

HESTA Annual Report

for the financial year ending 30 June 2011

HESTA
SUPER FUND



Issued 12 September 2011



CEO and Chair welcome

We're pleased to report that HESTA has delivered a competitive return of 10% for Core Pool, where the majority of members have their super — giving both a one year and 10 year top quartile return. Turn to page 4 for details about HESTA's other investment options and how they have performed over the long term.

The super industry continually lobbies government for improvements that benefit our members. In June 2011, the Gillard Government announced legislation that will improve the retirement outcomes of those working in health and community services. A rebate of up to \$500 (the equivalent of the contributions tax) will be introduced for those earning less than \$37,000 per year.

The government is also proposing to increase the amount of compulsory super each working Australian receives from 9 to 12%. Boosting super to 12% (which would phase in from 2013 – 2020) would be of great benefit to all HESTA members. It's been widely acknowledged that 9% super will not be enough to give most people the income they'll need in retirement. This is especially true for women who, on average, retire with only half the super men have, due to equal pay issues and broken work patterns. Together, these changes would have a major impact for HESTA members, with a typical HESTA member receiving a 44%* increase into their retirement savings.

We are also pleased to announce some great improvements to HESTA's insurance offer, which will come into effect from 1 March 2012. When negotiating these improvements, we focused on changes that would benefit the largest concentration of our members — our typical member is a female in her forties with a median balance of \$9,000. Our research tells us, given her low super balance, she intends to keep working as long as possible and our new default income protection insurance will help protect her income right up to the new pension age of 67. The new insurance will also provide improved death benefits for HESTA members.

For more information on these improvements, read our **Insurance changes** flyer. It's a good time to check what insurance cover you have and whether you need to increase it.

We will continue to put all our efforts into maximising your retirement income through our consistent investment strategy, high-quality servicing, education and advice programs, and by lobbying government, specifically around issues that affect our members most.



Anne-Marie Corboy
Chief Executive Officer



Angela Emslie
Board Chair

* Calculations are provided by Industry Super Network using average fees and standardised performance returns for a sample of 16 Industry Super Funds. This example is based on a 34 year old earning \$26,161 p.a. with \$4,780 already in their account, broken work pattern is between 31 and 42 years of age. There have been either no super contributions, or contributions equating to workload of 0.5 or 0.75. Annual inflation rate of 2.5%; an SG rate of 9% increasing to 12% between 2013-2020. A contributions tax of 15% adjusted for the proposed low income tax break announced; an investment return of 6.8% (7.25% less assumed tax); an annual wage increase rate of 3.5%; retirement age of 65, and no additional voluntary contributions. To see how these changes may affect your retirement savings, based on your own circumstances visit industrysUPER.com/calculator

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Contact us

free call 1800 813 327 | email hesta@hesta.com.au | web hesta.com.au
address PO Box 600 Carlton South, Vic, 3053

Investment performance

for year ending 30 June 2011

HESTA has delivered a competitive return of 10% for Core Pool — where the majority of members have their super. The 10 year average return of 6% puts us in the top quartile of balanced funds in Australia.

When reviewing returns it's important to note the difference between the declared return and inflation. An investment option that consistently gives you a higher return than inflation is growing real wealth for retirement.

Core Pool aims to achieve 4% above the rate of inflation (CPI). Since inception of Core Pool (1 August 1987), inflation has averaged 3.8%, giving us a target return of 7.8%. HESTA's Core Pool has out-delivered on this target by achieving 8.7%.

Ready-Made Investment Pools	Since inception %	10 year average %	7 year average %	5 year average %	3 year average %	1 year return %
Conservative Pool [#] (1/7/95*)	6.4	5.4	5.4	3.9	3.4	6.7
Core Pool (1/8/87*)	8.7	6.0	6.2	3.2	2.0	10.0
Shares Plus (1/7/95*)	8.0	5.7	6.1	2.9	2.2	10.2
Eco Pool (1/2/00*)	3.8	3.5	5.6	3.0	4.0	6.7
Your Choice Asset Classes	Since inception %	10 year average %	7 year average %	5 year average %	3 year average %	1 year return %
Cash (1/7/01*)	4.0	4.0	4.1	3.9	3.5	4.1
Global Bonds ^{##} (1/7/01*)	5.8	5.8	5.5	5.6	6.8	5.3
Property (1/7/01*)	5.4	5.4	3.6	0.7	-4.9	6.8
Infrastructure (1/7/01*)	7.4	7.4	8.2	6.2	2.6	11.4
International Shares (1/7/01*)	0.6	0.6	2.0	-1.0	-0.4	5.7
Australian Shares (1/7/01*)	9.0	9.0	9.7	5.2	4.2	14.1
Private Equity (1/7/01*)	5.4	5.4	6.6	5.6	3.0	11.9

* Refers to date of inception for the investment option

Previously named Cash Plus

Previously named Fixed Interest

How returns are applied to HESTA accounts

Each month interest rates are declared that reflect HESTA’s net investment results, which may be positive or negative. Interest is applied to members’ accounts upon exiting the Fund or 30 June each year, based on the member’s daily balance and investment choice. If declared interest rates are subsequently adjusted, the variation will be applied to member balances. For exited members, any positive adjustment of \$20 or more will be paid.

