,097
Cash and cash equivalents	80,660,868	342,809	(342,809)	342,809	(342,809)
	117,624,773	185,712	(185,712)	185,712	(185,712)

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.

The Fund is exposed to other price risk through its investment in the Trust, and the equities and managed funds held by members through the Fund's ChoicePlus platform. The Fund'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 Fund and are in accordance with the Trustee's published investment strategy.

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

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Other price risk (continued)

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 2020 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.

	2020	2019
Equities	12%	14%
Pooled superannuation trust and managed funds	10%	10%

An increase or decrease in the market price of investments of the Fund at 30 June would have impacted the Fund's profit and loss after income tax and net assets by the amounts shown below. This analysis assumes that all other variables remain constant.

2020	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	279,994,935	28,559,483	(28,559,483)	28,559,483	(28,559,483)
Pooled superannuation trust and managed funds	48,796,179,411	4,147,675,250	(4,147,675,250)	4,147,675,250	(4,147,675,250)
	<u>49,076,174,346</u>	<u>4,176,234,733</u>	<u>(4,176,234,733)</u>	<u>4,176,234,733</u>	<u>(4,176,234,733)</u>

2019	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	206,348,905	24,555,520	(24,555,520)	24,555,520	(24,555,520)
Pooled superannuation trust and managed funds	45,071,795,009	3,831,102,576	(3,831,102,576)	3,831,102,576	(3,831,102,576)
	<u>45,278,143,914</u>	<u>3,855,658,096</u>	<u>(3,855,658,096)</u>	<u>3,855,658,096</u>	<u>(3,855,658,096)</u>

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk also reflects uncertain asset values due to adverse movements 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. 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 Fund'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.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	2020	2019
	\$	\$
Cash at bank	61,515,798	48,823,353
Receivables	43,216,186	46,901,509
Investment cash and cash equivalents	154,995,287	80,660,868
Fixed interest securities	36,281,133	36,963,905
	<u>296,008,404</u>	<u>213,349,635</u>

(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 saleability 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 Trustee's Trust Deed and Product Disclosure Statement provide for the daily withdrawal of benefits and the Trustee is therefore exposed to the liquidity risk of meeting members' withdrawals at any time.

The Fund invests in the Hostplus Pooled Superannuation Trust ('Trust'), which has investments that are not traded in organised public markets and may be illiquid. As a result, the Trustee may not be able to quickly liquidate 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 considers the Fund's expected future cash flow requirements.

The Fund's listed securities are considered to be readily realisable as they are all listed on recognised stock exchanges 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.

2020	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Member liabilities	48,448,358,396	48,448,358,396	-	-
Employee entitlements	6,049,487	5,500,253	91,952	457,282
Accounts payable	30,543,709	30,543,709	-	-
	<u>48,484,951,592</u>	<u>48,484,402,358</u>	<u>91,952</u>	<u>457,282</u>
2019	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Member liabilities	44,695,568,296	44,695,568,296	-	-
Employee entitlements	5,214,921	4,775,224	39,601	400,096
Accounts payable	39,036,202	39,036,202	-	-
	<u>44,739,819,419</u>	<u>44,739,379,722</u>	<u>39,601</u>	<u>400,096</u>

Member benefits that are allocated have been included in the "Less than 1 month" column above as this is the amount that members could call upon as at 30 June, however the Fund considers it is highly unlikely that all members will request to rollover their superannuation fund accounts at the same time.

**HOSTPLUS SUPERANNUATION FUND
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(d) Estimation of fair values

The Fund's financial assets and liabilities included in the Statement of Financial Position are carried at fair value. The major methods and assumptions used in determining fair value of financial instruments have been disclosed at Note 2 Summary of Significant Accounting Policies.

(e) Fair value hierarchy

The table below analyses financial instruments 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 a financial instrument is categorised is determined on the basis of the lowest level input that is significant to its fair value measurement. If fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the financial instrument will be categorised as a level 3. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the instrument.

