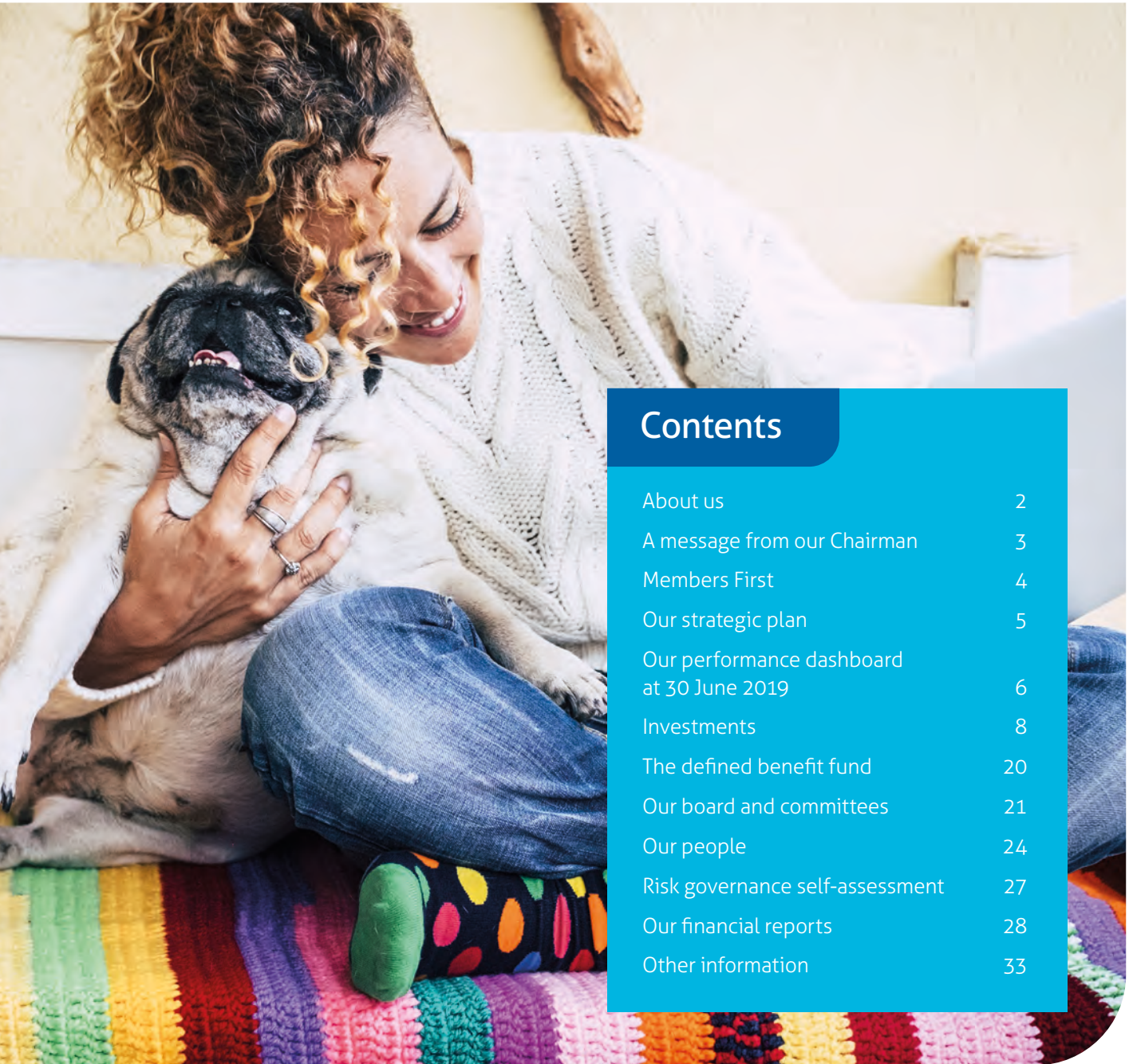


Annual REPORT

TO 30 JUNE 2019



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About us

Choose well for you and your world

Choosing the right super fund will help you secure your financial independence.

At First State Super we deliver strong performance, keep our fees low and provide the quality advice and guidance to help you feel confident about your future – and everyone else's.

You benefit, everyone gains

We're an industry super fund that's been run for the benefit of our members since 1992. We serve you alone - investing for your success in accordance with your values.

As one of Australia's largest super funds, we exercise our ability to have a positive impact on the world. Generating returns for members creates jobs and funding hospitals builds healthy member account balances. Overall, we actively support the businesses we invest in, to embrace sustainable, ethical practices.

We're open to everyone

You don't have to be part of any specific industry to join us. Our members are united by their desire to secure a better future for themselves in a way that's good for everyone.

Prepared and issued by FSS Trustee Corporation ABN 11 118 202 672, AFSL 293340 Level 21, 83 Clarence St Sydney NSW 2000 as trustee of the First State Superannuation Scheme ABN 53 226 460 365. Unique Superannuation Identifier (USI) 53 226 460 365 001, MySuper Authorisation Number 53 226 460 365 073. When members receive advice, they receive it under our financial planning business' own AFS licence. Our financial planning business is wholly owned by FSS Trustee Corporation as trustee of the fund. You should read the Financial Services Guide before making a decision. For more information call 1300 650 873.

Issued Monday 23 December 2019

A message from our Chairman



On behalf of the First State Super board, executive and staff, I would like to thank you for trusting our team to look after your superannuation, retirement and financial planning needs over the past year.

It's been an eventful 12 months for First State Super and the wider superannuation industry. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its recommendations for reform that will affect both the superannuation and financial planning industries. While most have not been legislated, we strongly support any initiative that leads to better transparency, and gives members and clients greater confidence and security.

The Productivity Commission also released its final report on the efficiency and competitiveness of superannuation. The government has said it will implement the Commission's recommendation to review the retirement incomes system. We look forward to participating in the review and advocating for policies that deliver better outcomes for our members.

Equity markets were strong, as record low interest rates encouraged investors to seek better yields from shares, pushing up prices in the process. Our flagship investment options, the Growth and Balanced Growth options, returned 7.72% and 7.10% respectively for the year, well ahead of the industry averages¹. It was pleasing to see research company Chant West name First State Super in the top 10 performing growth funds for the 2018-19 financial year¹.

We entered merger discussions earlier this year with Victorian-based super fund VicSuper. The two funds share a common heritage looking after the savings and retirement needs of public sector employees. If the merger proceeds, the combined entity will be Australia's second largest superannuation fund, managing over \$120 billion on behalf of more than 1.1 million members. By increasing our scale, we can continue to expand and improve our member services, and invest in ways that positively influence the economy and the environment.

In an industry first, First State Super and VicSuper were jointly awarded Best Fund: Integrity by Chant West. This award speaks to the type of funds we are and acknowledges our very genuine commitment to delivering better outcomes for members.

The availability of affordable rental housing is a growing challenge for the community. Our investment team is working

closely with governments, developers and community housing providers to address the lack of affordable housing. We have recently added two properties to our growing affordable housing portfolio – investments that align very well with our goal of supporting the communities in which our members live, work and retire, while also providing our members with competitive investment returns.

The integration of our advice business, StatePlus, was finalised during the period. Being a trusted source of financial advice and retirement expertise is central to our corporate strategy. We believe the advice and support services offered by StatePlus represent a true competitive advantage for our fund and are a valuable service for our members.

We also introduced some really useful enhancements to our member services.

Our new mobile app, aged care seminars and advice, improved account consolidation service and specialist estate planning service are just some of the features introduced during the period.

We welcomed new board members Roslyn Ramwell and Mark Morey. Roslyn was appointed by the NSW Government and brings valuable experience from her time on the boards of StatePlus and State Super. Mark was appointed by Unions NSW and he is the Secretary of Unions NSW. He also has experience as a superannuation fund director. We farewelled directors Philippa Smith and Mark Lennon. Both Philippa and Mark have made a huge contribution to the fund having served on the board and several sub-committees for 12 years and nine years respectively. We will miss them both.

Our long serving CEO, Michael Dwyer, retired at the end of November 2018. His contribution to the superannuation industry, our fund and lives of our members is immeasurable. He has laid a sure foundation based on values driven by our commitment to always put our members first and to be a force for good in the community. We're extraordinarily fortunate that Deanne Stewart is our new CEO, and her leadership, integrity and vision will enable us to continue to serve you well.

I hope you find the annual report interesting and informative. If you have any questions, please see our contact details on the back page.

Best wishes

Neil Cochrane | Chairman

**The Growth and
Balanced Growth
options, returned 7.72%
and 7.10% respectively
for the year, well ahead
of the industry
averages¹**

¹ Source: Chant West

Members First

Our members are the reason our business exists. They are the reason we all come to work each day and the reason we are proud to work for First State Super. Our members are the 'glue' that keeps us all together, and helps guide everything we do, not only today but into the future.



Our values



Members First

Our members are the spirit and heart of our organisation. They are our reason for being.



Deliver Honourably

We are united, trusted and operate with the highest integrity. We take ownership and are focused on delivering high quality outcomes.



Care Deeply

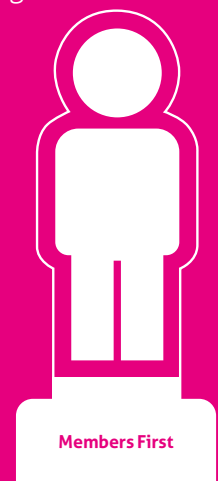
We care deeply about our people, members and stakeholders. We are inclusive, open and transparent.



Lead Bravely

We step forward, we lead, we are focused on continuous improvement, efficiency and simplicity in everything we do.

The inclusion of the character 'Sam' in our logo is a symbol of putting the member at the heart of everything we do. 'Sam' reminds us of the importance of delivering value to members every day. 'Sam' is physically present in meeting rooms in our offices around the country.



Our strategic plan

Our strategic plan is the roadmap that helps us deliver for our members, and responds to changes in our complex environment. In 2019 we sharpened our strategy to provide additional clarity about our purpose and vision. Our nine strategic pillars define what we want to be known for, the critical components of our success and the enablers that underpin our delivery.

Who we serve



Our target market is all Australians, particularly those that are community minded. This includes educators, health care workers, aged care and child care, public sector and police and emergency workers.

Our purpose



To be a force for good in super and retirement, shaping the best outcomes for our members, their families and communities, and our industry.

Our vision



We are the most trusted choice for super, retirement and advice.

We earn trust every day by the way we invest and provide the right help and advice.

Nine pillars outline our four-year strategy

Differentiators

What we are known for

➔ Best advice and guidance

Our distinctive advice and guidance ensures members obtain the help they need, at the right time to achieve their best possible futures.

🐷 Go-to for retirement

Make retiring easier and help members get the most out of their retirement.

🌱 Responsible ownership

Investment improves members' retirement outcomes through both strong returns and positive impact on society.

🗺️ Support 'beyond super'

We add value and stand out to our core sectors by providing relevant support beyond super.

Foundations

Critical components of our success

📈 Relative scale

Grow to achieve top fund status and leverage scale to achieve cost efficiencies and fee reductions.

💻 Simplified experience for members and employers

Members and employers love their interactions with us because it is easy, simple and helpful.

Enablers

Underpin delivery of our vision

👤 Members First

Our Member First principles are at the heart of every action and every decision we take.

★ Best place to work

A dynamic workplace where our culture and values attract and retain talented people to achieve our purpose.

📊 Data driven

Insight into our data is a competitive advantage, driving better decisions by our people and our members.