Interim interest rates are used when processing benefit payments during the year. Following a partial withdrawal, interest may be recalculated after the declaration of final declared rates, which can result in the member’s remaining balance being higher or lower than initially indicated. Contact us for more details.

HESTA provides a member benefit protection rebate upon exiting the Fund or 30 June, to protect member account balances of less than \$1,000 from depletion by administration fees.

Investment management and performance costs (shown below), the Trustee operating cost (0.10%) and the member benefit protection cost (0.02% in 2010/2011) are deducted from investment earnings before returns are declared.

Investment management and performance costs

The estimated combined investment management and performance costs for 2010/11 are shown below. Updated management and performance costs are available at hesta.com.au/fees

Ready-Made Investment Pools	%
Conservative Pool	0.31
Core Pool	0.77
Shares Plus	0.84
Eco Pool	0.56

Your Choice Asset Classes	%
Cash	0.02
Global Bonds	0.22
Property	0.76
Infrastructure	0.68
International Shares	0.76
Australian Shares	0.50
Private Equity	3.08

Investment options

at 30 June 2011, in detail

Ready-Made Investment Pools

	Objective	Strategy [^]
Conservative Pool (previously named Cash Plus)	<p>Conservative Pool aims for the lowest year-to-year variation in returns of all HESTA's Ready-Made Investment Pools, although with lower expected rates of return than Core Pool over the long term. It's the most conservative of all HESTA's Pools and is specifically designed to offer a low-risk investment. It aims to provide stable returns slightly greater than those achieved by investing in cash alone.</p> <p>Conservative Pool aims to achieve CPI +3%. The probability of a negative annual return is about one in 20 years.*</p>	<p>Conservative Pool's asset allocation has more exposure to cash and fixed-interest markets than other Ready-Made Pools.</p> <p>It is designed to offer members a low-risk investment which seeks greater returns than cash alone. Almost 30% of its investment is in shares. This is because shares tend to have a low correlation, or relationship, with cash and bonds and as one rises in value, the other may be expected to fall. So, by investing a proportion in shares, we help reduce the risk while enhancing the potential return over the longer term.</p>
Core Pool	<p>Core Pool aims to optimise returns while in the short term achieving consistently better returns than the 90-day bank bill rate (adjusted for tax) and rarely having an interest rate less than zero.</p> <p>Core Pool aims to achieve CPI +4%. The probability of a negative annual return is about two in 20 years.*</p>	<p>Core Pool invests in a diversified but balanced mix of assets to provide a consistent return. Its asset mix may vary during the year in accordance with market conditions to help achieve this consistency of return.</p> <p>It's the only pool that holds a reserve, which may be used for rounding purposes. These reserves are targeted to be at least 0.2% of total assets.</p>

[^] Changes may be made to investment options at any time. The investment options available may also change. For updated information, visit the HESTA Investment Centre at hesta.com.au

*Figures representing the long-term probability of negative returns have been determined by HESTA's asset consultant Frontier Investment Consulting, based on capital market assumptions, and actual outcomes may vary.

	Objective	Strategy^
Shares Plus	<p>Shares Plus aims to provide higher long-term returns than Core Pool. Since there may be substantial year-to-year variation in returns, even in the longer term, Shares Plus may not outperform other Pools. It has a diversified portfolio that includes assets other than shares.</p> <p>Shares Plus aims to achieve CPI +5%. The probability of a negative annual return is about three in 20 years.*</p>	<p>Shares Plus has a mixed asset allocation, with more exposure to the share market than Core Pool. However, its diversification means that it has a lower risk profile than an investment in shares alone.</p>
Eco Pool	<p>Eco Pool aims to optimise long term returns while investing in companies and properties that demonstrate superior performance across a range of environmental, social and governance criteria relative to their competition.</p> <p>Eco Pool aims to achieve CPI +4%. Its high allocation to shares means there is likely to be significant year-to-year variation in returns with the probability of a negative annual return about four in 20 years.*</p>	<p>Eco Pool invests 45% in Australian shares, 35% in international shares, 10% in Australian direct property and 10% in cash.</p> <p>In addition to the traditional valuation assessment, Australian and international companies are evaluated for their environmental, social and governance performance. Eco Pool then invests in the companies with the best combination of financial, environmental, social and governance performance.</p> <p>The only companies which are specifically excluded from the Eco Pool Australian share investments are those with uranium mining operations.</p> <p>The property investment is rated 4 stars under the Green Building Council Australia's Green Star Rating System and has a NABERS Energy Base Building Rating of 4.5 stars.</p>

