

annual report

FY22/23

| HESTA |

Super with impact



About this report

We use the International Integrated Reporting <IR> Framework as a guide to producing our Annual Report, to help the HESTA community see how we're performing against that aim.

'Value' in the Framework is defined as a set of 'capitals' that increase, decrease or transform through the activities and outputs of an organisation. These include financial, intellectual, natural, human, and social and relationship capitals.

Because sustainability is essential to creating long-term value for our members, HESTA shares the global ambitions for the advancement of the 17 United Nations Sustainable Development Goals (SDGs).

Throughout this report we reference the SDGs and specifically, the eight SDGs we believe will have a positive impact for our members in Australia.

We also discuss risks, opportunities and outcomes of our partners and the companies we invest in, where they are relevant to members' long-term financial outcomes.

This report covers the operations of HESTA from 1 July 2022 to 30 June 2023.

The world is changing, and so are our members. And we remain clear on how we create value for them.

Our purpose (why we exist)

At HESTA, we invest in and for people who make our world better.

Super with impact[^] is the positive outcome we create by supporting our members to face the future with confidence, being a gutsy advocate for a fair and healthy community, and delivering investment excellence with impact.

<IR> capital	Our purpose	What this looks like at HESTA
Financial Human Natural	Facing the future with confidence	We use our deep understanding of our members to design information, tools and support to make a meaningful impact on their confidence about the future.
	Investment excellence with impact	We use our expertise and influence to deliver strong long-term returns while accelerating our contribution to a more sustainable world.
Intellectual Social and relationship	Gutsy advocate for a fair and healthy community	We use our collective voice to help address inequities impacting our members and those we see falling behind.

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All investment performance data in this report is net of investment fees and costs, transaction costs and taxes as at 30 June 2023. Past performance is not a reliable indicator of future performance.

[^]Find out more about Super with impact at hesta.com.au/impact

FY22/23 performance snapshot

1,000,000+
members

\$73,000
average account balance

100,000+
employers

9.59%
Balanced Growth annual
return to 30 June 2023*

Accumulation and Transition to Retirement products



64%/36%

Women/men board
gender diversity



78%/22%

Women/men members



50%/50%

Women/men executive
leadership

57,000+

members used Future Planner
in FY22/23 to calculate their
projected retirement outcome

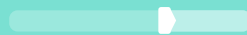


>\$75b

funds under
management

65.5[^]

NPS for member
satisfaction with advice



7.9/10[^]

Overall Satisfaction:
member



10 years

top quartile
employee
engagement

HESTA



Industry award wins*



*Annual return for the period for the Balanced Growth option to 30 June 2023.

[^]Get Advice Qualtrics member survey June 2023.

#Product ratings and awards are only one factor to be considered when making a decision. See hesta.com.au/ratings for more information. Ratings and awards are published by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). For more information visit superratings.com.au

contents

Who we are

- 04 Welcome
- 06 Our context
- 07 Our stakeholders
- 08 How we create value
- 10 Our strategy

How we work

- 13 Our governance
- 14 Our board
- 15 Board committees
- 17 Our executive
- 18 Our people and culture
- 21 Our business partners
- 22 Our member research and insights

What we do

- 25 We strive for investment excellence with impact
- 45 We advocate for better member outcomes
- 47 We understand our members
- 50 We partner with purpose

Financials

- 53 Financial statements
- 56 Reserves and related parties
- 58 Questions and complaints
- 59 Fine print
- 59 Contact us



who we are

- 04 Welcome
- 06 Our context
- 07 Our stakeholders
- 08 How we create value
- 10 Our strategy



welcome



Our members are at the heart of everything we do. And for everyone who works with HESTA, it was an enormous privilege to begin 2023 by welcoming our one millionth member.

This report details how we've delivered value to our members and partners over the past financial year, from strong long-term investment performance and advocating on our members' behalf, to delivering transformative digital experiences. We are proud to share the collective efforts and impact of our team, as well as the results of our collaboration with our valued partners in health and community services.

Our growth is a core part of our three-year strategy, which aims to open more opportunities to deliver Super with impact: the positive outcome we create by supporting our members to face the future with confidence, being a gutsy advocate for a fair and healthy community and delivering investment excellence with impact.

FY22/23 investment performance

Despite a challenging market environment, we were extremely proud to close the 22/23 financial year with strong investment performance for our members. Balanced Growth, our MySuper option for accumulation and Transition to Retirement Income Stream members returned 9.59% to members in the financial year to 30 June 2023. HESTA members in retirement also enjoyed solid returns, with our Retirement Income Stream and Term Allocated Pension Balanced Growth option returning 11.79% for the financial year.*

Investment excellence with impact

Underpinning our investment performance is our long-term strategy, which recognises that responsible investment is critical to delivering value for our members. In June 2023, HESTA released our second Climate Change Report. The report includes updates about the actions we are taking to decarbonise our portfolio through portfolio integration and capital allocation, active ownership, and advocacy. Our responsible investment approach is detailed in **We strive for investment excellence with impact** on pages 24-44.

Facing the future with confidence

Another key focus to help our members now and in the future is to empower them with frictionless digital experiences. This includes initiatives and tools that help personalise the experience to each member – supporting them to engage with us easily and take positive actions for their super. As we look to the future, we will continue to harness digital technology to support our members in ways that are meaningful to them and help them grow their long-term super balances.

*Annual return for the period to 30 June 2023.
Past performance is not a reliable indicator of future performance.

Gutsy advocate

HESTA advocates to advance fair financial outcomes for members in their retirement and throughout their working life. And as a gutsy advocate for our members, we aim to address systemic issues that risk their financial security. We recognise that gender inequality has direct and indirect impacts on the economy, and on the retirement outcomes of our members, close to 80% of whom are women. Throughout 2023, we have executed an advocacy plan focused on shaping a fairer super system for women and low and middle-income earners. And we were also proud to publicly pledge our support for a constitutionally enshrined Voice, in addition to launching our **2023/25 Innovate Reconciliation Action Plan**.

Valued partners

Our long-term partnerships with employer and member organisations are crucial to our ability to serve and understand our members. With more than 75% (approx. 750,000) of our members working in health and community services, this year, HESTA has used our unique position to provide insights to our employer partners, supporting them to deliver enhanced workplace outcomes for our members and their health and community service workforces. By working together to support our members throughout their working lives, we can help drive better retirement outcomes for them.

Thank you

It is an honour to support our members, and we acknowledge the significance of helping them shape the future they aspire to achieve. In addition to showcasing how we've delivered Super with impact[^] over the past year, this report is intended to express our deep appreciation for the support of our members and partners. As a Fund and as a community, we owe our strength to their invaluable contributions and look forward to working with them towards a better future.

Debby Blakey
Chief Executive Officer

Hon. Nicola Roxon
Chair

[^]For more information on super with impact go to hesta.com.au/impact

our values



we are
people of purpose

we believe we
can make a difference



we step up and
do the work

we are accountable
and responsible



difference
is valued

everyone here
feels safe and seen



together
is better

success is always
achieved as a team

our context

We invest in and for people who make our world better. We tell the story of our purpose through Super with impact: the positive outcome we create by supporting our members to face the future with confidence, being a gutsy advocate for a fair and healthy community, and delivering investment excellence with impact.



our stakeholders

Our members are at the centre of HESTA. And because approximately 80% of them are women, we have a special focus on issues that affect them.

Economic environment

In many ways FY22/23 was a challenging year for investors. Inflation was persistently elevated, leading to a rapid increase in interest rates which put pressure on household budgets.

Over the year, the Reserve Bank of Australia lifted its cash rate from 0.85% to 4.10%. We have seen the impacts of higher interest rates flowing through to the global economy, leading to a regional banking crisis in the US, and likely to lead to a slowing economy.

Despite this, financial markets remained resilient and we saw listed equities perform strongly, with technology stocks and Japanese shares two standout areas. Bonds and property returns were muted in this rising interest rate environment. However, inflation linked assets, including infrastructure, performed well.

Strategic environment

This past year we have seen pleasing organic growth, as well as the merger with Mercy Super, a Fund strongly aligned with our member focus, purpose and values.

As many HESTA members work in low-paid and part-time roles, they are impacted significantly by difficult economic conditions, both locally and globally. Many face imminent and ongoing stress across financial, housing and cost of living factors.

The health and community services sector continues to face workforce challenges as there is growing demand for workers and constraints on workforce ability*.

To ensure our members' interests are protected well into the future, HESTA will continue to evolve our responsible investment approach.

Our strategic priorities for the coming years will be formed with both these challenges and opportunities in mind.

Regulatory environment

The regulatory and financial landscape is changing at a rapid pace, including accelerating digitisation in the financial sector. This is driving alignment of focus across regulators on financial, operational and cyber resilience to help protect members' money.

In February, the Federal Government released the Quality of Advice Review final report, which outlines recommendations 'to ensure Australians have access to high quality, accessible and affordable financial advice'. The government has accepted 14 of the 22 recommendations, which will be progressed during FY24. The recommendations are intended to enable more members to access advice services.

*<https://www.vic.gov.au/victorian-skills-plan-state-victorian-labour-market/workforce-challenges-are-likely-persist>

our value creation story starts and ends with members; member contributions make HESTA possible, and member outcomes are our focus.

who we are & how we work...

what we do...

Our people and culture

We attract and keep the best people.
We up-skill and engage them.
We live our values and fulfil our purpose.

Our governance, risk and compliance

We use a representative Trustee model.
We embed a focus on financial sustainability.

Our business partners

We select and work with our partners to build value for members.

Our research and insights

Our deep understanding of our members enables us to deliver increasingly personalised support for them.

Our scale

The size of our membership and our Fund gives us both influence and responsibility.

We invest responsibly

We believe it's possible to achieve strong long-term investment returns and integrate environmental, social and governance considerations in our investment decision making.

We understand our members

We ask our members what they need.
We invest in technology that makes things easier. We design products and services that connect members to their super.

We stand up for what's right

We advocate for systems and structures that facilitate the fair and equitable participation of women in the economy, to help our members achieve a better retirement.

We partner with purpose

We choose to work with like-minded partners to help improve our members' financial outcomes and support the industry they work in.

what we strive to deliver...



A model of strong, long-term financial growth.

Strong long-term financial returns in line with members' best financial interests.



Meaningful, lasting change in opinion, policy and culture.



Positive financial and legislative outcomes for our members.



Superannuation services, help and advice for people who work in health and community services.

Strong partnerships aligned with our values and our members' best financial interests.



Highly skilled and engaged employees who strive to deliver for our members.

the value we help create

**facing the future
with confidence**

**advocating for a
fair and healthy
community**

**investment
excellence with
impact**



**We're an
industry super
Fund. We work
only to benefit
our members.**

Find out more at
[hesta.com.au/
super-with-impact](https://hesta.com.au/super-with-impact)

3 year strategy FY22/24

The HESTA strategy is built on five key elements: our purpose, purpose pillars and values, member outcomes, goals and initiatives. Together, these tell the story of who we are, what we do and how we do it.



strategic initiatives

The strategy seeks to deliver five key outcomes for our members:

These outcomes are delivered through our strategic initiatives.

1.
Strong **financial** returns.

2.
Competitively **priced** products and services.

3.
A **sustainable and healthy world** for members to retire into.

4.
Connected **experiences** including timely, relevant and personal interactions with HESTA.

5.
Improved **retirement readiness**.

1

Digitise and transform the way we work

6

Retain more members into retirement through market-leading product, service and engagement

2

Inspire a values-driven, high performance and accountable culture

7

Rapidly scale our investment data and systems management capabilities

3

Enhance and scale direct member acquisition

8

Optimise and future-proof integrated sourcing strategy and build internal capabilities where required

4

Design and embed a revised partner relationship model for growth

9

Enable sustained investment excellence through increasing internal capability

5

Ensure our sustainable growth option can match and capture market demand

10

Advocate and act to improve financial systems that deliver gender equal outcomes for our members

how we work

- 13 Our governance
- 14 Our board
- 15 Board committees
- 17 Our executive
- 18 Our people and culture
- 21 Our business partners
- 22 Our member research and insights



our governance

Why this matters to us

Good governance is the key to operating as a financially successful and sustainable Fund for our members. It lays the foundation of every aspect of our operations, ensuring we act prudently and in the best financial interests of our members.

How we create value

HESTA is managed by a corporate Trustee, H.E.S.T. Australia Limited, a not-for-profit public company limited by guarantee and regulated by legislative, regulatory and prudential obligations.

The Trustee is governed by a Board of Directors. The Board is made up of two independent Directors appointed by the Board and 12 Directors (six employee representatives and six employer representatives) appointed under the equal representation model and nominated by eligible guarantor organisations in health and community services.

The Board sets our strategic direction and monitors the implementation of our strategy by the Executive Team, in accordance with our governance framework. The Fund is run in accordance with the Trust Deed and Constitution, relevant legislation and regulations.

Identifying and managing risk is important to achieving our strategic objectives and purpose. Our risk management framework and internal controls identify, evaluate and manage risks in line with our risk appetite, which is reviewed and approved by the Board annually.