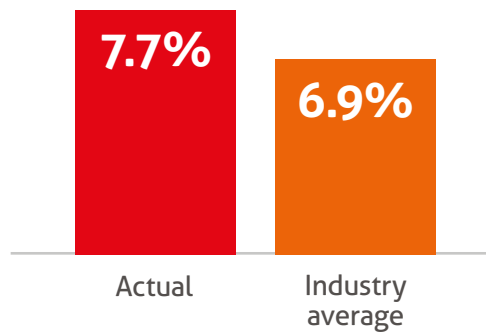


Our performance dashboard

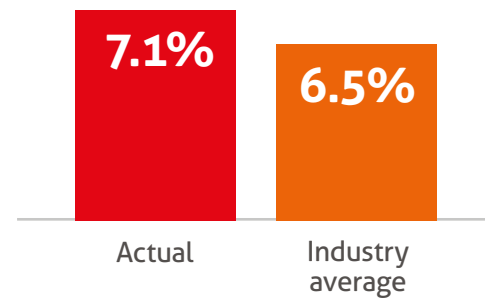
at 30 June 2019

Investment returns for 12 months¹

Growth



Balanced Growth



Member accounts



First State Super

| | |
|-----------------------------------|---------|
| Superannuation | 726,465 |
| Income Stream | 28,473 |
| Defined benefit, Lifetime pension | 6,762 |

StatePlus²

| | |
|------------------------|--------|
| Superannuation | 19,772 |
| Income Stream | 57,992 |
| Investment (non-super) | 9,707 |

Funds under management



First State Super

| | |
|------------------------------------------------|-----------------|
| Superannuation | \$68.3bn |
| Income stream | \$8.2bn |
| Defined benefit, Lifetime pension ³ | \$1.2bn |
| TOTAL | \$77.7bn |

StatePlus

| | |
|------------------------|------------------|
| Superannuation | \$2.96bn |
| Income stream | \$15.69bn |
| Investment (non-super) | \$1.39bn |
| TOTAL StatePlus | \$20.04bn |

Average
account balance⁴



Superannuation
\$93,996

Income stream
\$289,537

Gender split⁴



Female
67%



Male
33%

Contributions⁴



Total annual contributions
\$4.72bn



Contributing members
550,131



Average contribution
per member
\$8,522



Contributing employers
53,590

¹ First State Super accumulation default options. Industry average returns from SuperRatings Fund Crediting Rate Survey June 2019

² Some StatePlus clients are included in more than one category

³ Balance at 30 June 2019

⁴ Numbers are for First State Super

Investments

Our investment approach is founded on the principle of Responsible Ownership. Responsible Ownership for us is actively considering environmental, social and corporate governance (ESG) factors within investment decision making and ownership practices. But at First State Super it's more than integration; as a responsible owner we have the opportunity to make a real difference. What we invest in, to deliver long-term returns to members will impact the environment, the community and our members' retirement savings.

Other factors that drive our approach include our belief that:

- getting the allocation to the different asset sectors right is the main driver of returns
- high-quality research underpins and improves our investment decisions
- there are niche or unique opportunities that we have access to that others don't.

Most importantly, we want to use our influence as a large investor to improve the world our members retire into. We're very conscious of the legacy we leave for future generations.

Growing your superannuation

Our responsibility is to grow the value of your superannuation by delivering competitive returns while managing investment risk and volatility. As one of Australia's largest superannuation funds, we face a significant challenge generating competitive risk-adjusted returns. To meet this challenge, we focus on:

- offering a mix of growth and income-generating investments
- choosing investment managers who understand the importance of balancing the need for competitive returns with the need to invest sustainably.

ESG Integration

We're committed to better ESG practices across all asset classes. Our ESG team reviews and considers the long-term sustainability of our investments. This means considering investments that:

- create long-term value
- promote stewardship of our natural resources
- have a positive impact on the communities in which our members retire.

Over the last year, the team has:

- actively reviewed our external managers' approach to integrating ESG
- engaged with companies we invest in
- exercised our voting rights
- researched issues such as executive remuneration, worker safety, climate change risks and opportunities, and long-term value creation.

Climate change

Our Climate Change Adaptation Plan outlines how we build climate change resilience into our portfolio. We have reviewed our portfolio to assess exposure to the physical impacts of climate change risk and identified investments to actively engage with in terms of building resilience into those assets. We continue to engage with companies on reducing emissions and other climate-related risks. We're also invested in renewable energy and related technologies, including wind projects in Brazil.

Engagement

As an active owner we engage with companies to improve ESG practices. Over the year, engagement took place with over 55 listed Australian companies on executive remuneration, climate change, workers' rights and supply chain management, conduct and culture issues, board composition and diversity, and public disclosure.

Voting

We view voting as an important part of our ownership of both domestic and international companies. We continue to actively exercise our voting rights. While usually supporting resolutions, we occasionally vote against, for example on issues relating to remuneration, equity grants and director elections.

Policy advocacy

We participate in regulatory processes, industry working groups and public debate. We continue to advocate for better disclosure of climate-related information, diversity on corporate boards and the importance of culture in creating long-term value.

Sustainable investments

We look for investments that not only offer good returns, but are sustainable, generate jobs, foster innovation and contribute to a more productive economy. Our recent investments in the Sunshine Coast and Bendigo hospitals are good examples.

The year to 30 June 2019 in review

Global economic growth was fairly stable over the first half of the financial year but increasing trade tension between the US and China took its toll on share markets. With business and consumer confidence falling, many central banks reduced their cash rate, providing greater support for the economy and financial markets. Shares responded positively, reaching new highs, while bond yields followed cash rates lower.

On average, global share markets rose over the past 12 months, although there were several periods of heightened market volatility.

The US market was strong, rising 10.4%, and analysts there expect earnings to grow 8% to 9% in the year ahead. This is potentially optimistic given the ongoing negative impact of the escalating trade war.

Europe's fragile economic recovery was caught up in the slowdown in global trade, prompting the European Central Bank to pledge further stimulus, pushing European shares up 6.5% in the process.

The UK was (and still is) in turmoil over Brexit, but a large component of the FTSE Index is in global companies so UK shares have been less affected, rising 1.6%.

Japan lagged other markets, falling 8.2% for the year. A stronger currency had a negative impact on exporters, despite better corporate capital spending.

Australian shares had a strong year, rising 11.5%. The best performing sectors were those with higher yields, as investors sought income-producing shares to compensate for lower interest rates.

Australia has experienced the most severe fall in house prices in 10 years, with prices nationally coming down 15% from their 2017 peak. The impact has been partially offset by an increase in government spending on infrastructure. A boom in iron ore prices due to supply interruptions in Brazil boosted the resources sector.

Responding to persistently low inflation, the Reserve Bank of Australia (RBA) cut the cash rate to a new low of 1.0% in July to support growth, reduce the unemployment rate, and improve falling business and consumer confidence. The market anticipates two further rate cuts before March 2020.

There is a global shift in interest rate expectations, with around four interest rate cuts in the US expected over the next 12 months. Cash returns remain in low single digits and are likely to fall lower as central banks ease interest rates lower to promote growth.

The yield on Australian government bonds has also come down considerably, falling a little over 1% to finish the year with returns of 9.6%. We're not alone. Global bond yields have fallen as investors factor in weaker growth and the likelihood that interest rates will have to stay lower for longer.

The Australian dollar declined against the US dollar, euro, yen and British pound over the past 12 months. One factor that contributes to exchange rates is the relative attractiveness of interest rates, so with the RBA moving to cut rates, our currency looks relatively less appealing to overseas investors. That said, another driver is commodity prices, which have been reasonably strong and helped anchor the Australian dollar towards the high side of \$US 0.60c.

Australian shares had a strong year, rising 11.5%. Best performing sectors were those with higher yields, as investors sought income-producing shares to compensate for lower interest rates.

Looking ahead



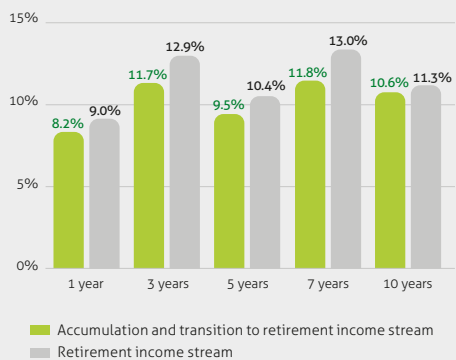
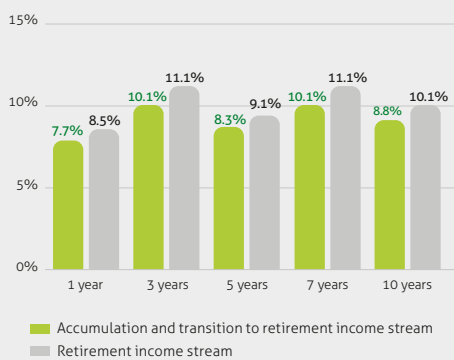
Global inflation has been persistently low and in response most central banks are cutting cash rates. Financial markets are not pricing in higher inflation but, if expectations change, we could see shares and bonds come under more pressure.

Tensions between the US and China are likely to continue and we expect markets will be volatile for some time. We see more downside risks for global growth, but central banks are ready to steady some of these concerns by cutting rates and lowering the cost of finance.

In Australia, house prices have stabilised, and with tax cuts and lower mortgage rates coming through, we're expecting a boost to growth from increased consumption.

Objectives and performance at 30 June 2019

This section shows the objectives, asset allocation and returns for our accumulation and income stream investment options. The investment objectives for the income stream options are slightly higher than the accumulation options because there is no tax payable on investment earnings for income streams. For the same reason, the net returns for the income stream options shown in the graphs are slightly higher than the returns for the accumulation options.