Continued on page 8

Your Choice Asset Classes

	Objective	Strategy [^]
Cash	<p>Your Choice Cash aims to produce a return equivalent to or higher than the Overnight Cash Rate. It's the most conservative of the Your Choice options.</p> <p>Your Choice Cash aims to achieve CPI + 1%. The probability of a negative annual return is negligible.*</p>	<p>Your Choice Cash is primarily invested in short-term bank deposits, and may include a small allocation to other cash investments. It's updated with investment earnings and movements in values.</p>
Global Bonds (previously named Fixed Interest)	<p>Your Choice Global Bonds aims to produce a return that is higher than the UBS Composite Bond Index. It's less conservative than cash, in that it may produce a negative return, but is more conservative than the other Your Choice options.</p> <p>Your Choice Global Bonds aims to achieve CPI + 2%. The probability of a negative annual return is about one in 20 years.*</p>	<p>Your Choice Global Bonds is 100% invested in bonds and other fixed interest products. It has investments in both Australian and international bonds including products that specialise in investing in corporate bonds (known as 'credit'). Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international bonds are fully hedged.</p>
Property	<p>Your Choice Property aims to produce a return equivalent to or higher than the Mercer Direct Property Index. It's less conservative than Cash or Global Bonds, in that it has a higher possibility of producing a negative return, but is more conservative than the remaining Your Choice options.</p> <p>Your Choice Property aims to achieve CPI + 4%. The probability of a negative annual return is about two in 20 years.*</p>	<p>Your Choice Property is invested primarily in unlisted property products with a 10% holding in cash products. It will have investments in both Australian and international property. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>

[^] Changes may be made to investment options at any time. The investment options available may also change. For updated information, visit the HESTA Investment Centre at hesta.com.au

*Figures representing the long-term probability of negative returns have been determined by HESTA's asset consultant Frontier Investment Consulting, based on capital market assumptions, and actual outcomes may vary.

	Objective	Strategy [^]
Infrastructure	<p>Your Choice Infrastructure aims to produce a return that is significantly higher than the UBS Composite Bond Index. It has holdings in unlisted companies and, although these are not considered speculative, is likely to produce negative returns from time to time. Returns should be less volatile than other equity investments.</p> <p>Your Choice Infrastructure aims to achieve CPI +4%. The probability of a negative annual return is about three in 20 years.*</p>	<p>Your Choice Infrastructure is invested primarily in unlisted infrastructure products with a 10% holding in cash products. It has investments in both Australian and international infrastructure. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>
International Shares	<p>Your Choice International Shares invests in international shares. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Your Choice International Shares aims to achieve CPI +5%. The probability of a negative annual return is about five in 20 years.*</p>	<p>Your Choice International Shares is invested in listed international shares. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international shares are managed under HESTA's active currency overlay program policy. It may include managers who also short sell shares.</p>
Australian Shares	<p>Your Choice Australian Shares invests in Australian shares. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Your Choice Australian Shares aims to achieve CPI +5%. The probability of a negative annual return is about five in 20 years.*</p>	<p>Your Choice Australian Shares is invested in listed Australian shares. Investments are managed in a style similar to that used by Core Pool for this asset class. It may at times hold a small percentage of its assets in shares of companies not listed on the Australian Stock Exchange. It may include managers who also short sell shares.</p>
Private Equity	<p>Your Choice Private Equity invests in Australian and international private equity. It aims to produce high long-term returns, however it is very likely to produce negative returns from time to time.</p> <p>Your Choice Private Equity aims to achieve CPI +7%. The probability of a negative annual return is about four in 20 years.*</p>	<p>Your Choice Private Equity is invested primarily in private equity products with a 10% holding in cash products. It will have investments in both Australian and international private equity. Investments are managed in a style similar to that used by Core Pool for this asset class.</p>

Strategic asset allocation

at 30 June 2011

	Ready-Made Investment Pools				Your Choice Asset Classes						
	Conservative Pool (%)	Core Pool (%)	Shares Plus (%)	Eco Pool (%)	Cash (%)	Global Bonds (%)	Property (%)	Infrastructure (%)	International Shares (%)	Australian Shares (%)	Private Equity (%)
Cash	34	4	2	10	100		10	10			10
Australian fixed interest	11.3	5				50					
International fixed interest	11.2	6				50					
Opportunistic growth		3	5								
Australian direct property	3.6	8	5.1	10			67.5				
International direct property	1.4	3	1.9				22.5				
Australian infrastructure	2.7	5	3.7					40			
International infrastructure	3.3	5	4.3					50			
Australian shares	15	31	40	45						100	
International shares	12	23	33	35					100		
Australian private equity		1	1								22.5
International private equity		3	3								67.5
Unlisted debt	4.5	2									
Other	1	1	1								

The strategic asset allocations may change during the year within their bands without prior notice. See page 16 for details of recent changes. Bands and any variations will be reported at hesta.com.au

HESTA's reserving policy

HESTA retains a small investment reserve for the purpose of rounding the Core Pool interest rate applied to members' accounts. These reserves are targeted to be at least 0.2% of total assets. The 2011 reserve is \$1.097 million (unaudited). The audited reserve in 2010 was \$37.670 million and in 2009 was \$33.211 million.

