

**HOSTPLUS SUPERANNUATION FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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

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

	Notes	2023 \$	2022 \$
Assets			
Cash and cash equivalents	9	53,748,142	43,800,038
Receivables		82,492,202	42,214,999
Prepayments		651,567	507,518
Investments			
Cash and cash equivalents held for investing activities		224,482,159	190,933,162
Fixed interest securities		49,059,022	17,443,437
Equities		489,636,373	400,375,301
Pooled superannuation trust and managed funds		94,385,642,300	80,174,267,269
Property, plant and equipment		9,037,314	8,360,812
Deferred tax assets	6(d)	-	525,317
Total assets		95,294,749,079	80,878,427,853
Liabilities			
Employee entitlements		10,648,747	10,307,067
Payables		123,717,004	93,619,514
Current tax liabilities	6(e)	1,087,669,658	770,433,771
Deferred tax liabilities	6(d)	6,271,625	-
Total liabilities excluding member benefits		1,228,307,034	874,360,352
Net assets available for member benefits		94,066,442,045	80,004,067,501
Member benefits			
Defined contribution member liabilities			
Allocated to members		(92,766,691,610)	(79,387,132,830)
Unallocated to members		(5,334,132)	(9,795,980)
Defined benefit member liabilities			
Allocated to members		(441,814,964)	(479,475,687)
Total member liabilities		(93,213,840,706)	(79,876,404,497)
Net assets		852,601,339	127,663,004
Equity			
Residual reserve		137,583,983	(487,312,416)
Administration reserve		250,607,377	230,036,423
Operational Risk Financial Requirement reserve		235,031,760	193,055,128
Insurance reserve		82,505,972	56,780,502
Defined benefits that are over funded	3(b)	146,872,247	135,103,367
Total equity		852,601,339	127,663,004

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 2023**

	Notes	2023 \$	2022 \$
Revenue from superannuation activities			
Interest		9,012,716	1,824,952
Dividends and distributions		25,570,476	23,314,775
Changes in investments measured at fair value	4	7,934,009,873	(1,783,455,692)
Other income		3,604,615	1,342,583
Total revenue		<u>7,972,197,680</u>	<u>(1,756,973,382)</u>
Expenses from superannuation activities			
Investment expenses		27,677,520	16,007,892
Administration expenses	7	169,798,594	139,190,181
Total expenses		<u>197,476,114</u>	<u>155,198,073</u>
Profit/(loss) from operating activities before income tax		<u>7,774,721,566</u>	<u>(1,912,171,455)</u>
Income tax (expense)/benefit	6(a)	74,089,343	74,554,592
Profit/(loss) from operating activities after income tax		<u>7,848,810,909</u>	<u>(1,837,616,863)</u>
Less: Net benefits allocated to defined contribution members' accounts		(7,112,785,693)	971,154,901
Less: Net change to defined benefit member liabilities		(32,117,888)	14,458,265
Profit/(loss) after income tax		<u>703,907,328</u>	<u>(852,003,697)</u>

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 2023**

	Notes	\$ Defined Contribution	\$ Defined Benefit	2023 \$ Total
Opening balance of member benefits		79,396,928,810	479,475,687	79,876,404,497
Contributions received from:				
Employers'		7,223,954,350	17,404,784	7,241,359,134
Members'		1,175,566,050	521,807	1,176,087,857
Government		79,745,471	-	79,745,471
Transfers from other superannuation plans		3,103,641,372	-	3,103,641,372
Income tax on contributions	6(c)	(1,175,938,479)	(2,610,446)	(1,178,548,925)
Net after tax contributions		10,406,968,764	15,316,145	10,422,284,909
Other transactions applied to / (deducted from) members' accounts				
Net benefits allocated to defined contribution members' accounts, comprising:				
Net investment income		7,231,376,786	35,706,552	7,267,083,338
Net administration fees		(118,591,012)	(81)	(118,591,093)
Net change to defined benefit member accrued benefits		-	(3,588,664)	(3,588,664)
Insurance proceeds		204,412,692	335,666	204,748,358
Benefits paid		(4,098,705,180)	(1,773,763)	(4,100,478,943)
Internal transfers of benefits between plans		81,230,012	(81,230,012)	-
Insurance premiums		(331,595,130)	(2,426,566)	(334,021,696)
Closing balance of member benefits		92,772,025,742	441,814,964	93,213,840,706