| High Growth | | Growth (Life Cycle ⁵ option for members up to and including age 59) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|---------------------|------|-----------|------------------------|-------|-----------|--------------|------|-----------|--------------|-------|----------|----------|-------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------|--------------------------|---------------------|------|-----------|------------------------|-------|-----------|--------------|------|----------|--------------|-------|----------|----------|------|----------|
| Investment objective ¹ | Accumulation and Transition to Retirement Income Stream: CPI + 4.0% pa over rolling 10-year periods net of tax and fees. Retirement Income Stream: CPI + 4.5% pa over rolling 10-year periods net of tax and fees. | Accumulation and Transition to Retirement Income Stream: CPI + 3.75% pa over rolling 10-year periods net of tax and fees. Retirement Income Stream: CPI + 4.25% pa over rolling 10-year periods net of tax and fees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment profile | Seeking higher growth over the longer term and are willing to accept significant fluctuations in returns and the possibility of negative returns over the short term. | Seeking higher growth over the medium to long term and are willing to accept fluctuations in returns and the possibility of negative returns over the short term. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk label ² | High (Band 6) | High (Band 6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected frequency of negative returns ² | Accumulation and Transition to Retirement Income Stream: Approximately 5.2 times every 20 years Retirement Income Stream: Approximately 5.1 times every 20 years | Accumulation and Transition to Retirement Income Stream: Approximately 4.7 times every 20 years Retirement Income Stream: Approximately 4.5 times every 20 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Growth/income asset allocation | Growth assets Income assets 95% 5% | Growth assets Income assets 75% 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic asset allocation (SAA) and range ³ | <div></div> <table><thead><tr><th></th><th>SAA</th><th>Range</th></tr></thead><tbody><tr><td>Australian equities</td><td>30%</td><td>20% – 40%</td></tr><tr><td>International equities</td><td>37%</td><td>27% – 47%</td></tr><tr><td>Alternatives</td><td>28%</td><td>18% – 38%</td></tr><tr><td>Fixed income</td><td>0%</td><td>0% – 10%</td></tr><tr><td>Cash</td><td>5%</td><td>1% – 15%</td></tr></tbody></table> | | SAA | Range | Australian equities | 30% | 20% – 40% | International equities | 37% | 27% – 47% | Alternatives | 28% | 18% – 38% | Fixed income | 0% | 0% – 10% | Cash | 5% | 1% – 15% | <div></div> <table><thead><tr><th></th><th>Target</th><th>Range</th></tr></thead><tbody><tr><td>Australian equities</td><td>23%</td><td>13% – 33%</td></tr><tr><td>International equities</td><td>29%</td><td>19% – 39%</td></tr><tr><td>Alternatives</td><td>28%</td><td>8% – 48%</td></tr><tr><td>Fixed income</td><td>10%</td><td>1% – 20%</td></tr><tr><td>Cash</td><td>10%</td><td>1% – 45%</td></tr></tbody></table> | | Target | Range | Australian equities | 23% | 13% – 33% | International equities | 29% | 19% – 39% | Alternatives | 28% | 8% – 48% | Fixed income | 10% | 1% – 20% | Cash | 10% | 1% – 45% |
| | SAA | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 30% | 20% – 40% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 37% | 27% – 47% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alternatives | 28% | 18% – 38% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed income | 0% | 0% – 10% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | 5% | 1% – 15% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Target | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 23% | 13% – 33% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 29% | 19% – 39% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alternatives | 28% | 8% – 48% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed income | 10% | 1% – 20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | 10% | 1% – 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net investment returns ⁴ | <div></div> <table><thead><tr><th></th><th>Accumulation and transition to retirement income stream</th><th>Retirement income stream</th></tr></thead><tbody><tr><td>1 year</td><td>8.2%</td><td>9.0%</td></tr><tr><td>3 years</td><td>11.7%</td><td>12.9%</td></tr><tr><td>5 years</td><td>9.5%</td><td>10.4%</td></tr><tr><td>7 years</td><td>11.8%</td><td>13.0%</td></tr><tr><td>10 years</td><td>10.6%</td><td>11.3%</td></tr></tbody></table> | | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 8.2% | 9.0% | 3 years | 11.7% | 12.9% | 5 years | 9.5% | 10.4% | 7 years | 11.8% | 13.0% | 10 years | 10.6% | 11.3% | <div></div> <table><thead><tr><th></th><th>Accumulation and transition to retirement income stream</th><th>Retirement income stream</th></tr></thead><tbody><tr><td>1 year</td><td>7.7%</td><td>8.5%</td></tr><tr><td>3 years</td><td>10.1%</td><td>11.1%</td></tr><tr><td>5 years</td><td>8.3%</td><td>9.1%</td></tr><tr><td>7 years</td><td>10.1%</td><td>11.1%</td></tr><tr><td>10 years</td><td>8.8%</td><td>10.1%</td></tr></tbody></table> | | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 7.7% | 8.5% | 3 years | 10.1% | 11.1% | 5 years | 8.3% | 9.1% | 7 years | 10.1% | 11.1% | 10 years | 8.8% | 10.1% |
| | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 8.2% | 9.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 11.7% | 12.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 9.5% | 10.4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 11.8% | 13.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 10.6% | 11.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 7.7% | 8.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 10.1% | 11.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 8.3% | 9.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 10.1% | 11.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 8.8% | 10.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.

² See page 17 for an explanation of risk label and expected frequency of negative returns.



³ The trustee may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Alternatives can include both income and growth assets. Refer to our website for the latest asset allocations.

⁴ The returns are compound average returns after allowance for tax (accumulation options only) and investment management expenses, but before the deduction of administration fees. Past performance is not a reliable indicator nor is it a guarantee of future performance.

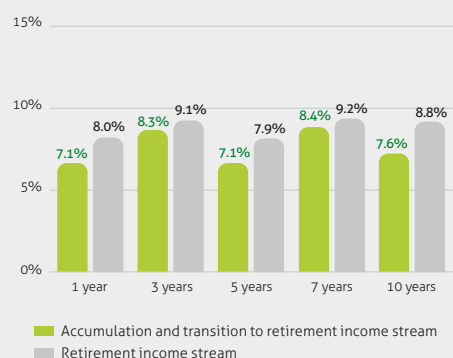
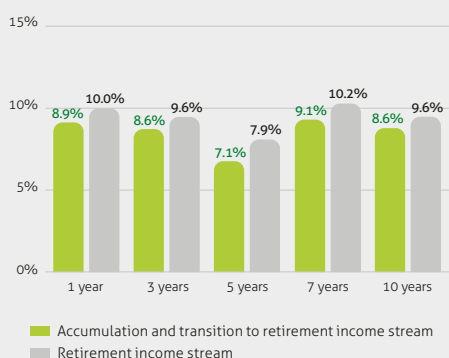
⁵ For accumulation members, this is called the MySuper Life Cycle option.

Diversified Socially Responsible Investment

Balanced Growth (Life Cycle⁵ option for members aged 60 and over)

| Investment objective ¹ | Accumulation and Transition to Retirement Income Stream: CPI + 3.25% pa (from 1 Oct 2018, previously +3.75%) over rolling 10-year periods net of tax and fees. Retirement Income Stream: CPI + 3.75% pa (from 1 Oct 2018, previously +4.25%) over rolling 10-year periods net of tax and fees. | | Accumulation and Transition to Retirement Income Stream: CPI + 2.75% pa over rolling 10-year periods net of tax and fees. Retirement Income Stream: CPI + 3.25% pa over rolling 10-year periods net of tax and fees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------|---------------------|-----|-----------|------------------------|-----|-----------|--------------|-----|----------|--------------|-----|----------|------|----|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--------|-------|---------------------|-----|----------|------------------------|-----|-----------|--------------|-----|--------|--------------|-----|----------|------|-----|----------|
| Investment profile | Seeking higher growth over the medium to long term from socially responsible investments and are willing to accept fluctuations in returns and the possibility of negative returns over the short term. | | Seeking a balance of growth and income investments that are expected to deliver moderate returns over the medium term. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk label ² | High (Band 6) | | Accumulation and Transition to Retirement Income Stream: High (Band 6) from 1 Oct 2018 (previously Medium-high (Band 5)) Retirement Income Stream: Medium-high (Band 5) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected frequency of negative returns ² | Accumulation and Transition to Retirement Income Stream: Approximately 4.6 times every 20 years Retirement Income Stream: Approximately 4.5 times every 20 years | | Accumulation and Transition to Retirement Income Stream: Approximately 4.0 times every 20 years Retirement Income Stream: Approximately 3.8 times every 20 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Growth/income asset allocation | Growth assets | 76% | Growth assets | 55% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Income assets | 24% | Income assets | 45% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic asset allocation (SAA) and range ³ |  <table><thead><tr><th></th><th>SAA</th><th>Range</th></tr></thead><tbody><tr><td>Australian equities</td><td>26%</td><td>16% – 36%</td></tr><tr><td>International equities</td><td>24%</td><td>14% – 34%</td></tr><tr><td>Alternatives</td><td>26%</td><td>6% – 46%</td></tr><tr><td>Fixed income</td><td>18%</td><td>8% – 28%</td></tr><tr><td>Cash</td><td>6%</td><td>1% – 36%</td></tr></tbody></table> | | | SAA | Range | Australian equities | 26% | 16% – 36% | International equities | 24% | 14% – 34% | Alternatives | 26% | 6% – 46% | Fixed income | 18% | 8% – 28% | Cash | 6% | 1% – 36% |  <table><thead><tr><th></th><th>Target</th><th>Range</th></tr></thead><tbody><tr><td>Australian equities</td><td>16%</td><td>6% – 26%</td></tr><tr><td>International equities</td><td>21%</td><td>11% – 31%</td></tr><tr><td>Alternatives</td><td>28%</td><td>8%–48%</td></tr><tr><td>Fixed income</td><td>20%</td><td>5% – 35%</td></tr><tr><td>Cash</td><td>15%</td><td>1% – 60%</td></tr></tbody></table> | | | Target | Range | Australian equities | 16% | 6% – 26% | International equities | 21% | 11% – 31% | Alternatives | 28% | 8%–48% | Fixed income | 20% | 5% – 35% | Cash | 15% | 1% – 60% |
| | SAA | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 26% | 16% – 36% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 24% | 14% – 34% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alternatives | 26% | 6% – 46% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed income | 18% | 8% – 28% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | 6% | 1% – 36% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Target | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 16% | 6% – 26% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 21% | 11% – 31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Cash | 15% | 1% – 60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Net investment returns⁴





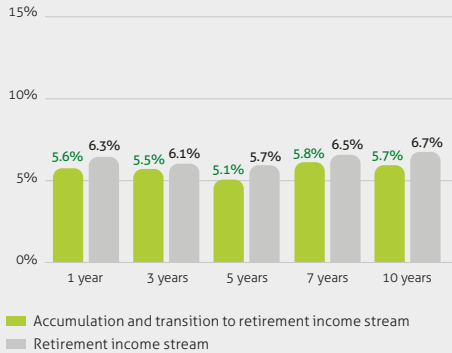
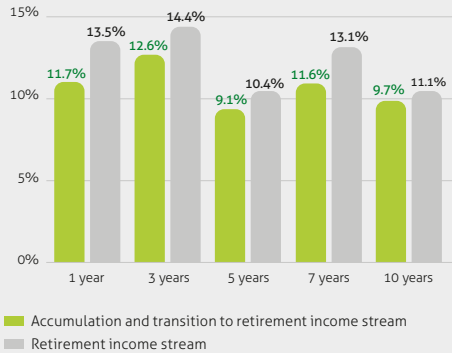
¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.

² See page 17 for an explanation of risk label and expected frequency of negative returns.

³ The trustee may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Alternatives can include both income and growth assets. Refer to our website for the latest asset allocations.

⁴ The returns are compound average returns after allowance for tax (accumulation options only) and investment management expenses, but before the deduction of administration fees. Past performance is not a reliable indicator nor is it a guarantee of future performance.

⁵ For accumulation members, this is called the MySuper Life Cycle option.

