Asset Valuation & Unit Pricing Policy

NULIS Nominees (Australia) Limited

Administration Information Schedule

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Responsibility for maintaining this document	Head of Investment Control
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Policy Contents

1. Background and Context

1.1.1.1 Overview

The purpose of this Policy is to formalise the policies and processes of NULIS Nominees (Australia) Limited (the "**Trustee**") in relation to asset valuation and unit pricing methodology and governance for the MLC Super Fund (the "**RSE**" or "**the Fund**").

1.1.1.2 Background

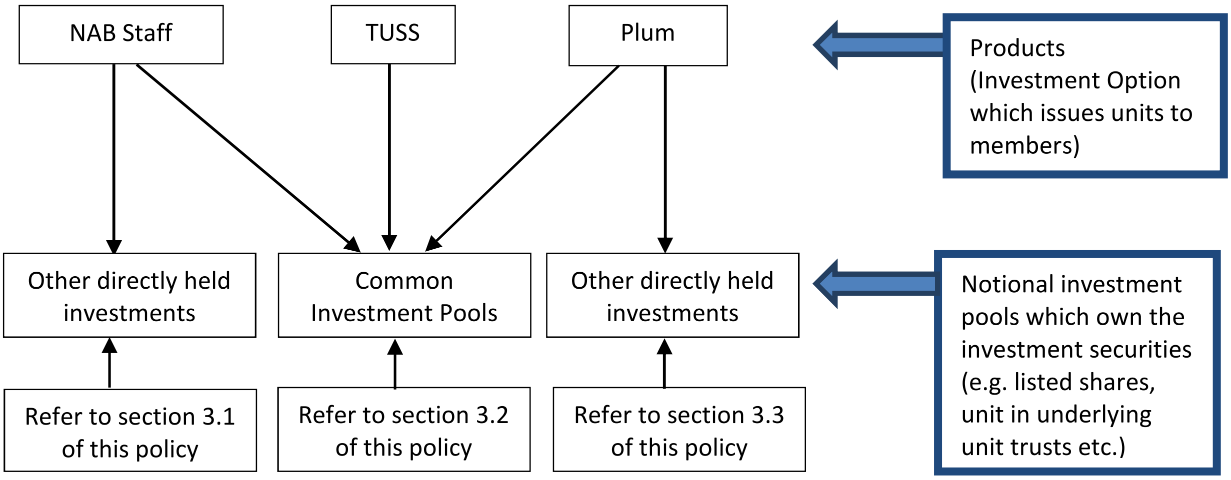
The MLC Super Fund was established on 1 July 2016 following the successor fund transfer ("**SFT**") of a number of superannuation funds and their underlying assets and the transfer of the assets of the Plum Pooled Superannuation Trust into MLC Super Fund. The previous RSEs are listed in the table below. For the purposes of this Policy the RSEs have been grouped by their previous Trustee and by a "Product" label.

Previous Trustee/Life Company	Products	Old RSE
PFS Nominees Pty Ltd	Plum	Plum Pooled Superannuation Trust Plum Superannuation Fund BHP Billiton Superannuation Fund Worsley Alumina Superannuation Fund
	NAB Staff Super	NAB Staff Superannuation Fund
MLC Nominees Pty Ltd	TUSS	The Universal Super Scheme (TUSS)
MLC Limited	Common Investment Pools	Statutory Funds 2 and 4

Prior to the SFT, each of the Products had their own set of Policies. Where each of the Products noted in the table above invested via Life Insurance Policies issued by MLC Limited, MLC Limited's Policies were applicable to those investments. TUSS investment options were wholly invested in Life Insurance Policies issued by MLC Limited, and therefore shared common unit pricing policies. This Policy for MLC Super Fund is based on the original unit pricing policies for the Plum and NAB Staff Super as well as the unit pricing policies previously applicable to Life Insurance Policies, now referred to as the "TUSS Products & Common Investment Pools".

1.1.1.3 How to use this Policy

For unit pricing purposes in the MLC Super Fund, each investment option is designated within one of the Product areas identified in the table above. For each investment option in the MLC Super Fund the corresponding unit pricing policy sections should be used as illustrated in the diagram below.



1.1.1.4 Scope

This policy applies to all unit- priced options within the MLC Super Fund.

2. Roles and Responsibilities

The Trustee has appointed National Wealth Management Services Limited ("**NWMSL**") as the Superannuation Business Services Provider (the "**Superannuation Business Services Provider**") to provide certain services in relation to MLC Super Fund, including unit pricing activities.

The Trustee has appointed NAB Asset Servicing (**"NAS"**) as the Custodian ("**the Custodian**") of the MLC Super Fund.

The responsibilities of NWMSL are different for each Product area and are explained in the respective Product sections of this document.

The Trustee has appointed JANA Investment Advisers Pty Ltd ("**JIA**") to be its investment consultant and JANA Corporate Investment Services Limited ("**JCIS**") to be its portfolio manager in relation to the directly managed options in the MLC Super Fund.

The key stakeholders listed in the table below should be consulted for further information on specific policy sections.

Key Stakeholders by Products		
Products	**Section**	**Stakeholders**
NAB Staff Super	All	Head of Investment Control
TUSS and Common Investment Pools	Unit Policy Framework	Head of Investment Control
	Governance	Head of Investment Control HO Actuarial – Pricing and Profitability
	Asset Valuation	Head of Investment Control Head of Implementation & Analytics
	Tax	Head of Tax HO Actuarial – Pricing and Profitability Head of Investment Control
	Determining Spreads	HO Actuarial – Pricing and Profitability
	Error and Compensation	Head of Investment Control
Plum	All	Head of Investment Control

3. Policy Statements

The Policy statements on Unit Pricing have been separated into three sections based on the 'Products' (defined above) that comprise the MLC Super Fund. These three sections are:

1. NAB Staff Super
2. TUSS Products and Common Investment Pools
3. Plum Products

Each of these sections contains policy information that is specific to the investment options or investment pools included within those Products.

3.1 NAB Staff Super

3.1.1 Overview of the Unit Pricing Process

3.1.1.1 Background

The NAB Staff Super Products invest largely into the common investment pools.

Where the NAB Staff Super investment options invest into the common investment pools, the unit price of these underlying investment pools will be calculated under the unit pricing policy of the Common Investment Pools (see section 3.2).

The remaining assets are invested in external collective investments which are held by the NAB Staff Super Products directly, to which the Asset Valuation policy in this section applies.

3.1.1.2 Structure

The NAB Staff Super Products provide most individual members with investment choice from a range of sector specific and diversified options across multiple assets and investment managers[1]. Outlined below is the structure and methodology to be adopted with regards to unit pricing.

There are nine member investment options (eight of these are choice options), being:

1. Cash	2. Capital Stable	3. Balanced	4. Growth
5. High Growth	6. Australian Shares	7. Overseas Shares	8. Fixed Interest
9. NAB Staff MySuper			

Each of these member investment choice options is unitised with the total number of units on issue for each option being recorded on both the Fund's Custodian and Superannuation Business Services Provider registry systems.

Although the attributable assets for the MySuper and Growth investment options are currently 'pooled', separate unit prices are struck for each investment option reflecting the later commencement date of the MySuper investment option.

There are two separate asset classes that exist while there are external collective investments in those sectors. Currently these asset classes are:

a. Property
b. Alternatives

[1] Members in the A3 category (Defined Benefit members) are not offered member investment choice

The five diversified member options listed above (Capital Stable, Balanced, Growth, MySuper and High Growth) hold these asset classes as tracked by the NAS registry system. All provisions of this policy apply to asset class and member level options equally.

3.1.1.3 Outsourcing of Unit Pricing – role of NAS, NWMSL and the Trustee

Whilst the Trustee outsources certain functions to service providers as outlined below, the accountability for the prudent management of the unit pricing process rests with the Trustee.