	Notes	\$ Defined Contribution	\$ Defined Benefit	2022 \$ Total
Opening balance of member benefits		61,185,658,332	-	61,185,658,332
Contributions received from:				
Employers'		5,284,471,409	3,516,545	5,287,987,954
Members'		1,121,723,517	110,407	1,121,833,924
Government		56,743,687	-	56,743,687
Successor fund transfers		14,157,946,658	491,964,725	14,649,911,383
Transfers from other superannuation plans		2,566,000,720	-	2,566,000,720
Income tax on contributions	6(c)	(841,320,541)	(527,482)	(841,848,023)
Net after tax contributions		22,345,565,450	495,064,195	22,840,629,645
Other transactions applied to / (deducted from) members' accounts				
Net benefits allocated to defined contribution members' accounts, comprising:				
Net investment income		(875,631,566)	-	(875,631,566)
Net administration fees		(95,523,335)	-	(95,523,335)
Net change to defined benefit member accrued benefits		-	(14,458,265)	(14,458,265)
Insurance proceeds		161,655,607	-	161,655,607
Benefits paid		(3,061,924,151)	(14,361)	(3,061,938,512)
Internal transfers of benefits between plans		824,757	(824,757)	-
Insurance premiums		(263,696,284)	(291,125)	(263,987,409)
Closing balance of member benefits		79,396,928,810	479,475,687	79,876,404,497

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 2023**

	Residual reserve	Administration reserve	Operational Risk Requirement reserve	Insurance reserve	Defined benefits over funded	Total equity
2023	\$	\$	\$	\$	\$	\$
Opening balance	(487,312,416)	230,036,423	193,055,128	56,780,502	135,103,367	127,663,004
Net transfers to/(from) reserves	-	(29,365,282)	27,200,000	23,196,289	-	21,031,007
Net allocations to/(from) Members Benefits	(7,234,301,055)	122,876,675	-	-	(33,479,201)	(7,144,903,581)
Net allocations to/(from) Income Statement	7,859,197,454	(72,940,439)	14,776,632	2,529,181	45,248,081	7,848,810,909
Net allocations (to)/from Successor Fund	-	-	-	-	-	-
Closing balance	137,583,983	250,607,377	235,031,760	82,505,972	146,872,247	852,601,339
	Residual reserve	Administration reserve	Operational Risk Requirement reserve	Insurance reserve	Defined benefits over funded	Total equity
2022	\$	\$	\$	\$	\$	\$
Opening balance	381,186,515	217,473,021	154,171,850	53,062,431	-	805,893,817
Net transfers to/(from) reserves	-	(10,304,588)	-	2,154,866	-	(8,149,722)
Net allocations to/(from) Members Benefits	872,596,891	98,558,010	-	-	14,458,265	985,613,166
Net allocations to/(from) Income Statement	(1,741,095,822)	(75,690,020)	853,054	1,563,205	(23,247,280)	(1,837,616,863)
Net allocations (to)/from Successor Fund Transfers	-	-	38,030,224	-	143,892,382	181,922,606
Closing balance	(487,312,416)	230,036,423	193,055,128	56,780,502	135,103,367	127,663,004