| | Conservative Growth | Australian Equities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|---------------------|------|----------|------------------------|------|----------|--------------|------|-----------|--------------|------|----------|----------|------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------|--------------------------|---------------------|-------|-------|---------|-------|-------|---------|------|-------|---------|-------|-------|----------|------|-------|
| Investment objective ¹ | Accumulation and Transition to Retirement Income Stream: CPI + 1.0% pa over rolling 10-year periods net of tax and fees. Retirement Income Stream: CPI + 1.5% pa over rolling 10-year periods net of tax and fees. | To track the S&P/ASX 300 Index (dividends reinvested), after fees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment profile | Seeking an investment with a low to medium risk of capital loss over the short to medium term, and modest capital growth over the longer term. | Seeking growth above inflation (being a combination of capital and income) over the longer term from a passively managed portfolio of Australian shares, and are willing to accept significant fluctuations in returns and the possibility of negative returns over the short term. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk label ² | Accumulation and Transition to Retirement Income Stream: Low-medium (Band 3) Retirement Income Stream: Medium (Band 4) from 1 Oct 2018 (previously Low-medium (Band 3)) | Very high (Band 7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected frequency of negative returns ² | Accumulation and Transition to Retirement Income Stream: Approximately 1.9 times every 20 years Retirement income stream: Approximately 2.0 times every 20 years | Accumulation and Transition to Retirement Income Stream: Approximately 6.7 times every 20 years Retirement Income Stream: Approximately 6.6 times every 20 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Growth/income asset allocation | Growth assets 30% Income assets 70% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic asset allocation (SAA) and range ³ |  <table> <thead> <tr> <th></th><th>SAA</th><th>Range</th></tr> </thead> <tbody> <tr> <td>Australian equities</td><td>6%</td><td>1% – 13%</td></tr> <tr> <td>International equities</td><td>7%</td><td>2% – 12%</td></tr> <tr> <td>Alternatives</td><td>29%</td><td>14% – 44%</td></tr> <tr> <td>Fixed income</td><td>20%</td><td>5% – 35%</td></tr> <tr> <td>Cash</td><td>38%</td><td>1% – 85%</td></tr> </tbody> </table> | | SAA | Range | Australian equities | 6% | 1% – 13% | International equities | 7% | 2% – 12% | Alternatives | 29% | 14% – 44% | Fixed income | 20% | 5% – 35% | Cash | 38% | 1% – 85% |  <table> <thead> <tr> <th></th><th>SAA</th><th>Range</th></tr> </thead> <tbody> <tr> <td>Australian equities</td><td>100%</td><td></td></tr> </tbody> </table> | | SAA | Range | Australian equities | 100% | | | | | | | | | | | | | |
| | SAA | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 6% | 1% – 13% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International equities | 7% | 2% – 12% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alternatives | 29% | 14% – 44% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed income | 20% | 5% – 35% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | SAA | Range | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Australian equities | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net investment returns ⁴ |  <table> <thead> <tr> <th>Period</th><th>Accumulation and transition to retirement income stream</th><th>Retirement income stream</th></tr> </thead> <tbody> <tr> <td>1 year</td><td>5.6%</td><td>6.3%</td></tr> <tr> <td>3 years</td><td>5.5%</td><td>6.1%</td></tr> <tr> <td>5 years</td><td>5.1%</td><td>5.7%</td></tr> <tr> <td>7 years</td><td>5.8%</td><td>6.5%</td></tr> <tr> <td>10 years</td><td>5.7%</td><td>6.7%</td></tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 5.6% | 6.3% | 3 years | 5.5% | 6.1% | 5 years | 5.1% | 5.7% | 7 years | 5.8% | 6.5% | 10 years | 5.7% | 6.7% |  <table> <thead> <tr> <th>Period</th><th>Accumulation and transition to retirement income stream</th><th>Retirement income stream</th></tr> </thead> <tbody> <tr> <td>1 year</td><td>11.7%</td><td>13.5%</td></tr> <tr> <td>3 years</td><td>12.6%</td><td>14.4%</td></tr> <tr> <td>5 years</td><td>9.1%</td><td>10.4%</td></tr> <tr> <td>7 years</td><td>11.6%</td><td>13.1%</td></tr> <tr> <td>10 years</td><td>9.7%</td><td>11.1%</td></tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 11.7% | 13.5% | 3 years | 12.6% | 14.4% | 5 years | 9.1% | 10.4% | 7 years | 11.6% | 13.1% | 10 years | 9.7% | 11.1% |
| Period | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 5.6% | 6.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 5.5% | 6.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 5.1% | 5.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 5.8% | 6.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 7 years | 11.6% | 13.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 9.7% | 11.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.


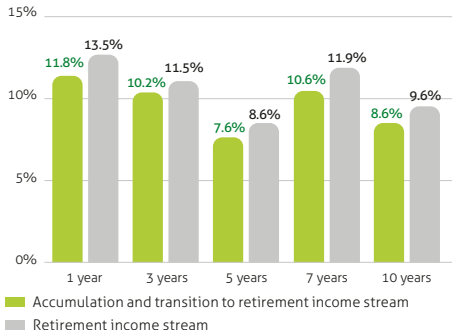
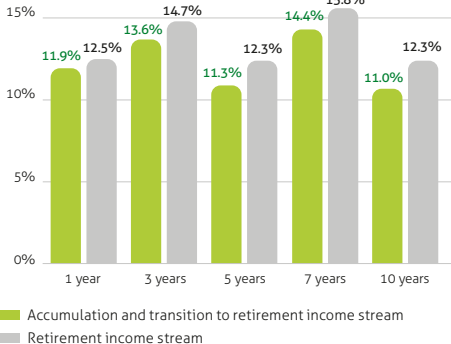
² See page 17 for an explanation of risk label and expected frequency of negative returns.

³ The trustee may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Alternatives can include both income and growth assets. Refer to our website for the latest asset allocations.

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Australian Equities Socially Responsible Investment


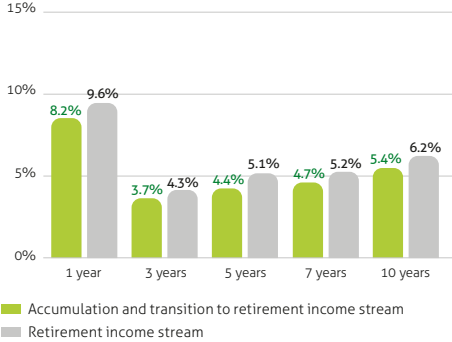
International Equities

| Investment objective ¹ | To outperform the S&P/ASX 200 Index (dividends reinvested), over rolling 5 years, after fees. | To track the MSCI World Index ex-Australia Net Dividends Reinvested (unhedged in Australian dollars) after fees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|--------|-------|-------|---------|-------|-------|---------|------|------|---------|-------|-------|----------|------|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------|--------------------------|--------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|----------|-------|-------|
| Investment profile | Seeking growth above inflation (being a combination of capital and income) over the longer term from socially responsible Australian shares and are willing to accept significant fluctuations in returns and the possibility of negative returns over the short term. | Seeking growth above inflation (being a combination of capital and income) over the longer term from a passively managed portfolio of international shares and are willing to accept significant fluctuations in returns and the possibility of negative returns over the short term. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk label ² | Very high (Band 7) | Very high (Band 7) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected frequency of negative returns ² | Accumulation and Transition to Retirement Income Stream: Approximately 6.7 times every 20 years Retirement Income Stream: Approximately 6.6 times every 20 years | Accumulation and Transition to Retirement Income Stream: Approximately 6.5 times every 20 years Retirement Income Stream: Approximately 6.5 times every 20 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic asset allocation (SAA) and range |  <p>■ Australian equities 100%</p> |  <p>■ International equities 100%</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net investment returns ³ |  <table border="1"> <thead> <tr> <th>Period</th> <th>Accumulation and transition to retirement income stream</th> <th>Retirement income stream</th> </tr> </thead> <tbody> <tr> <td>1 year</td> <td>11.8%</td> <td>13.5%</td> </tr> <tr> <td>3 years</td> <td>10.2%</td> <td>11.5%</td> </tr> <tr> <td>5 years</td> <td>7.6%</td> <td>8.6%</td> </tr> <tr> <td>7 years</td> <td>10.6%</td> <td>11.9%</td> </tr> <tr> <td>10 years</td> <td>8.6%</td> <td>9.6%</td> </tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 11.8% | 13.5% | 3 years | 10.2% | 11.5% | 5 years | 7.6% | 8.6% | 7 years | 10.6% | 11.9% | 10 years | 8.6% | 9.6% |  <table border="1"> <thead> <tr> <th>Period</th> <th>Accumulation and transition to retirement income stream</th> <th>Retirement income stream</th> </tr> </thead> <tbody> <tr> <td>1 year</td> <td>11.9%</td> <td>12.5%</td> </tr> <tr> <td>3 years</td> <td>13.6%</td> <td>14.7%</td> </tr> <tr> <td>5 years</td> <td>11.3%</td> <td>12.3%</td> </tr> <tr> <td>7 years</td> <td>14.4%</td> <td>15.8%</td> </tr> <tr> <td>10 years</td> <td>11.0%</td> <td>12.3%</td> </tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 11.9% | 12.5% | 3 years | 13.6% | 14.7% | 5 years | 11.3% | 12.3% | 7 years | 14.4% | 15.8% | 10 years | 11.0% | 12.3% |
| Period | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 11.8% | 13.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 10.2% | 11.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 7.6% | 8.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 10.6% | 11.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 8.6% | 9.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Period | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 11.9% | 12.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 13.6% | 14.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 11.3% | 12.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 14.4% | 15.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 11.0% | 12.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.

² See page 17 for an explanation of risk label and expected frequency of negative returns.

³ The returns are compound average returns after allowance for tax (accumulation options only) and investment management expenses, but before the deduction of administration fees. Past performance is not a reliable indicator nor is it a guarantee of future performance.



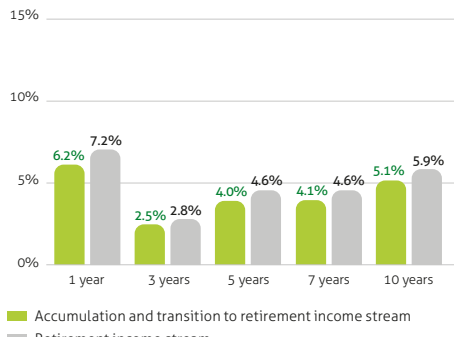
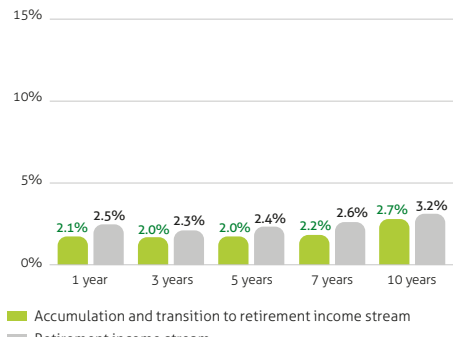
| | Property | Australian Fixed Interest |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment objective ¹ | To outperform a combined index, namely the FTSE EPRA/NAREIT Developed Rental Index (hedged) and CPI + 5% over rolling 5 years, after fees. | To track the Bloomberg AusBond Composite 0 + Yr Index, after fees. |
| Investment profile | Seeking high growth above inflation over the medium to long term from property investments and are willing to accept fluctuations in returns and the possibility of negative returns over the short term. | Seeking returns that keep pace with inflation in the long term from a portfolio of Australian bonds and are willing to accept fluctuations in returns and the possibility of negative returns over the shorter term. |
| Risk label ² | High (Band 6) | High (Band 6) |
| Expected frequency of negative returns ² | Approximately 5.0 times every 20 years | Approximately 5.3 times every 20 years |
| Strategic asset allocation (SAA) and range |  <p>■ Property 100%</p> |  <p>■ Australian bonds 100%</p> |
| Net investment returns ³ |  <p>■ Accumulation and transition to retirement income stream ■ Retirement income stream</p> |  <p>■ Accumulation and transition to retirement income stream ■ Retirement income stream</p> |

¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.

² See page 17 for an explanation of risk label and expected frequency of negative returns.

³ The returns are compound average returns after allowance for tax (accumulation options only) and investment management expenses, but before the deduction of administration fees. Past performance is not a reliable indicator nor is it a guarantee of future performance.