The determination of what constitutes 'observable' requires significant judgement 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 quoted market price used for financial assets held by the Fund is the current mid price; the quoted market price used for financial liabilities is the current application price.

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

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

The Fund's investments categorised under level 2 are held in the Hostplus Pooled Superannuation Trust ('Trust') 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. Whilst the investments are categorised under level 1 and 2 in line with AASB 7, the Trust's underlying investment portfolio includes investments in level 1, 2 and 3 assets.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2020.

2020	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit or loss:			
Cash and cash equivalents	154,995,287	-	-
Fixed interest securities	36,281,133	-	-
Equities	279,994,935	-	-
Pooled superannuation trust and managed funds	153,630,070	48,642,549,341	-
	624,901,425	48,642,549,341	-

**HOSTPLUS SUPERANNUATION FUND
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value hierarchy (continued)

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

2019	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit or loss:			
Cash and cash equivalents	80,660,868	-	-
Fixed interest securities	36,963,905	-	-
Equities	206,348,905	-	-
Pooled superannuation trust and managed funds	98,695,533	44,973,099,476	-
	<u>422,669,211</u>	<u>44,973,099,476</u>	<u>-</u>

There were no transfers between levels for the year ended 30 June 2020 or 30 June 2019.

Level 3 investments

The Fund no longer holds investments in unlisted financial instruments that is not traded in an active market.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(f) Environmental, Social and Governance factors

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

Responsible investment is an important part of the Fund's investment approach that helps it better manage risk and optimise retirement outcomes for its members. It involves incorporating environmental, social and governance (ESG) factors (including climate change) into investment decisions. The Fund 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 Fund recognises that climate change may influence the performance of the investments over time and that the impact will be dependent on the extent of physical, social and regulatory changes. The Fund 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 Fund is committed to incorporating climate change into all aspects of the investment process:

- Climate change is incorporated within the Fund's investment philosophy.
- Climate-related risks are considered as part of our 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 Fund's overall investment strategy and investment portfolio. As a result of the above processes performed by the Trustee, no material climate risks which would require specific disclosure have been identified within the Fund's investment portfolio.

NOTE 11. 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 (formerly United Voice) 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 Elmslie (Chair)	T Lyons (Deputy Chair)	M Robertson (Deputy Chair)
P Collins	B Myers	D Gibson
A Grayson	J Hill	M Vaile
	R Buckler ^(a)	N Randall ^(a)

^(a) Alternate Director

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(b) Board of Directors and remuneration (continued)

Under the terms of the Trust Deed, the Trustee is entitled to be paid or reimbursed out of Fund assets for all expenses and liabilities which it may incur in connection with the Fund or in performing its obligations. Trustee Fees Services paid and payable by the Fund are set out in Note 7. Embedded in the Trustee Services Fee is the Fund's share of remuneration paid/payable to Directors for services rendered to the Board and Committees of the Board as set out in the following tables:

Year ended 30 June 2020

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Elmslie	182,010	9,455	25,000	-	216,465
P Collins	113,735	-	17,060	-	130,795
A Grayson	113,735	-	17,060	-	130,795
Employer nominated					
M Robertson ^(a)	118,423	-	17,763	-	136,186
D Gibson	118,031	-	17,705	-	135,736
M Vaile	97,711	-	14,657	-	112,368
N Randall	25,095	-	3,764	-	28,859
Member nominated					
T Lyons	130,280	-	19,542	-	149,822
B Myers ^(a)	97,711	-	14,657	-	112,368
J Hill	87,551	-	13,133	-	100,684
R Buckler	35,987	-	5,398	-	41,385
Total	1,120,269	9,455	165,739	-	1,295,463

^(a) Director fees for these individuals are paid to their nominating association United Workers Union or AHA.