The Trustee expects its service providers to maintain and operate within the provisions of this Policy

The Trustee also expects its service providers to implement best practice and adopt guidelines in its processes as outlined in:

- The Financial Services Council's (FSC) Guidance Note No. 4.00 "Incorrect pricing of Scheme Units – Correction and Compensation";
- FSC's Standards 8.00 and 9.00 ("Scheme Pricing" and Valuation of Scheme Assets and Liabilities"); and
- The joint ASIC and APRA guide "Unit Pricing Guide to Good Practice"

The following functions relevant to the unit pricing process within NAB Staff Super have been outsourced to NAS:

- Custody of assets;
- Initiation, settlement and recording of asset transactions;
- Valuation of assets; and
- Pricing of units in each investment option within the NAB Staff Super Products.

The contractual details specific to the provision of these services are detailed in the Custody Agreement between the Trustee and NAS. The Custody Agreement includes a Service Level Agreement which provides specific details of the services provided by NAS.

NAS maintains underlying asset valuations and unit registries for all investment options and calculates unit prices for each investment option based on this.

Whilst NAS, as appointed Custodian, values each NAB Staff Super Product investment option, it is not directly involved with the unit pricing of the units of the underlying notional common investment pools or the underlying assets of those investment pools (unless engaged as Custodian for any of these that are collective investments). The unit prices for external collective investments are calculated and published by the responsible entities for each collective investment.

The Trustee has engaged the Superannuation Business Services Provider to ensure appropriate control systems, policies and procedures over the unit pricing process are designed, established and maintained including in relation to monitoring of NAS. The unit pricing systems are therefore implemented, controlled and monitored by NWMSL. NWMSL includes the following in its assessment of the adequacy of the control systems, policies and procedures over the unit pricing process:

1. Unit pricing policies and procedures applied by NAS and NWMSL are reviewed annually to ensure these are suitably relevant and current;
2. An annual audit report over NAS's controls and procedures is provided and reviewed by the Trustee;

3. All daily unit prices provided by NAS are reviewed by NWMSL using strict parameters. Where prices do not satisfy these parameters, further investigation is conducted by NWMSL, which may include clarification with NAS;
4. All unit pricing parameters are regularly reviewed by NWMSL with the assistance of the parameter “owners” and adjustments made where required;
5. NAS provide a quarterly certificate to the Trustee of its compliance with the Custody Agreement. In addition, NWMSL monitors NAS’s compliance with key components of the service delivery items;
6. Use of a formal register for tracking and recording NAS operational issues relevant to NWMSL and NAS performance in relation to pricing, registry and valuation;
7. Periodical meetings are held with NAS to discuss and resolve operational issues and identify upcoming events that may affect process.

3.1.1.4 Principles of Unit Pricing

The Trustee has endeavoured to develop and oversee a process for unit pricing that is:

- Fair and equitable – between existing, new and departing members;
- Coherent and logical;
- Transparent and understandable;
- Consistent; and
- Accurate and independently verifiable.

The process for unit pricing is designed to enable interests to be transacted at prices that reflect the following;

- The value of all assets and liabilities;
- The number of units held;
- Allowance for tax where applicable;
- Allowance for transaction costs; and
- Rounding adjustments.

3.1.1.5 Management of Risk

The Trustee is responsible for building and maintaining an effective risk management culture. It does this through the implementation of a risk management framework (‘**RMF’**).

As part of the RMF, the Trustee has identified unit pricing as a key area of operational risk in its Risk Management Strategy (‘**RMS**’). The risk is managed under the process detailed in the RMS with the RMS being reviewed at least annually.

One of the important facets of the RMF is the recording, tracking and resolution of any events which represent a breakdown in controls. All such events are recorded and managed as outlined in the RMS.

The Trustee has visibility and oversight of all unit pricing activity. This is achieved through Trustee Board/Committee reporting and attestations (received from its Service Providers) over unit pricing activity and reviews.

NAS, JIA, JCIS and NWMSL have also each developed and maintain separate Business Continuity Plans (‘BCP’), which includes a Disaster Recovery Plan (‘DRP’) addressing the resumption of business after any incident requiring those plans to be enacted. The Trustee obtains an assurance from each entity on an annual basis that the BCP and DRP have been successfully tested. It may also obtain a copy of each Plan and assess the Plan’s effectiveness.

3.1.2 Unit Pricing Policy

3.1.2.1 Methodology

The Trustee uses a forward pricing methodology in its unit pricing process.

A forward pricing methodology prevents members from initiating transactions at unit prices that do not reflect market movements. It therefore provides protection to all members by eliminating the possibility of members investing for speculative and arbitrage opportunities.

3.1.2.2 Pricing Frequency

A unit price is calculated for all investment options every business day in Australia[2] other than National public holidays. Local public holidays (e.g. Melbourne Cup, Labour Day NSW) are not observed and prices are required for transactions received on these days.

NAS therefore values assets and liabilities of the NAB Staff Super Products and calculates unit prices for these each business day.

3.1.2.3 Pricing Formula and Principles

The unit price of each investment option should be determined as:

$$\frac{GAV - PT - PF + MFR}{Units\ Held}$$

where,

GAV	=	*Gross Asset Value of the Funds or Trust in collective investment*
PT	=	*Provision for taxation*
PF	=	*Provision for fees*
MFR	=	*Management fee rebate*
Units Held	=	*Units held in the collective investment*

- Unit prices are updated daily based on daily asset valuations of the 'common investment pool' assets and the most recent valuations for the 'external collective investment' assets. The asset valuation practices are described in the Trustee's Asset Valuation Policy in section 3.1.7. Prices are available from the Custodian by 4.45pm for uploading into NWMSL's administration system;
- Unit Prices are rounded to 4 decimal places;
- One Unit Price is calculated for each investment option and separate prices for application or redemption transactions are not calculated;

The Trustee has considered that a realisation cost approach is the most equitable methodology for unit pricing rather than a buy/sell spread. The reasoning being is that the Fund has not experienced long term positive or negative cashflow. This position will be reviewed if it is considered that the Fund will incur long term strong cashflows of either a positive or negative nature.

2 Historically unit prices were calculated on a fortnightly basis moving to a weekly basis in October 2005 before becoming daily from 1st July 2013

3.1.2.4 Asset Valuation

3.1.2.4.1 Listed Assets

Investment Manager portfolios are valued daily at current market values and are obtained electronically overnight. The valuations include all trades, corporate actions, income accruals and overseas security prices notified prior to the day on which prices are calculated.

3.1.2.4.2 Unlisted Assets

The method and frequency of valuation for any unlisted assets held by the Fund may vary from Investment Manager to Investment Manager but all methodologies must fall within the acceptable practices outlined by the Australian Prudential Regulation Authority (‘**APRA**’) and assessed as such by JCIS, unless unavoidable. The Trustee’s guidelines with respect to valuing assets are detailed in the Asset Valuation section 3.1.7.

The valuation included in each unit pricing calculation is the most recent valuation provided by the Investment Manager prior to the day on which unit prices are calculated.

3.1.2.5 Cash Flows and Switching

All cash flows entered on the administration system Superb, require a unit price in order to calculate the number of units to issue for applications or the $ value of units to redeem for redemptions. All member level cash flows including contributions, roll ins, switches, benefit payments, fees etc. are netted against each other and rolled up to the investment option level every night as part of the overnight trade file process. Each option will then have one redemption or one application to process, including a dollar and unit amount, with the fund manager via NAS the next day assuming there was at least one member level cash flow per option. If there are no cash flows completed on Superb then no trade file is sent for that option.

3.1.2.6 Taxation Principles

Due to the expansive and evolving nature of tax legislation and the potential number of different circumstances that may impact tax provision estimates, the following guiding principles have been developed to support tax provisioning where specific policy directives may not be available:

- Tax provision estimates and adjustments should be fair and reasonable across all investors;
- Unit prices must ultimately reflect the tax due and payable, as reflected in the income tax return of the Fund, on the investment earnings of the underlying assets of the Fund;
- Tax provisions in unit pricing are a “best estimate” of the future tax liability based on the best information available at the time the provision is calculated. Adjustments to a tax provision should be made when additional information becomes known that would enable a more accurate estimate of the actual tax liability;
- Processes and procedures around calculating or adjusting tax provisions should be applied consistently, be transparent and be sustainable;
- Each tax provision adjustment should be considered on a case by case basis in light of its materiality and impact on member equity. (The Trustee expects strong controls are in place to ensure changes to tax assumptions adopted and used in the unit pricing process are not made without authorisation and are only made after full consideration has been given and agreed to by the Trustee – see section 3.1.4).