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 2023**

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Interest received		304,475	3,128
Insurance proceeds		204,748,358	161,655,607
Other income		1,572,268	1,087,487
Administration expenses		(147,877,237)	(143,094,899)
Insurance premiums		(342,255,458)	(273,234,524)
Investment expenses		(923,730)	(830,207)
Income tax refund/(paid)		(5,299)	-
Net cash inflows/(outflows) from operating activities	9	(284,436,623)	(254,413,408)
Cash flows from investing activities			
Purchase of investments		(7,195,800,000)	(5,748,100,000)
Proceeds from sale of investment		780,421,454	611,849,740
Sale/(Purchase) of fixed assets		(2,668,308)	(3,563,828)
Net cash inflows/(outflows) from investing activities		(6,418,046,854)	(5,139,814,088)
Cash flows from financing activities			
Contributions received from:			
Employers'		7,241,359,134	5,287,987,954
Members'		1,176,087,857	1,121,833,924
Government		79,745,471	56,743,687
Transfers from other superannuation plans		3,096,139,516	2,597,737,183
Benefits paid to members		(4,100,478,943)	(3,061,938,512)
Income tax paid on contributions		(780,421,454)	(604,763,618)
Net cash inflows/(outflows) from financing activities		6,712,431,581	5,397,600,618
Net increase/(decrease) in cash		9,948,104	3,373,122
Cash and cash equivalents at the beginning of the financial period		43,800,038	40,426,916
Cash and cash equivalents at the end of the financial period	9	53,748,142	43,800,038

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 2023**

NOTE 1. OPERATION OF THE FUND

Hostplus Superannuation Fund ('the Fund') (ABN: 68 657 495 890) is an APRA regulated fund (Licence no. R1000054) 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 four divisions (Industry, Personal, Pension and Defined Benefit). The Fund accepts contributions from employers and members in accordance with its Trust Deed. Members may also transfer money from other superannuation funds.

Statewide Superannuation Trust ('Statewide'), a defined contribution and defined benefit fund, transferred all its members' funds into the Fund on 29 April 2022, under a Successor Fund Transfer (SFT) deed. The Statewide SFT includes a sub-plan for Local Government Superannuation Scheme (Local Super) and the defined benefit component of the sub-plan is closed to new members.

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 15 September 2023. 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

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 2022 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 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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and liabilities (continued)

(i) Classification (continued)

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.

(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 investments 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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement (continued)

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 and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows includes cash held with banking institutions and is subject to an insignificant risk of changes in value.

Cash and cash equivalents held for investing activities in the Statement of Financial Position is reported separately with further details relating to market risk, credit risk and fair value hierarchy contained in Note 10.

(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.

(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	5 years	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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

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 2023 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.

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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Member liabilities

Member liabilities are the Fund's present obligation to pay benefits to members and beneficiaries as follows:

(i) Defined contribution member liabilities

Defined contribution member liabilities have been measured as the amount of member account balances as at reporting date.

(ii) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date.

(l) Reserves

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

Residual reserve - is separately maintained to manage the receipt and allocation of investment income to members' accounts. The residual reserve comprises the difference between the cumulative investment income earned (net of investment related expenses and tax) and the allocation of investment income to members' accounts via the unit pricing process.

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.

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.

Significant judgements, estimates and assumptions exist in the calculation of the accrued benefit relating to defined benefit member liabilities. The key assumptions and estimates used in the preparation of the financial statements are disclosed in Note 3(b) of the financial statements.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual 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) Defined contribution member liabilities

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.

(b) Defined benefit member liabilities

The valuation of the defined benefit member liabilities is undertaken by the Fund's appointed actuary on an annual basis for the defined benefit sub-plan (Salarylink). Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments and with reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

The Trustee has appointed an external actuary to advise the risks of managing the defined benefit sub-plan, including establishing suitable funding objectives. The actuary conducts regular actuarial investigations of the defined benefit sub-plan as required by legislation or at the Trustee's request. Taking into account the Trustee's policy on funding objectives and the sub-plans' circumstances, the actuary recommends the employers' required contribution levels.