International Fixed Interest**Cash**

| Investment objective¹ | To track the Bloomberg Barclays Global Aggregate Float Adjusted Index fully hedged to Australian dollars, after fees. | To track the Bloomberg AusBond Bank Bill Index, after fees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------|--------|------|------|---------|------|------|---------|------|------|---------|------|------|----------|------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------|--------------------------|--------|------|------|---------|------|------|---------|------|------|---------|------|------|----------|------|------|
| Investment profile | Seeking returns that keep pace with inflation in the long term from a diversified portfolio of global bonds and are willing to accept fluctuations in returns and the possibility of negative returns over the shorter term. | Seeking a very low-risk short-term investment with very stable but low expected returns. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk label² | High (Band 6) from 1 October 2018 (previously High (Band 5)) | Very low (Band 1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Expected frequency of negative returns² | Approximately 4.4 times every 20 years | Approximately 0.3 times every 20 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic asset allocation (SAA) and range |  <p>■ International bonds 100%</p> |  <p>■ Cash 100%</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net investment returns³ |  <table border="1"> <thead> <tr> <th>Period</th> <th>Accumulation and transition to retirement income stream</th> <th>Retirement income stream</th> </tr> </thead> <tbody> <tr> <td>1 year</td> <td>6.2%</td> <td>7.2%</td> </tr> <tr> <td>3 years</td> <td>2.5%</td> <td>2.8%</td> </tr> <tr> <td>5 years</td> <td>4.0%</td> <td>4.6%</td> </tr> <tr> <td>7 years</td> <td>4.1%</td> <td>4.6%</td> </tr> <tr> <td>10 years</td> <td>5.1%</td> <td>5.9%</td> </tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 6.2% | 7.2% | 3 years | 2.5% | 2.8% | 5 years | 4.0% | 4.6% | 7 years | 4.1% | 4.6% | 10 years | 5.1% | 5.9% |  <table border="1"> <thead> <tr> <th>Period</th> <th>Accumulation and transition to retirement income stream</th> <th>Retirement income stream</th> </tr> </thead> <tbody> <tr> <td>1 year</td> <td>2.1%</td> <td>2.5%</td> </tr> <tr> <td>3 years</td> <td>2.0%</td> <td>2.3%</td> </tr> <tr> <td>5 years</td> <td>2.0%</td> <td>2.4%</td> </tr> <tr> <td>7 years</td> <td>2.2%</td> <td>2.6%</td> </tr> <tr> <td>10 years</td> <td>2.7%</td> <td>3.2%</td> </tr> </tbody> </table> | Period | Accumulation and transition to retirement income stream | Retirement income stream | 1 year | 2.1% | 2.5% | 3 years | 2.0% | 2.3% | 5 years | 2.0% | 2.4% | 7 years | 2.2% | 2.6% | 10 years | 2.7% | 3.2% |
| Period | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 6.2% | 7.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 2.5% | 2.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 4.0% | 4.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 4.1% | 4.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 5.1% | 5.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Period | Accumulation and transition to retirement income stream | Retirement income stream | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 year | 2.1% | 2.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 years | 2.0% | 2.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 years | 2.0% | 2.4% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 years | 2.2% | 2.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 years | 2.7% | 3.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

¹ The objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option.

² See page 17 for an explanation of risk label and expected frequency of negative returns.

³ The returns are compound average returns after allowance for tax (accumulation options only) and investment management expenses, but before the deduction of administration fees. Past performance is not a reliable indicator nor is it a guarantee of future performance.

Investment fees

Investment fees reflect a broad range of fees and costs associated with the purchase/sale and ongoing management of investments of the fund and underlying investment vehicles. This includes fees paid to investment managers, as well as amounts paid to a variety of third parties such as our custodian, brokers and government authorities. These amounts are paid from the assets of the investment option before we calculate the unit price and aren't deducted directly from your account.

The investment fees for each of the pre-mixed investment options (i.e. the High Growth, Growth, Diversified SRI, Balanced Growth and Conservative Growth investment options) also include the trustee's charge of 0.04% per year. This is a component of 'Other fees and costs'.

Investment fees may vary from year to year and cannot be precisely calculated in advance.

Important: the investment fees shown below are indicative only and are based on the fees and costs for each investment option for the 12 months to 30 June 2019, including several components which are estimates only. The actual amount you'll pay in future years will depend on the actual fees, costs and taxes incurred by the trustee in managing the investment option.

Estimated investment fees (% per year) (Accumulation and transition to retirement income stream)

| Investment option | Investment management costs | Performance-related costs | Transaction costs ¹ | Other fees and costs | Total investment fees |
|------------------------------|-----------------------------|---------------------------|--------------------------------|----------------------|-----------------------|
| High Growth | 0.35% | 0.26% | 0.11% | 0.13% | 0.85% |
| Growth ² | 0.33% | 0.25% | 0.10% | 0.12% | 0.80% |
| Diversified SRI | 0.28% | 0.10% | 0.08% | 0.13% | 0.59% |
| Balanced Growth ² | 0.28% | 0.18% | 0.08% | 0.11% | 0.65% |
| Conservative Growth | 0.24% | 0.14% | 0.05% | 0.11% | 0.54% |
| Australian Equities | 0.05% | 0.00% | 0.00% | 0.04% | 0.09% |
| Australian Equities SRI | 0.18% | 0.00% | 0.04% | 0.05% | 0.27% |
| International Equities | 0.06% | 0.00% | 0.00% | 0.03% | 0.09% |
| Property | 0.46% | 0.27% | 0.15% | 0.12% | 1.00% |
| Australian Fixed Interest | 0.05% | 0.00% | 0.00% | 0.03% | 0.08% |
| International Fixed Interest | 0.07% | 0.00% | 0.00% | 0.12% | 0.19% |
| Cash | 0.03% | 0.00% | 0.00% | 0.01% | 0.04% |

¹ The amounts shown above reflect an estimate of explicit transaction costs only. An estimate of implicit transaction costs, borrowing and property operating costs is available on our website and from customer service.

² The fees shown are the same for MySuper and Choice members.

Estimated investment fees (% per year) (Retirement income stream)

| Investment option | Investment management costs | Performance-related costs | Transaction costs ¹ | Other fees and costs | Total investment fees |
|------------------------------|-----------------------------|---------------------------|--------------------------------|----------------------|-----------------------|
| High Growth | 0.35% | 0.27% | 0.11% | 0.15% | 0.88% |
| Growth | 0.33% | 0.25% | 0.10% | 0.13% | 0.81% |
| Diversified SRI | 0.28% | 0.09% | 0.08% | 0.15% | 0.60% |
| Balanced Growth | 0.28% | 0.18% | 0.08% | 0.11% | 0.65% |
| Conservative Growth | 0.24% | 0.14% | 0.05% | 0.11% | 0.54% |
| Australian Equities | 0.04% | 0.00% | 0.00% | 0.06% | 0.10% |
| Australian Equities SRI | 0.16% | 0.00% | 0.04% | 0.09% | 0.29% |
| International Equities | 0.04% | 0.00% | 0.00% | 0.06% | 0.10% |
| Property | 0.44% | 0.29% | 0.15% | 0.16% | 1.04% |
| Australian Fixed Interest | 0.04% | 0.00% | 0.00% | 0.05% | 0.09% |
| International Fixed Interest | 0.06% | 0.00% | 0.00% | 0.23% | 0.29% |
| Cash | 0.02% | 0.00% | 0.00% | 0.01% | 0.03% |

¹ The amounts shown above reflect an estimate of explicit transaction costs only. An estimate of implicit transaction costs, borrowing and property operating costs is available on our website and from customer service.

Investment reserves

We have determined that no investment earnings will be placed in an investment reserve to smooth the member investment returns. All investment earnings or losses in the various investment options, after providing for taxes and investment expenses, are reflected in our current unit prices.

Hedging

When investing in overseas assets such as international equities or fixed interest, returns reflect both changes in the value of the underlying investments, as well as currency movements. We may hedge some of the currency exposure back to Australian dollars to manage risk or enhance returns.

The targeted level of foreign currency exposure, as well as the minimum and maximum exposure levels, is defined for each investment option as part of the Strategic Asset Allocation process. As an example, our international fixed income investments will typically be 100% hedged, which means they are protected against the impact of currency fluctuations on investment returns.

We may change the currency exposure over time with the intention of improving the investment option's ability to meet its performance and risk objectives.

The level of foreign currency exposure in each investment option is monitored on an ongoing basis, and hedges are rebalanced when the estimated foreign currency position drifts away from its target.

Use of derivatives

Derivatives are investment products whose value is derived from other assets, liabilities or indices (the underlying asset). They include a number of instruments such as futures, options, swaps, forwards, warrants and other related instruments.

At First State Super, we do not consider the use of derivatives in isolation but rather as part of the overall investment strategy of the fund and investment options.

Derivatives may be used:

- ➔ to manage risk (e.g. hedge against changes in foreign currency)
- ➔ for asset allocation purposes
- ➔ as a way to implement investment positions efficiently.

The derivatives charge ratio did not exceed 5% of the total market value of the fund's assets at any time during the reporting period.

Consultants

We appoint asset consultants to advise on appropriate asset allocation for each of the investment options and provide research on managers in each of the asset sectors, including an evaluation of the manager's investment style and its suitability to complement other current and potential managers.

We also engage specialist consultants as required to assist in providing the trustee board with specific advice relating to various asset sectors.

Custodian

State Street Australia Limited is our custodian. It values the fund's investments each business day and monitor each investment manager's daily activity.

Risk label

For each investment option we assign a risk band, risk label and estimated number of negative annual returns over any 20-year period. This is known as the Standard Risk Measure, or SRM, and is based on a methodology developed by the industry so consumers can compare investment options within and across funds. The risk measures range from Band 1 (being the lowest risk) to Band 7 (being the highest risk). The SRM of an investment option depends on the risk profile of the asset classes and investments that make up the option.

Additional information regarding the application of the standard risk measure is available on our website firststatesuper.com.au/investmentandrisk.

How are the returns calculated?

Investment returns can be positive or negative depending on the performance of investment markets, which is reflected in unit price movements. At the end of each NSW business day (with the exception of the NSW Bank Holiday), we value the assets in each of the investment options. Tax and investment fees (but not administration fees) are deducted which gives us the net value for each investment option. This figure is divided by the number of units issued for that investment option, which gives us the unit price. We multiply the number of units you have by that day's unit price to determine the daily value of your account.

The value of your account goes up and down depending on whether the unit price has gone up or down that day. You can view the current and historical unit prices for all the fund's investment options on the Unit prices page under **Investments and performance/Performance/Unit prices** on our website.

Holdings over 5% of total fund assets

At 30 June 2019, our exposure to the Commonwealth Bank of Australia (including a combination of ordinary shares, cash and other short-term deposits, and fixed income securities from subsidiaries) represented 5.91% of total fund assets. In addition, our exposure to the Commonwealth of Australia (including a combination of fixed income securities from subsidiaries, for example Australia Post) represented 5.29% of total fund assets.

More information

Our Member Booklet Supplement: Investments (for accumulation members) and the Member Booklets (for income stream members) have more information about the risk profile for each option. These documents are available on our website under **Forms & publications** or you can call us on 1300 650 873 for a paper copy free of charge.

We do not guarantee the performance of the investment options and the value of your account balance can go up or down. Past performance is not a reliable indicator nor is it a guarantee of future performance.

Who manages your super?

In addition to partnering with external managers, our in-house investment team manages investments in cash, Australian equities, infrastructure, credit income, unlisted property and private equity. The team also performs a cash flow and portfolio re-balancing function for the pre-mixed investment options to help make sure each option is invested as closely as possible in line with the target asset allocations. The table shows our investment partners as at 30 June 2019.

Please note, this list has changed since 30 June 2019. See our website for the most up to date list of our investment partners.