The APRA & ASIC Unit Pricing Guide to Good Practice specifies that adjustments to tax provisions arising from consistent application of a tax policy are not unit pricing errors requiring compensation. However, compensation does need to be considered where a tax policy has been, or is, inappropriate or where the application of a tax policy has been, or is, deficient.

The NAB Staff Super Products largely invest into internal investment pools unit-priced under the policy applicable to the Common Investment Pools (see section 3.2). Where the NAB Staff Super Products invest into the Common Investment Pools, the unit price of these investment pools will include any required provisions for taxation expense or benefits, including deferred tax, calculated under the unit pricing policy applicable to the Common Investment Pools (see section 3.2).

A daily estimate for taxation is provided against the gross asset values of all of the NAB Staff Super Products investing in untaxed external collective investments. The daily estimate for taxation is calculated using effective tax rates which are determined based on taxable nature of income received by the option. These rates are reviewed regularly as part of unit pricing parameter review. The following rates will apply depending on the underlying investment class:

- Cash – 15% (Interest Income)
- Domestic and International Fixed Interest - 15% (Interest and Other Income)
- Multiple sector options with greater than 50% defensive assets – 15% (Interest and Other Income)
- International Equity - 10% (Discount Capital Gains)
- Property - 10% (Discount Capital Gains)
- Multiple sector options with greater than or equal to 50% growth assets – 10% (Discount Capital Gains)
- Domestic Equity - 5% (Discount Capital Gains and Imputation Credits)

A ***'growth'*** option is defined as any option that holds greater than or equal to 50% of its assets in the following asset classes - Domestic Equities, International Equities, Direct and Listed Property.

A ***'defensive'*** option is defined as any option that holds less than 50% of its assets in the following asset classes - Domestic Equities, International Equities, Direct and Listed Property.

On a monthly basis, the provision for tax for each investment option is 'actualised'. When actualising the taxation provision, an estimated tax asset/liability is calculated based on the latest available information. Included in this calculation is distribution information for franked and unfranked dividends, foreign income, imputation and foreign tax credits and capital gains. The calculation incorporates capital gains discounting and optimisation. Calculations are based on actual figures provided by fund managers, or, failing availability of this, an estimate based on prior year distribution components.

Optimisation and discounting of capital gains (realised and unrealised) is completed at a 'whole of fund' level. The Investment options are taxed according to capital gains received and are given the benefit of losses where these losses can be utilised against other gains within the fund.

On an annual basis, the provision is again actualised when the income tax return for the Fund is lodged. At this stage, actual tax payable for each investment option is reconciled to tax provided for during the year and an adjustment made to relevant unit prices.

The tax payment cash flow out of the Fund is offset with a notional accrued tax provision. This transaction ensures the payment has no effect on the unit price as the tax is already accrued in the unit price, and thus eliminates double counting of the tax. As tax payments are BAS payments and not actual tax calculations, the unit price estimate is more reliable. Annually after the tax return is completed, NWMSL forwards a breakdown of the tax paid in relation to each investment option and non-investment tax to NAS. The estimated tax due to be paid for the financial year is reversed out with the actual tax paid cash flowed through each investment option, offsetting the accrued tax asset.

The Trustee has delegated certain responsibilities to the NAB Wealth Tax Provision Committee[3]. These are:

- to undertake a regular review of the carrying value of any Deferred Tax Assets ("**DTA**") to ensure that it continues to be appropriate, consistent with the process for TUSS products outlined in section 3.2.4.3.3 but noting that a DTA cap does not currently apply to NAB Staff Super products. The Tax Provision Committee has the discretion to introduce a DTA cap where considered appropriate in future ;
- to consider, and reject or approve as it considers prudent, any proposal for new clients to transfer their capital losses to the Fund, consistent with the process for TUSS products outlined in section 3.2.4.3.5;
- to review and approve the annual tax actualisation adjustments , consistent with the process for TUSS products outlined in section 3.2.4.3.6.

3.1.2.7 Benchmark Asset Allocation and rebalancing

All member investment options have target asset class weightings as advised by JCIS from time to time. JCIS rebalances asset classes based on agreed principles using cash flows with a further weekly rebalance if required. Directly held assets are not rebalanced due to their size and illiquid nature.

3.1.2.8 Quality Assurance and Responsibilities

The Daily Trade File is checked by NWMSL for large trades, potential unit price impacts as well as general reasonableness, i.e. trade totals match funding etc., before being sent to NAS.

Prior to sending the unit prices to NWMSL, NAS checks the unit price movements against appropriate market indices to provide final quality assurance of the unit prices.

Once the unit prices are received by NWMSL, they are separately compared to benchmark index movements to check for reasonableness. The unit holdings are also checked to ensure they are consistent between NWMSL and NAS.

NWMSL is expected to have appropriate checking and approval processes in place for all unit prices, including prior to upload into the administration system and will regularly seek assurances that this occurs.

3.1.2.9 Future expansion

Investment options and asset classes can be added or removed from the structure provided all relevant information has been received at least two weeks prior to commencement date.

Initial units will be issued at $1 per unit. Each asset class and member investment option will generate units to the initial value of that class or option.

Although initially the units issued and the units owned by each investment option will be the same, this will change with market values and hence unit prices change and cash flows generate different numbers of units. All unit prices struck will be to 4 decimal places, rounded normally.

3.1.2.10 Delayed Unit Pricing

If due to any reason a unit price or prices are delayed, all transactions (applications, redemptions, switches etc.) will be processed once the new unit price or unit prices are issued.

[3] Management Committee within NWMSL and is comprised of HO Actuarial – Pricing & Profitability, Head of Investment Control and Head of Tax.

3.1.2.11 Suspending Transactions and Unit Prices

The Trustee reserves the right to suspend transactions and unit prices in extraordinary circumstances to ensure that members are treated equitably and without prejudice.

Suspending prices causes significant disruption to the business and access to members' funds and is therefore only used where members and / or investment pools can be significantly disadvantaged.

Upon notification from NAS or NWMSL, suspension of transactions in and pricing of a Fund's investment option may occur, if for example:

- When the price or revaluation of assets in an underlying collective investment is suspended or stale for more than 3 business days and where this could impact the relevant unit price(s);
- When transactions in an underlying collective investment are suspended for more than 1 month and where this could impact the relevant unit price(s);
- In the event of significant business interruption;
- Any other unforeseen circumstances (force majeure) which disrupts or delays the unit pricing process; or
- By continuing to process transactions, liquidity levels in any of the investment options would fall to a level where the Trustee could not meet its obligations without selling assets at a value less than fair value.

After 1 week the decision to suspend or otherwise will be reviewed daily by NWMSL, the Custodian and JCIS.

Where transactions in and pricing for a particular investment option are suspended, contributions received for investment in the suspended investment option will remain in the Fund's receipting bank account for the duration of the suspension period.

Once unit pricing resumes to normal frequency, all weeks prior which have had the price suspended will have the current price rolled back. Therefore all transactions with an effective date with a suspended price will receive the first price struck after the suspension period ends. This ensures there is no backdating of transactions and all members receive the current option valuation.

The Trustee shall inform APRA and ASIC where unit prices have been suspended or delayed where required.

3.1.2.12 Backdating Entries

In accordance with the Trustee's Effective Date Policy (contained within the Trustee's Product Management Operating Document), and in other special circumstances advised by NWMSL and agreed to by the Trustee, member transactions may be backdated. In such cases a cost or benefit may arise for investment pools affected by these transactions, thereby impacting all members invested in these investment pools.

When a cost arises, investment pools are compensated by the Trustee for these costs. Any benefit derived by backdating is retained by the relevant investment pool or pools whilst a summary of these costs is provided by NWMSL to the Trustee in its quarterly report.

Refer to the Effective Date Policy of the Trustee.

3.1.3 Compensation Policy

In terms of compensation to be paid for errors or omissions in its unit pricing function, the Trustee has adopted the policies and standards of the Financial Services Council Standard No. 17.00 – "Incorrect Pricing of Scheme Units – Correction and Compensation".