A report is provided to the Trustee's Special Investment Group Committee on a periodical basis advising the status of the defined benefit sub-plan. This report highlights the financial position of the defined benefit sub-plan at the most recent quarter end. Where the defined benefit sub-plan is in, or is likely to enter into, an unsatisfactory financial position, the report sets out any remedial actions and agreed rectification programs with the sponsoring employer.

The amount of vested benefits attributable to defined benefit members as at 30 June 2023 is \$465,286,257 (2022: \$504,008,942).

The actuarial value of the defined benefit member liability reflects an actuarial assessment of benefits accrued up to the date of calculation and payable to members on resignation, retirement, death and disablement. This assessment may result in an employer being required to make additional contributions to the sub-plan. The sub-plan is quarantined from other assets of the Fund. In the event that the assets of the sub-plan is not adequate to meet the member's liabilities and that there are insufficient employer contributions, the defined benefit member liabilities are limited to the assets of the sub-plan.

The main assumptions used by the actuary to determine the value of the accrued benefits of the members of the Salarylink sub-plan as at 30 June are:

- Future net investment returns: 6.8% (2022: 5.7%) for Salarylink superannuation liabilities, and 7.7% (2022: 6.5%) for pension liabilities; and
- Future rate of salary inflation: 3.0% (2022: 2.9%)

**HOSTPLUS SUPERANNUATION FUND
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NOTE 3. MEMBER BENEFITS AND FUNDING ARRANGEMENTS (continued)

(b) Defined benefit member liabilities (continued)

Accordingly, any difference between net assets available to pay benefits and the liability for accrued benefits as reported by the Fund has been anticipated, except for the effects of the following factors:

- Some short-term variation in the experience of the sub-plans from that anticipated when determining contribution rates; and
- Valuing assets at fair values at the end of the reporting period (necessary to display the financial position of the sub-plan at that date) rather than adopting average asset values (as is typically done by an actuary when determining contribution rates).

As noted above, the funding policy adopted in respect of the sub-plan has been structured to accommodate any short-term variation that arises and to eliminate any difference between the net assets available to pay benefits and the liability for accrued benefits over the long term.

The impact of the reasonably possible changes in these key assumptions are shown below:

Assumption	Assumed at reporting date %	Reasonable possible change in key assumption %	Increase / (decrease) in Defined benefit member liabilities \$
Investment Return	6.8% (Actives) / 7.7% (Pensions)	+1.0%/-1.0%	2023: (5,510,343) / 8,170,958 2022: (8,186,876) / 12,300,813
Salary increase	3.0%	+0.5%/-0.5%	2023: 718,341/ (365,000) 2022: 3,239,564 / (2,446,750)

The defined benefit sub plan (Salarylink) was over funded during the year as follows:

	\$	\$	2023 \$
	Net Assets available for defined benefit members	Actuarial value of accrued benefits for defined benefit members	Over funded / (Under funded)
Salarylink	588,687,211	441,814,964	146,872,247
			2022 \$
	\$	\$	Over funded / (Under funded)
	Net Assets available for defined benefit members	Actuarial value of accrued benefits for defined benefit members	Over funded / (Under funded)
Salarylink	614,579,054	479,475,687	135,103,367

**HOSTPLUS SUPERANNUATION FUND
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FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 3. MEMBER BENEFITS AND FUNDING ARRANGEMENTS (continued)

(c) Funding arrangements

(i) Defined contribution member liabilities

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 10.5% (2022: 10.0%) 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.

(ii) Defined benefit member liabilities

The funding policy adopted is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in determining employer contribution rates, the actuary has considered long-term trends in such factors as fund membership, salary growth, anticipated levels of investment earnings and average market value of the sub-plans' assets.

In the past, the employers have contributed to the sub-plan at the rate recommended by the actuary. During 2023 that rate was 6.3% (2022: 6.3%) of the gross salaries of those employees who were members of the Salarylink sub-plan. Members of Salarylink contributed to the plan at a rate of between 1% and 10% (2022: 1% and 10%) of gross salary.