Australian shares

Pre-mixed options (excluding Diversified Socially Responsible Investment (SRI))

Airlie Funds Management Pty Ltd
Eley Griffiths Group Pty Ltd
First State Super Trustee Corporation
Hyperion Asset Management Ltd
Northcape Capital Pty Ltd
Selector Funds Management Limited
Vanguard Investments Australia Limited
Vinva Investment Management Ltd

Diversified SRI

Redpoint Investment Management Pty Ltd

Australian Equities single asset class option

Vanguard Investments Australia Limited

Australian Equities SRI single asset class option

Redpoint Investment Management Pty Ltd

International shares

Pre-mixed options (excluding Diversified Socially Responsible Investment (SRI))

Ardevora Asset Management LLP
Baillie Gifford Overseas Ltd
EAM Global Investors LLC
Neo-Criterion Capital Limited
Neuberger Berman Australia Pty Ltd
Sanders Capital LLC
Southeastern Asset Management, Inc.
Vanguard Investments Australia Ltd
Veritas Asset Management LLP

Diversified SRI option

Hermes Investment Management Ltd

International Equities single asset class option

Vanguard Investments Australia Ltd

Fixed income

Pre-mixed options (excluding Diversified Socially Responsible Investment (SRI))

Amundi Asset Management Australia Ltd
Ardea Investment Management
Vanguard Investments Australia Ltd

Diversified SRI option

Amundi Asset Management Australia Ltd

Australian Fixed Interest single asset class option

Vanguard Investments Australia Ltd

International Fixed Interest single asset class option

Vanguard Investments Australia Ltd

Property

Altis Property Partners
Brookfield Asset Management Inc
First State Super Trustee Corporation
Franklin Templeton Investments Australia Ltd
Goodman Funds Management Australia Limited
GPT Funds Management Limited
Hillwood Investment Properties
Lend Lease Investment Management (Australia) Pty Ltd
Resolution Capital Limited

Private Equity

Adamantem Capital
AE Industrial Partners
Allegro Funds
Blackbird Ventures
Bridgepoint Advisers
Castik Capital Partners
Continuity Capital Partners
Crescent Capital Partners
First State Super Trustee Corporation
Foundry Group Next
FTV Management Company
GHO Capital Partners
Kohlberg Kravis Roberts (KKR)
New 2ND Capital
Nexus Point Partners
Northlane Capital Partners
Odyssey Private Equity
Openspace Ventures
Parallax Capital Partners



Potentia Capital
Searchlight Capital Partners
Solace Capital Partners
StepStone Group LP
Sterling Capital Partners
Udata Partners
Warburg Pincus
Webster Capital Management
Wilshire Australia

Infrastructure and real assets

Blue Sky Water Pty Limited¹
Brookfield Asset Management Inc
Capella Capital¹
Equis Funds Pty Ltd
First State Super Trustee Corporation¹
Morgan Stanley Investment Management Ltd
Orion Energy Partners LLC
ROC Capital Pty Ltd¹
StepStone Group Real Assets¹

Credit income

Bain Capital Credit, LP
First State Super Trustee Corporation
Intermediate Capital Group (ICG)
Quadrant Real Estate Advisors LLC
Westbourne Credit Management Ltd

Other alternatives

Bridgewater Associates, Inc.
Darby Servtec Energia GP, LLC¹
GMO LLC¹
Insight Investment Management (Global) Ltd
ROC Capital Pty Ltd¹
Schroder Investment Management Australia Limited

Cash

Colonial First State Asset Management (Australia) Ltd
First State Super Trustee Corporation

Currency management

State Street Global Advisors, Australia, Limited

¹ Indicates managers that are applicable to the Diversified Socially Responsible Investment (SRI) option for the relevant asset class.

The defined benefit fund

Actuarial review

We're required to maintain the defined benefit fund in a satisfactory financial position. The fund's defined benefit asset value must be at a level sufficient to cover the value of vested benefit liabilities of members as they fall due.

At least once a year, our actuary reviews the financial position of our defined benefit fund and makes a recommendation about the required level of future employer contributions. The fund is considered to be in a satisfactory financial position if the fund's defined benefit asset value is at least 100% of vested benefit liabilities.

We have set the shortfall limit at 98% because we expect a shortfall of this amount can be recovered through normal market movements within one year. However, if the defined benefit asset value of the fund falls below the 98% shortfall limit, we will notify members and set out a restoration plan to return the fund to a satisfactory financial position. We received the actuarial report for the year to 30 June 2019 on 15 August 2019. The report shows that the fund was in a satisfactory financial position.

The defined benefit fund position with assets of \$1,174.4 million exceeding the vested benefits liabilities by \$103 million (8%). The actuary also found that current employer contribution rates meet the recommended level for the defined benefit fund.

Investment objectives and strategy

The investment objectives for the defined benefit fund are to:

- maintain a ratio of assets to vested benefit liabilities at a minimum target level of 110% over the long term
- maintain a balance between reducing the long-term cost of the benefits and reducing the volatility of the required employer contribution rate
- generate sufficient liquidity to provide for the cash flow requirements of the fund.

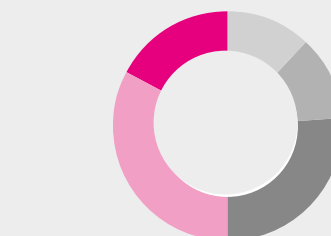
Investment returns for defined and deferred benefit members

Member benefit entitlements are determined by a formula in the trust deed based on salary and length of service and as such, investment returns do not generally affect a defined benefit entitlement. There are some limited instances where benefit entitlements are calculated with reference to investment returns. Members should refer to the explanatory notes in their 2018-19 annual statement pack for information about returns that may be relevant to their benefits. Employers bear the risk of negative investment performance affecting the financial position of the fund.

How the defined benefit pension grows

We adjust the defined benefit lifetime pension and (pre-1988) transition to retirement pension twice a year in accordance with movements in the Consumer Price Index (CPI). The update is reflected in the first pension payment in June and December each year. The defined benefit lifetime pension and (pre-1988) transition to retirement pension do not have investment returns allocated to them in the same way as other superannuation products, which are based on the performance of the underlying assets in which the product is invested.

Strategic asset allocation at 30 June 2019



| | |
|-----|------------------------|
| 12% | Australian equities |
| 12% | International equities |
| 26% | Alternatives* |
| 33% | Fixed income |
| 17% | Cash |

* Alternatives can include both defensive and growth assets

Our board and committees

Our strong governance

To safeguard the benefits of our members and clients, we aim to achieve best practice in all areas of governance. To achieve best practice, we have developed and apply a governance framework that is highly regarded by all our stakeholders and, most importantly, the industry regulators.

Our governance framework meets all requirements of the primary industry regulator, the Australian Prudential Regulation Authority (APRA). The framework includes policies and procedures that ensure our board has the appropriate skills, structure and composition to properly oversee and exercise its authority in relation to the activities of the fund. FSS Trustee Corporation is the trustee of the First State Superannuation Scheme. The board of the trustee consists of an independent chairman, Neil Cochrane, together with six employer representative directors and six member representative directors. The board is the highest governance body at First State Super and its responsibilities are outlined in the First State Superannuation Scheme Trust Deed and Rules and the constitution of FSS Trustee Corporation.

Board appointments

Nominating entities representing both employers and employees must consider the requirements of our Fit and Proper Policy when assessing a person's eligibility for appointment as a director to the board. This board-approved policy determines the skills and qualities a person must possess to hold the position of director.

Indemnity

The fund, the trustee and the directors and officers of the trustee are covered by professional indemnity insurance. The trustee holds all fund assets in trust and is required by law to act in the best interests of members.

Disclosure

Legislation requires super funds to disclose certain information on their website, including how directors are appointed and removed, board meeting attendance and the remuneration details of their directors and executive officers. This information can be found on our website at firststatesuper.com.au/about/people.

Committees

The board has set up a number of committees to review and implement policy decisions.

Board committee Members during the year to 30 June 2019

| | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------|
| Investments Committee | Dr Rosemary Kelly (Chair), Glenn Bunney, Neil Cochrane, Jocelyn Furlan, Ralph Kelly, Michael Cole (Non-FTC Director) |
|-----------------------|----------------------------------------------------------------------------------------------------------------------|

| | |
|---------------------------|------------------------------------------------------------------------------------------|
| Member Services Committee | Bob Lipscombe (Chair), Pip Carew, Jocelyn Furlan, Mark Morey, Naomi Steer, Tom Symondson |
|---------------------------|------------------------------------------------------------------------------------------|

| | |
|--------------------|-----------------------------------------------------------------------------|
| Disputes Committee | Philippa Smith (Chair), Lisa Fitzpatrick, Jocelyn Furlan, Dr Rosemary Kelly |
|--------------------|-----------------------------------------------------------------------------|

| | |
|--------------------------------------|------------------------------------------------------------------------------|
| Audit, Risk and Compliance Committee | Sue Carter (Chair), Glenn Bunney, Ralph Kelly, Bob Lipscombe, Roslyn Ramwell |
|--------------------------------------|------------------------------------------------------------------------------|

| | |
|--------------------------------------------|----------------------------------------------------------|
| Remuneration and Human Resources Committee | Rod Harty (Chair), Pip Carew, Naomi Steer, Tom Symondson |
|--------------------------------------------|----------------------------------------------------------|

| | |
|--------------------------------------|--------------------------------------------------------------------------------|
| Governance and Nominations Committee | Neil Cochrane (Chair), Rod Harty, Dr Rosemary Kelly, Mark Morey, Tom Symondson |
|--------------------------------------|--------------------------------------------------------------------------------|



To achieve best practice, we apply a governance framework that is highly regarded by all our stakeholders and, most importantly, the industry regulators.



Our board at 30 June 2019



Neil Cochrane
Independent director and
chairman of the board

Appointed by the employer
and employee board
representatives.



Sue Carter
Employer representative

Appointed jointly by the Secretary
of the Department of Premier and
Cabinet of NSW and the Secretary
of the Treasury of NSW.



Jocelyn Furlan
Employer representative

Appointed jointly by the Secretary
of the Department of Premier and
Cabinet of NSW and the Secretary
of the Treasury of NSW.



Rod Harty
Member representative

Appointed by Unions NSW.



Dr Rosemary Kelly
Member representative

Appointed by Health
Services Union.



Mark Morey
Member representative

Appointed by Unions NSW.



Glenn Bunney
Employer representative

Appointed by Leading Age
Services Australia.



Pip Carew
Member representative

Appointed by the Australian Nursing and Midwifery Federation (ANMF) – Victorian Branch.



Bob Lipscombe
Member representative

Appointed by Unions NSW.



Roslyn Ramwell
Employer representative

Appointed jointly by the Secretary of the Department of Premier and Cabinet of NSW and the Secretary of the Treasury of NSW.



Ralph Kelly
Employer representative

Appointed jointly by the Secretary of the Department of Premier and Cabinet of NSW and the Secretary of the Treasury of NSW.



Tom Symondson
Employer representative

Appointed by the Victorian Healthcare Association.



Naomi Steer
Member representative

Appointed by Unions NSW.

Our people

Helping our employees put members first

Developing and supporting our people is a very important part of our members first spirit. Here's a snapshot of the things we're doing to provide an amazing employee experience and keep our team productive and engaged.



Alignment to purpose and values



Our values

Relaunched in 2019, our values were created to align the intrinsic motivators of our employees with our organisational purpose. Through a process that involved workshops with over 130 of our people, our employees overwhelmingly expressed a desire to deliver real positive change for Australians in their retirement. Our three values of deliver honourably, lead bravely and care deeply unite the First State Super family to come into work every day to truly put members first.



Talent management

Human Resources commenced the rollout of the endorsed Talent Management and Succession framework across the business. This allows our team to identify the performance and potential of our employees so that we can focus on retaining and developing our employees. It also allows us to build clear succession plans across the business.



CEO transition

During the month of October 2018, we officially welcomed our new Chief Executive Officer (CEO), Deanne Stewart, to the First State Super business. To support the transition between the incoming and outgoing CEO, a detailed transition plan was implemented that ensured our employees, members and key stakeholders had an opportunity to celebrate and farewell former CEO, Michael Dwyer AM, while providing Deanne a warm welcome.



Accountable and recognised

We have taken saying 'thank you' to the next level with recent improvements to our formal Star! employee reward and recognition program. In December 2018, we re-launched Star! and one month after the program re-launched, over 80% of employees had logged in to recognize a fellow employee.

Recognition is very important at First State Super and to our people. Research shows that timely and frequent recognition increases both employee engagement and productivity. We see evidence of this not only in our engagement survey results, but in the overwhelmingly positive response of our employees to the Star! program.

Community and social connection

In June, it was announced that all employees would be granted 1 day per year of volunteering / community leave. This goes right to the heart of our employees' desires to be a force of good and assist the community.

We are also proud to continue to support the CareerSeekers program as part of our ongoing relationship with CareerSeekers and their 'New Australian Refugee and Asylum-Seeker Internship' program. Our involvement in these initiatives supports refugees and asylum-seekers seeking to get a foothold in the Australian workplace. We welcomed our first CareerSeekers intern in 2016 – Ibrahim Kubba – who is now a full-time member of our team.