Where the Trustee has determined to directly compensate member accounts due to errors or omissions, it may initiate access to the Operational Risk Financial Reserve (ORFR) to expedite payment where any undue delays occur in obtaining any applicable reimbursement from the relevant service provider(s). Where the ORFR is accessed to make compensation payments to members, any subsequent reimbursement received from service providers may form part of the replenishment plan with regards to the ORFR.

Access to the ORFR as well as formulating and approving a replenishment plan are outlined in the Trustee's ORFR Strategy**.**

3.1.3.1 Compensation from External Investment Managers

The Trustee may receive compensation from external investment managers with which it invests. Compensation may be received for unit pricing errors, processing delays or processing or valuation errors.

The attribution of such compensation will be dealt with according to the circumstances which gave rise to the compensation and the impact on members and investment pools. Such compensation may also be taken into account where the Trustee has implemented a Replenishment Plan in accordance with its ORFR Strategy.

3.1.4 Governance Policy

This section governs the approval of changes to unit pricing inputs and remediation resulting from unit pricing errors. This process enables the prompt identification, reporting and resolution of unit pricing errors, and reporting to the Trustee in particular circumstances.

NAS calculates unit prices for the NAB Staff Super Products on a daily basis, based on the unit prices for the collective investments which it invests in and allowances against these prices.

NWMSL advises NAS of the methodology to be used for striking unit prices.

All rates, variables and methodologies utilised in the calculation of unit prices by NAS are under the "custodial" responsibility of the Trustee and are regularly reviewed.

The authority levels detailed in section 3.3.2.17.2 for Plum Product also govern the approval of decisions relating to unit pricing input and methodology changes and compensation for unit pricing errors for NAB Staff Super.

3.1.5 Additional Information and Requirements

All reserves within the NAB Staff Super Products are currently allocated to the Growth option. The current reserves include:

- Defined Benefits Reserve;
- Administration Reserve; and an
- Activity Reserve.

Other reserves may be maintained if determined by the Actuary.

3.1.6 Dispute Resolution

A formal process of recording, handling and resolving disputes with members has been established.

As the Trustee is regulated by APRA, it participates in an external disputes resolution scheme and has in place arrangements for members to make enquiries or complaints.

3.1.7 Asset Valuation Policy

3.1.7.1 Objective

This Policy is designed to ensure the valuation methodology adopted by NWMSL for the NAB Staff Super Products in valuing fund assets meets all prudential requirements and guidelines and provides a fair and equitable outcome for members.

The Trustee believes one of its key responsibilities (and duties) is the preservation of member equity and fairness. One of the key drivers is ensuring that fund assets are fairly, independently and regularly valued to allow member based transactions to be managed equitably and as a fair measure of fund performance for disclosure, reporting and comparison purposes.

The Trustee expects its outsourced service providers to adhere to the prudential requirements and guidelines at all times, to adhere to their own asset valuation policies and use best endeavours in meeting the Trustee expectations.

The Trustee also expects JCIS to ensure valuation practices of Fund Managers are appropriate.

3.1.7.2 Legislative Background

The SIS Act[4] (the "**Act**") requires a Trustee to consider whether reliable information is available in relation to the investments covered by its Investment Strategy.

The Act[5] also imposes a range of duties on Trustees, including the duty to act fairly in dealing with classes of beneficiaries and beneficiaries within classes.

In addition to the Act, the Australian Prudential Regulation Authority ("**APRA**") has issued a Superannuation Prudential Standard ***SPS 530 – Investment Governance*** (SPS 530), supported by a Prudential Practice Guide ***SPG 531 – Valuation*** (SPG 531). These documents outline APRA's expectations of Trustees around the governance of investment risks, particularly the arrangements in place that reliably measures asset values.

APRA have also written general letters to all Trustees on the issue, emanating out of concerns arising out of the recent global financial crisis, those being:

- Valuation of Unlisted Assets – General Principles for Trustees (April 2009); and
- Valuation of Unlisted Assets – Industry Alert (August 2010)

APRA believes that asset valuations are a critical factor in the calculation of investment performance, enabling the equitable distribution of investment earnings to beneficiaries. SPG 531 focuses particularly on the valuing of unlisted assets and other assets not tradeable through a central exchange.

3.1.7.3 Industry Guidance

In addition, to the legislative requirements, industry guidance material has also been used in formulating this Policy, being:

- Regulatory Guide 94: The joint APRA / ASIC guide – ***Unit Pricing – Guide to Good Practice*** (August 2008);

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4 SIS Act Sec 52 (6)(a)(iv)

5 SIS Act Sec 52 (2)(e) and (f)

- Financial Services Council's ***Valuation of Scheme Assets and Liabilities*** (IFSA Standard No.9, October 2006);
- Financial Services Council's ***Asset Valuation and Unit pricing for Infrequently Valued Assets*** (IFSA Guidance Note 26).

3.1.7.4 Other Guidance material

The Trustee also noted the NAS's ***Pricing Policy*** (as amended and updated from time to time).

The Asset Valuation Policy applicable to the Common Investment Pools (as outlined in section 3.2.3 of this document) applies to the underlying internal investment pools of the NAB Staff Super Products, and is therefore relevant.

3.1.7.5 The Trustee's Investment Strategy

The Trustee has formulated an Investment Strategy and reviews it on an at least annual basis.

The Trustee does not have an in-house investment team and has appointed JANA to act as its investment consultant and JCIS to act as its portfolio manager.

3.1.7.6 Valuation Principles

The Trustee expects the following guiding principles to be adhered to by its relevant service providers:

1. Valuations should be performed by independent sources, where one is available, and be performed without undue influence or bias;
2. The frequency of valuing assets should be consistent with the frequency of publishing unit prices where practicable and possible;
3. Valuations should be based on recognised valuation methods and that those methods are in accordance with relevant accounting standards and with reference to any APRA / ASIC guidelines;
4. Valuations should be performed on a consistent basis from period to period and between similar assets (unless supported by valid business reasons and agreed to by the Trustee or their investment advisers on their behalf);
5. Assets should be valued as if the Fund was a "going concern" unless it is inappropriate to do so (e.g. the Fund is being wound up);
6. That there is a robust validation process for pricing valuations and that it is adhered to and monitored; and
7. The use of multiple valuation sources is encouraged to minimise risk of an incorrect valuation, subject to their independence, reputation and availability.

3.1.7.7 Frequency

The Trustee expects that assets are generally valued on a daily basis where those assets are actively traded in a recognised market or exchange.

In situations where the market may be unreliable[6], the Trustee expects the service provider to maintain an approved policy and guidelines to determine an appropriate value for the asset.

Less frequent valuations may be performed where the nature of the asset deems it appropriate, for instance unlisted assets, infrastructure assets or private equity assets.

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6 For example, particular assets may be suspended from trading, be delisted, in liquidation or be thinly traded

In these instances the Trustee is comfortable with less frequent valuations subject to the following guidelines being met for such assets:

- Formal valuations be performed on an at least an annual basis;
- In between formal valuations, interim valuations be performed on at least a quarterly basis;
- More frequent valuations to be performed where the underlying asset in an unlisted investment is not traded because of the absence of market values;
- Where more than one such asset is managed by a single investment manager, the Trustee expects that valuations of each asset in the portfolio be staggered to reduce the likelihood of a large fluctuation in the value of an investment option at any one time.

3.1.7.8 Basis of Valuations

3.1.7.8.1 Methodology

The Trustee expects that its service providers use only recognised and appropriate valuation methods and tools in accordance with relevant Accounting Standards and with reference to ASIC / APRA guidance material[7].

Further it expects that valuation methods adopted, including the frequency of valuations:

- are appropriate to the asset being valued;
- include the use of appropriate primary and alternate sources of valuations should the primary source not be available (that is a hierarchy of sources should be developed for each asset type);
- considers appropriate methods of pricing assets:
  - that are thinly traded (stale prices); or
  - of companies that have ceased trading, where trading has been suspended or are under administration;

Formal Valuations

- Where a material event occurs[8] that may invalidate a valuation, a formal valuation should occur at the earliest possible time;
- Where a Fund Manager determines to sell an asset forming part of the Fund's assets;

Interim Valuations

Interim valuations are valuations performed between formal valuations. The Trustee consents to a service provider using interim valuations, where the objective is solely to provide a more up to date valuation subject to it being based on reliable data and standards.