Year ended 30 June 2019

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Elmslie	177,174	9,142	26,576	-	212,892
P Collins	111,944	-	16,792	-	128,736
A Grayson	104,445	-	15,667	-	120,112
Employer nominated					
M Robertson ^(a)	116,559	-	17,484	-	134,043
D Gibson	116,172	-	17,426	-	133,598
M Vaile	91,173	-	13,676	-	104,849
N Randall	37,811	-	5,672	-	43,483
Member nominated					
T Lyons	128,297	-	19,245	-	147,542
B Myers ^(a)	91,173	-	13,676	-	104,849
J Hill	86,172	-	12,926	-	99,098
R Buckler	35,420	-	5,313	-	40,733
Total	1,096,340	9,142	164,453	-	1,269,935

^(a) Director fees for these individuals are paid to their nominating association United Voice or AHA.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(c) Group Executive management and remuneration

Key management personnel of Hostplus as at 30 June 2020 included the following Group Executives:

Name of Executive	Role
D Elia	Chief Executive Officer (CEO)
N Brouwer	Group Executive – Risk & Compliance
K Cantwell	Group Executive – Administration Optimisation
S Sicilia	Chief Investment Officer
N Strickland	Group Executive – People, Performance & Culture
L Tassone	Group Executive – Finance, Technology & Operations
P Watson	Group Executive – Member Experience
S Wilkinson	Group Executive – Strategy, Transformation & Services

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

Year ended 30 June 2020

Name	Date commenced	Date change in position	Salary	Short-term incentives	Parking benefits	Super-annuation	Termination benefits	Total
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
D Elia	15/03/1999		899,048	221,979	9,455	25,000	-	1,155,482
N Brouwer	21/11/2016		347,269	53,162	9,455	25,000	-	434,886
K Cantwell	10/10/2016	18/02/2020 ^(b)	248,827	40,879	9,455	25,000	-	324,161
S Sicilia	31/03/2008		632,946	227,013	9,455	25,000	-	894,414
N Strickland	17/02/2014		236,716	25,956	9,455	25,000	-	297,127
L Tassone	19/08/2013	18/02/2020 ^(c)	318,346	43,264	9,455	25,000	-	396,065
P Watson	21/03/2011		339,056	41,340	9,455	25,000	-	414,851
S Wilkinson	16/11/2015	18/02/2020 ^(a)	112,295	575	1,938	8,558	-	123,366
Total			3,134,503	654,168	68,123	183,558	-	4,040,352

^(a) Appointed as Group Executive - Strategy, Transformation and Services

^(b) Position changed from Group Executive - Service Operations to Group Executive - Administration Optimisation

^(c) Position changed from Group Executive - Finance, Strategy and IT to Group Executive - Finance, Technology & Operations

In addition to the remuneration outlined in the table above, D. Elia, N. Strickland and L. Tassone cashed-out accrued leave entitlements equal to \$173,173, \$3,395 and \$28,340, respectively.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(c) Group Executive management and remuneration (continued)

Year ended 30 June 2019

Name	Date commenced	Date change in position	Salary (\$)	Short-term incentives (\$)	Parking benefits (\$)	Super-annuation (\$)	Termination benefits (\$)	Total (\$)
D Elia	15/03/1999		822,942	231,972	9,142	25,961	-	1,090,017
N Brouwer	21/11/2016		307,915	36,353	9,142	25,000	-	378,410
K Cantwell	10/10/2016		267,125	39,359	9,142	25,000	-	340,626
U Mecchi	28/11/2011	7/12/2018 ^(b)	178,624	53,089	2,884	13,461	-	248,058
S Sicilia	31/03/2008		589,977	343,505	9,142	25,000	-	967,624
N Strickland	17/02/2014		180,680	32,406	9,142	27,772	-	250,000
L Tassone	19/08/2013	17/10/2018 ^(a)	195,115	-	6,258	17,115	-	218,488
P Watson	21/03/2011	17/10/2018 ^(c)	315,833	32,843	9,142	25,000	-	382,818
Total			2,858,211	769,527	63,994	184,309	-	3,876,041

^(a) Appointed as Group Executive – Finance, Strategy and IT

^(b) Resigned as Chief Marketing Officer

^(c) Position changed from Group Executive – Retirement Solutions & Advice to Group Executive – Member Experience

In addition to the remuneration outlined in the table above, D. Elia, N. Brouwer, U. Mecchi and N. Strickland cashed-out accrued leave entitlements equal to \$95,192, \$31,377, \$207,442 and \$12,733, respectively.