We cultivate an environment that focuses on the community and employee wellbeing by supporting our employee involvement in a number of initiatives including:

- **RUOK? Day:** Highlights the importance of addressing mental health in the workplace.
- **Elimination of Violence against Women day:** Focuses on the topic of family violence. We provide special leave for our employees of up to ten days a year for anyone experiencing family violence.



Recognising the whole person, being inclusive and caring

WGEA citation award, three years running

First State Super has again been awarded the Employer of Choice for Gender Equality (EOCGE) citation for 2019 by the Workplace Gender Equality Agency (WGEA). This is the third year in a row we have been awarded this citation and is clear recognition of our commitment to gender equality.

The EOCGE citation is a leading practice recognition program which encourages, recognises and promotes active commitment to achieving gender equality in Australian workplaces. The criteria for this citation includes gender equality practices in leadership, learning and development, remuneration, flexible working and prevention of sex-based discrimination. This citation is not only a formal and public recognition of First State Super's inclusive culture, it also helps to build our reputation as an employer of choice, supporting our brand in the market.

Diversity and inclusion

Our diversity and inclusion (D&I) practices must ensure fairness, transparency and opportunities for all employees. Diversity of people and perspectives is the best way to ensure we maintain our inclusive culture. Our employee D&I council and strategy currently focuses on three areas: recruitment practices, flexible work practices, and education and communication. Our ongoing focus on fair and equitable D&I practices has been strongly endorsed by our Board, executive and leadership teams.

Our Diversity & Inclusion Council has supported many events this year from International Women's Day to Wear it Purple Day.

Growth and development

Lunch 'n' learn series

Our regular 'lunch 'n' learn' sessions have focussed on the importance of advice and financial education and keep our teams informed about the changing ways people use and manage money and improve their financial fitness. We cover topics like budgeting, borrowing, investing, retirement planning and even legislative proposals that affect super. The more we understand about these topics the better the quality of conversation we can have with our members.

We have also been partnering with some of the largest employers of our members to deliver training sessions to their people, our members, on topics such as leadership, resilience and coping with change.

We are passionate about increasing the knowledge and capability of not just our people but our members as well.

Health and wellbeing

Our employees' wellbeing is a huge part of our employee experiences. Wellbeing initiatives include fitness reimbursement, RUOK Day, return to work support policies, our employee assistance program and training on managing situations of mental health and domestic violence. We have also introduced new strategies and education to ensure a safe and healthy workplace for all.

Our future workplace

As at June, the final design sketch plans for our new Sydney CBD office at 388 George Street have been presented to the Executive Team and we plan to be relocating all of our Sydney-based employees, including our member service centres, in July 2020. In addition to this, the new Gosford office has been established and new office leases are being negotiated in Wollongong, Brisbane, Perth and Bendigo – all with a focus on providing the best possible environment for our members and our employees.

Risk governance self-assessment

Following a number of high-profile incidents that damaged the reputation and financial standing of the Commonwealth Bank of Australia (CBA), the Australian Prudential Regulation Authority (APRA) conducted a prudential inquiry into CBA. In April 2018, APRA released its report that identified several shortcomings in the banking group's governance and accountability frameworks and processes. The report also highlighted cultural issues within the leadership team that created an environment where significant missteps were allowed to occur.

Further to the CBA enquiry, APRA required 36 regulated entities, including First State Super, to conduct a self-assessment to determine whether similar issues exist and, where appropriate, identify opportunities for better practice.

The self-assessment was conducted by our Regulatory and Governance Risk team with independent oversight by KPMG. The self-assessment revealed that we have an effective and engaged Board and management, which is delivering strong outcomes to members. The Board and management have a good understanding of, and proactively manage, risks and issues.

Our self-assessment did not highlight any need for urgent review or remedy. However, it did identify five areas where current processes and practices could be enhanced.

1. Board governance

While we have a highly engaged Board with a diverse skill set, a recent external Board assessment presented a timely opportunity to review Board effectiveness. The Board assessment specifically investigated:

- ➔ whether the Board agenda could be enhanced to ensure important and strategic issues receive appropriate attention and levels of discussion
- ➔ the optimal timing and frequency of Board and Committee meetings
- ➔ additional mechanisms to enhance communication between Board Committees
- ➔ whether the 'Director Skills Matrix' is still aligned to our evolving needs.

2. Our strong members first culture

The self-assessment review highlighted our strong members first culture at both Board and executive levels. However, some areas for improvement included:

- ➔ improving the internal complaints resolution and escalation process
- ➔ analysis of complaint causes and reporting with a greater focus on data
- ➔ enhancing our internal disputes resolution committee
- ➔ tightening timeframes for resolution of complaints.

3. A strong risk management function

We're a rapidly growing business that requires an agile risk function. Over 2019, we further embedded our three lines of defence risk model, expanded risk resources into business units, and improved risk and incident reporting.

4. Risk culture

Risk management is a high priority and while the self-assessment review found our risk culture to be sound, we're further developing the role of the Executive Risk Group by increasing executive responsibilities for risk assessment and risk reporting.

5. Accountability

Our accountability framework increases alignment between corporate strategy, business unit objectives and individual outcomes and accountabilities. Planned enhancements include lifting the level of visibility, focus and accountability for resolution of incidents at Executive and Board meetings.

Next steps

The self-assessment report was submitted by the Board to APRA in December 2018. The Board remains responsible for reviewing and approving the recommendations contained within the report. A plan for addressing each enhancement opportunity has been developed, with regular updates on progress tabled and discussed at Board meetings.

Our financial reports

The tables contain information extracted from the fund's audited financial statements. You can view a copy of the audited financial statements on our website under **About the fund/Reporting**. A hard copy can be obtained free of charge by calling us on 1300 650 873.

Statement of financial position as at 30 June 2019

| | 2019 \$m | 2018 \$m |
|----------------------------------------------------|----------------|---------------|
| Assets | | |
| Cash and cash equivalents | 489 | 442 |
| Receivables | 1,098 | 595 |
| Financial assets | 101,312 | 73,932 |
| Plant and equipment | 1 | 4 |
| Deferred tax assets | 237 | 230 |
| Total assets | 103,137 | 75,203 |
| Liabilities | | |
| Benefits payable | 76 | 67 |
| Accounts payable | 1,245 | 342 |
| Financial liabilities | 3,090 | 1,774 |
| Income tax payable | – | 81 |
| Deferred tax liabilities | 1,776 | 1,468 |
| Total liabilities excluding member benefits | 6,187 | 3,732 |
| Net assets available for member benefits | 96,950 | 71,471 |
| Defined contribution member liabilities | 95,158 | 69,956 |
| Defined benefit member liabilities | 1,066 | 1,082 |
| Total member liabilities | 96,224 | 71,038 |
| Net assets | 726 | 433 |
| Equity | | |
| Reserves | 635 | 363 |
| Defined benefit surplus | 91 | 70 |
| Total equity | 726 | 433 |

Income statement for the year ended 30 June 2019

| | 2019 \$m | 2018 \$m |
|----------------------------------------------------------------|--------------|--------------|
| Investment revenue | | |
| Interest – investments carried at fair value | 533 | 461 |
| Interest – bank deposits | 6 | 5 |
| Dividends | 1,662 | 1,005 |
| Distributions from unit trusts | 987 | 842 |
| Securities lending income | 25 | 21 |
| Other income | 12 | 18 |
| Changes in fair value of investments | 2,792 | 4,510 |
| Total revenue | 6,017 | 6,862 |
| Investment expenses | (323) | (268) |
| Administration expenses | (154) | (163) |
| Total expenses | (477) | (431) |
| Operating result before income tax expense | 5,540 | 6,431 |
| Income tax benefit/(expense) | (160) | (477) |
| Operating result after income tax expense | 5,380 | 5,954 |
| Net benefits allocated to defined contribution member accounts | (5,090) | (5,876) |
| Net change in defined benefit member accounts | (80) | (102) |
| Operating result | 210 | (24) |

Statement of changes in member benefits

| | Defined contribution member benefits \$m | Defined benefit member benefits \$m | Total \$m |
|-------------------------------------------------|------------------------------------------------|-------------------------------------------|---------------|
| Opening balances as at 1 July 2017 | 62,291 | 1,097 | 63,388 |
| Employer contributions | 3,946 | 19 | 3,965 |
| Member contributions | 1,006 | – | 1,006 |
| Transfers from other superannuation funds | 1,278 | – | 1,278 |
| Superannuation co-contributions | 24 | – | 24 |
| Income tax on contributions | (546) | (2) | (548) |
| Net after tax contributions | 5,708 | 17 | 5,725 |
| Benefits to members | (3,598) | (108) | (3,706) |
| Insurance premiums charged to members' accounts | (321) | – | (321) |
| Transfer (to)/from reserves | – | – | – |
| Net benefits allocated to members | 5,876 | 102 | 5,978 |
| Net change in member defined benefits | – | (26) | (26) |
| Closing balances as at 30 June 2018 | 69,956 | 1,082 | 71,038 |
| Opening balances as at 1 July 2018 | 69,956 | 1,082 | 71,038 |
| Employer contributions | 4,146 | 16 | 4,162 |
| Member contributions | 996 | – | 996 |
| Transfer from StatePlus Retirement Fund | 18,653 | – | 18,653 |
| Transfers from other superannuation funds | 1,583 | – | 1,583 |
| Superannuation co-contributions | 25 | – | 25 |
| Income tax on contributions | (583) | (1) | (584) |
| Net after tax contributions | 24,820 | 15 | 24,835 |
| Benefits to members | (4,384) | (90) | (4,474) |
| Insurance premiums charged to members' accounts | (324) | – | (324) |
| Transfer (to)/from reserves | – | – | – |
| Net benefits allocated to members | 5,090 | 80 | 5,170 |
| Net change in member defined benefits | – | (21) | (21) |
| Closing balances as at 30 June 2019 | 95,158 | 1,066 | 96,224 |

Statement of changes in equity/reserves

| | Unallocated income \$m | Operational risk financial requirement reserve ¹ \$m | Insurance reserve ² \$m | Administration reserve ³ \$m | Total \$m |
|--------------------------------------------------|------------------------------|--------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------|--------------|
| Opening balances as at 1 July 2016 | 23 | 142 | – | 54 | 219 |
| Operating result | 89 | 18 | – | 61 | 168 |
| Transfer to defined contribution member accounts | – | – | – | – | – |
| Transfer to defined benefit member accounts | – | – | – | – | – |
| Closing balances as at 30 June 2017 | 112 | 160 | – | 115 | 387 |
| Opening balances as at 1 July 2017 | 112 | 160 | – | 115 | 387 |
| Operating result | (88) | 18 | 10 | 36 | (24) |
| Transfer to defined contribution member accounts | – | – | – | – | – |
| Transfer to defined benefit member accounts | – | – | – | – | – |
| Closing balances as at 30 June 2018 | 24 | 178 | 10 | 151 | 363 |
| Opening balances as at 1 July 2018 | 24 | 178 | 10 | 151 | 363 |
| Operating result | 142 | 16 | – | 52 | 210 |
| Transfer to defined contribution member accounts | – | – | – | – | – |
| Transfer to defined benefit member accounts | – | – | – | – | – |
| Transfer from StatePlus Retirement Fund | – | 46 | – | 16 | 62 |
| Closing balances as at 30 June 2019 | 166 | 240 | 10 | 219 | 635 |

¹ The Operational Risk Financial Requirement Reserve is an unallocated reserve which is maintained separately to the unitised assets of the Fund for use by the Trustee in accordance with the requirements of Superannuation Prudential Standard 114 Operational Risk Financial Requirement and the Fund's Operational Risk Financial Requirement Reserving Policy.