The HESTA Trustee holds professional indemnity insurance to protect both itself and the Directors from claims against them. During the reporting period no claims have been made 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.

HESTA does not make political donations.

14

trustee directors

6

employee
representatives

6

employer
representatives

1

independent
director
(chair of the
investment
committee)

1

independent
chair

4

board committees

**Like to know more about
the governing rules and
governance activities of
the Fund?**

You can access a full copy
of the HESTA Trust Deed,
the H.E.S.T. Australia Limited
Constitution and
Governance Disclosures at
hesta.com.au/disclosure

our board

Independent Directors



The Honourable Nicola Roxon
Independent Chair



Mark Burgess
Independent Director

Board changes in FY22/23

- Stephen Cornelissen (nominating body: Aged & Community Services Australia) completed his tenure on 10 October 2022
- Dr Saranne Cooke (former nominating body: Leading Age Services Australia) commenced as Aged & Community Care Providers Association's nominee on 10 October 2022, following the merger of Leading Age Services Australia and Aged & Community Services Australia
- Jacqueline Bennett (nominating body: Early Childhood Australia) joined the Board on 1 January 2023
- Mark Burgess (Independent Director and Investment Committee Chair) resigned on 27 June 2023 and was replaced by Susanne Dahn from 1 July 2023
- Dr Saranne Cooke (nominating body: Aged & Community Care Providers Association) resigned on 30 June 2023 and was replaced by Emma Maiden from 20 July 2023

Employer organisation appointed Directors



Dr Deborah Cole
Deputy Chair
Nominating body:
Australian Healthcare and Hospitals Association



Jacqueline Bennett
Nominating body:
Early Childhood Australia



Gary Humphrys
Nominating body:
Catholic Health Australia



Catherine Smith
Nominating body:
Australian Council of Social Service



Dr Saranne Cooke
Nominating body:
Aged & Community Care Providers Association



Alan Morrison
Nominating body:
Australian Private Hospitals Association

Employee organisation appointed Directors



Helen Gibbons
Deputy Chair
Nominating body:
United Workers Union



Lori-Anne Sharp
Nominating body:
Australian Nursing and Midwifery Federation



Brett Holmes
Nominating body:
Australian Nursing and Midwifery Federation



Emeline Gaske
Nominating body:
Australian Services Union



Benjamin Davison
Nominating body:
Australian Council of Trade Unions



Kate Marshall
Nominating body:
Health Services Union

Board tenure

30%

7-10 years

35%

3-7 years

35%

0-3 years

Board diversity (gender)

36%

men

64%

women

Current as at 27 June 2023

Like to know more about our Board of Directors?

Visit our website for further details on our Board of Directors hesta.com.au/board including board and committee meeting attendances hesta.com.au/disclosure

board committees

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

Committee	Chair	Members
Finance Audit and Compliance Committee The Finance Audit and Compliance Committee is responsible for the oversight of tax obligations, financial and statutory reporting, Trustee office, budget and insurance, internal and external audit programs, and compliance and regulatory obligations. In FY22/23 their focus was defining the continued oversight of ongoing regulatory change, and uplift in internalised operational processes and strategy to meet regulatory requirements.	Gary Humphrys	Deborah Cole Alan Morrison Benjamin Davison Kate Marshall
Risk Committee The Risk Committee is responsible for the oversight of the effectiveness and operation of the Risk Management Framework and Strategy, including ongoing monitoring of the Enterprise Risk Environment, Information Security Strategy and Framework. In FY22/23, their focus was overseeing the operational implementation of the Risk Management Framework & Strategy, including risk systems, key risk indicators, and controls. The Committee was also focused on the ongoing evolution of our information security strategy and response to the external threat environment.	Deborah Cole	Nicola Roxon Catherine Smith Emeline Gaske Brett Holmes
Governance and Remuneration Committee The Governance and Remuneration Committee is responsible for all governance and remuneration matters, including maintaining the appropriate balance of skills and expertise of Directors, reviewing Director training and education, Director and Executive Management remuneration and Board performance and processes. In FY22/23, their focus included the consideration of new guarantors and nominee directors with a strong emphasis on ensuring the Board maintains the right level of skills and expertise; overseeing the remuneration framework to ensure appropriate talent management in a tight labour market, and ongoing development and training of board members.	Helen Gibbons	Nicola Roxon Catherine Smith Emeline Gaske Alan Morrison
Investment Committee The Investment Committee is responsible for governing strategic investment decisions and providing strategic direction and oversight for HESTA's investment and responsible investment program. Its primary role is to assist the Board to set the Fund's investment objectives and ensure adequate frameworks are in place to monitor and manage investment risks, including ESG risks and relevant impact considerations. In FY22/23 the committee oversaw the continued expansion of HESTA's internal investment capability, including the launch of internal Fixed Interest and Cash strategies, and the progressive scale-up of the internal Australian Equities strategy. The Committee also oversaw the development of a multi-year roadmap to continue to evolve the internal unlisted assets capability. It undertook the annual reviews of HESTA's investment objectives, strategy and governance framework to maintain alignment with evolving regulation and legislation, and to respond to the changing market environment. The committee continued its oversight of HESTA's responsible investment activities, including the ongoing implementation of the Climate Change Transition Plan, and strategies linked to the priority Sustainable Development Goal.	Mark Burgess <i>(Resigned 27 June 2023)</i>	Nicola Roxon Gary Humphrys Helen Gibbons Saranne Cooke Lori-Anne Sharp Susan Darroch <i>(External Adviser)</i>

Our performance

The Board reviews its performance annually, and also conducts an independent comprehensive review of its performance on a triennial basis. By this process, the Board is able to identify key areas of focus and continuously assess its overall effectiveness.

This year saw the merger of HESTA and Mercy Super on 1 December 2022 which brought HESTA's total funds under management to over \$70 billion. The merger marks an important milestone for HESTA and our members as it builds on our strong growth and helps continue to position HESTA as a Fund of choice in health and community services.

HESTA also welcomed Aged & Community Care Providers Association (following the merger of Leading Age Services Australia and Aged & Community Services Australia) and Early Childhood Australia as new guarantors to the Fund.

📍 Find out more at hesta.com.au/board

Looking forward

The Board will continue to sharpen its focus on responding to rapid change in the regulatory and economic environment for the coming year, to ensure it delivers outcomes through competitive long-term investment performance and high standards of governance to serve our members' interests and meet changing community expectations.



our executive

The HESTA Executive Leadership team

Back row, left to right: Chief Investment Officer **Sonya Sawtell-Rickson**; Chief Operating Officer **Stephen Reilly**; Chief Growth Officer **Sam Harris**; Chief Financial Officer **Sally Collins**; Chief Member Engagement Officer **Josh Parisotto**.

Front row, left to right: Chief Experience Officer **Lisa Samuels**; Chief Executive Officer **Debby Blakey**; Chief Risk and Compliance Officer **Andrew Major**.

our people and culture

Why this matters to us

At HESTA, our people are motivated by our strong focus on putting our members' needs at the centre of every decision we make. We foster a culture that enables our colleagues to do the best work of their careers. To deliver as best we can for members, we aim to attract and retain individuals who are future-focused, purpose-driven, and high-performing. Our team is committed to continuously evolving their capabilities, being adaptable to change, and maintaining a growth mindset.

How we create value

We attract innovative and transformation-ready people who can deliver outstanding outcomes for HESTA members. Leadership and accountability are expectations for every person in every role, and this drives performance right across the Fund. Our people genuinely believe in making a difference, fuelling opportunities to make an impact for our members.



Our performance

We attracted and retained our people in a competitive job market

The competitive employment market has made finding people challenging this year. We continue to develop capability in our leaders and provide structure to enable a successful transition for our new colleagues. To ensure HESTA remains attractive and competitive in the future, we have refined our Employee Value Proposition (EVP). The EVP outlines the benefits (both tangible and intangible) that employees receive in return for the value they bring to the organisation. We consulted our colleagues, gathered new ideas, and engaged them in the process to ensure the outcome is truly appealing. We were formally recognised as a SEEK finalist – Talent Acquisition Team of the year.

Diversity, equity, inclusion (DEI) and belonging

HESTA promotes inclusivity in our workplace. We take pride in being bold advocates for systemic change, both within and outside our organisation.

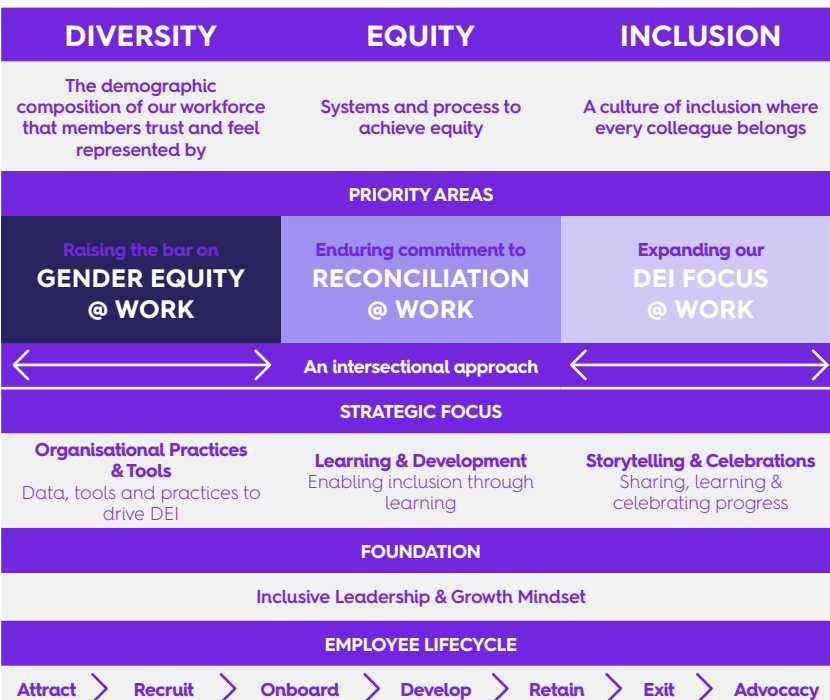
This year, we conducted a diversity survey to gain a broader understanding of the diversity within our workforce, and to foster an inclusive culture. We also continue to prioritise the actions in our Gender Equity Plan.

We remain committed to reconciliation and have recently approved our second Innovate Reconciliation Action Plan (RAP). To further promote cultural awareness, all colleagues completed an education module called 'Seven Steps to Reconciliation', and our leaders have participated in a Yarning Circle to learn more about how we can contribute to reconciliation in our daily activities.

Our DEI Framework

The HESTA DEI Framework builds on our current focus on reconciliation and gender equality. Using our existing commitments (Workplace Gender Equality Agency Employer of Choice for Gender Equality and Family Friendly Workplaces citations, 40:40 focus, and RAP), we will take an intersectional approach to expand our DEI focus whenever possible.

The framework aims to support measurable change, align with talent market expectations, maintain our reputation as a DEI leader, and build on our existing commitments.



OUR EMPLOYEE PHILOSOPHY

build & grow

Build our employees' capacity and capability so they can deliver on our strategic objectives



inspire

Discover, inspire, develop and retain purpose-driven employees who will continue to innovate and grow in capability, proficiency and confidence to continue to drive organisational performance



support

Support our employees' growth, wellbeing and work/life balance to retain skills and experience



engage

Actively engage with our community and the sector we serve through our corporate responsibility and awards programs, so our people are deeply connected to and inspired by members' work and needs



Positive
member
outcomes

Corporate responsibility

We have continued to transition the way we operate to reduce our impact on the environment. In this reporting period, we preserved our status as a certified Carbon Neutral Organisation under the Climate Active Standard for emissions produced from our business operations.

Despite growth in employees, more office space and the resumption of business travel, we recorded only a small increase in carbon emissions from the last reporting period.

After exploring carbon credit offerings from several Australian brokers, we bought carbon credits in savannah burning projects that support Aboriginal employment in the Northern Territory's West Arnhem Land, as well as windfarms in India.

We also partnered with STREAT, a social enterprise cafe dedicated to helping marginalised young people thrive by providing real work experience in its cafés, kitchens and gardens. A STREAT café opened at our national office in September, training several young people who have gone on to further employment in hospitality. With a ban on disposable items, we have also saved about 20,000 single-use cups from landfill.



our business partners

Why this matters to us

Our partnerships are central to delivering real value to our members.