HESTA's derivatives policy

Derivatives are often purchased as a form of investment insurance, and include:

- futures and options: agreements to buy or sell an asset like gold, shares or bank bills in the future at a price set now
- forward rate agreements: agreements to borrow or lend money in the future at an interest rate set now
- swaps: an interest rate, currency or equity exchange between two parties
- warrants: certificates that enable a purchaser to buy stocks at a certain price within a set time frame.

Derivatives are financial instruments linked to the future purchase or sale of securities, such as shares or other assets. They are common risk management tools. HESTA has some investment in derivatives. Derivatives can be used to reduce portfolio risk, or increase it. Tight controls are used to reduce unintended risk.

Derivatives have a role to play as part of HESTA's overall investment strategy and aim to minimise investment risk in the portfolio while maximising investment returns. HESTA's policy on derivatives allows investment managers to use derivatives to pursue their investment objectives, particularly for controlling risk. HESTA's policy allows the Trustee to use derivatives to implement strategies within the Fund.

Managers are not allowed to exceed specific asset sector investment guidelines limiting the circumstances under which they may use derivatives. Derivatives may be used in the management of the portfolio but not used to gear the portfolio or create net short positions.

Superannuation surcharge

The Federal Government abolished the superannuation surcharge tax from 1 July 2005. However, surcharges for prior years may still appear on your statement as a deduction from your account.

HESTA's financial statements

Following are HESTA's unaudited accounts for 2010/11. Audited accounts and the auditor's report will be available from November 2011. Free call 1800 813 327 to request a copy.

Draft statement of financial position

	30 June 2011 (\$)	30 June 2010 (\$)
Asset/Investments		
Absolute Return Funds	172,730,034	259,818,280
Absolute Return Strategies Growth	360,791,192	186,106,087
Cash & short term deposits	2,453,701,866	1,495,982,350
Currency hedging	3,821,648	(64,144,929)
Other interest bearing securities	1,832,094,363	1,435,169,163
Listed Australian Equities	5,096,501,219	4,485,938,067
Listed Foreign Equities	3,486,245,006	3,257,114,834
Property	1,590,191,094	1,451,841,757
Infrastructure & Private Equity	2,897,353,404	2,681,513,650
	17,893,429,826	15,189,339,259
Super Income Stream		
Fixed Interest Fund	31,631,221	15,470,107
Balanced Fund	177,470,716	114,409,677
Active Fund	12,620,775	7,392,516
Property Fund	3,793,841	2,309,929
Conservative Fund	23,710,376	16,987,910
Defensive Fund	68,292,651	37,070,345
Australian Equities	26,937,550	13,336,703
Cash & Liquid Assets	49,688,056	26,675,121
International Equities	3,668,001	2,051,662
Other	8,031,628	4,230,258
	405,844,815	239,934,228
Total investments	18,299,274,641	15,429,273,487

	30 June 2011 (\$)	30 June 2010 (\$)
Other assets		
Cash at bank	47,447,198	111,050,082
Fixed assets	1,278,455	1,469,283
Other assets	1,305,919	165,669
Deferred tax assets	109,779,130	131,714,696
Total other assets	159,810,702	244,399,730
Total assets	18,459,085,343	15,673,673,218

	30 June 2011 (\$)	30 June 2010 (\$)
Liabilities		
Accounts payable	43,424,594	39,702,635
Provision for employee benefits	1,146,586	1,053,775
Income tax payable	157,557,526	134,589,896
Deferred tax liabilities	43,589,395	6,868,331
Total liabilities	245,718,100	182,214,637
Net assets available to pay benefits	18,213,367,243	15,491,458,580

	30 June 2011 (\$)	30 June 2010 (\$)
Represented by:		
Liability for accrued benefits		
Allocated to member accounts	17,786,837,455	15,199,314,468
Allocated to income stream accounts	405,793,940	239,869,155
Not yet allocated to member accounts	5,496,345	6,596,770
Reserves	15,239,503	45,678,187
	18,213,367,243	15,491,458,580