NOTE 4. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023	2022
	\$	\$
Investments held at balance date		
Equities	41,638,605	(59,392,784)
Pooled superannuation trust and managed funds	7,824,490,829	(1,749,085,857)
Total unrealised gains/(losses)	7,866,129,434	(1,808,478,641)
Investments realised during the year		
Equities	26,844,920	2,064,393
Pooled superannuation trust and managed funds	41,035,519	22,958,556
Total realised gains/(losses)	67,880,439	25,022,949
Change in fair value of investments	7,934,009,873	(1,783,455,692)

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 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:

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

NOTE 5. COLLECTIVE INVESTMENTS (continued)

- 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.
- 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.

NOTE 6. INCOME TAX

	2023	2022
	\$	\$
(a) Recognised in the Income Statement		
Current tax expense		
Current year	(80,048,305)	(64,895,272)
Adjustments in respect of current income tax of previous years	(837,980)	(630,678)
	(80,886,285)	(65,525,950)
Deferred tax expense		
Movement in temporary differences	6,796,942	(9,028,642)
Total income tax expense/(benefit) reported in Income Statement	(74,089,343)	(74,554,592)
(b) Reconciliation between income tax expenses and the accounting profit before income tax		
Profit/(loss) from operating activities	7,774,721,566	(1,912,171,455)
Tax at the complying superannuation fund tax rate of 15%	1,166,208,235	(286,825,718)
Non-assessable investment (income)/loss	(1,181,719,389)	259,617,469
Net imputation and foreign tax credits	(5,260,293)	(4,740,893)
Deductible insurance premiums	(52,479,916)	(41,974,773)
Under/(over) provision in previous year	(837,980)	(630,677)
Total income tax expense/(benefit)	(74,089,343)	(74,554,592)

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

NOTE 6. INCOME TAX (continued)

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

	2023	2022
	\$	\$
Contributions and transfers-in	11,600,833,834	23,682,477,668
Tax at the complying superannuation fund tax rate of 15%	1,740,125,075	3,552,371,650
Non-assessable contributions	(124,676,922)	(139,287,795)
Non-assessable transfers-in and successor fund transfers	(446,870,232)	(2,578,515,635)
No TFN Tax	(854,660)	760,807
Under/(over) provision in previous year	10,825,664	6,518,996
	<u>1,178,548,925</u>	<u>841,848,023</u>

(d) Deferred tax assets and liabilities

Unrealised (gains) / losses in investments subject to CGT	(12,922,865)	(4,379,317)
Employee entitlements and other accruals	1,597,312	992,304
Insurance premiums	5,053,928	3,912,330
	<u>(6,271,625)</u>	<u>525,317</u>

(e) Current tax asset and liability

The current tax liability for the Fund of \$1,087,669,658 (2022: \$770,433,771) represents the amount of income tax payable in respect of current and prior periods.

NOTE 7. ADMINISTRATION EXPENSES

	2023	2022
	\$	\$
Fund administration	90,755,246	80,328,745
Staff expenditure	43,944,141	31,278,686
Marketing, advertising and sponsorship	24,310,585	19,496,824
Office expenditure	7,814,237	4,739,287
Depreciation and amortisation	1,991,806	1,752,389
Trustee services fees	982,579	1,594,250
	<u>169,798,594</u>	<u>139,190,181</u>

NOTE 8. AUDITORS' REMUNERATION

	2023	2022
	\$	\$
Remuneration paid or payable for services provided by the auditor, PricewaterhouseCoopers:		
- Audit of Financial Statements	98,792	92,228
- Other Assurance Services		
- Audit & APRA Reporting Reviews	96,380	84,599
- Other Non-audit Services		
- Merger Due Diligence & Procedures	159,500	151,272
- Other Consulting Services	368,730	375,887
	<u>723,402</u>	<u>703,986</u>