(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 Charter, 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 2020, the CEO's total remuneration was equal to \$1,155,482, which compares to the amount earned by other Hostplus employees as follows:

- the 25th percentile Hostplus employee earned \$65,455 during the year ended 30 June 2020, which is 17.7 times less than the CEO's remuneration;
- the median Hostplus employee earned \$92,000 during the year ended 30 June 2020, which is 12.6 times less than the CEO's remuneration; and
- the 75th percentile Hostplus employee earned \$136,389 during the year ended 30 June 2020, which is 8.5 times less than the CEO's remuneration.

**HOSTPLUS SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(e) Directors' attendance at Board and Committee meetings

Year ended 30 June 2020

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees									
			Audit, Risk & Compliance		Claims Review		People & Remuneration		Special Investments Group		Operations	
	A	B	A	B	A	B	A	B	A	B	A	B
Directors												
D Elmslie	8	8	-	-	-	-	2	2	6	6	-	-
P Collins	8	8	3	3	-	-	-	-	-	-	-	-
A Grayson	8	8	-	-	-	-	-	-	-	-	4	4
D Gibson	8	8	-	-	-	-	2	2	6	6	-	-
M Robertson	8	8	2	3	-	-	-	-	6	6	-	-
M Vaile	7	8	1	3	-	-	-	-	-	-	4	4
T Lyons	8	8	3	3	-	-	2	2	6	6	-	-
B Myers	8	8	-	-	-	-	-	-	-	-	4	4
J Hill	7	8	-	-	-	-	-	-	-	-	-	-
Alternate Directors												
R Buckler	-	-	-	-	14	15	-	-	-	-	-	-
N Randall	1	-	-	-	-	-	-	-	-	-	-	-
Observers												
D Elmslie	-	-	-	-	-	-	-	-	-	-	-	-
A Grayson	-	-	-	-	-	-	-	-	1 (*)	-	-	-
J Hill	-	-	-	-	-	-	-	-	2 (*)	-	-	-
R Buckler	4 (#)	-	-	-	-	-	-	-	-	-	-	-
N Randall	2 (#)	-	-	-	-	-	-	-	-	-	-	-

A Number of meetings attended including where an alternate may have attended on behalf of the appointed Director

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 SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(e) Directors' attendance at Board and Committee meetings (continued)

Year ended 30 June 2019

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees									
			Audit, Risk & Compliance		Claims Review		People & Remuneration		Special Investments Group		Operations	
			A	B	A	B	A	B	A	B	A	B
Directors												
D Elmslie	7	7	-	-	-	-	3	3	2	2	-	-
P Collins	7	7	3	3	-	-	-	-	-	-	-	-
A Grayson	7	7	-	-	-	-	-	-	-	-	2	2
D Gibson	6	7	1	3	-	-	3	3	2	2	-	-
M Robertson	6	7	2	3	-	-	-	-	2	2	-	-
M Vaile	6	7	-	-	-	-	-	-	-	-	2	2
T Lyons	6	7	3	3	-	-	3	3	2	2	-	-
B Myers	7	7	-	-	-	-	-	-	-	-	2	2
J Hill	7	7	-	-	-	-	-	-	-	-	-	-
Alternate Directors												
R Buckler	-	-	-	-	13	16	-	-	-	-	-	-
N Randall	3	-	-	-	-	-	-	-	-	-	-	-
Observers												
D Elmslie	-	-	2 (*)	-	-	-	-	-	-	-	-	-
D Gibson	-	-	-	-	-	-	-	-	-	-	1 (*)	-
M Vaile	-	-	-	-	-	-	1 (*)	-	-	-	-	-
R Buckler	3 (#)	-	-	-	-	-	-	-	-	-	-	-
N Randall	3 (#)	-	-	-	-	-	-	-	-	-	-	-