Draft operating statement

	2011	2010
Investment revenue	\$	\$
Dividends	383,135,160	191,083,827
Trust distribution income	294,141,600	283,912,286
Interest	77,586,813	69,602,814
Other investment income	(1,219,490)	3,447,523
Change in net market value of investments	906,351,920	913,827,128
Direct investment expenses	(57,380,599)	(49,728,090)
	1,602,615,405	1,412,145,488
Contribution revenue		
Employer contributions	1,919,695,048	1,755,971,816
Members' contributions	247,668,528	245,543,458
Transfers from other superannuation funds	387,777,333	354,329,176
Transfers from other superannuation funds - income stream	201,162,994	103,715,267
	2,756,303,903	2,459,559,717
Other revenue		
Group life insurance proceeds	38,997,757	40,499,553
Other income	2,966,628	104,032
	41,964,386	40,603,585
Total revenue from ordinary activities	4,400,883,694	3,912,308,790
Expenses from ordinary activities		
Group life insurance expenses	95,953,449	90,976,310
Administration expenses	31,079,622	28,949,682
Operating expenses	27,639,668	25,636,017
Superannuation contributions surcharge	17,385	868
Total expenses from ordinary activities	154,690,124	145,562,876
Benefit accrued as a result of operations before income tax	4,246,193,569	3,766,745,913
Income tax expense	355,634,893	324,759,759
Benefit accrued as a result of operations after income tax	3,890,558,676	3,441,986,154

Super changes you need to know about

Service fees

HESTA's fees for splitting super accounts on divorce will alter from 1 December 2011:

- provision of account information: \$103
- family law account splitting: \$80.

2011/12 super tax thresholds

Low rate cap

The limit on the amount of the taxable component of a super lump sum benefit that an individual can receive between their preservation age and age 60 at a nil rate of tax is \$165,000.

Untaxed plan cap

The limit on concessional tax treatment applied to benefits rolled into HESTA that have not previously been subject to contributions tax in a super fund is \$1.205 million.

CGT cap

The limit of contributions arising from the disposal of qualifying small business assets that can be excluded from the non-concessional contribution cap is \$1.205 million.

SG maximum earnings base

The limit of an individual's earnings for which an employer is required to make a minimum contribution (9%) is \$43,820 per quarter.

Co-contributions threshold

Co-contribution thresholds will be maintained at \$31,920 and \$61,920.

Better insurance cover from 1 March 2012

From 1 March 2012, insurance cover through HESTA will offer better protection for members and their families.

Improvements at a glance

- Default Income Protection (IP) Cover will provide cover and benefits to age 67 — bridging the gap between the new Age Pension threshold of age 67 and our previous default IP Cover limit of age 60
- Higher death, terminal illness and disablement benefits under each unit of cover from age 36
- Death Cover will continue until age 75 (Death Cover currently ceases after age 70)
- Maximum Death Cover increases from \$2 million to \$5 million
- Maximum terminal illness and lump-sum TPD Cover increases from \$2 million to \$3 million
- Option of combining lump-sum TPD Cover and IP Cover with benefits payable to age 67 (IP Cover was previously limited to a 2 year benefit period when combined with lump-sum TPD).

This new cover is offered through CommInsure.

For more information on these improvements, read our [Insurance changes](#) flyer.

Changes to HESTA's investment options

Investment options closed

On 31 October 2010, the following investment options closed:

- Overseas Share Pool
- Australian Share Pool
- Absolute Return Strategies.

Investment options renamed

From 1 November 2010, the following investment options were re-named:

- Cash Plus was re-named Conservative Pool
- Fixed Interest was re-named Global Bonds.

Strategic asset allocation changes from 1 July 2011

On 1 July 2011, changes were made to the strategic asset allocation of two of our Ready-Made Investment Pools — Conservative Pool and Core Pool. Visit hesta.com.au for the current strategic asset allocations.

Closed investment options

Investment performance from 1 July 2010 to 31 October 2010

Investment option	Performance (%) 1 July 2010 to 31 October 2010
Overseas Share Pool	4.3%
Australian Share Pool	11.1%
Absolute Return Strategies	2.7%

Investment management and performance costs from 1 July 2010 to 31 October 2010

The estimated combined investment management and performance costs for the investment options closed on 31 October 2010 are shown below.

Ready-Made Investment Pools	%
Overseas Share Pool	0.92
Australian Share Pool	0.57

Your Choice Asset Classes	%
Absolute Return Strategies	1.24

Who takes care of HESTA?

HESTA is run by H.E.S.T. Australia Limited, an APRA and ASIC licensed trustee company with Guarantors (who don't receive dividends). Guarantors represent employee and employer organisations and are eligible to nominate Directors to the Board.

There are 14 Trustee Directors on HESTA's Board, with equal appointments from employee and employer organisations in the health, aged care and community services fields. This ensures the voices of both employers and members are heard and that their views are taken into account when decisions are made.

The Board meets nine to ten times a year, managing every aspect of the Fund's responsibilities and overseeing the administration, investments and future direction of HESTA. The role of the Board is to govern the operations of HESTA, ensuring the Fund is administered in accordance with the Trust Deed, relevant legislation and regulations, and to determine the strategic direction of the Fund.