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

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:

	2023	2022
	\$	\$
Cash and cash equivalents	<u>53,748,142</u>	<u>43,800,038</u>

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

Profit / (loss) after income tax	703,907,328	(852,003,697)
Adjustments for:		
Net investment income (non-cash)	(7,944,068,737)	1,728,467,716
Depreciation and impairment	1,991,806	1,752,389
Net insurance activities	(145,117,754)	(118,176,218)
(Increase) / decrease in receivables and prepayments	5,213,279	(16,637,126)
(Increase) / decrease in deferred tax	6,796,942	(9,028,655)
Increase / (decrease) in payables and employee entitlements	22,828,516	62,351,285
Increase / (decrease) in income tax payable	(80,891,584)	(65,525,936)
Allocation to members' accounts	7,144,903,581	(985,613,166)
Net cash outflows from operating activities	<u>(284,436,623)</u>	<u>(254,413,408)</u>

NOTE 10. FINANCIAL RISK MANAGEMENT

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 Trustee. 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.

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.

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

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

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 internal 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 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 and asset consultant monitor investment valuations with regard to market conditions, benchmark analysis and other relevant factors.

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 2023.

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.

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.

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

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Interest rate risk (continued)

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 cash equivalents held for investing activities, the Trustee's investment advisor examined the average absolute movement in yields of the Bloomberg AusBond Bank Bill Index. 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
Fixed Interest	68 bps	71 bps
Cash and cash equivalents held for investing activities	30 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.

2023	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Fixed Interest	49,059,022	(283,561)	283,561	(283,561)	283,561
Cash and cash equivalents held for investing activities	224,482,159	572,430	(572,430)	572,430	(572,430)
	273,541,181	288,869	(288,869)	288,869	(288,869)

2022	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Fixed Interest	17,443,437	(105,271)	105,271	(105,271)	105,271
Cash and cash equivalents held for investing activities	190,933,162	811,466	(811,466)	811,466	(811,466)
	208,376,599	706,195	(706,195)	706,195	(706,195)

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
FOR THE YEAR ENDED 30 JUNE 2023**

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 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.

	2023	2022
Equities	14%	16%
Pooled superannuation trust and managed funds	11%	12%

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.

2023	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	489,636,373	58,266,728	(58,266,728)	58,266,728	(58,266,728)
Pooled superannuation trust and managed funds	94,385,642,300	8,825,057,555	(8,825,057,555)	8,825,057,555	(8,825,057,555)
	94,875,278,673	8,883,324,283	(8,883,324,283)	8,883,324,283	(8,883,324,283)

2022	Carrying Amount	Profit and loss		Net assets	
		\$	\$	\$	\$
		Increase	Decrease	Increase	Decrease
Equities	400,375,301	54,451,041	(54,451,041)	54,451,041	(54,451,041)
Pooled superannuation trust and managed funds	80,174,267,269	8,177,775,261	(8,177,775,261)	8,177,775,261	(8,177,775,261)
	80,574,642,570	8,232,226,302	(8,232,226,302)	8,232,226,302	(8,232,226,302)

(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
FOR THE YEAR ENDED 30 JUNE 2023**

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:

	2023	2022
	\$	\$
Cash and cash equivalents	53,748,142	43,800,038
Receivables	82,492,202	42,214,999
Cash and cash equivalents held for investing activities	224,482,159	190,933,162
Fixed interest securities	49,059,022	17,443,437
	<u>409,781,525</u>	<u>294,391,636</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 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.