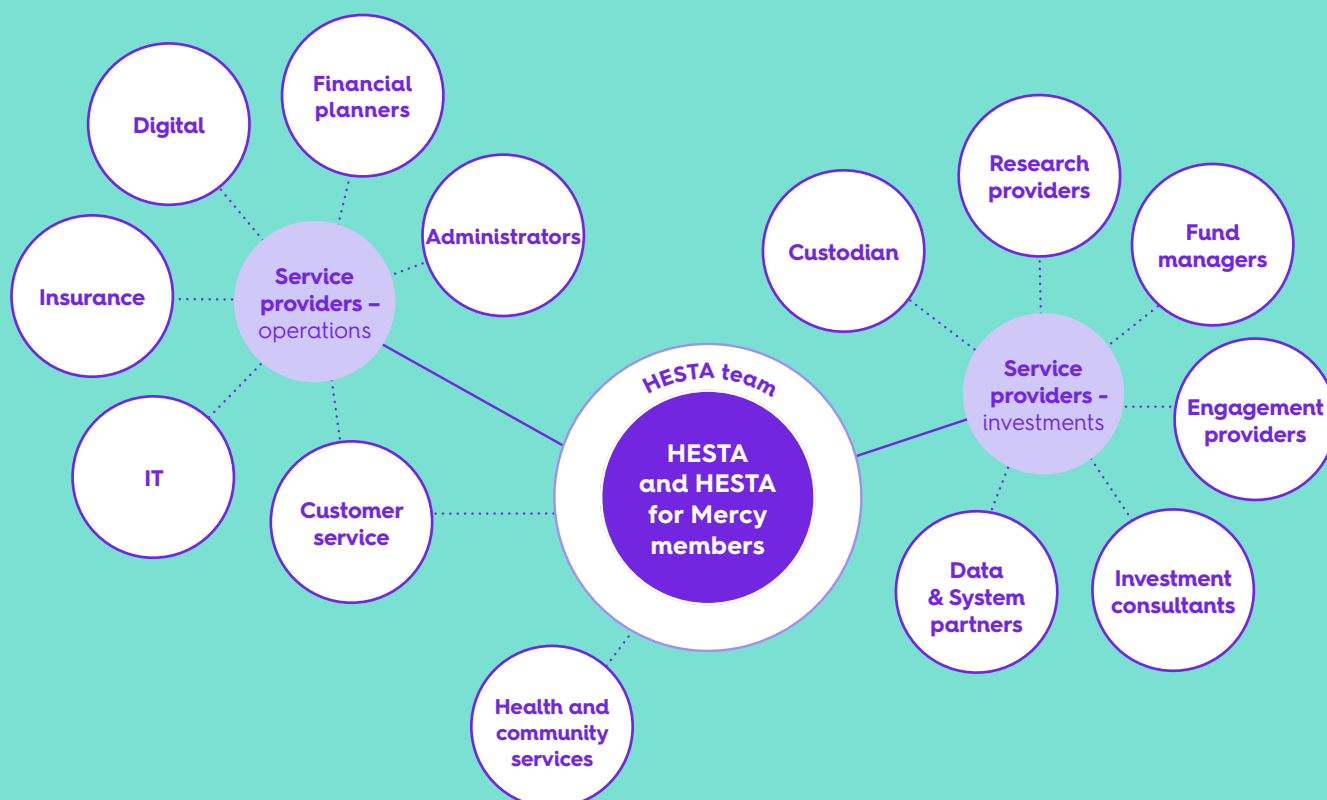
We nurture strong relationships with business partners who we believe share our commitment to creating a better future for our members.

By partnering with external providers and systems, we can ensure HESTA stays lean and responsive, making good choices today while being flexible enough to respond to change.

How we create value

We choose partners who:

- offer market-leading solutions for members
- share and support our purpose and member-focused approach
- increase our people's capacity and capability
- offer genuine value for money, to help us control costs
- help us ensure our strategy and execution are responsible
- support us to meet our regulatory obligations.



our member research and insights

Why this matters to us

Our member research capability supports our increasingly personalised services, to meet our members' needs now and throughout their journey with us. We combine insights supported by leading research partners with our growing internal capability, to inform the decisions we make on our members' behalf.

How we create value

We hear from more than 55,000 members yearly through our member experience program. Our members' input informs critical member initiatives that are delivered across HESTA. We collect members' feedback through the four components of our member research program:

- strategic thematic deep dives
- strategic Brand and Member Experience Tracker program
- Voice of Member program
- Have a Say member community.

Our performance

Developing our internal research capability, combined with our leading research partners, has continued to deliver measurable impact to teams, the Fund, our partners and our members.

This financial year, we completed a third round of our Industry Insights research to better understand the people who deliver critical services in health and community services.

We heard from our members on many topics, including:

- their impact motivations
- the needs of impact-motivated members invested in our Sustainable Growth option, to inform product design and experience
- the potential impact of paying super on paid parental leave on our members, including how this systemic issue may affect their own financial security in retirement
- their concerns and needs in retirement and transitioning to retirement, to inform the design of HESTA's retirement income strategy.

Strategic Brand and Member Experience Tracker program

Our Brand and Member Experience Tracker program provides critical strategic input to inform our initiatives, by keeping a pulse on how our members are experiencing HESTA.

In FY22/23 we launched a new program aligned to our three-year strategy, which provides an always-on measure of member experience, HESTA and competitor brands, and our advertising performance.

The program uses market-leading conversational AI to provide a better survey experience and capture and analyse open-ended feedback.

Below are some of the key FY22/23 results:



Source: Brand & Member Experience Tracker FY22/23

Voice of Member and Have a say member community

Voice of Member

Our member experience program is designed to help employees support our members throughout their time with us. By continuously monitoring over 30 member touchpoints, we're able to quickly identify opportunities to take action. Each year we collect feedback from close to 55,000 members. And over 3,000 of these members were proactively contacted about their feedback.

63% of members who interacted with us were Promoters (score 9 or above on advocacy), with an NPS of 46 for the financial year.

Have a say member community

Our online insights panel has over 3,000 community members who provide member input on a range of subjects. This program allows us to bring our member voices to key initiatives in a very fast turnaround (within a few days).

Experience design

Our human-centred design capability enables our employees to deliver superior member-centric offerings and experiences. Our approach starts with our members and partners – the people we are designing for – and ends with solutions tailored to their needs.

Over the last 12 months, we have delivered many initiatives using human-centred design to enhance experiences for our members, people and partners. The deep collaboration across teams has allowed us to pilot ideas early before investing significant resources, and most importantly, ensure we meet the needs of our members and partners.

Looking forward

We will continue to proactively address the increasing financial hardship faced by our members. We will closely monitor negative factors on the horizon, such as the rising cost of living, a potential recession, and a global shortage of healthcare workers, to ensure we are prepared to support our members when they need it most.

To better understand our vulnerable members, we will conduct research and tailor our services to provide early support and move from remediation to prevention in relation to financial hardship. Our goal is to offer comprehensive support in the short, medium, and long term.

We recognise the ongoing impact of the pandemic on healthcare workers. We'll continue to explore how we can support our members' mental health and wellbeing to prevent burnout, homelessness, and overwork. We remain committed to helping our members face their future with confidence, and we will continue to listen and respond to their needs.

what we do

- 25 we strive for investment excellence with impact
- 45 We advocate for better member outcomes
- 47 We understand our members
- 50 We partner with purpose



we strive for investment excellence with impact

Why this matters

At HESTA, we invest in and for people who make our world better.

Preparing our members for the future means delivering long-term investment performance. Achieving this requires a long-term perspective on the relationship between investments, the economy, environment and our society.

Responsible investment

Responsible investment is the consideration of environmental, social and governance (ESG) risks and opportunities in investment decision making and active ownership, to promote the best financial interests of our members. By integrating responsible investment factors throughout our investment processes and decision making, we can be diligent stewards of our members' retirement savings.

How we create value

We seek to deliver strong long-term financial outcomes for our members. We invest with a long investment horizon, which allows members to benefit from more illiquid opportunities, and demand a higher return for being a liquidity provider to capital markets.

Our investment horizon encourages us to focus on and prepare for emerging trends, opportunities and risks beyond the average investors' timeframe, which helps position us to generate value.

To do this, we adopt a total portfolio approach that gives us a deep understanding of forward-looking opportunities and risks across global asset classes. This enables our investment team to invest with confidence and conviction as they actively adjust asset allocations and positions to improve the probability of achieving our investment objectives.

Each of our Ready-Made diversified investment options starts with a strategic asset allocation based on expectations of how asset classes will perform and interact over the long term. We invest in strategies managed by internal teams as well as by external managers, bringing together a range of investment capability and a breadth of market perspectives. We focus on building strong long-term partnerships with leading investment organisations, with whom we work to achieve strong outcomes for members. In addition, our size means we can deliver economies of scale that keep costs competitive for our members.

Embedded in our investment decision making is our belief that members' financial interests are best served by a deep commitment to responsible investing.

As a large and diversified investor exposed to global markets, the financial performance of our portfolio is supported by a strong and stable financial system. Systemic risks such as climate change and biodiversity loss have the potential to undermine market fundamentals. Systemic risks are those that threaten the functioning of the economic, financial, and wider systems on which investment performance relies. System level issues cannot be mitigated through diversification or divestment.

OUR BELIEFS

A strong set of beliefs guides the decisions we make on behalf of our members.



Clear objectives, and a long horizon mind-set, can deliver better financial futures for our members



A disciplined total portfolio approach, which actively balances forward returns and risks, leads to improved investment outcomes



Members' best interests are served by having a deep commitment to responsible investing



Aligned active approaches give us greater capacity to protect and grow returns for members



Strong partnerships can deliver better member outcomes

To address systemic risks, and identify areas of opportunity that can lead to improved long-term outcomes for our members, we endorse the ambitions of the United Nations' Sustainable Development Goals (SDGs). Through capital allocation, active ownership, and advocacy, HESTA aspires to make a positive contribution to outcomes aligned with the aims of the SDGs. Our resourcing prioritises eight SDGs:



The SDGs are ambitious global goals established by the United Nations in 2015 to transform the world by 2030 and cover social and economic development issues such as health, education, gender equality and affordable and clean energy. As the focus of government policy and initiatives, they can also indicate areas of investment opportunity and potential emerging risks.

HESTA's investment processes and our people are critical to the value we create through investment excellence with impact, focused on delivering strong long-term returns and accelerating our contribution to a more sustainable world.

Our performance

Portfolio performance

Despite FY22/23's challenging investment environment, HESTA delivered strong returns this year.

Our Balanced Growth option, where most HESTA members are invested, returned 9.59% over the year to 30 June 2023, and for the 10-year period to 30 June 2023, 8.02% p.a.*

Our HESTA Income Stream Ready-Made Strategy is comprised of two investment options: Income Stream Balanced Growth and Income Stream Conservative.^

Our Retirement Income Stream Balanced Growth option returned 11.79% for the year to 30 June 2023, and 8.65% p.a.* over 10 years to 30 June 2023.

Our Retirement Income Stream Conservative option returned 6.40% for the financial year, and 6.00% p.a. over 10 years to 30 June 2023.*

Pleasingly, these three investment options (alongside all other HESTA Ready-Made investment options) have outperformed their 10-year inflation-linked investment objectives to 30 June 2023.

The strong performance for the year was supported by elevated returns in global and Australian share markets. This was particularly evident in the second half of the year, where global equities surged, with technology stocks and Japanese shares two standout areas. HESTA was one of the first super Funds to receive SuperRatings' 20-year platinum performance rating – the highest rating possible.+

*Average annualised return for the period to 30 June 2023. Investments may go up or down. Past performance is not a reliable indicator of future performance. Returns are net of investment fees and costs, transaction costs and taxes.

^The HESTA for Mercy Retirement Income Stream does not have a default strategy.

+Product ratings and awards are only one factor to be considered when making a decision. For more information visit superratings.com.au

HESTA super and Transition to Retirement Income Stream investment performance

Ready-Made options

From 1 October 2020 Transition to Retirement investment options were replaced by the same investment options available to HESTA super members. The performance shown on this page is for the corresponding HESTA super investment options. Please visit hesta.com.au/ttr-historical for HESTA Transition to Retirement performance before 1 October 2020. HESTA for Mercy commenced 1 December 2022 and has the same investment options as HESTA. The past performance history shown here is the performance of the same investment options in HESTA.