In performing interim valuations, the investment manager may use:

- A "roll forward" basis, a considered current estimate based on the previous formal valuation;

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7 Appropriate pricing methodologies are included in the Australian Accounting Australia Standards Board (AASB) 139 – Financial Instruments: Recognition and Measurement. The use of this instrument for superannuation entities is recommended in the APRA / ASIC's Unit Pricing – Guide to Good practice, at section 5.4 - Applying Accounting Standards

8 A material event could include a change in government regulation or policy (eg tax), a significant market event or a change in the fundamental use or condition of the asset.

- A predetermined basis such as the use of an appropriate and relevant index or benchmark based on the previous formal valuation;
- Any other reasonable basis (subject to prudential requirements and guidelines), agreed to by JCIS and the investment manager.

3.1.7.8.2 By Whom

Independent valuations should be used in all cases, although the Trustee recognises that in some cases, especially with valuing unlisted assets or those not traded on a recognised exchange, this may not be possible.

The Trustee expects that;

- Valuations be performed by an independent person(s), none of whom are responsible or have any influence over the decision to invest in the particular asset;
- The person(s) or entity performing the valuation does not have any personal interests (by way of remuneration) which may influence the valuation and result in an inaccurate outcome;
- The person or entity performing the valuation should not have any other material contracts for services with the Fund Manager;
- The valuation is performed by a person(s) who is / are suitably qualified, licensed or accredited (where necessary – eg property valuations), experienced and independent (to the decision to invest) and preferably a person(s) who is / are not an employee or otherwise connected to the investment manager holding the asset;
- In appointing an independent valuer, a service provider shall consider the:
    - valuer's reputation;
    - resources to be made available to the valuer;
    - valuer's qualifications, experience and area of expertise; and
    - valuation process to be adopted.
- That service providers utilise procedures that tests valuations within a specified tolerance limits and to question valuations outside these limits;
- Where a service provider is unable to engage a suitable independent source to provide a valuation, it should seek permission from the Trustee to provide either an alternative valuer or instruction from the Trustee to provide a specified value;
- Preferably, the same valuer (or entity) shall not perform the valuation function for the same asset or related assets for more than three years and, in any case, no longer than five years.

3.1.7.8.3 Validation Policy

The Trustee expects that its service provider providing the valuation service to have the following processes in terms of price validation, in place:

- Monitoring and investigation processes where price movements of particular assets move outside of predetermined tolerance limits between valuations;
- To identify valuations, investigate and take appropriate actions where:
    - the price for a particular asset has not changed over a reasonable period of time (this would be dependent on the asset's liquidity and usual valuation frequencies); and
    - a zero price has been provided for a particular asset.

In addition, the Trustee expects the service providers providing unit price calculations to have a robust validation and checking process to minimise risk of incorrect valuations leading to unit pricing errors.

3.1.7.9 Unacceptable Practices

The Trustee does not tolerate:

- The use of multiple valuations in an attempt to justify a higher valuation for an asset (shopping around);
- The use of unreliable, out of date, inaccurate or unverified data in the valuation process;
- The cost (including performance fees) of providing a valuation by a valuer capable of being influenced by a higher valuation being provided;
- Delaying or bring forward scheduled valuations to take account of market conditions and improve period end returns;
- The use of a valuation method which:
    - does not meet regulatory requirements; or
    - does not meet industry or regulator based guidelines; or
    - differs from that method advised to the Trustee; or
    - is internally based without verification of inputs or assumptions; or
    - is consistent with the Valuer's stated policy; or
    - is inconsistent with any methods described in Trustee / Fund documents (eg PDS etc.);
- The use of smoothing returns, or any other practice which does not bring into portfolio values actual and current valuations;
- A lack of consideration of a Fund Manager's valuation process during the appointment process;
- A lack of independence in the valuation process (no external valuations or appropriate validation);
- A valuation provided by a non-independent valuer or a valuation provided by the Trustee being used in preference to an existing independent valuation; and
- Any other practice in the valuation process which is in conflict with relevant legislation or guidance issued by APRA or ASIC.

The Trustee expects its investment adviser to review an investment and the relevant investment manager / trustee's appointment should it become aware of the use of valuation methodologies being used that are not consistent with the above principles, legislative requirements and guidelines or are otherwise unacceptable.

3.1.7.10 Stakeholders: Roles and Responsibilities

3.1.7.10.1 Trustee

- Maintain a Valuation Policy that meets all prudential requirements at all times and regulator and industry issued guidance where possible;
- On an annual basis, obtain assurances from relevant Investment Managers (via JCIS) that the Investment Manager has adhered to their valuation protocol, with respect to methodology and frequency;
- Understand the nature of the investments it has invested in;
- Accepts that it retains responsibility to ensure the asset valuation process is appropriate and meets all regulatory requirements and guidelines;
- Inform NWMSL if it becomes aware of any unsatisfactory asset valuation processes adopted by an Investment Manager who invests assets on behalf of the Fund; and
- Ensure all stakeholders are aware of the Trustee's expectation in terms of asset valuation policies and methodologies.

3.1.7.10.2 JANA Corporate Investment Services Limited

- Oversee the investment valuation processes used by Investment Managers and the Custodian, National Asset Servicing (NAS) with a view to ensuring only acceptable valuation processes are adopted;
- Seek information from NWMSL and Investment Managers (where applicable) with regards to their asset valuation processes and to satisfy themselves as to their appropriateness;
- On an annual basis, obtain assurances from relevant Investment Managers that the Investment Manager has adhered to their valuation protocol, with respect to methodology and frequency;
- As part of the appointment process of an Investment Manager, ensure their asset valuation processes are acceptable and meet all prudential requirements at all times and APRA guidance wherever possible;
- Liaise with an Investment Manager to ensure the valuation methodology adopted for a particular asset is appropriate for that asset;
- Monitor and report to the Trustee on a quarterly basis:
    - the Fund asset's level of liquidity (as defined in its Liquidity Policy);
    - the performance of investment managers and the reasonableness of their valuation methodology;
- Provide the Trustee with any information it requests and provide advice in relation to the asset valuation process used by an Investment Manager.

Should JCIS or NWMSL become aware of unacceptable valuation processes being adopted by any investment manager, it shall:

- Immediately advise the Trustee;
- Discuss the issue with the investment manager with a view of influencing the unsatisfactory valuation process (with any necessary adjustment to valuations being made); and
- If unable to gain agreement with the investment manager with regards to its unsatisfactory valuation process, review the appropriateness of the investment on behalf of the Trustee.

3.1.7.10.3 NWMSL

- Provide NAS with portfolio values on a daily basis as part of the unit pricing process;
- Maintain a robust asset valuation checking and validation process;
- Maintain a robust unit price checking and validation process; and
- Review and publish unit prices for all fund investment options on a daily basis.

3.1.7.10.4 National Asset Servicing (NAS)

- Receipt and record asset valuations where provided by NWMSL for common investment pools (generally for unlisted assets);
- Provide asset valuations on a daily basis as part of the unit pricing process;
- Calculate unit prices for all fund investment options on a daily basis; and
- Maintain and provide to the Trustee an up to date Pricing Policy.

3.1.7.11 Trustee Oversight

The Trustee is responsible for ensuring valuation methods adopted by investment managers meet legislative requirements and prudential guidance provided by APRA.

Whilst accountable, it has delegated responsibility of day to day oversight to JCIS. The Trustee will satisfy itself by requesting JCIS to provide it, on a regular basis, with a summary, comments and assurances of the valuation process on a manager by manager basis.

3.1.7.12 Errors in the Asset Valuation Process

The Trustee expects that service providers have sufficiently robust and frequently reviewed processes and risk management programs that can identify errors in their asset valuation processes.

Further, it expects early notification and correction particularly where valuation errors (as opposed to poorly performed or inaccurate valuations) have been incorporated into unit prices. Upon notification of an error, the Trustee will work with service providers:

- to ensure the error is corrected in a timely manner; and
- to determine whether affected members should be compensated under the Trustee's compensation policy.