² The Insurance Reserve is an unallocated reserve which is maintained separately to the unitised assets of the Fund for use by the Trustee in accordance with the Insurance Reserve Policy.

³ The Administration Reserve is an unallocated reserve which is maintained separately to the unitised assets of the Fund for use by the Trustee in accordance with the Trust Deed.

Statement of cash flows for the year ended 30 June 2019

| | 2019 \$m | 2018 \$m |
|----------------------------------------------------|----------------|----------------|
| Cash flows from operating activities | | |
| Investment income | 3,220 | 2,333 |
| Investment expenses | (321) | (268) |
| Administration expenses | (136) | (120) |
| Income tax paid | (38) | (301) |
| Net inflows from operating activities | 2,727 | 1,644 |
| Cash flows from investing activities | | |
| Purchase of investments | (97,388) | (67,140) |
| Proceeds from sale of investments | 93,337 | 63,629 |
| Net outflows from investing activities | (4,051) | (3,511) |
| Cash flows from financing activities | | |
| Contributions received | 6,160 | 5,897 |
| Benefits paid | (4,465) | (3,692) |
| Insurance premiums paid | (324) | (322) |
| Net inflows from financing activities | 1,371 | 1,883 |
| Net increase/(decrease) in cash held | 47 | 16 |
| Cash at the beginning of the financial year | 442 | 426 |
| Cash at the end of the financial year | 489 | 442 |

Other information

Unclaimed super is paid to the ATO

Under the superannuation rules, we must report and pay unclaimed super money to the Australian Tax Office (ATO). Unclaimed super money includes the following.

- An account balance under \$6,000 held by a member who is uncontactable. You are 'uncontactable' if we can't contact you by mail or email at the address(es) we hold for you and you haven't been in contact with us or contributed in the last 12 months.
- An inactive low-balance account under \$6,000 held by a member under age 65. This applies if we haven't received any contributions or rollovers for you in the last 16 months or more, and you haven't notified us that you want to remain in the fund.
- An inactive account held by a member who is 65 years of age or more. This applies if we haven't received any contributions or rollovers for you in the last two years and it's been five years or more since you last contacted us and we're unable to make contact with you. Once you reach 65, you can start an income stream or access your benefit in cash at any time.

Benefits for the following people may also be transferred to the ATO:

- members with inactive low-balance accounts with a balance less than \$6,000 after 16 months of inactivity, such as not receiving a contribution or rollover
- lost or uncontactable members
- former temporary resident members who have departed Australia
- deceased members whose benefits cannot be paid following death
- a spouse who is entitled to a benefit split under the Family Law Act and cannot be paid.

In most circumstances, simply contacting us will avoid the possibility of your account being transferred to the ATO. If your account is transferred to the ATO, any insurance cover you may have will cease. You can claim the money from the ATO at any time. Generally, you will need to meet a condition of release to have this money paid to you in cash. Otherwise, it will need to be transferred to an eligible superannuation fund, such as First State Super. Interest may also be payable by the ATO at the time the money is claimed. To find out how to keep your First State Super account active, visit firststatesuper.com.au/pys.

Insurance

Death, total and permanent disablement (TPD) and income protection insurance cover offered to First State Super personal and employer-sponsored members is provided under insurance policies issued to the trustee by TAL Life Limited.

Temporary residents

If you are a temporary resident, you can usually receive your super when you leave Australia and your visa expires or is cancelled. If you intend to claim your superannuation benefit directly from us, when you depart, you should request a port and date stamp for your passport from Australian Customs, otherwise you can apply online through the Australian government. For more information on how to claim your super in these circumstances, see the factsheet *Departing Australia Superannuation Payment* on our website at firststatesuper.com.au/factsheets.

Six months after your temporary residence visa has expired, the Australian Taxation Office (ATO) may require us to transfer your super to them as unclaimed monies. We are not obliged to notify a member who was a temporary resident if we transfer their superannuation to the ATO following their departure from Australia.

Administrator

Mercer Administration Services (Australia) Pty Limited is responsible for overseeing the daily operations of the fund. Mercer manages the processing of member and employer contributions, maintaining member records, and paying benefits. Mercer is also the custodian for the fund's Australian trust bank accounts.

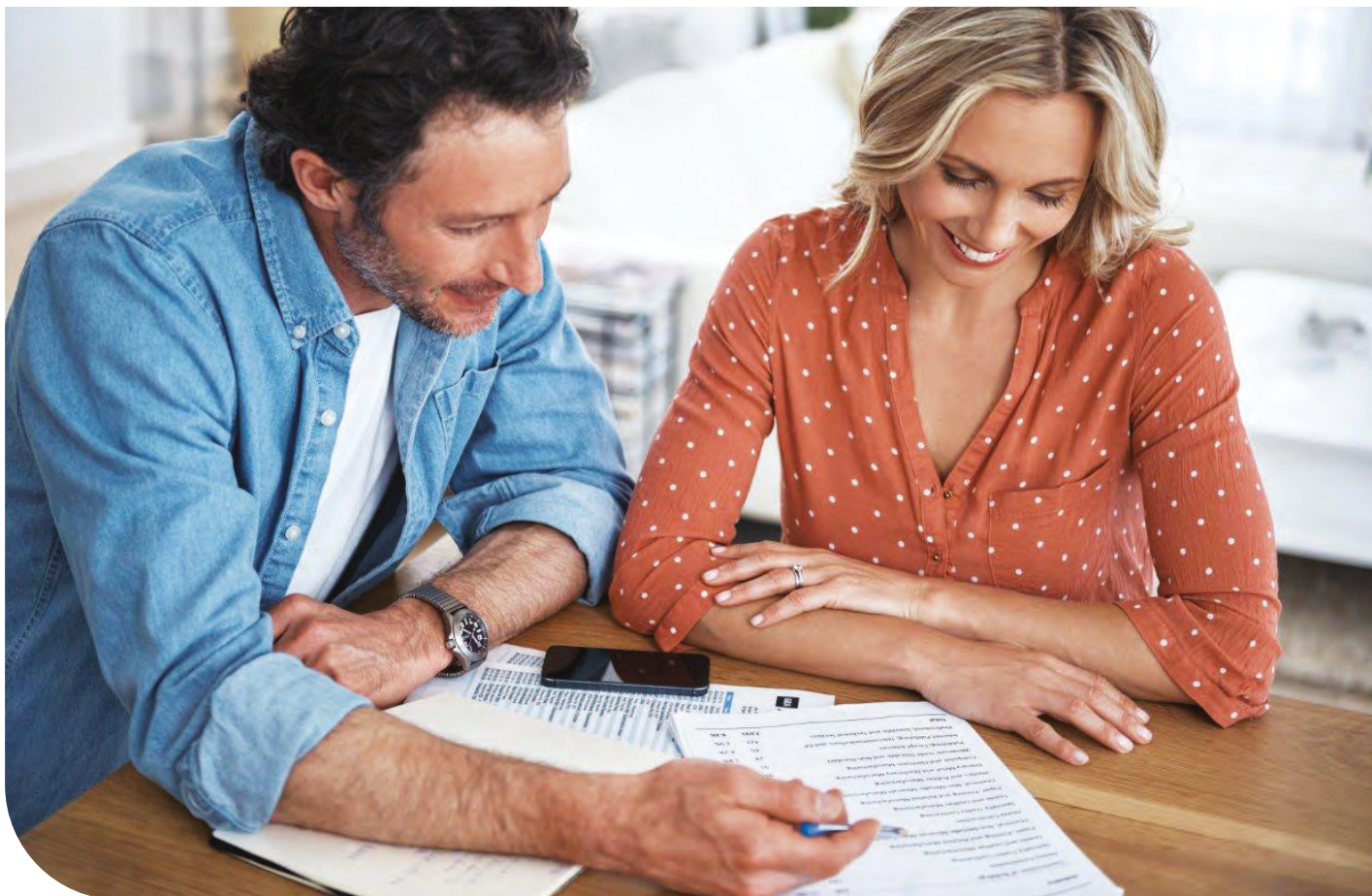
Compliance

The First State Superannuation Scheme (ABN 53 226 460 365) is a resident regulated superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act (SIS)* and a complying superannuation fund for the purposes of the Income Tax Assessment Act.

We can accept transfers and rollovers under First State Super's trust deed and rules, and the fund is authorised under MySuper legislation. Upon receipt of the transfers and rollovers, we'll maintain and preserve the benefits in First State Super to the extent required by SIS and its regulations.

Surcharge

The contributions surcharge tax, which was payable by high-income earners on employer contributions and termination payments, was abolished from 1 July 2005. We may be able to receive further assessments for the 2004-05 financial year and earlier years if a member has rolled over money into First State Super before the surcharge was deducted in the member's previous super fund. Any surcharge will be debited from the member's superannuation account.



Tax file numbers

How to provide your TFN

You can provide your TFN online in the secure member login and directly to the trustee by contacting customer service and following the TFN prompts or completing the section in your application or member details form. You can also download and complete the *Tax file number collection* form from our website. Your completed form should be sent to First State Super, PO Box 1229, Wollongong NSW 2500.

Alternatively, you can quote your TFN to your employer when starting employment and it will automatically be taken to be quoted for superannuation purposes. Your employer is obliged to give your TFN to the superannuation fund within 14 days of the TFN being quoted. You can check if your employer has provided your TFN by referring to your welcome letter or most recent benefit statement by logging into your account online, or by calling us.

What can we do with your TFN?

Under the *Superannuation Industry (Supervision) Act 1993*, the fund is authorised to collect your TFN, which we will only use for lawful purposes in the administration of your superannuation benefit. These purposes may change in the future as a result of legislative change.

We may disclose your TFN to another superannuation provider when your benefits are being transferred, unless you request in writing that your TFN is not to be disclosed to any other superannuation provider. We may also disclose your TFN to our administrator and the Commissioner of Taxation to provide all of the services required in the administration of your account.

We may also use your TFN to identify multiple accounts within the fund and consolidate them when permitted under law.

You don't have to provide your TFN, but there are advantages if you do.

- The fund will be able to accept all types of contributions to your account (including superannuation guarantee contributions, and any before-tax and after-tax contributions).
- The tax on contributions to your account will not be increased.
- No additional tax (that is, beyond that which ordinarily may apply) will be deducted when you start drawing down on your superannuation benefits.
- It will make it easier to trace different superannuation accounts in your name and match your accounts in the fund so you receive all of your superannuation benefits when you retire.

For more information about the tax that may apply to super, visit the Australian Tax Office (ATO) website, ato.gov.au. Our fact sheet *Super taxes, caps, payments, thresholds and rebates* also has information on tax and super.

| | | | | | | | | | | | |
|----------|-------------------|---------------|--------------------|---------------------------|-------------|--------------------------|--------------------------|------------|---------------------------------|-----------------------|-------------------|
| About us | From our Chairman | Members First | Our strategic plan | Our performance dashboard | Investments | The defined benefit fund | Our board and committees | Our people | Risk governance self-assessment | Our financial reports | Other information |
|----------|-------------------|---------------|--------------------|---------------------------|-------------|--------------------------|--------------------------|------------|---------------------------------|-----------------------|-------------------|

Contact us

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Post PO Box 1229, Wollongong NSW 2500

This is general information only and does not take into account your specific objectives, financial situation or needs. General advice is provided by FSS Trustee Corporation (FTC) ABN 11 118 202 672, AFSL 293340, the trustee of the First State Superannuation Scheme (First State Super) ABN 53 226 460 365. You should consider the Member Booklet (Product Disclosure Statement) for the product you hold or intend holding before making any decisions. Call us on 1300 650 873 for a free copy of the Member Booklet or the annual report, or visit firststatesuper.com.au.