Returns to 30 June 2023	Since inception (% p.a.)**	10 years (% p.a.)**	5 years (% p.a.)**	3 years (% p.a.)**	1 year (%)	HESTA for Mercy 7 months (%)***
Balanced Growth†	8.51%	8.02%	6.56%	8.61%	9.59%	4.19%
Conservative*	6.13%	5.45%	4.28%	4.27%	5.74%	2.74%
Indexed Balanced Growth^	8.07%	N/A	N/A	N/A	12.47%	4.21%
Sustainable Growth§	6.69%	9.28%	7.28%	7.63%	9.94%	3.67%
High Growth†	8.59%	9.46%	8.30%	11.27%	12.58%	5.35%

**Average annual return for the period. † Previously named Core Pool. Commenced 1 August 1987 |

*Previously named Conservative Pool. Commenced 1 July 1995 | ^ Commenced 1 October 2020 | § Previously named Eco Pool. Commenced 1 February 2000

†Previously named Shares Plus. Commenced 1 July 1995

***From 1/12/2022 - 30/06/2023

Your Choice options

Returns to 30 June 2023	Since inception (% p.a.)**	10 years (% p.a.)**	5 years (% p.a.)**	3 years (% p.a.)**	1 year (%)	HESTA for Mercy 7 months (%)***
Cash and Term Deposits+	2.94%	1.65%	1.15%	0.97%	2.56%	1.74%
Property and Infrastructure®	6.54%	7.63%	5.38%	8.47%	3.74%	1.45%
Diversified Bonds‡	4.28%	2.25%	0.47%	-2.31%	0.44%	0.02%
International Shares#	5.72%	10.19%	8.13%	10.65%	17.96%	10.85%
Australian Shares#	8.84%	8.82%	7.55%	11.93%	14.70%	2.01%

**Average annual return for the period. + Previously named Cash; changed to include Term Deposits on 1 Oct 2020. Performance history before 1 October 2020 based on Cash. Commenced 1 July 2001 | ® Previously named Property; changed to include Infrastructure on 1 Oct 2020. Performance history before 1 October 2020 based on Property. Commenced 1 July 2001 | ‡ Previously named Global bonds. Commenced 1 July 2001 | # Commenced 1 July 2001

***From 1/12/2022 - 30/06/2023

How returns are applied to HESTA and HESTA for Mercy accumulation accounts and HESTA and HESTA for Mercy Income Stream accounts

Unit prices are calculated at the close of business every business day which reflects the net movement in value of the underlying assets. The movement may be positive or negative. This unit price is applied to the number of units held by each member to calculate an account balance.

Annual investment returns reflect the change in the value of units between the unit price on 30 June and the unit price on 30 June the following year.

Investment fees and costs and transaction costs (available at hesta.com.au/pds) and taxes are deducted from investment earnings before the unit price is declared. Please note investment earnings in the HESTA and HESTA for Mercy Retirement Income Stream and HESTA Term Allocated Pension are untaxed, while those in the accumulation and transition to retirement products are taxed.

The latest and historical returns are available for HESTA at hesta.com.au/performance HESTA Income Stream at hesta.com.au/isperformance and HESTA Transition to Retirement Income Stream at hesta.com.au/ttrperformance. For HESTA for Mercy, visit hestaformercy.com.au/performance.

Past performance is not a reliable indicator of future performance and the value of your investment can rise or fall. Returns are annualised for the periods and net of investment fees and costs, transaction costs and taxes.

Note: Performance figures for financial years prior to 2011/12 include figures for the Super Members Pooled Super Trust (SMPST) through which the HESTA Income Stream invested until 30 November 2010.

Retirement Income Stream/ Term Allocated Pension (TAP) performance

Returns to 30 June 2023	Since inception (%) p.a.**	10 year (% p.a.)**	5 years (% p.a.)**	3 years (% p.a.)**	1 year (%)	HESTA for Mercy 7 months (%)***
Balanced Growth ⁺	5.82%	8.65%	7.18%	8.70%	11.79%	5.13%
Conservative ^o	5.39%	6.00%	4.72%	4.56%	6.40%	3.17%
Indexed Balanced Growth [±]	8.97%	N/A	N/A	N/A	13.98%	4.66%
Sustainable Growth [#]	11.39%	10.21%	8.01%	8.39%	11.07%	4.08%
High Growth [†]	6.25%	10.39%	8.58%	11.49%	15.49%	6.32%

**Average annual return for the period.

⁺Previously named Balanced. Commenced 12 December 2007 | ^o Commenced 12 December 2007 | [±] Commenced 1 October 2020 |

[#]Previously named Eco. Commenced 1 July 2012 | [†] Previously named Active. Commenced 12 December 2007

***From 1/12/2022 - 30/06/2023

Your Choice options

Returns to 30 June 2023	Since inception (%) p.a.**	10 year (% p.a.)**	5 years (% p.a.)**	3 years (% p.a.)**	1 year (%)	HESTA for Mercy 7 months (%)***
Cash and Term Deposits ⁺	2.78%	1.90%	1.34%	1.16%	3.05%	2.07%
Property and Infrastructure ^o	3.26%	8.32%	5.89%	9.20%	4.17%	1.60%
Diversified Bonds [±]	-3.69%	N/A	N/A	N/A	0.47%	0.00%
International Shares [#]	7.95%	10.99%	8.79%	11.26%	19.26%	11.74%
Australian Shares [#]	7.73%	9.76%	8.59%	13.15%	16.70%	2.47%

**Average annual return for the period.

⁺ Previously named Cash; Changed to include Term Deposits on 1 Oct 2020. Performance history before 1 October 2020 based on Cash. Commenced 1 July 2008 |

^o Previously named Property; Changed to include Infrastructure on 1 Oct 2020. Performance history before 1 October 2020 based on Property. Commenced 12 December 2007 |

[±] Commenced 1 October 2020 | [#] Commenced 1 July 2008

***From 1/12/2022 - 30/06/2023

Derivatives policy

A derivative is a financial instrument whose value depends on, or is derived from, the value of some other underlying asset or index. Derivatives are generally used to improve the risk-adjusted returns of our options. They provide an efficient way to add or remove market risk and assist in liquidity, transition, cost, and risk management. Our derivative usage is governed by an internal policy, covering risk monitoring and controls. HESTA does not use derivatives speculatively to gear the portfolio nor to create net short positions.

Past performance is not a reliable indicator of future performance and the value of your investment can rise or fall. Returns are net of investment fees and costs, transaction costs and taxes.

Note: Performance figures for financial years prior to 2011/12 include figures for the Super Members Pooled Super Trust (SMPST) through which the HESTA Income Stream invested until 30 November 2010.

Our performance (continued)

Strategic initiatives

During FY22/23, we expanded our internal Australian equity program and developed internal cash and fixed income capabilities. These internalisation programs enable HESTA to implement actively managed strategies on a cost-effective basis, and at scale, while also leveraging the deep market insights generated into portfolio decision making.

The year in responsible investment

In FY22/23 we have continued to address the key issues that we believe have the potential to impact the portfolio and the returns we can deliver to members. We are proud of the achievements made over the financial year. They include engagement with companies on their alignment towards the Paris Agreement goals, workplace culture and Aboriginal and Torres Strait Islander people's rights, exercising our voting rights on issues related to health and gender equality, and the launch of our commitment to invest in affordable housing. These are just some examples of how we use our role as responsible investors to deliver outcomes we believe to be in our members' best financial interests.



HESTA is recognised as a Responsible Investment Leader 2022 by the Responsible Investment Association Australasia (RIAA). This acknowledges our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making, our strong and collaborative stewardship; and our transparency in reporting activity, including the societal and environmental outcomes being achieved.

Measuring our contribution to the SDGs

To track the progress of our contribution to the SDGs, we subscribe to the Sustainable Development Investments Asset Owner Platform (SDI AOP). The platform identifies the percentage of a company's revenue aligned to underlying SDG targets, according to an agreed taxonomy¹ and allows us to measure the level of SDG alignment of the investment portfolio.

We have identified the contribution of HESTA's total portfolio as at 30 June 2023 as \$11bn in sustainable development investments.

This represents approximately 15% of HESTA's total assets* under management that are aligned with our priority and broader SDGs.

Sustainable Development Goal		% OF TOTAL FUND*
2	Zero Hunger	0.06%
3	Good Health & Wellbeing	5.94%
4	Quality Education	0.08%
6	Clean Water	0.10%
7	Affordable & Clean Energy	2.20%
9	Industry, Innovation & Infrastructure	0.27%
11	Sustainable Cities	6.18%
12	Responsible Consumption	0.12%
13	Climate Action	0.01%
14	Life Below Water	0.02%
15	Life On Land	0.22%

¹Information on the taxonomy can be found at <https://www.sdi-aop.org/sdi-classification/>





*HESTA Investment allocation as at 30 June 2023

Active ownership






Active ownership (or stewardship) is the process by which we influence management of responsible investment issues that can impact long-term returns at the company and market level. This includes engaging with investment managers, portfolio companies, regulators and policy makers, and working with other like-minded investors globally to better support responsible investment decision-making. We do this as part of our responsibility to protect and enhance long-term investment value for HESTA members.

Case studies

We use tools available to us as active owners - including engagement, voting and advocacy - as we seek to address systemic risks associated with our priority SDGs. The following are some examples of the work undertaken by HESTA in FY22/23.

ISSUE	ACTIVE OWNERSHIP TOOL	TOPIC
Good health and wellbeing 	VOTING <p>The overuse of antibiotics for livestock is a key contributor to antimicrobial resistance (AMR), which is when bacteria and viruses change over time, intensifying the ability of diseases to resist antibiotics.</p> <p>Following the resolution HESTA co-filed at Hormel Foods in FY21/22, in FY22/23 we again filed a resolution at Hormel Foods, as well as at Tyson Foods and McDonalds. The resolutions sought the introduction of company policy consistent with the World Health Organisation Guidelines on the Use of Medically Important Antimicrobials in Food-Producing Animals in supply chains.</p> <p>This action helps to elevate awareness of this issue and other shareholders are now increasingly aware of the potential effect of AMR not only on the value of their investments, but the potential impact on the healthcare sector, where many of our members work. You can read more here.</p>	ANTIMICROBIAL RESISTANCE (AMR)
Gender 	ADVOCACY AND ENGAGEMENT 40:40 VISION <p>Our ambition is to see all companies within the ASX300 commit to achieving gender balance of 40:40:20 - 40% women, 40% men, 20% open to all genders - in executive leadership by 2030.</p> <p>There is extensive research showing that organisations benefit from diversity in a range of ways; diversity of thought, improved decision making, innovation and better financial performance². For long-term investors like HESTA, opportunities for outperformance driven by these factors can translate to better retirement outcomes for our members.</p> <p>As at June 2023, the HESTA led 40:40 Vision was supported by investors representing approximately \$6.5 trillion in assets under management and company signatories had nearly doubled, with 36 ASX listed companies having now committed to meaningful change. You can read more at hesta.com.au/4040vision.</p>	40:40 VISION
Decent work  	ENGAGEMENT <p>In 2022, Rio Tinto released its <i>Everyday Respect</i> report which highlighted instances of sexual harassment, racism and other forms of discrimination. In response to the report, HESTA completed an engagement series with Australian mining companies about workplace culture and specifically, sexual harassment.</p> <p>Workplace sexual harassment can create legal and financial risks, impact employee wellbeing and productivity and significantly damage a company's reputation and social licence to operate, which can impact the value of our investments and therefore the returns we generate for members. Read more about this here.</p>	WORKPLACE CULTURE

² <https://www.fsc.org.au/policy/investment-management/gender-diversity/What-are-the-benefits-of-gender-divers>

ISSUE	ACTIVE OWNERSHIP TOOL	TOPIC
Sustainable cities and communities 	ADVOCACY	LAUNCH OF SUPER HOUSING PARTNERSHIPS (SHP)
	<p>In FY22/23 we were pleased to launch our partnership with specialist affordable housing fund manager, SHP, to develop a pipeline of build-to-rent apartment projects. SHP seeks to address some of the barriers to institutional investment in affordable housing at scale through an aggregator-style platform combined with specialist funds management skills, partnering with affordable and sustainable housing developers and community housing providers.</p> <p>The inclusion of housing in HESTA's diversified investment portfolio provides the opportunity to capitalise on investment opportunities whilst delivering socially beneficial outcomes, some of which may directly support HESTA's essential worker membership base, while also generating appropriate long-term risk adjusted returns for members. You can read more information here.</p>	
Climate change  	ENGAGEMENT AND VOTING	CLIMATE CHANGE
	<p>As the need to mitigate climate-related risks grows more urgent, we are increasingly focused on gaps between company commitments and their actions to transition their businesses towards alignment with the goals of the Paris Agreement. This led us to assess the climate change transition progress of companies we consider to be key contributors to portfolio emissions. The assessment identified that Australian energy companies AGL, Origin, Santos and Woodside faced significant decarbonisation challenges, requiring a major shift in their strategies to offer low carbon energy products. Given their materiality in HESTA's portfolio emissions (both direct and indirect), these companies were subsequently moved to a 'watchlist position' within HESTA's escalation framework. We have engaged with these companies, seeking information centred on how their strategies align towards a 1.5°C transition pathway. Both AGL and Origin have announced revised climate strategies that include plans to close high emitting assets, increased investment in their renewable energy capabilities and, for AGL, the appointment of additional board directors experienced in energy policy, clean energy and workforce transformation.</p> <p>In FY22/23, we voted in support of shareholder resolutions at Woodside and Santos seeking public disclosure of their production plans, future commitment to fund decarbonisation and shift to clean energy projects. Woodside and Santos remain on our watchlist reflecting our concern about the gaps between companies' strategies and a 1.5°C transition pathway and climate-related engagement continues. You can read more in our Climate Change Report available at hesta.com.au/climate-action</p>	
Biodiversity  	ADVOCACY	BIODIVERSITY AND NATURAL CAPITAL LOSS
	<p>HESTA submitted to a public consultation run by the Taskforce for Nature-related Financial Disclosure (TNFD) on the beta version of their nature-related financial disclosure framework.</p> <p>HESTA also supported a submission by the Cambridge Universal Asset Owners' Systemic Risk Initiative, of which HESTA is a member. HESTA welcomes the launch of the TNFD, recognising its potential to effectively identify and address nature-related risks.</p> <p>Nature and biodiversity loss has been identified as an area of material sustainability risk, and this submission was our first public advocacy on biodiversity and nature-based risk and opportunity. You can read more about HESTA's submission here.</p>	