3.2 TUSS Products and Common Investment Pools

3.2.1 Unit Pricing Policy Framework

3.2.1.1 Overview

Unit Pricing is the methodology used to derive a unit price that equitably assigns an interest in the value of invested assets to each unit holder.

The definition of Unit Pricing, individual elements of the Unit Pricing methodology, sources of obligations and guiding principles have been documented, having regard to:

- Constitutions and Policy documents
- Current Unit Pricing related policies
- The risks inherent in Unit Pricing, recorded in the Investment Control Risk Profile
- Current Unit Pricing practices
- NABs Enterprise Risk Management Framework
- Financial Services Council Standards and Guidance Notes
- Regulatory Guide 94: Joint ASIC & APRA "Unit Pricing: Guide to Good Practice"

The elements of the Unit Pricing methodology identified from the above mentioned sources are:

- Frequency of Unit Pricing
- Pricing basis – Forward vs Historic
- Sourcing asset valuations
- Sourcing units on issue
- Calculating taxation provisions
- Calculating fees; accruals and payments
- Calculating and rounding the unit price
- Application of transaction costs
- Impacts of backdating
- Disclosure of Unit Pricing methodology
- Compensation of Unit Pricing errors

3.2.1.2 Scope

This policy covers the TUSS Products and the underlying unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "**Common Investment Pools**"). All current TUSS Products invest into the Common Investment Pools, therefore they share common unit pricing policy.

3.2.1.3 Policy Statements

3.2.1.3.1 Guiding Principles that support Unit Pricing

The following guiding principles are to be considered with regards to all Unit Pricing processes and decisions:

- Unit Pricing should be fair and equitable, between different classes and generations of unit holders
- Unit Pricing should be fair and equitable, for both transacting and non-transacting unit holders
- Legislation, constitutions, policy documents and unit holder disclosures prevail where a conflict of principles exists

- Unit Pricing must be applied in accordance with Board approved policies
- Unit Pricing should have regard to industry standards
- Unit Pricing should reflect the latest available information
- Unit Pricing should be transparent

3.2.1.3.2 Sources of obligations relevant to Unit Pricing

The following sources of obligations, for unit pricing, have to be complied with in all instances:

- Legislative requirements: Unit pricing is not governed by specific legislation.
- Constitutions or Policy Documents;
- Disclosures made to unit/policy holders;
- Industry standards: Financial Services Council Standards and guidance notes, ASIC/APRA Unit Pricing: Guide to Good Practice.
- Judgement and discretion: Policies are to communicate the Board's views on areas that involve judgement and discretion.

3.2.1.3.3 Risk weighted decision making

Where the risks associated with management practices are assessed as High or Medium, board approved policies are necessary. Where the risks are assessed as low, procedure documents and control checklists (to facilitate consistency of practice) are sufficient.

3.2.1.3.4 Implementation

Policies are implemented using change control procedures. Implementation can impact systems, processes, internal controls, the risk management framework, compliance systems, supervision, training and service agreements.

3.2.1.3.5 Communication of Policies

Communication of policies has been considered on two levels, being general awareness and role specific awareness. General awareness of Unit Pricing related policies is achieved by the policies being available to all NWMSL employees through the Intranet site as well as via stakeholder engagement and training material.

Following approval of a policy, roles identified as being impacted by the policy will receive specific training.

At least annually, the Head of Investment Control will report to the Board on the steps undertaken to confirm continued awareness of all Unit Pricing related policies.

3.2.1.3.6 Currency of Policies

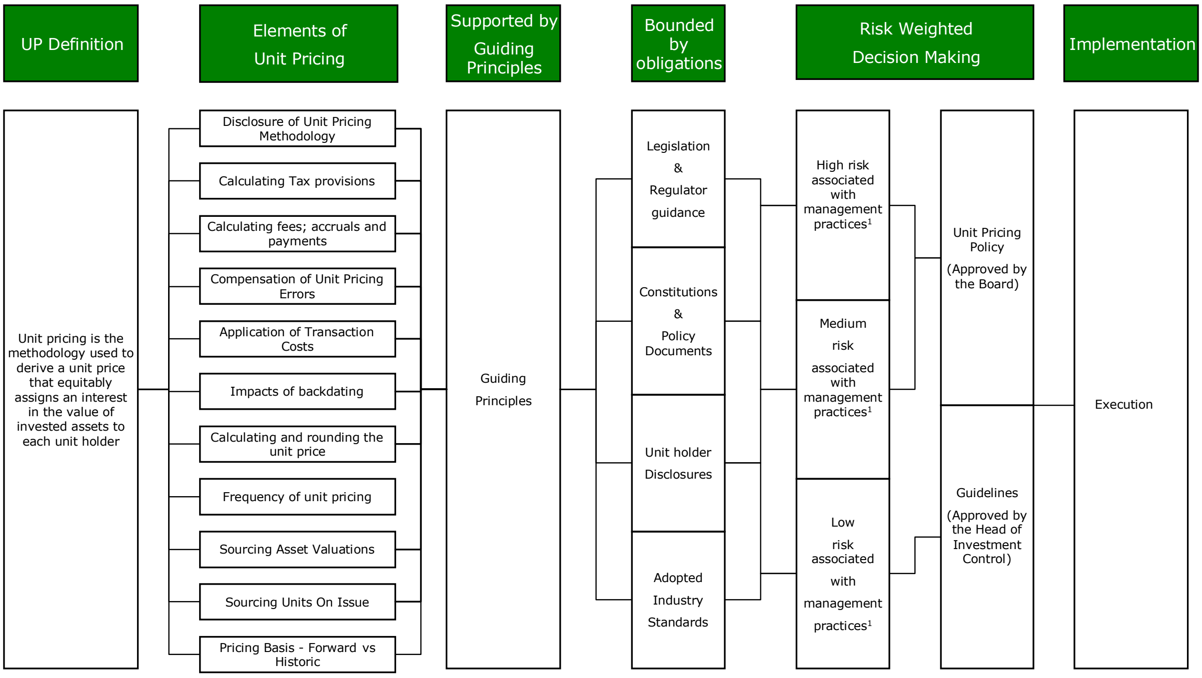
The dynamic maintenance process of risk profiling drives management to actively identify any new medium or high rated inherent risks. For example, legislative change, major disturbance, regulator action, or significant changes to processes. Should a new medium or high risk associated with management practices be identified, a review of existing policies will be required. Any resulting amendment will require Board approval.

The primary responsibility for the Unit Pricing risk profile and the preparation of any new or amended Unit Pricing Policy, rests with the Head of Investment Control.

The Risk Profiling process is supported by Risk and subject to semi-annual attestation by the Head of Investment Control and the Finance Risk Partner.

The Head of Investment Control reports semi-annually to the Trustee Board on the currency of policies and performance relating to unit pricing activities via the "Finance Report" paper.

3.2.1.3.7 Context Statement of the Unit Pricing Policy Framework



[1] Risk Profiling includes 'Management Practices' risk which is defined as the "risk of loss due to corporate or judgmental actions by management which create risk exposures whether intentional or not".

3.2.1.4 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing the Unit Pricing Policy Framework include:

- Regulatory Guide 94: Joint ASIC and APRA Unit Pricing: Guide to Good Practice (Section 1)
- Financial Services Council Standard No. 8 (Section 11.1)

3.2.2 Governance Policy

3.2.2.1 Overview

This Unit Pricing Governance Policy aims to provide direction around the decision making process when changes are made that impact unit prices. It contains the custodial responsibility for changes as well as the delegated authorities for approving these changes.

3.2.2.2 Scope

This policy covers the TUSS products and unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "**Common Investment Pools**").

3.2.2.3 Policy Statements

3.2.2.3.1 Business Owners of Unit Pricing Inputs and Methodologies

Business owners are responsible for the provision and regular review of unit pricing inputs and methodologies.

These business owners are also responsible for and ensuring that any approved change is implemented on a timely and accurate basis.