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
	\$	\$	\$	\$
Member liabilities	93,213,840,706	93,213,840,706	-	-
Employee entitlements	10,648,747	9,946,491	151,178	551,078
Payables	123,717,004	123,717,004	-	-
	<u>93,348,206,457</u>	<u>93,347,504,201</u>	<u>151,178</u>	<u>551,078</u>
2022	Carrying amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Member liabilities	79,876,404,497	79,876,404,497	-	-
Employee entitlements	10,307,067	9,553,419	155,647	598,001
Payables	93,619,514	93,619,514	-	-
	<u>79,980,331,078</u>	<u>79,979,577,430</u>	<u>155,647</u>	<u>598,001</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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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 custodian. External investment managers report valuations to the custodian, and 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 2 in line with AASB 13, the Trust's underlying investment portfolio includes investments in level 1, 2 and 3 assets.

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

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value hierarchy (continued)

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

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 2023.

2023	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit or loss:			
Cash and cash equivalents held for investing activities	224,482,159	-	-
Fixed interest securities	49,059,022	-	-
Equities	489,636,373	-	-
Pooled superannuation trust and managed funds	317,332,260	94,068,310,040	-
	<u>1,080,509,814</u>	<u>94,068,310,040</u>	<u>-</u>

2022	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit or loss:			
Cash and cash equivalents held for investing activities	190,933,162	-	-
Fixed interest securities	17,443,437	-	-
Equities	400,375,301	-	-
Pooled superannuation trust and managed funds	261,887,144	79,912,380,125	-
	<u>870,639,044</u>	<u>79,912,380,125</u>	<u>-</u>

There were no transfers between levels for the year ended 30 June 2023 or 30 June 2022.

Level 3 investments

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

The Fund however is indirectly exposed to some level 3 investments through its investment in the Hostplus Pooled Superannuation Trust. As described in Note 10(e) above, the Fund considers its investment in the Trust to be classified as Level 2.

(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.

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

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

(f) Environmental, Social and Governance factors (continued)

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.

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 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

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

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 reimbursed out of Fund assets for all expenses and liabilities it incurs in connection with the Fund or in performing its obligations. This reimbursement is otherwise referred to as a Trustee Services Fee and the amount paid and payable by the Fund is set out in Note 7. Embedded in the Trustee Services Fee is the Fund's share of remuneration paid and 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, which is otherwise referred to as a Risk Premium Charge. The Risk Premium Charge is held by the Trustee in a Risk Premium Reserve to indemnify the Trustee or Directors for non-indemnifiable liabilities. The Risk Premium Charge paid and payable by members of the Fund for the year is \$15,219,299 (2022: \$6,031,296).

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.

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.

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

NOTE 11. RELATED PARTIES (continued)

(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

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.

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

NOTE 11. RELATED PARTIES (continued)

(c) Group Executive management and remuneration (continued)

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 & 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.

(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 SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 11. 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 & Remunera- tion		Special Invest- ments Group		Operations		Nomina- tions and Board Renewal Committee	
	A	B	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.

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

NOTE 11. RELATED PARTIES (continued)

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

Year ended 30 June 2022

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees													
			Audit		Risk & Compliance		Claims Review		People & Remunera- tion		Special Invest- ments Group		Operations		Nomina- tions 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 SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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	
Imogen Beynon	Timothy Lyons	David Elia	Sam Sicilia
Gary Bullock	Beverley Myers	Kelly Cantwell	Natalie Strickland
Brian Kearney		Sharon Fuller	Lewis Tassone
		Umberto Mecchi	Paul Watson
		Jason Muir	Stuart Wilkinson

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

Marketing initiatives

The shareholders of the Trustee, Host-Plus Pty Limited, are United Workers Union 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, Queensland, South Australia, Tasmania, Victoria and Western Australia). 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, Queensland, South Australia, Tasmania, Victoria and Western Australia). During the year, the Trustee paid the Australian Hotels Association \$608,617 (2022: \$694,072) and United Workers Union \$247,727 (2022: \$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 \$1,468 (2022: \$177) and United Workers Union \$nil (2022: \$nil) excluding GST in relation to these activities.