Active ownership measurement

FY22/23 ENGAGEMENT OUTCOMES	FY22/23 VOTING OUTCOMES																						
<p>Engagement involves constructive communication with companies that helps us better understand their business model and seeks to influence their performance and practices. Engagement with portfolio companies is undertaken directly by HESTA, through collaborative initiatives, and indirectly through specialist service providers and our external managers.</p> <table> <tr> <th>Theme</th><th>% OF MEETINGS THEME WAS DISCUSSED</th></tr> <tr> <td>Environmental</td><td>68%</td></tr> <tr> <td>Social and Ethical</td><td>68%</td></tr> <tr> <td>Governance</td><td>64%</td></tr> <tr> <td>Strategy, Risk and Communication</td><td>26%</td></tr> </table> <p><small>*This table reflects aggregated data sourced from internal record keeping and external service providers. Excludes Investment Manager meetings. Data as at 30 June 2023.</small></p>	Theme	% OF MEETINGS THEME WAS DISCUSSED	Environmental	68%	Social and Ethical	68%	Governance	64%	Strategy, Risk and Communication	26%	<p>Exercising our voting rights on our portfolio holdings is a key element of our active ownership approach. Voting decisions are made based on what we believe is in the best financial interests of our members, taking into account our active ownership priorities and following dialogue with companies and consultation service providers.</p> <table> <tr> <th colspan="2">Australian equities</th></tr> <tr> <td>Resolutions voted on</td><td>2105</td></tr> <tr> <td>Voting results</td><td>9% of votes were against management</td></tr> <tr> <th colspan="2">International equities</th></tr> <tr> <td>Resolutions voted on</td><td>43073</td></tr> <tr> <td>Voting results</td><td>16% of votes were against management</td></tr> </table> <p><small>*The table reflects voting data provided by HESTA proxy advisers. Data as at 30 June 2023.</small></p>	Australian equities		Resolutions voted on	2105	Voting results	9% of votes were against management	International equities		Resolutions voted on	43073	Voting results	16% of votes were against management
Theme	% OF MEETINGS THEME WAS DISCUSSED																						
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HESTA has achieved its interim target of a 33% reduction in normalised (intensity based) portfolio emissions³, eight years ahead of its original 2030 goal. This target was set in 2020 when we were one of Australia's first super Funds to announce an ambition to reach net zero portfolio emissions by 2050 as part of our Climate Change Transition Plan (CCTP).

You can read more about how we've achieved this target and the progress in applying our CCTP in our latest climate report at hesta.com.au/climate-action

³ As at 30 June 2022. Normalised carbon emissions scope 1 and 2 (tonnes CO₂e / \$m invested) below the 2020 baseline.

HESTA Sustainable Growth

In response to member research, in FY22/23 we implemented changes that strengthened the Sustainable Growth option's strategic tilt towards investments which are thematically aligned with one or more UN SDGs. As at 30 June 2023, HESTA's Sustainable Growth had approximately 29% of the option's funds under management invested in alignment with priority and other SDGs.

You can read more about the Sustainable Growth option's strategic asset allocation in the [Investment Choices guide](#).

The HESTA Sustainable Growth option has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.

You can read more at www.responsiblereturns.com.au for details⁴.

The RIAA Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations.

⁴The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.



CERTIFIED BY RIAA

Our investment outlook

Looking ahead, we see many similarities to FY22/23 and our continuing focus on delivering investment excellence with impact sets us up well to navigate the future.

Market outlook

Inflation has been a key theme of investment markets over the past year, and will continue to be front and centre in the period ahead. Some aspects of inflation are falling rapidly, such as the prices of goods and commodities that surged during the worst of the pandemic and the Russia-Ukraine conflict. In contrast, low unemployment rates are keeping services inflation at elevated rates. With inflation risks remaining in the economy, interest rates are likely to stay elevated into the coming year to aim to bring prices down. This backdrop favours assets with inflation hedging characteristics.

Last year's worldwide rapid lift in interest rates hasn't triggered a global recession. Markets are continuing to question if enough has been done to bring inflation back to levels consistent with central bank target ranges. This has resulted in market indecision around whether interest rates will keep rising. This uncertainty may see another year of heightened market volatility and we retain a cautious outlook on growth assets. However, volatility can provide investment opportunities for long-term investors, and we will look to use our agility to take advantage of any opportunities that present.

Our focus

In a rapidly changing economic environment, the ability to remain agile is key to delivering strong investment outcomes. Our dynamic asset allocation process allows us to respond to emerging risks and take advantage of opportunities to add investment value. As we move forward, we will continue to invest in our internal investment capability with a view to further enhancing our future net returns.

We will also continue to actively seek opportunities that can both deliver strong long-term returns and accelerate our contribution to a more sustainable world. These may include investments in innovative solutions such as renewable energy, green hydrogen, affordable housing and new medical technologies. Our focus will remain on helping our more than one million HESTA members face the future with confidence.

investment managers

as at 30 June 2023



Asset Class	Investment manager
Cash	H.E.S.T. Australia Ltd
	IFM Investors Pty Ltd
	JP Morgan Chase Bank, N.A.
	State Street Global Advisors, Australia, Limited
Global Debt	BlackRock Asset Management (Australia) Limited
	Challenger Investment Partners Limited
	Citigroup Global Markets Australia Pty Limited
	H.E.S.T. Australia Ltd
	IFM Investors Pty Ltd
	JP Morgan Asset Management (Australia) Limited
	Macquarie Investment Management Australia Limited
	Macquarie Securities (Australia) Limited
	Oaktree Capital Management, L.P.
	PIMCO Australia Pty Limited
	Schroders Investment Management Australia Limited
	Westbourne Credit Management Limited
Property	AEW Capital Management, L.P.
	Citigroup Global Markets Australia Pty Limited
	EG Funds Management Pty Ltd
	Eureka Funds Management Limited
	Franklin Templeton Investments Australia Limited
	Heitman Capital Management, LLC
	Investa Wholesale Funds Management Limited
	ISPT Operations Pty Ltd
	Kohlberg Kravis Roberts & Co. L.P.
	Macquarie Securities (Australia) Limited
	MSREF V International-GP, L.L.C.
	Nuveen Alternatives Europe S.à r.l.
	Nuveen Real Estate Management Limited
	QIC Property Management Pty Ltd
	Scarborough Pacific Group Pty Limited
	Stride Property Limited
	Super Housing Partnerships Pty Ltd
International shares	Antipodes Partners Limited
	Baillie Gifford Overseas Limited
	BlackRock Investment Management (Australia) Limited
	Citigroup Global Markets Australia Pty Limited
	Generation Investment Management LLP
	GQG Partners
	Lazard Asset Management Pacific Co
	Martin Currie Investment Management Limited
	Mirova US LLC
	Morgan Stanley Investment Management (Australia) Pty Ltd
	Robeco Hong Kong Limited
	Sanders Capital LLC
	State Street Global Advisors, Australia, Limited
Australian shares	Wellington Capital Australia Pty Ltd
	Allan Gray Australia Pty Limited (formerly Orbis)
	Cooper Investors Pty Limited
	Citigroup Global Markets Australia Pty Limited
	Eiger Capital Pty Limited
	First Sentier Investors (Australia) IM Limited
	Greencape Capital Pty Ltd
	H.E.S.T. Australia Ltd
	Hyperion Asset Management Limited
	IFM Investors Pty Ltd
	Macquarie Securities (Australia) Limited
	Pendal Group Limited
	State Street Global Advisors, Australia, Limited
	Touchstone Asset Management Pty Ltd
	Yarra Funds Management Limited

Asset Class	Investment manager
Infrastructure	Antin Infrastructure Partners SAS
	Generate Capital, PBC
	IFM Investors Pty Ltd
	Kohlberg Kravis Roberts & Co. L.P.
	Macquarie Fund Advisors Pty Limited
	Morrison & Co Utilities Management (Australia) Pty Ltd
	Pacific Equity Partners Pty Ltd
	Palisade Investment Partners Limited
	Stafford Timberland Limited
Private equity	Anarake Private Capital
	Adveq Management AG
	Ascendent Capital Partners Limited
	Blackbird Ventures Pty Ltd
	Brandon Capital Partners Pty Ltd
	Castik Capital Partners GmbH
	Continuity Capital Partners
	FTV Management Company, L.P.
	Generation Investment Management LLP
	IFM Investors Pty Ltd
	Leapfrog Investments Group Ltd
	Lexington Advisors Inc
	Madison-India Management Advisors Private Limited
	Newbury Partners LLC
	Oaktree Capital Management, L.P.
	Pacific Equity Partners Pty Ltd
	Perennial Investment Management
	Pomona Capital
	Rio Energy Management LLC
	Roc Capital Pty Ltd
	Rockbridge Growth Equity Management, L.P.
	Stafford Fund Nominees Pty Ltd
	Stafford Private Equity Pty Ltd
	Stafford Private Equity Inc
	Stone Point Capital LLC
	Talu Ventures Pty Ltd
	TDR Capital, LLP
	Vencap Limited
Alternatives	AlphaCat Managers Limited
	BlackRock Financial Management, Inc
	Healthcare Royalty Management, LLC
	Integral ILS Ltd.
	Kohlberg Kravis Roberts & Co. L.P.
	Nephila Capital Limited
	Oaktree Capital Management, L.P.
	Social Ventures Australia
Currency management	Lee Overlay Partners Limited
	Insight Investment Management Limited
	Russell Investment Management Limited
Risk Management Strategies	QIC Limited
	Russell Investment Management Limited

super investment options

Ready-Made options

as at 30 June 2023




Ready-Made options	Balanced Growth Our MySuper default option	Conservative																																																												
	Options in risk order																																																													
Description	<p>This is our default investment option where a majority of our members have their super invested.</p> <p>Invests in a wide range of mainly shares, property and infrastructure, with some private equity, alternatives, debt and cash investments. With a higher exposure to growth assets, this option may experience high volatility.</p>	<p>Invests in a range of mainly debt and cash, with some exposure to shares, alternatives, property and infrastructure. With less exposure to growth assets and more exposure to defensive assets, this option may experience low volatility.</p>																																																												
Investment objective long-term (p.a.)	To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than CPI + 3.0%	To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than CPI + 1.5%																																																												
Probable number of negative annual returns over 20 years*	4 to less than 6	2 to less than 3																																																												
Risk level	High	Medium																																																												
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[^] Strategic asset allocations changed from 1 July 2023. For the most up-to-date information visit hesta.com.au/investments

* To understand how we determine probable number of negative annual returns; risk level; and investor type, read *Investment choices* at hesta.com.au/pds

Ready-Made options (continued)

as at 30 June 2023

Indexed Balanced Growth	Sustainable Growth	High Growth																																																																																										
Invests in a mix of low-cost asset class strategies that aim to closely match index returns. With a high exposure to growth assets, this option may experience high volatility.	This option seeks to avoid exposure to particular activities and tilt investment towards companies and assets whose activities are thematically aligned with the UN Sustainable Development Goals (SDGs). Invests in shares, debt and property, with some private equity, alternatives, infrastructure and cash investments. With a higher exposure to growth assets, this option may experience high volatility.	Invests in a wide range of primarily Australian and international shares, infrastructure and private equity, along with some exposure to alternatives, property, debt and cash. With the highest allocation to growth assets across our Ready-Made options, this option may experience very high volatility.																																																																																										
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super investment options

Your choice options

as at 30 June 2023

Your Choice options	Cash and Term Deposits	Diversified Bonds																								
	Options in risk order																									
Description	Invests in a range of at-call bank deposits and short-dated term deposits, and may have a small allocation to other cash investments. It is expected to deliver a return above the official RBA cash rate over the long term.	Invests in Australian and international government bonds and other debt. This option is expected to earn a higher return than cash and may experience low volatility.																								
Investment objective	Over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax ^{**}) of the Bloomberg Ausbond Bank Bill Index.	Over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax ^{**}) of the combination of: <ul style="list-style-type: none"> • 50% Bloomberg AusBond Composite 0+ Year Index • 50% Bloomberg Barclays Global Aggregate ex Australia Index Hedged to \$A 																								
Probable number of negative annual returns over 20 years*	Less than 0.5	2 to less than 3																								
Risk level	Very low	Medium																								
Suggested minimum investment timeframe	Less than 1 year	1 to 3 years																								
Type of investor this option may suit	Very Cautious. Or an investor seeking to create their own portfolio, who would like to include cash, cash products and term deposits, or seeking exposure to this asset class.	An investor seeking to create their own portfolio, who would like to include debt and other fixed interest investments, or seeking exposure to this asset class.																								
Strategic asset allocation[^]	 <table> <thead> <tr> <th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr> </thead> <tbody> <tr> <td>Term deposits</td><td>50%</td><td>0 - 60%</td></tr> <tr> <td>Cash</td><td>50%</td><td>40 - 100%</td></tr> <tr> <td>Currency exposure⁺</td><td>-</td><td>-</td></tr> </tbody> </table>	Asset class	Strategic allocation	Allocation range	Term deposits	50%	0 - 60%	Cash	50%	40 - 100%	Currency exposure ⁺	-	-	 <table> <thead> <tr> <th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr> </thead> <tbody> <tr> <td>Global debt</td><td>100%</td><td>50 - 100%</td></tr> <tr> <td>Cash</td><td>0%</td><td>0 - 50%</td></tr> <tr> <td>Currency exposure⁺</td><td>-</td><td>-</td></tr> </tbody> </table>	Asset class	Strategic allocation	Allocation range	Global debt	100%	50 - 100%	Cash	0%	0 - 50%	Currency exposure ⁺	-	-
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[^] Strategic asset allocations changed from 1 July 2023. For the most up-to-date information visit hesta.com.au/investments

^{**} Estimated tax rate provided by independent investment consultant.