Business ownership for key inputs is as follows:

Ownership	Input
Head of Implementation & Analytics	Buy / Sell spreads (investment mandate level) Fees: Portfolio Manager and Investment Consultant (as relevant) Fees: Investment Manager fee (investment mandate level) Committed Funds
GM Product (various), supported by Product Actuaries	Fees: Investment Manager fee (external fund manager) Fees: management fee / management fee type / management fee rebates Buy / Sell spreads / Interpolation factor (product level) Expense Recovery Rates
Manager, Pricing	Performance fee
Head of Investment Control	Bank interest rate Fees: custody/registry/audit/tax return Input of approved parameters into unit pricing system
Head of Tax	Tax methodology & tax rates

Refer to Appendix 5.1.1 TUSS Products and Common Investment Pools: Governance for details on the business owners for the above unit pricing parameters.

In performing the review of unit pricing inputs, the Business owners are responsible for:

1. ensuring that the review has included all necessary stakeholders;
2. ensuring that the review incorporates all unit linked products in their respective areas of responsibility;
3. identifying which unit pricing input/products have been reviewed; maintaining appropriate records of the review performed;

4. providing a recommendation to the HO Actuarial - Pricing and Profitability for changes to be made (including no changes) via an attestation. The attestation is to specify which unit pricing inputs it relates to;
5. ensuring the parameter change is implemented.

3.2.2.3.2 Custodial Responsibility for Changes to Unit Pricing Inputs

The HO Actuarial - Pricing and Profitability has an overview and custodial responsibility for changes to unit pricing inputs and methodology. This role does not replace delegated business ownership responsibilities, but supplements them to provide an overview to ensure that each of the key business owners are fulfilling their responsibilities, and that business owner directions and decisions are consistent. The HO Actuarial - Pricing and Profitability is also responsible for ensuring that any changes requiring Board input or noting are appropriately communicated to the relevant Board.

The HO Actuarial - Pricing and Profitability will confirm to the Wealth Risk Management Committee on a half yearly basis, that all rates and variables have been appropriately reviewed and updated. This process is also subject to the escalation criteria included in Section 3.2.2.3.3, to ensure that significant modifications to rates/variables are appropriately referred to the relevant Board for noting or decision-making.

3.2.2.3.3 Delegated Authorities for Approving Modifications to Unit Prices

The following delegations are currently in place to govern unit pricing decisions relating to input or methodology changes.

Business Unit Management Group **Note 1**	**Wealth Risk Management Committee** **Note 2**	**Audit Committee** **Note 3**	**Trustee Board** **Note 4**
greater than 30 basis point impact on unit price [5 basis points for cash funds] **and** between $1-2.5 million impact on net asset value of investment option	greater than 30 basis point impact on unit price [5 basis points for cash funds] **and** between $2.5-10 million impact on net asset value of investment option	greater than 30 basis point impact on unit price [5 basis points for cash funds] **and** over $10 million impact on net asset value of investment option	Items will be escalated as required under the delegations of authority agreed between the Audit Committee and the Trustee Board

- **Note 1**: The Business Unit Management Group consists of the Head of Investment Control, EGM CFO NAB Wealth, GM of the relevant product, HO Actuarial - Pricing and Profitability and Head of Management Assurance OTT. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the proposed changes to the unit pricing inputs and methodologies.
- **Note 2**: The Wealth Risk Management Committee is represented by Group Executive NAB Wealth, EGM Super and Investment Platforms, EGM CFO NAB Wealth, Chief Risk Officer NAB

Wealth, COO Office of the Trustee Wealth and GM Management Assurance. Pre-requisite is the approval by the Business Unit Management Group described in Note 1. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the proposed changes to the unit pricing inputs and methodologies.

- **Note 3**: The decision-making authority rests with the Audit Committee. Items defined as Significant Events are also reported to the Trustees for disclosure considerations under the Significant Events Process.
- **Note 4**: The Audit Committee to notify the Trustee Board as appropriate.

The levels of delegation depend on the basis point impact on investment options in combination with the size of the impact on the net asset value of the affected investment options. This combination will ensure that only large basis point impacts on funds of significant value are escalated to the Audit Committee.

Where the impact on the investment option value is less than 30bp or less than $1 million, the issue will be managed within the business under current processes of engagement with impacted stakeholders.

The HO Actuarial - Pricing and Profitability will be responsible for ensuring that Business Unit Management Group provides the Leadership Team and Board reporting required under the above delegations. These reports must also include plans for any proposed engagement with regulatory authorities. All decisions made at each level must be tabled for noting at the next meeting of the next level authority.

3.2.2.4 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing unit pricing policy framework include:

- Financial Services Council Standard No 8 (Section 11.1)
- Regulatory Guide 94: Joint ASIC and APRA Guide to Good Practice (Section 1)

3.2.3 Asset Valuation Policy

3.2.3.1 Overview

Risk profiling techniques indicate a high risk is associated with management practices related to the application of asset valuations. The Unit Pricing Policy Framework requires Board approved policies where risks associated with management practices are assessed as medium or high.

The management guidelines and procedures currently in existence allow management discretion in aspects of asset valuation. The guidelines and procedures give management the flexibility to apply a number of valuation methodologies to the assets. The application of these is to be in accordance with this policy.

The purpose of this policy is to provide guiding principles and policy directives for asset valuation of unit- linked products to ensure compliance with legal obligations, Industry standards and APRA and ASIC recommended practice.

3.2.3.2 Scope

This policy covers the TUSS Products and the underlying unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "Common Investment Pools"). This policy covers asset valuation from a product unit pricing perspective for client valuation it does not address valuation methodologies that are used exclusively for the purpose of financial reporting.

3.2.3.3 Policy Statements

3.2.3.3.1 Guiding Principles specific to Asset Valuation

The following guiding principles are applied specifically to asset valuations:

- Asset valuations must not be subject to any undue influence or bias and should be independently verifiable.
- Where an active market exists at a given valuation point, all asset valuations should be derived from the latest available market close.
- Similar assets should be valued consistently.
- Asset valuations methodologies must be consistent with constituent and offer documents and all other legal obligations.
- Assets must be valued assuming the portfolio is a going concern, unless the assumption is not appropriate for the portfolio.
- NWMSL will choose the asset valuation methodology that best fits the nature of the product.

3.2.3.3.2 Policy Statements

The following principles are to be applied in the valuation of assets:

3.2.3.3.3 Responsibilities relating to Outsourced Functions

1. Where the custodian provides the asset valuations NWMSL retains the responsibility to ensure that all asset valuations are determined in accordance with product disclosure statements, trust constitutions, insurance policy documents, relevant legislation, standards, guidelines and the directives of this policy. NWMSL ensures this by review of any changes to the relevant custodian policies from time to time, as required by the custodian Service Level Agreements.

3.2.3.3.4 Valuation of Assets where a Market Exists

1. For assets where values are directly obtained from a properly recognised market or exchange, valuations are based on market price.
2. In the event that the market is deemed to be unreliable (e.g. for thinly traded assets, suspended and delisted securities), the value of the assets is determined in good faith and in accordance with the Guiding Principles and this policy generally. More specifically,
   a. The asset valuation will include a review to determine whether the last available sale price should be included or whether an alternative price would be more appropriate.
   b. The review will determine whether using a value obtained from an independent third party with appropriate expertise in valuation for that asset class is appropriate or determine if an alternative approach should be applied.

3.2.3.3.5 Valuation of Assets where No Market Exists

1. For assets where values are not directly obtained from a properly recognised market or exchange (such as Property, OTC derivatives, Infrastructure and Private Equity), a valuation will be obtained from a third party valuer. For example, the following principles are to be applied for valuing private equity:
   a. The private equity managers are to value the assets according to current market methodologies and in compliance with Industry recognised standards.
   b. Valuations from private equity managers are processed on a timely basis in order to minimise the effect of price discontinuities on investors.

3.2.3.3.6 Valuation of External and Internal Unit Trusts

1. Where assets are invested in Internal unit trusts, the latest calculated Net Asset Value price (NAV price[9]) as at the valuation point is used in the calculation of the unit price.
2. Where assets are invested in External unit trusts, the latest available NAV price as at the valuation point from the external manager is used in the calculation of the unit price.