Although the Trustee Company is required to hold professional indemnity insurance to protect both itself and the Directors from claims against them, there has never been a claim under the insurance policy and no penalties have been imposed under the Superannuation Industry (Supervision) Act 1993, which covers the regulation, responsibilities and activities of super funds.

If you would like to know more about the governing rules of the Fund, you can obtain a full copy of HESTA's Trust Deed or the rules governing the appointment of Trustee Directors by contacting us on free call 1800 813 327.

If you have any feedback on your Annual Report you can write to:

Anne-Marie Corboy
Chief Executive Officer
HESTA Super Fund
PO Box 615
Carlton South Vic 3053

More information on individual Directors is available on pages 22-24 and at hesta.com.au where you may also obtain copies of HESTA's **Board Charter** and **Code of Conduct**.

Key advisers and service providers

HESTA uses a number of external service providers to help us administer your account and invest your money.

Frontier Investment Consulting Pty Ltd provides the Board with advice on investing members' money and is paid a fee for this service. HESTA is a shareholder of Frontier.

Superpartners provides administrative services for HESTA, including operating the Fund's service centre, insurance administration, contribution and benefit processing and other general Fund administration. HESTA is a shareholder of Superpartners.

Other key advisers and providers as at 30 June 2011 include:

- JP Morgan – Fund custodian
- OnePath Life Limited – member insurance benefits
- Peter Carroll Pty Ltd – Actuary
- Dwyer & Co – solicitor
- Ernst & Young – auditor
- PricewaterhouseCoopers – tax accountants and advisers.







HESTA's investment managers

HESTA uses a range of professional fund managers to invest members' money according to specific objectives and strategies (including offering strategies to guard against excessive risk) set out by the HESTA Trustee Board with advice from our investment consultant, Frontier Investment Consulting.

By using investment managers, HESTA can make use of their expertise in the investment of your retirement savings, while at the same time using our size to achieve economies of scale that keep costs low.

HESTA's investment managers at 30 June 2011

Asset class	Investment manager	
Cash 	Industry Funds Management Pty Ltd	Perpetual Investment Management Limited
	JP Morgan Chase Bank, N.A.	ME Bank
	National Australia Bank Limited	State Street Global Advisors, Australia, Limited
Global Bonds 	BlackRock Asset Management (Australia) Limited	ME Portfolio Management Limited
	Industry Funds Management Pty Ltd	Pacific Investment Management Company (PIMCO)
Property 	AEW Value Investors, L.P.	Franklin Templeton Investments Australia Limited
	BT Funds Management No 2 Limited	ISPT Pty Ltd
	Charter Hall Limited	IGIPT Pty Ltd
	DNZ Property Fund Limited	Morgan Stanley & Co
	EG Funds Management	Queensland Investment Corporation (QIC)
	Eureka Funds Management Limited	Scarborough Pacific Group
	Fortius Funds Management Pty Limited	Valad Funds Management Limited
International Shares 	Altrinsic Global Advisors, LLC	Marathon Asset Management (Australia) Limited
	Baillie Gifford Overseas Limited	Mondrian Investment Partners Limited
	BlackRock Alternative Advisors	Orbis Investment Management Limited
	First State Investments (Hong Kong) Limited	Taube Hodson Stonex Partners, LLP
	Generation Investment Management, LLP	Turner Investment Partners Pty Ltd
	Hexavest Inc.	Walter Scott & Partners Limited
	Lazard Asset Management Pacific Co	
Australian Shares 	Aviva Investors Australia Limited	Industry Funds Management Pty Ltd
	BlackRock Asset Management (Australia) Limited	Maple-Brown Abbott Limited
	BT Investment Management No 2 Limited	Northcape Capital Pty Ltd
	Citigroup Global Markets Australia Pty Limited	Orbis Investment Management (Australia) Pty Limited
	Cooper Investors Pty Ltd	Paradice Investment Management Pty Ltd
	Eley Griffiths Group Pty Ltd	Perpetual Investment Management Limited
	Ellerston Capital Limited	PM Capital Limited
	Goldman Sachs Asset Management & Partners Australia Pty Ltd	Renaissance Smaller Companies Pty Ltd
	Greencape Capital Pty Ltd	Solaris Investment Management Limited