A Number of meetings attended including where an alternate may have attended on behalf of the appointed Director

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 SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 11. RELATED PARTIES (continued)

(f) Transactions with Directors, Management Personnel and Shareholders

The following Directors and Management Personnel were also members of the Fund during the year:

Trustee Directors		Executive members	
Robyn Buckler	Mark Vaile	David Elia	Natalie Strickland
Peter Collins		Norlena Brouwer	Lewis Tassone
Judith Hill		Kelly Cantwell	Paul Watson
Mark Robertson		Sam Sicilia	Stuart Wilkinson

Their membership terms and conditions were the same as those applied to other members of the Fund.

The shareholders of the Trustee, Host-Plus Pty Limited, are United Workers Union (formerly United Voice) and Australian Hotels Association ('AHA'). As part of the Fund's ongoing marketing initiatives, the Fund has agreements in place with both shareholders to support the marketing, advocacy and promotion of the Fund. The agreements include specific obligations of each party and provide for attendance and speaking opportunities at various industry events and forums, name and logo exposure opportunities at industry events or through industry publications and use of other stipulated mediums to promote and advertise the Fund.

The Fund measures and monitors the benefits derived against the benefits stipulated in the above agreements, which are subject to annual testing by the Fund's internal auditor, KPMG. The objectives of the internal audit include considering whether the delivery of stipulated benefits have been received. Based on the procedures they have undertaken, the internal auditor has not reported any significant control weaknesses in the processes, procedures, and controls in respect of the arrangements.

The agreements with the AHA include the National body of the AHA and the following State based affiliates (Australian Capital Territory, New South Wales, Northern Territory, South Australia, Tasmania, and Victoria). The agreement with the United Workers Union is with the National body of the United Workers Union which incorporates the following State based affiliates (Australian Capital Territory, New South Wales, Northern Territory, South Australia, Tasmania, Victoria and Western Australia). During the year, the Trustee paid the Australian Hotels Association \$679,800 (2019: \$640,200) and United Workers Union \$400,000 (2019: \$400,000), excluding GST.

From time to time, the Fund will partner with its shareholders and related industry partners for the purposes of engaging with members and employers. These are further marketing opportunities that fall outside the agreements noted above. During the year, the Trustee paid the Australian Hotels Association \$27,273 (2019: \$34,845) and United Workers Union \$nil (2019: \$13,000) excluding GST in relation to these activities.

(g) Investment in the Hostplus Pooled Superannuation Trust

The Fund predominately invests its assets through the Hostplus Pooled Superannuation Trust ('Trust'), a related entity with the same Trustee as the Fund. 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 Board. As at 30 June 2020, the Fund holds 99.65% (2019: 99.94%) of investments in the Trust and the remaining portion is held by other investors.

NOTE 12. 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, Income Statement, Statement of Changes in Member Benefits or Statement of Cash Flows of the Fund for the year ended on that date.

NOTE 13. SEGMENT INFORMATION

The Fund operates solely in one reportable business segment, being the provision of accumulation and pension benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, dividends, property rentals, gains on sale of investments, unrealised changes in the value of investments and contribution revenue.

**HOSTPLUS SUPERANNUATION FUND
TRUSTEE DECLARATION**

In the opinion of the Trustee of the Hostplus Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 1 to 28 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) presents fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2020, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Host-Plus Pty. Limited as Trustee for the Hostplus Superannuation Fund.

DIRECTOR 

DIRECTOR 

Melbourne
18 September 2020



Independent Auditor's report on financial statements

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

Report by the RSE Auditor to the trustee of Hostplus Superannuation Fund (ABN: 68 657 495 890)

Opinion

I have audited the financial statements of Hostplus Superannuation Fund for the year ended 30 June 2020 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, 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 Superannuation Fund as at 30 June 2020 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2020.

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* 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.

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

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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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'David Coogan'.

David Coogan
Partner

Melbourne
18 September 2020