⁺ To understand how we determine probable number of negative annual returns; risk level; and investor type, read *Investment choices* at hesta.com.au/pds

Your choice options (continued)

as at 30 June 2023

Property and Infrastructure	International Shares	Australian Shares																																							
Invests in Australian and global property and infrastructure, along with some cash. This option is expected to earn a higher return than cash and global debt and may experience moderate volatility.	Invests in a range of companies listed on stock exchanges around the world. With a full allocation to shares, this option may experience very high volatility.	Invests in a range of companies listed on the Australian stock exchange, as well as a few that aren't. With a full allocation to shares, this option may experience very high volatility.																																							
Over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than CPI + 3.0%.	Over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax**) of MSCI All Country World Ex-Australia Index (unhedged in AUD).	Over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax**) of the S&P/ASX 300 Accumulation Index.																																							
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An investor seeking to create their own portfolio, who would like to include property and infrastructure, or seeking exposure to this asset class.	An investor seeking to create their own portfolio, who would like to include international shares, or seeking exposure to this asset class.	An investor seeking to create their own portfolio, who would like to include Australian shares, or seeking exposure to this asset class.																																							
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income stream investment options

Ready-Made options

as at 30 June 2023

Ready-Made options	Balanced Growth	Conservative																																																												
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Investment objective long-term (p.a.)	To earn a return (after-tax return for TTR), after investment fees and indirect costs, equivalent to or higher than: RIS: CPI + 3.5% TTR: CPI + 3.0%	To earn a return (after-tax return for TTR), after investment fees and indirect costs, equivalent to or higher than: RIS: CPI + 2.0% TTR: CPI + 1.5%																																																												
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Currency exposure*	21%	0 - 35%																																																												
Asset class	Strategic allocation	Allocation range																																																												
Australian shares	11%	5 - 20%																																																												
International shares	11%	5 - 15%																																																												
Private Equity	-	-																																																												
Alternatives	1%	0 - 15%																																																												
Infrastructure	12.5%	0 - 25%																																																												
Property	8.5%	0 - 20%																																																												
Global debt	38%	25 - 55 %																																																												
Cash	18%	10 - 30%																																																												
Currency exposure*	9.5%	0 - 25%																																																												

Previously named Balanced

[^] Strategic asset allocations changed from 1 July 2023. For the most up-to-date information visit hesta.com.au/investments

* To understand how we determine probable number of negative annual returns; risk level; and investor type, read the *HESTA Income Stream Product Disclosure Statement* at hesta.com.au/pds

Ready-Made options (continued)

as at 30 June 2023

Indexed Balanced Growth	Sustainable Growth	High Growth																																																																																										
<p>Invests in a mix of low-cost asset class strategies that aims to closely match index returns. With a high exposure to growth assets, this option may experience high volatility.</p> <p>To earn a return (after-tax return for TTR), after investment fees and indirect costs, equivalent to or higher than: RIS: CPI + 2.5% TTR: CPI + 2.0%</p> <p>4 to less than 6</p> <p>High</p> <p>5 to 7 years</p> <p>Ambitious</p>	<p>This option seeks to avoid exposure to particular activities and tilt investment towards companies and assets whose activities are thematically aligned with the UN Sustainable Development Goals (SDGs). Invests in shares, debt and property, with some private equity, alternatives, infrastructure and cash investments. With a higher exposure to growth assets, this option may experience high volatility.</p> <p>To earn a return (after-tax return for TTR), after investment fees and indirect costs, equivalent to or higher than: RIS: CPI + 3.5% TTR: CPI + 3.0%</p> <p>4 to less than 6</p> <p>High</p> <p>5 to 7 years</p> <p>Ambitious</p>	<p>Invests in a wide range of primarily Australian and international shares, infrastructure and private equity, along with some exposure to alternatives, property, debt and cash. With the highest allocation to growth assets across our Ready-made options, this option may experience very high volatility.</p> <p>To earn a return (after-tax return for TTR), after investment fees and indirect costs, equivalent to or higher than long-term: RIS: CPI + 4.5% TTR: CPI + 4.0%</p> <p>4 to less than 6</p> <p>High</p> <p>7 to 10 years</p> <p>Very ambitious</p>																																																																																										
Retirement Income Stream (RIS)	Retirement Income Stream (RIS)	Retirement Income Stream (RIS)																																																																																										
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income stream investment options

Your choice options

as at 30 June 2023

Your Choice options	Cash and Term Deposits	Diversified Bonds																								
Options in risk order																										
Description	Invests in a range of at-call bank deposits and short-dated term deposits, and may have a small allocation to other cash investments. It is expected to deliver a return above the official RBA cash rate over the long term.	Invests in Australian and international government bonds and other debt. This option is expected to earn a higher return than cash and may experience low volatility.																								
Investment objective long-term (p.a.)	Over the long term, to earn a return (after-tax for TTR), after investment fees and indirect costs, equivalent to or higher than the return (net of tax** for TTR) of the Bloomberg Ausbond Bank Bill Index.	Over the long term, to earn a return (after-tax for TTR), after investment fees and indirect costs, equivalent to or higher than the return (net of tax** for TTR) of the combination of: <ul style="list-style-type: none"> 50% Bloomberg AusBond Composite 0+ Year Index 50% Bloomberg Barclays Global Aggregate ex Australia Index Hedged to \$A 																								
Probable number of negative annual returns over 20 years*	Less than 0.5	2 to less than 3																								
Risk level	Very low	Medium																								
Suggested minimum investment timeframe	Less than 1 year	1 to 3 years																								
Type of investor this option may suit	Very Cautious. Or an investor seeking to create their own portfolio, who would like to include cash, cash products and term deposits, or seeking exposure to this asset class.	An investor seeking to create their own portfolio, who would like to include debt and other fixed interest investments, or seeking exposure to this asset class.																								
Strategic asset allocation for Retirement Income Stream (RIS)	 <table> <thead> <tr> <th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr> </thead> <tbody> <tr> <td>Term deposits</td><td>50%</td><td>0 - 60%</td></tr> <tr> <td>Cash</td><td>50%</td><td>40 - 100%</td></tr> <tr> <td>Currency exposure*</td><td>-</td><td>-</td></tr> </tbody> </table>	Asset class	Strategic allocation	Allocation range	Term deposits	50%	0 - 60%	Cash	50%	40 - 100%	Currency exposure*	-	-	 <table> <thead> <tr> <th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr> </thead> <tbody> <tr> <td>Global debt</td><td>100%</td><td>50 - 100%</td></tr> <tr> <td>Cash</td><td>-</td><td>0 - 50%</td></tr> <tr> <td>Currency exposure*</td><td>-</td><td>-</td></tr> </tbody> </table>	Asset class	Strategic allocation	Allocation range	Global debt	100%	50 - 100%	Cash	-	0 - 50%	Currency exposure*	-	-
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[^] Strategic asset allocations changed from 1 July 2023. For the most up-to-date information visit hesta.com.au/investments

^{**} Estimated tax rate provided by independent investment consultant.

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Your choice options (continued)

as at 30 June 2023

Property and Infrastructure	International Shares	Australian Shares																																							
<p>Invests in Australian and global property and infrastructure, along with some cash. This option is expected to earn a higher return than cash and global debt and may experience moderate volatility.</p> <p>Over the long term, to earn a return (after-tax for TTR), after investment fees and indirect costs, equivalent to or higher than: RIS: CPI + 3.5% TTR: CPI + 3.0%</p>	<p>Invests in a range of companies listed on stock exchanges around the world. With a full allocation to shares, this option may experience very high volatility.</p> <p>Over the long term, to earn a return (after-tax for TTR), after investment fees and indirect costs, equivalent to or higher than the return (net of tax**) of MSCI All Country World Ex-Australia Index (unhedged in AUD).</p>	<p>Invests in a range of companies listed on the Australian stock exchange, as well as a few that aren't. With a full allocation to shares, this option may experience very high volatility.</p> <p>Over the long term, to earn a return (after-tax for TTR and adjusted for tax credits for RIS), after investment fees and indirect costs, equivalent to or higher than the return of the S&P/ASX 300 Accumulation Index (net of tax** for TTR and adjusted for tax credits for RIS)</p>																																							
3 to less than 4	6 or greater	6 or greater																																							
Medium to High	Very high	Very high																																							
3 to 5 years	7 to 10 years	7 to 10 years																																							
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we advocate for better member outcomes

Why this matters to us

Creating strong long-term financial returns for our members is the reason HESTA exists. With the Sustainable Development Goals (SDGs) as our compass, we use our collective voice to help address system-level inequities impacting our members and those we see falling behind.

How we create value

We raise our voice on issues that impact our members' financial futures.

This includes advocating for legislative and systemic changes to improve financial security for our members in retirement, including:

- closing the gender-based super gap
- making it easier to find the information needed to access super in family breakdowns
- protecting the rights of communities in which the companies we invest in operate, reducing investment risk for our members.

This year we made numerous submissions to proposals for regulatory change.

You can read them [here](#).

Our performance

The past year has seen significant progress in HESTA's work to help improve financial systems that can deliver better outcomes for our members and our community.

case study

Payday super

We advocated strongly for payday super. Paying super with wages will help millions of working Australians, by making it easier for them to see their super contributions and ensuring money goes into their accounts earlier, helping them grow their long-term retirement savings. External modelling* values this at between \$35,000 and \$43,000 for aged care workers and enrolled nurses.



* www.industrysuper.com/assets/FileDownloadCTA/Payday-super-to-help-1-million-women-get-the-retirement-contribution-they-are-owed.pdf

Removal of the \$450 monthly wages SG eligibility threshold

In the quarter following the removal of the \$450 threshold we saw more than 6,000 members receive an additional half a million dollars into their accounts (than the corresponding quarter the year before).

Objective of super

HESTA advocated to ensure our members' interests were taken into account during the Federal Government's consultation on legislating the objective of super. This included recommending the inclusion of a commitment to close the gender super gap, ensuring Australia's retirement system does not entrench inequity and future reforms deliver better outcomes for women, Aboriginal and Torres Strait Islander peoples and those on low incomes.

A voice for our members

We engage with reviews of legislation and regulation to make sure the retirement needs of our members are considered by policy makers. In FY22/23 HESTA's evidence was cited in the Senate Select Committee's Report into Work and Care in support of their wide ranging recommendations, including the inequalities in retirement outcomes for those who undertake unpaid care and the introduction of carer credits. We have also continued to highlight the need for financial advice regulation to support member-centred, digital financial help, and for policy settings that support investment in affordable housing and renewable energy.

Introducing super on Commonwealth Paid Parental Leave

Parental leave is the only commonly taken form of paid leave that does not include superannuation. Most carer's leave is taken by women, and the lack of superannuation contributions for women undertaking this caring work is a well-known factor contributing to the superannuation gender gap. HESTA continues to advocate strongly for this change which could improve financial security for many HESTA members in retirement, and is heartened by the government announcing their intention to make this change.

Supporting the Aboriginal and Torres Strait Islander Voice

HESTA is proud to show our public support for the recognition of Aboriginal and Torres Strait Islander peoples through a constitutionally enshrined Aboriginal and Torres Strait Islander Voice. As a national member-based organisation, a leader in the provision of superannuation and a Fund dedicated to health and community services, HESTA has a unique role to play in supporting justice and reconciliation. As an investor, we also understand that strong and respectful stakeholder relationships are fundamental to good governance and long-term, sustainable value creation, which can lead to improved member outcomes.

Fairer tax settings for low income workers

The Low Income Super Tax Offset repays tax paid on super that low income workers would not have to pay on their wages. HESTA has made a recommendation to the Federal Government to extend eligibility for the Low Income Super Tax Offset (LISTO) to those earning up to \$45,000 and bringing the offset in line with the current Superannuation Guarantee (11%).

we understand our members

Why this matters to us

Every HESTA member should be able to look forward to a retirement that rewards their life's work.