Asset class	Investment manager	
Currency Management 	Lee Overlay Partners Limited	Mesirow Financial Currency Management
	ME Portfolio Management Limited	Pareto Partners
Private Equity 	Adveq Management AG	Newbury Partners, LLC
	Coller International Partners V-A, L.P.	Oaktree Capital Management, L.P.
	Generation Investment Management, LLP	Performance Equity Management, LLC
	Industry Funds Management Pty Ltd	Quay Partners Pty Ltd
	Lexington Capital Partners VI-BP.	Siguler Guff & Company, LLC
	Macquarie Investment Management Ltd	Vencap Limited
Unlisted debt 	Industry Funds Management Pty Ltd	Challenger Manager Services Limited
Infrastructure 	Hastings Funds Management Limited	Stafford Timberland Limited
	Industry Funds Management Pty Ltd	
Opportunistic growth 	BlackRock Alternative Advisors	Industry Funds Management Pty Ltd
	Bridgewater Associates, Inc.	Oaktree Capital Management, L.P.
Other assets 	BlackRock Alternative Advisors	GMO Australia Limited
HESTA Super Income Stream	Acadian Asset Management (Australia) Ltd	ISPT Pty Ltd
	AMP Bank	JP Morgan Chase Bank, N.A.
	BlackRock Asset Management Australia Ltd	ME Bank
	Capital International, Inc.	Perennial Investment Partners Ltd
	Industry Funds Management Pty Ltd	Perpetual Investment Management Ltd

HESTA's Board

Trustee Directors during the period 1 July 2010 to 30 June 2011

Employer organisation appointed



Angela Emslie (Chair)
Victorian Employers' Chamber
of Commerce and Industry
Appointed 15 Dec 1994



Jay Bonnington
Catholic Health
Australia
Appointed 1 Jan 2011



Glenn Bunney
Aged & Community
Services Australia
Appointed 1 Jan 2007



Don Good
Catholic Health
Australia
Retired 31 Dec 2010



Denis Hogg
Australian Private
Hospitals Association
Term of office expired
31 Dec 2010



Maree O'Halloran
Australian Council
of Social Service
Appointed 18 Jan 2010



Prue Power
Australian Healthcare
and Hospitals Association
Appointed 1 Jan 2010



Richard Royle
Australian Private
Hospitals Association
Appointed 1 Jan 2011



Tony Smith
Aged Care
Association Australia
Reappointed 19 Apr 2007

Employee organisation appointed



**Brett Holmes
(Deputy Chair)**
Australian Nursing
Federation
Appointed 28 Sep 2000



Yvonne Chaperon
Australian Nursing
Federation
Appointed 29 Oct 2010



Rob Elliott
Health Services
Union
Appointed 21 Nov 1997



Kathy Jackson
Health Services
Union
Reappointed 10 Mar 2009



Ged Kearney
Australian Nursing
Federation
Resigned 28 Oct 2010



Tim Lyons
Australian Council
of Trade Unions
Appointed 8 Feb 2010



Beth Mohle
Australian Nursing
Federation
Appointed 28 Jun 2001



Kelly Shay
United Voice
(formerly LHMU)
Appointed 1 Sep 2009

The Board Committees

The Board Committees as at 30 June 2011

Specialised responsibilities are delegated to Board-appointed committees consisting of Directors who report to the full Board meeting.

Audit Committee

Chair	Jay Bonnington
Members	Rob Elliott, Brett Holmes, Tim Lyons, Richard Royle, Tony Smith
Role	Responsible for ensuring the Fund observes high standards of business behaviour and ethics, complies with all legal and regulatory requirements, manages risk effectively and provides assurance regarding the quality and reliability of financial information.

Board Development Committee

Chair	Angela Emslie
Members	Glenn Bunney, Yvonne Chaperon, Brett Holmes, Beth Mohle, Maree O'Halloran
Role	Responsible for ensuring the Board maintains the appropriate balance of skills and expertise to perform the functions required. The committee also reviews and makes recommendations on the level of training and education, Directors' remuneration and Board performance and processes.

Marketing Committee

Chair	Brett Holmes
Members	Glenn Bunney, Beth Mohle, Prue Power, Kelly Shay, Tony Smith
Role	Involved in HESTA's marketing function at a strategic level. This ad-hoc committee participates in the development and monitoring of the marketing strategy and the Fund's product portfolio.

Directors attendance at meetings

Directors During the period 1 July 2010 to 30 June 2011	Board meetings attended	Audit Committee meetings attended	Board Development Committee meetings attended	Marketing Committee meetings attended
Angela Emslie (Chair)	8/9	-	2/2	-
Brett Holmes (Deputy Chair)	9/9	1/1	2/2	1/1
Jay Bonnington Appointed 1/1/11	4/4	1/1	-	-
Glenn Bunney	8/9	-	2/2	1/1
Yvonne Chaperon Appointed 29/10/10	5/5	-	1/1	-
Rob Elliott Leave of absence Feb-Jun 2011	4/9	1/2	-	-
Don Good Retired 31/12/10	4/5	2/2	-	-
Denis Hogg Term of office expired 31/12/10	5/5	2/2	-	-
Kathy Jackson	6/9	-	-	-
Ged Kearney Resigned 28/10/10	4/4	1/2	0/1	-
Tim Lyons	9/9	3/3	-	-
Beth Mohle	9/9	-	2/2	1/1
Maree O'Halloran	8/9	-	2/2	-
Prue Power	8/9	-	-	0/1
Richard Royle Appointed 1/1/11	4/4	1/1	-	-
Kelly Shay	7/9	-	-	0/1
Tony Smith	8/9	3/3	-	1/1

Remuneration of Directors

The total amount of remuneration paid to Directors for the year 1/1/2010 to 31/12/2010, including superannuation contributions was: \$517,260.