Office lease

The Fund has a contract with United Workers Union for the lease of office premises at Level 3, 54 Cheriton Street, Perth. The initial lease commenced on 1 May 2017 and terminated on 30 April 2023. The lease was renewed with the same contractual arrangement for a further 3 years and terminates on 30 April 2026. During the year, the Fund paid the United Workers Union \$56,231 (2022: \$51,777), excluding GST in relation to all lease expenditures.

(g) Investment in the Hostplus Pooled Superannuation Trust

The Fund predominately invests its assets through the Hostplus Pooled Superannuation 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 2023, the Fund holds 95.14% (2022: 94.62%) of investments in the Trust and the remaining portion is held by other investors.

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(h) for more details.

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

NOTE 11. RELATED PARTIES (continued)

(h) 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 that holds a commercial property (Icon Place) situated at 270 Adelaide Street Brisbane QLD 4000 which is leased to Hostplus Superannuation Fund ('Fund') on commercial terms. Total rent paid and payable by the Fund for the financial year was \$437,083 (2022: \$214,688) (excluding GST). The fair value of the investment in HCPPL is \$8,696,896 (2022: \$8,215,000).

NOTE 12. FUND MERGERS

On 1 December 2022 the trustee boards of Hostplus Superannuation Fund and Maritime Super signed a Successor Fund Transfer (SFT) deed. The SFT was completed on 1 September 2023 with the Fund's net assets increasing by approximately \$6.1 billion.

NOTE 13. 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, other than those already disclosed within the financial statements.

NOTE 14. SEGMENT INFORMATION

The Fund operates solely in one reportable business segment, being the provision of accumulation, defined benefit 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.

**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 31 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 2023 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 2023, 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
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 members of Hostplus Superannuation Fund (ABN: 68 657 495 890)

Opinion

I have audited the financial statements of Hostplus Superannuation Fund (the Fund) for the year ended 30 June 2023 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 2023 and the results of its operations, cash flows, changes in equity and changes in members' benefits 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 Fund's net assets available for members' benefits 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 available for members' benefits because, in my view, it is the metric against which the performance of the Fund 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 Fund made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

My audit approach reflects the nature of the Fund's investment operations and administration of member balances, with consideration to the work undertaken by the Fund'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><i>Valuation of investment in the Hostplus Pooled Superannuation Trust</i> <i>Refer to Note 10(e)(ii) Fair value in an inactive market (level 2 and level 3)</i></p> <p>At 30 June 2023, the Fund primarily invested in the Hostplus Pooled Superannuation Trust (the PST). Through its investment in the PST, the Fund is indirectly invested in asset classes which hold both Australian and international investments, including: listed and unlisted equities, infrastructure funds, property funds and private equity funds, amongst others.</p> <p>Note 10(e)(ii) of the financial statements describes the valuation methodology used by the Fund to measure the fair value of the investment in the PST under Australian Accounting Standards. The Fund's investment in the PST is recorded at the redemption value per unit, as reported by the PST's custodian.</p> <p>I considered this a key audit matter because of the financial significance of the Fund's investment in the PST.</p>	<p>I assessed the design and tested the operating effectiveness of certain controls supporting the Fund's valuation methodology relating to its investment in the PST, including controls relating to the Fund's oversight and review of the valuation policy and methodology adopted by the PST and its external investment managers.</p> <p>In addition to controls testing, I also performed the following procedures amongst others:</p> <ul style="list-style-type: none">● obtained the PST's investor listing from the PST's custodian and agreed the value of the Fund's investment in the PST to the amount recorded in the Fund's accounting records, and● assessed the reliability of the valuation provided by the PST by reference to the audited financial statements of the PST.



Responsibilities of the trustee for the Financial Statements

The Fund'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 Fund 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 Fund 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 Fund'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 Fund'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 Fund 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 stylized, handwritten signature in grey ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A stylized, handwritten signature in grey ink, likely belonging to George Sagonas.

George Sagonas
Partner

Melbourne
15 September 2023