We aim to be our members' Fund for life. That means delivering products and services that can help improve their financial outcomes. By supporting each member's individual needs and choices at every step along their journey, we can help them achieve their goals.

How we create value

Industry super Fund	Our members are with a Fund that was founded by and for their sector. Every member can feel confident that: <ul style="list-style-type: none">• profits go to them• we keep our fees competitive and costs down• we aim to deliver strong long-term performance.
Help and advice	Our advice service helps members build confidence about their super and improve their financial future. We aim to make sure they get the help they need first time, through: <ul style="list-style-type: none">• self-service online• member helpline and chatbot• super education and advice in members' workplaces, information sessions and seminars/webinars• specialised personal help delivered by HESTA Advisers.
Partnering with health and community services	Our relationships with employers, unions and other partners connect us to our members and the issues affecting them.
Investments	We strive for investment with excellence for impact, using our expertise and influence to deliver strong long-term returns while accelerating our contribution to a more sustainable world.
Insurance	Our members have access to 24/7 insurance cover, and help to understand insurance, from calculators to advice. Members can pause their premiums for up to 12 months while on parental leave - an important benefit for them.
Research and insights	We work to better understand what individual members need and support them with solutions.
Advocacy	Women and low paid workers face unique challenges in building their retirement savings, so we advocate for changes to the super system.
HESTA Income Stream	Our members can stay with HESTA throughout their retirement with our income stream product, ensuring they enjoy all the benefits of membership while accessing a regular income as they transition out of full-time work.
Digital support	Many members have told us they prefer using HESTA's digital services, so we continue to invest in our digital capability to build faster, smarter and more personalised online solutions.

INSURANCE SNAPSHOT

FY22/23

> \$173m
total insurance
benefits paid

> \$41m
approved death
(or terminal illness)
benefits paid

\$118m
in ongoing income
protection benefits paid
directly to our members

> \$13m
approved total
and permanent
disablement benefits

93%
insurance claims
admitted by our current
insurer (AIA)

Represents approximate data
as at 30 June 2023.

Our performance

Growing our Fund

We began the year by welcoming our one-millionth member.

Last year's merger between HESTA and Mercy Super brought 13,000 Mercy Super members to HESTA, marking the start of an exciting era of growth.

This growth is a core part of our three-year strategy, which aims to open more opportunities to deliver Super with impact, creating positive outcomes for our members.

Member help

We continue to focus on creating personalised, connected experiences that can help our members act easily to improve their financial future. This year saw a range of initiatives and enhancements roll out, including:

- new referral partnerships to help our members access high-quality comprehensive financial advice as well as guidance on choosing home or aged care services
- a digital interactive voice response (IVR) on the HESTA website's contact us page, so members can more quickly find answers to their questions
- a new seminar for members considering retirement or already retired
- new interactive videos focused on enhancing wellbeing in retirement.

HESTA advice outcomes

Our advisers delivered
personal advice to:

2,087
members

Our wider engagement team
spoke to, via phone, conference
call, in worksites and in
seminars and workshops, online
and face to face:

41,209
members

Insurance

This year we continued to refine our insurance offering for HESTA members. This included changes to the cost of cover that see the amount paid determined using the member's actual age. The changes help ensure the cost of cover is sustainable and better reflects the level of insurance risk at each age, so we can continue to offer members access to protection for the times they need it most.

Wellness and rehabilitation services

As one of the benefits of our Income Protection Cover, HESTA members have access to a dedicated rehabilitation team that includes highly experienced counsellors, physiotherapists and occupational therapists, to support them through treatment and recovery while on claim. Members also have access to a range of wellness coaching programs, including Cancer Aid, Mind Coach and Pain Coach.

Connected member experiences

Digital member name change

HESTA is focused on making it easier to transact online. One example in 2023 was launching a new digital process for members* wanting to change their name. This is an important enhancement for our member base of almost 80% women, as the most common reason members change their name is marriage.

HESTA members can now submit their details and required information via their online account. The new process means name changes are quicker and more efficient, as it avoids the processing times experienced when using paper-based forms.

This enhancement also removes barriers to using our other digital services due to needing to make a name change, like combining super.

* Excludes HESTA for Mercy members.



Retirement Essentials

The Age Pension process can be tedious and confusing for some of our members, which could lead to delaying their Age Pension application or not applying at all.

HESTA has partnered with Retirement Essentials to help ease the Age Pension process for our members.



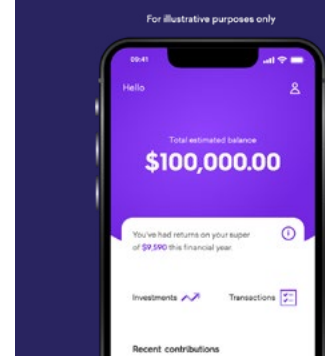
Five wellbeing insights

As HESTA members get closer to retirement, they become increasingly focused on financial returns as an enabler of their retirement dreams. To help members build their financial confidence pre-retirement, we communicate the top five topics HESTA advisers discuss with members.

The members who received this communication series indicated that their financial confidence increased from 59% at the start to 80%, a 35% increase.*

HESTA app launch

In response to member demand, we launched the HESTA app to help our members stay on top of their super and face the future with confidence. Offering fast and secure access to members' super accounts, the app dashboard displays super balance, investment returns and recent transactions, as well as providing easy access to some of the most frequently used actions in our online account platform.



Looking forward

The impact of a million members means more super in investments that accelerate our contribution to a more sustainable world, more momentum behind our advocacy, including our calls for gender equality, and more people who work in health and community services being with a top performing Fund.†

We'll continue to evolve our support for our members, by delivering tools and experiences that empower them to take positive actions and make the most of their super.

* Qualtrics respondents' survey 1 July 2022 - 30 June 2023

† SuperRatings 10 Year Platinum Performance 2013-2023 (MySuper).

we partner with purpose

Why this matters to us

HESTA partners with employers, associations and unions nationally in health and community services. These partnerships are crucial for HESTA to reach existing and new members.

We're one of the only industry super funds dedicated to people working in the health, aged, community, and early childhood education and care sectors.

How we create value



Our performance

Sector engagement

In-person engagements with our employer partners across the country have now returned to pre-COVID levels. We have leveraged these relationships to deepen our insights into our members and partners in the health and community services sector. Through these interactions, we have gained a deeper understanding of sector challenges, allowing us to respond with relevant tools and resources to better support our employer partners and their employees. Our relationships play a critical role in growing and retaining our membership base.

Engagement is also an opportunity for us to understand how our products and services can benefit members now and in retirement, through gaining valuable insight into the unique needs of our employers, members, and prospective members.



what we do

Employer segmentation model

Our data-driven employer segmentation model, which categorises our employers by aspects like size, sector and number of employees, has helped us tailor how we service employers. This includes digital-first communication campaigns to better meet the needs of specific employer segments. The model allows us to tailor our approach, from larger employers with thousands of employees to smaller employers with only one or a few employees. It has also helped us to identify new opportunities to support our employers.

Sector research

With more than 75% (approx. 750,000) of our members working in health and community services, HESTA is uniquely positioned to offer insights to our employer partners. These can support them to deliver better employee outcomes for our members and the sectors' workforces.

Leveraging our membership base, we spoke to members about their experience of work across our key health and community service sectors: aged care, community services, disability, early childhood education and care, primary health, and public and private hospitals.

This research supports our partners in addressing challenges like burnout and workforce shortages, which are placing pressure on our partners and members.

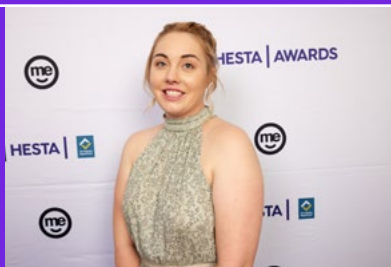
awards

HESTA Awards program

Now in its 17th year, the Awards program continues to strengthen our deep connection to the health and community services sector, celebrating exceptional work in nursing and midwifery, aged care, community services, disability services, allied health and early childhood education and care.

And by amplifying the winners' and finalists' stories across our communications, we're attracting and retaining members to grow the Fund and keep delivering benefits of scale.

2022 HESTA Australian Nursing and Midwifery Awards



Winner

Caitlin Clayer
Ti Tree Health Clinic
Ti Tree, NT



Winner

April Jardine
Dhelkaya Health
Castlemaine, VIC

2022 HESTA Early Childhood Education and Care Awards

Advancing Pedagogy & Practice



Winner

Goodstart Early Learning
Glenfield Park

2022 HESTA Excellence Awards

Aged Care

Outstanding Organisation, HealthX
Team Excellence, Brightwater Care Group

Allied Health

Outstanding Organisation, Little Wings Limited
Team Excellence, Epworth Eating Disorders Clinic

Community Services

Outstanding Organisation, St Patrick's Community
Team Excellence, Catholic Healthcare Hoarding & Squalor Team

Disability Services

Outstanding Organisation, Loom Arts and Management
Team Excellence, 'Be With Me' Navigators

Looking forward

We'll remain focused on working closely with our sector partners to help grow our Fund, enhancing benefits of scale for our members. We'll also continue to evolve our partner support, so we can maintain our deep understanding of our members and their invaluable work.

financials

- 54 Financial statements
- 56 Reserves and related parties
- 58 Questions and complaints
- 59 Fine print
- 59 Contact us



financial statements

The following Statement of Financial Position, Income Statement and Statement of Changes in Member Benefits are extracts of the audited Financial Statements of the Fund for the year ended 30 June 2023. Visit hesta.com.au/disclosure or call 1800 813 327 (HESTA for Mercy members call 1300 368 891) to request a copy of the full Financial Statements.

HESTA Statement of financial position

As at 30 June 2023

	30 June 2023 \$'000	30 June 2022 \$'000
Assets		
Cash at Bank	75,430	55,387
Receivables and other assets	130,131	152,192
Financial investments		
Cash and short-term deposits	12,119,243	9,923,684
Derivative assets	690,522	531,186
Australian equities	17,426,076	14,684,624
International equities	21,133,317	16,745,110
Global debt	8,695,526	7,145,717
Alternatives	846,169	1,820,438
Property	4,894,578	5,036,791
Infrastructure	8,148,367	7,366,388
Private equity	3,897,033	3,768,292
Property, plant and equipment	24,913	23,445
Deferred tax assets	53,806	2,567
Income tax receivable	-	623
Total assets	78,135,111	67,256,444
Liabilities		
Payables and other liabilities	(88,969)	(109,185)
Income tax payable	(98,266)	-
Derivative liabilities	(504,831)	(895,908)
Deferred tax liabilities	(1,639,050)	(1,049,516)
Total liabilities excluding member benefits	(2,331,116)	(2,054,609)
Net assets available for member benefits	75,803,995	65,201,835
Member liabilities		
Allocated to members	(75,393,041)	(64,989,059)
Unallocated to members	(6,559)	(7,499)
Total member liabilities	(75,399,600)	(64,996,558)
Net assets	404,395	205,277
Equity		
Operational risk reserve	(176,836)	(158,274)
Fund development reserve	(101,451)	(96,851)
Investment account	(126,108)	49,848
Total equity	(404,395)	(205,277)

HESTA Income statement

For the year ended 30 June 2023

	30 June 2023 \$'000	30 June 2022 \$'000
Superannuation activities		
Interest	226,223	120,227
Dividend income	1,262,195	1,644,727
Distributions from unit trusts	760,617	867,523
Changes in fair value of financial investments	4,749,063	(4,487,548)
Other investment income	26,106	24,631
Other income	13,872	13,791
Total superannuation activities income	7,038,076	(1,816,649)
Expenses		
Investment expenses	(154,207)	(184,280)
Administration expenses	(50,030)	(44,668)
Operating expenses	(138,983)	(124,717)
Total expenses	(343,220)	(353,665)
Net result from superannuation activities	6,694,856	(2,170,314)
Add/(Less): Net benefits allocated to members' accounts	(6,163,891)	1,556,539
Operating result before income tax	530,965	(613,775)
Income tax expense/(benefit)	345,173	(454,843)
Operating result after income tax	185,792	(158,932)

HESTA Statement of changes in member benefits

For the year ended 30 June 2023

	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance of member benefits	64,996,558	63,897,598
Contributions:		
Employer	5,025,585	4,316,352
Member	1,085,133	1,167,875
Transfer from other superannuation plans	1,300,833	1,379,609
Government co-contributions	6,231	5,841
Low income superannuation contributions	38,420	33,954
Successor fund transfer	1,649,817	-
Income tax on contributions	(789,532)	(648,735)
Net after tax contributions	8,316,487	6,254,896
Benefits paid to members/beneficiaries	(3,883,932)	(3,418,195)
Insurance premiums charged to members' accounts	(262,149)	(249,617)
Death and disability insurance benefits credited to members' accounts	68,745	68,415
Benefits allocated to members' accounts, comprising:		
Net investment income	6,304,607	(1,438,126)
Administration fees	(140,716)	(118,413)
Closing balance of member benefits	75,399,600	64,996,558

Reserves

The Fund maintains an Operational Risk Reserve, in accordance with the requirements established by the Australian Prudential Regulatory Authority under Prudential Standard SPS114 Operational Risk Financial Requirement, and also holds a Fund Development Reserve and Investment Account.