The table below lists the number of Directors whose income falls within the bands.

Amounts between	Less than \$9,999	\$10,000 and 19,999	\$20,000 and 29,999	\$30,000 and 39,999	\$40,000 and 49,999	\$50,000 and 59,999	\$60,000 and 69,999
Number of Directors in 2010	1	-	2	10	1	-	1

How do I make a complaint?

We take complaints seriously.

If you're not satisfied with our products or services, we have a complaint resolution process to address your concerns fairly and efficiently.

Internal dispute resolution process

- 1 Free call 1800 813 327 to discuss your concerns.
- 2 If your concerns can't be resolved immediately, you can provide more detailed information about your complaint to our Complaints Officer by:

Mail: Complaints Officer
HESTA Super Fund
PO Box 600
Carlton South Vic 3053

Fax: 1300 368 636

Email: hesta@hesta.com.au

- 3 We'll investigate your complaint and make every effort to respond within 10 business days. If we can't fully respond in that time, we'll endeavour to keep you informed about the progress of your complaint. Our response will detail the outcome of the investigation and the reason for our decision. This process is free of charge.

External Dispute Resolution Process

There are independent organisations that help resolve disputes between consumers and financial services providers, which can be accessed free of charge.

If you're not satisfied with the outcome of the internal dispute resolution process, you may take your complaint to one of the below external dispute resolution schemes*.

Superannuation complaints

Superannuation Complaints Tribunal (SCT)
Locked Mail Bag 3060
Melbourne Vic 3001
1300 884 114
sct.gov.au

*You can also access the SCT if your complaint has not been resolved by the internal dispute resolution process within 90 days.

Non-superannuation complaints

(e.g. advice about banking or managed investment products)

Financial Ombudsman Service (FOS)
GPO Box 3
Melbourne Vic 3001
1300 780 808
fos.org.au

*You can also access FOS if your non-superannuation complaint has not been resolved by the internal dispute resolution process within 45 days.

What happens to your super if we lose contact with you?

We may transfer your account to Australia's Unclaimed Super Fund (AUSfund), an eligible rollover fund if:

- we have been unsuccessful in delivering mail to your address, or
- your account balance is less than \$800 and no contributions have been made for more than one year, or
- your account balance is less than \$1,000 and no contributions have been made for more than two years, or
- if a small credit is to be applied to your account after it has been closed.

When your money is transferred to AUSfund ABN 85 945 681 973, APF0100AU, any insurance cover you have with HESTA will cease and your HESTA account will be closed. You will become a member of AUSfund and subject to its governing rules. If we can provide your current contact details, AUSfund will send you a copy of its Product Disclosure Statement.

AUSfund accounts of \$50 or more attract an administration levy of \$14 a year. Lower balances are not subject to the levy and do not earn interest. However all accounts are protected from erosion by the levy so that the levy cannot exceed the interest credited to each account. Annual management costs of up to 3% of your balance will apply. AUSfund may have a different investment strategy than HESTA and does not offer death or disability insurance. If your account is transferred to AUSfund, we will disclose your personal information to allow AUSfund to administer your account.

Contact AUSfund:

AUSfund Administration
PO Box 2468 Kent Town SA 5071

Phone: 1300 361 798

Fax: 1300 366 233

Email: admin@ausfund.net.au

Web: unclaimedsuper.com.au

What you need to know about this Annual Report and HESTA

This Annual Report contains information about the Health Employees Superannuation Trust Australia (HESTA) ABN 64 971 749 321, SPIN HST0100AU and is produced by H.E.S.T. Australia Limited ABN 66 006 818 695, AFSL No. 235249, the Trustee of HESTA.

Except where specifically mentioned, this Annual Report does not relate to the HESTA Super Income Stream. Please refer to the HESTA *Super Income Stream Annual Report*, available at hesta.com.au from 19 September 2011, for more information regarding that product.

Care is taken to ensure that information is correct at the date of preparation, but neither the Trustee nor its advisers accept responsibility for any error or misprint, nor for anyone acting on this information, which is of a general nature. It does not take into account your objectives, financial situation or specific needs so you should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this. The information also represents our interpretation of the law in some instances but should not be relied upon as legal advice.

Please note investments can go up and down. Past performance is not a reliable indicator of future performance. Consider a Product Disclosure Statement before making a decision about HESTA – free call 1800 813 327 or visit hesta.com.au/pds for a copy.

More people in health and community services choose HESTA than any other fund



Contact us

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Fax 1300 368 636
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Email hesta@hesta.com.au
Web hesta.com.au