Operational Risk Reserve (ORR)

The purpose of the Operational Risk Reserve (ORR) is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The Trustee intends to maintain this reserve at 0.25% of net assets* available for member benefits.

The ORR is maintained in a distinct segregated portfolio by our Custodian and is managed to the same strategic asset allocation as the lower-risk diversified portfolio investment option, Conservative. The Trustee maintains a policy to deal with the use of the ORR including management of any shortfalls or surpluses from the target amount.

The following represents the balance of the Operational Risk Reserve:

30 June 2023	\$176.84 million (audited)
30 June 2022	\$158.27 million (audited)
30 June 2021	\$144.51 million (audited)

*Calculated on net assets available for member benefits as at 30 June.

Fund Development Reserve (FDR)

The Fund Development Reserve (FDR) is primarily used to fund the operations of the Fund, planning for significant projects that are not business as usual or to respond to any initiatives that arise that will benefit the members of HESTA, including seeding new investment options.

The FDR is maintained in a distinct segregated portfolio by our Custodian and is broadly managed to the same asset allocation mix as HESTA's Conservative investment option. Analysis of revenue and expenditure of the Fund against budget is performed on a monthly basis, allowing the Trustee to manage any surplus or deficit to the FDR.

The following represents the balance of the Fund Development Reserve:

30 June 2023	\$101.45 million (audited)
30 June 2022	\$96.85 million (audited)
30 June 2021	\$126.23 million (audited)

Investment Account (IA)

The Investment Account (IA) is maintained for the purpose of accumulating the investment earnings of the Fund's assets prior to allocation to member accounts. The Investment Account comprises the difference between the cumulative amount of investment income earned (net of expenses and tax) and the cumulative amount of investment income allocated to members' accounts.

The following represents the balance of the Investment Account:

30 June 2023	\$126.11 million (audited)
30 June 2022	(\$49.85) million (audited)
30 June 2021	\$93.48 million (audited)

Trustee Capital Reserve (TCR)

H.E.S.T. Australia Ltd (A.B.N. 66 006 818 695), a Company limited by guarantee, maintains the Trustee Capital Reserve.

For the year ended 30 June 2023

	Jun-23 \$	Jun-22 \$
Opening balance as at 1 July 2022	5,395,867	-
Net transfers to/(from) reserves	8,800,000	7,900,000
Interest	268,301	12,671
Bank charges	(70)	-
GST paid	(800,000)	(718,182)
Income tax expense	(2,067,058)	(1,798,622)
Closing balance as at 30 June 2023	11,597,040	5,395,867

The Trustee Capital Reserve (TCR) represents the balance of funds held by H.E.S.T. Australia Limited (the Company) as capital on its own account to address the risks associated with its role as Trustee of the Health Employees Superannuation Trust Australia (Trust). On the 27 April 2023, a Trustee Fee of \$8,800,000 was paid from the Fund Development Reserve and transferred to the Trustee Capital Reserve.

The investment strategy for the Trustee Capital Reserve considers the risk profile of HESTA's investment options and is currently invested in a negotiated cash rate, to reduce volatility.

The Trustee Capital Reserve will be maintained in a distinct segregated portfolio and is separately identifiable from Trust assets.

Related parties

a) Related Party Investments and Transactions

The Company, as Trustee of the Fund, has disclosed below the related parties of the Fund.

- A 31% (2022: 31%) shareholding of ordinary shares valued at \$1,599,600 (2022: \$2,038,793) in Frontier Advisors Pty Ltd.
- Frontier receives fees from the Fund for investment consulting services. These fees were \$1,362,577 (2022: \$2,270,335).
- Ms D. Cole is a director of Frontier Advisors Pty Ltd and received fees of \$16,434 for the year ended 30 June 2023 (2022: \$16,104).

b) Other Shareholdings and Transactions

As at 30 June 2023 the Fund had:

Industry Super Holdings Pty Ltd

- A 18.90% (2022: 18.82%) shareholding in Industry Super Holdings Pty Ltd (ISH) valued at \$307,053,719 (2022: \$276,309,410).
- IFM Investors Pty Ltd is a subsidiary of ISH and manages investments totalling \$14,468,729,889 (2022: \$13,587,830,023) on behalf of the Fund.
- ISH has other subsidiaries with which the Fund transacts. Industry Super Australia Pty Ltd (ISA) provides marketing, advocacy, policy development and research services to the Fund. The New Daily Pty Ltd is also a subsidiary of ISH and provides online news.

ISPT Pty Ltd

- A 8.0% (2022: 4.0%) shareholding in ISPT Pty Ltd valued at \$2 (2022: \$1) and a 14.6% (2022: 14.2%) unitholding in the ISPT Operations Trust valued at \$1,324,471 (2022: \$1,227,192).
- ISPT Pty Ltd in its capacity as Trustee and ISPT Operations Pty Ltd in its capacity as service entity, managed investments totalling \$2,444,383,574 (2022: \$2,507,444,946) on behalf of the Fund.
- HESTA has a Director appointment on the ISPT Board.
- During the financial year ended 30 June 2023, ISPT and IFM Investors advised that they have entered discussions to explore a potential merger of the two entities.

The Fund has the following significant investments:

Investments	Equity Holding	
	2023 %	2022 %
Land Services WA	15.00	15.00
Utilities Trust Australia (UTA)	7.14	6.58
Super Housing Partnerships (SHP)	-	-

These investments are included in the relevant investment categories in the statement of financial position.

For Land Services WA, HESTA had representation on the board of directors as at 30 June 2023.

For Utilities Trust Australia (UTA), HESTA had a representative on the board of directors of the Trustee of UTA, being Utilities of Australia Pty Ltd, as at 30 June 2023.

For Super Housing Partnerships (SHP), HESTA has an option to acquire up to 20% of SHP with the option exercisable.

HESTA has appointed two representatives to the SHP Advisory Committee as at 30 June 2023, which among other things provides advice to the Board.

During the financial year ended 30 June 2023, the following Directors and Executives also held other roles relevant to Related Parties:

Director / Executives (Positions held)	Other Shareholdings and transactions
D. Blakey (Chief Executive Officer)	Member of the ISA Advisory Council Alternative member of the IFM Investors Shareholder Advisory Board
N. Roxon (Independent Chair)	Member of the ISA Advisory Council
D. Cole (Deputy Chair)	Director of Frontier Advisors Pty Ltd
H. Gibbons (Deputy Chair)	Member of the IFM Investors Shareholder Advisory Board
S. Sawtell-Rickson (Chief Investment Officer)	Member of the IFM Investors Shareholder Advisory Board
L. Samuels (Chief Experience Officer)	Director of Industry Super Australia (ISA)
M. Burgess (Independent Director & Chair of Investment Committee)	Director of ISPT Pty Ltd and ISPT Operations Pty Ltd ceasing on 30 June 2023
C. Smith (Director)	Director of Utilities of Australia Pty Ltd

All transactions noted in (a) and (b) were made on normal commercial terms, under normal conditions and at market rates.

Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

When we will transfer your account to the Australian Taxation Office (ATO)

HESTA is required by law to transfer accounts to the Australian Taxation Office (ATO) in certain situations. These include:

- you reach age 65, and we have not received a payment into your HESTA super account for at least two years, and after making reasonable efforts, we have been unable to contact you for five years;
- OR
- you have died, and after making reasonable efforts and after a reasonable period has passed, we have been unable to locate a person entitled to the benefit;
- OR
- you are a former temporary Australian resident and it has been six months since you left Australia or since your visa expired;#
- OR
- you are entitled to be paid some or all your former spouse's HESTA super benefit and we are unable to contact you;
- OR
- you are a lost member (when we don't have a valid postal or electronic address to contact you) and we have not received an amount for you within the last 12 months, and we are satisfied that it will never be possible, with the information reasonably available, to pay an amount to you;
- OR
- your account balance is below \$6,000 and your account has not received any contributions or rollovers for at least 16 months.^

we are not required to notify you or provide you with an exit statement in these circumstances but will send one to you if requested. You can apply to the Commissioner of Taxation to claim your unclaimed super. Contact the ATO for more information.

^except if you have changed investment options, updated your insurance, made or renewed a binding death benefit nomination during that 16 months or notified HESTA by written notice that your account was not an inactive low- balance account.

If your account is transferred to the ATO, you will cease to be a HESTA member and any insurance cover you have will stop.

The ATO may reunite your former HESTA benefits with your other active superannuation accounts you hold. Log into your MyGov account to find

out more or contact the ATO:

Call - **13 28 65** Web - **ato.gov.au**

Surcharges

Any surcharge assessments received from the ATO are deducted from the members' accounts and remitted to the ATO.

when you have a complaint, we listen

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

Internal dispute resolution process

Step 1	Step 2
<p>Call to discuss your complaint.</p> <p>If your complaint relates to your:</p> <ul style="list-style-type: none">• HESTA super account, call 1800 813 327• HESTA Income Stream account, call 1300 734 479• HESTA for Mercy super and income stream accounts, call 1300 368 891.	<p>OR</p> <p>You can send us your complaint in writing to our Complaints Officer by:</p> <p>HESTA members</p> <p>Mail: Complaints Officer HESTA Locked Bag 5136 Parramatta NSW 2124</p> <p>Email: 'Attention: Complaints Officer' HESTA super accounts: hesta@hesta.com.au HESTA Income Stream accounts: hestais@hesta.com.au</p> <p>HESTA for Mercy members</p> <p>Mail: Complaints Officer HESTA for Mercy PO Box 8334 Woolloongabba QLD 4102</p> <p>Email: 'Attention: Complaints Officer' information@hestaformercy.com.au</p>

External dispute resolution process

The **Australian Financial Complaints Authority** (AFCA) has been established to resolve complaints with financial services providers which consumers can access free of charge.

If you haven't received a response from us within 45 days, or after receiving our decision you are not satisfied with our response, you can complain to AFCA.

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001
1800 931 678
info@afca.org.au
afca.org.au

Timeframes for complaints to AFCA

For AFCA to deal with certain complaints they must be made within certain timeframes:

Death benefits

If you object to a decision about a death benefit, this will be treated as a complaint and HESTA will have 90 days to respond. You may also make a complaint to AFCA, within 28 days of that decision.

Total and Permanent Disability (TPD)

If you permanently ceased employment because of the illness or injury that gave rise to the claim for a TPD benefit, you must have made a claim to us for the payment of the TPD benefit within two years of permanently ceasing employment and must make a complaint to AFCA within four years of our decision about the TPD claim.

Statements given to the Commissioner of Taxation under s.1053(2) of the Corporations Act

One year from notice.

Other superannuation complaints

For all other complaints you will have two years from the date of our response to make a complaint to AFCA.

what you need to know about this annual report

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

H.E.S.T. Australia Limited is the issuer of the products 'HESTA', 'HESTA Personal Super', 'HESTA Corporate Super', 'HESTA Term Allocated Pension', 'HESTA Income Stream', 'HESTA for Mercy', and 'HESTA for Mercy Income Stream'.

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. Product ratings are only one factor to be considered when making a decision. See hesta.com.au/ratings for more information.

Please note investments can go up and down. Past performance is not a reliable indicator of future performance. The target market determination for HESTA products can be found at hesta.com.au/tmd and for HESTA for Mercy, hestaformercy.com.au/tmd. Before making a decision about HESTA products you should read the relevant Product Disclosure Statement (call 1800 813 327 or visit hesta.com.au for a copy or for HESTA for Mercy call 1300 368 891, visit, hestaformercy.com.au), and consider any relevant risks (hesta.com.au/understandingrisk).

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

Debby Blakey
Chief Executive Officer
HESTA

PO Box 615,
Carlton South,
VIC, 3053

contact us

HESTA enquiries

1800 813 327

hesta@hesta.com.au

hesta.com.au

Locked Bag 5136,
Parramatta, NSW, 2124

HESTA for Mercy enquiries

1300 368 891

hestaformercy.com.au



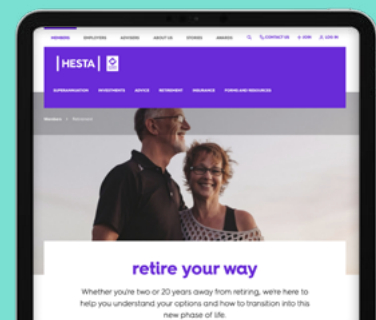
HESTA Income Stream enquiries

1300 734 479

hestais@hesta.com.au

hesta.com.au/
incomestream

Locked Bag 5136,
Parramatta, NSW, 2124



HESTA acknowledges the Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities. We pay our respects to Aboriginal and Torres Strait Islander cultures, and to Elders past and present.