3.2.3.3.7 Frequency of Asset Valuation

1. Generally, assets are valued at least as frequently as interests in the fund may be traded (generally daily), except where this is not practical for certain asset types (e.g. Private equity) or where it is appropriate to the nature of the asset to value the asset on a less frequent basis.
2. Where asset valuations are determined less frequently than the frequency of transactions and where there is more than one investor in that fund, a limit will be placed on the amount of allowable exposure to these assets for each investment fund, to ensure equitable unit pricing. Further:
   a. valuations of these assets will be staggered throughout the holding period.
   b. steps will be taken to maintain the equitable treatment of investors, including the review, and if required, immediate adjustment of valuations in the event of a major market movement or other significant events which would cause the value of the asset used in unit pricing to be significantly different to the current market value.

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9 The NAV price may be adjusted to allow for transaction costs as appropriate (refer to Policy on Determining Spreads for more details).

3.2.3.3.8 Inability to Value Assets

Subject to legal obligations, where processing transactions has the potential to prejudice investors, NWMSL may suspend such transactions or estimate unit prices until a reasonable value of the assets can be determined, to ensure equity between transacting and non-transacting investors. This can occur under a number of circumstances, including, but not limited to the following:

- Market volatility - extreme market movements impacting appropriateness of stale asset valuations.
- Large cash flow -- large cash flows impacting fund performance, liquidity and provisioning estimates.
- Valuation uncertainty / illiquidity -- lack of reliable market prices to base valuations on (e.g. an external fund manager suspension)
- Market / systems / business disruption preventing an appropriate valuation being obtained.
- NWMSL will monitor, on a continual basis, the circumstances that could lead to the suspension or estimation of unit prices being considered. Certain thresholds have also been established as a guide - see Appendix: 5.1.2.2-Suspension / estimation guidelines.
- A Delay or Suspension of Unit Prices Guideline also exists for events that may lead to suspension of product unit prices.
- Unit trust income distributions and international portfolios could commonly lead to situations where suspension or estimation of prices needs to be considered.
- Distribution periods for external unit trusts: during the period where distribution information and hence unit prices are unavailable, the funds (and markets) will be monitored, and considerations will be given to either suspend transactions until distribution details and hence unit prices become available, or estimate unit prices on a reasonable basis (e.g. using the underlying benchmark index performance).
- International portfolios: valuation of certain international portfolios may be estimated to take into account markets which are yet to close at the time the portfolio is valued.
- In circumstances where estimates are used, the estimates must be determined based on a sound and reliable methodology. For example, estimated prices can be based on index or other market movements. The period for which a product is exposed to index valuations (i.e. the period between the current, indexed valuation and the last actual valuation) must not exceed fifteen business days without the authorisation of the Head of Investment Control. In considering whether an extension of this period should apply, the following factors must be taken into consideration:
    - The reason(s) that actual prices are not yet available;
    - Expected time frame for re-establishing actual valuations; and
    - Whether estimated pricing continues to be in the best interests of unit holders.
- Variances between estimated unit prices and unit prices based on actual performance are not deemed unit pricing errors. Any adjustment to bring estimates undertaken in accordance with this Policy in line with actual valuations is not deemed an error.
- The estimation methodology will be reviewed on a six monthly basis, or as required, to ensure that it continues to be a reasonable alternative for actual valuations. The two key factors which may indicate that an estimation methodology is not suitable are:
- No reliable index for a product; and/or
- Large estimation adjustments.

3.2.3.4 Related Policies & References

3.2.3.4.1 Related Papers

The following papers are linked to this policy and should be considered in conjunction with this policy.

- ***Liquidity and Equitable Unit Pricing*** – TUSS
- ***Product Management Operating Document***

3.2.3.4.2 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing asset valuations include:

- Joint ASIC and APRA Unit Pricing Guide to Good Practice (Section 5.1)
- FSC Standards No. 8.00 – "Scheme Pricing" (Section 10.6)
- FSC Standards No. 9.00 – "Valuation of Scheme Assets and Liabilities"
- FSC Guidance Note No. 26 – "Asset valuation and unit pricing for infrequently valued assets"
- APRA Prudential Practice Guide SPG531 – Valuation

These have been summarised in Appendix: 5.1.1 – TUSS Products and Common Investment Pools: Asset Valuation.

3.2.4 Tax Provision Policy

3.2.4.1 Overview

Risk profiling techniques indicate a medium risk is associated with the management practices related to the calculation of tax provisions in unit prices. The Board approved Unit Pricing Policy Framework requires Board approved policies where risks associated with management practices are assessed as medium or high.

The purpose of this policy is to provide guiding principles and policy directives to support the provisioning in unit prices for tax on investment income to ensure compliance with legal obligations, Industry standards and APRA and ASIC recommended practice.

3.2.4.2 Scope

This policy covers the TUSS Products and the underlying unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "**Common Investment Pools**").

This policy only applies to income tax on investment income, including net capital gains.

3.2.4.3 Policy Statements

The following principles are to be applied for key areas of discretion associated with the methodology of providing for tax in unit prices.

3.2.4.3.1 Guiding Principles specific to tax provisioning in unit prices

The ASIC and APRA Unit Pricing Guide to Good Practice requires that a reasonable estimate of the tax provision be used each time a unit price is struck. The estimated tax provision can then be actualised upon lodgement of the annual tax return.

To ensure that investors investing in the same pool of assets via a multi-structure fund bear an appropriate share of the tax on income and net capital gains attributed to those assets, the tax provisions are generally estimated at the level of the fund structure that holds the assets (the ''**investment pool level''**). Calculating the tax provisions at this level ensures that the estimates are transparent and sustainable, and maintains equity across funds by attributing a provision for tax based on the character of the assets held and the income those assets earn. The tax provisions are generally calculated in accordance with the tax legislation to the extent possible at this time. As required by FSC Standard No 9.00 ''Valuation of Scheme Assets and Liabilities'' reference is also made to the applicable Australian Accounting Standards when determining whether the concepts used in the valuation of the estimated tax provisions are appropriate.

Differences arising between the estimated tax provisions and the final tax payable may result in adjustments to the tax provisions that will impact the fund unit prices. The Unit Pricing Guide to Good Practice acknowledges that tax provision adjustments arising from consistent application of policy are not unit pricing errors requiring compensation.

Due to the expansive and evolving nature of tax legislation and the potential number of different circumstances that may impact the tax provision estimates, the following guiding principles have been developed to support tax provisioning where specific policy statement may not be available:

- Tax provision estimates and adjustments should be fair and equitable across all investors.
- Unit prices must ultimately reflect the tax due and payable, as reflected in the tax return, on the investment earnings of the underlying assets of the fund.
- Tax provisions in unit pricing are a ''best estimate'' of the future tax liability based on the best information available at the time that the provision is calculated. Adjustments to a tax

provision should be made when additional information becomes known that would enable a more accurate estimate of the actual tax liability.

- Processes and procedures around calculating or adjusting tax provisions should be documented, transparent, sustainable and applied consistently.
- Each tax provision adjustment should be considered on a case by case basis in light of its materiality and impact on policyholder equity.
- Tax provision adjustments arising from consistent application of this policy are not unit pricing errors.

3.2.4.3.2 Current and Deferred Tax Provisioning

- The current year tax provision represents the estimated tax payable or refundable on investment income earned, including realised capital gains and investment income accrued at year end such as dividends and Unit Trust distributions.
- The deferred tax provision represents the estimated future tax payable or refundable on investment income included in the unit price but not derived for tax purposes, including unrealised net capital gains and losses, and carried forward realised capital losses.
- As the tax provisions should be estimated on the best information available, the tax provisions should be updated on each occasion that the unit price is calculated.
- The tax provisions should be calculated using tax rates confirmed by Group Tax. Group Tax is to advise of any changes in tax rates as they occur. These rates should be subject to regular review as part of the Unit Pricing Parameter Review under the Governance Policy.
- To ensure that investors investing in the same pool of assets bear an appropriate share of the tax and potential future tax relating to those assets, the tax provisions should generally, and where systems permit, be estimated as stand-alone tax calculations at the individual ‘‘investment pool level’’.
- To ensure a reasonable estimate, the tax provision calculations should consider the tax attributes of the different income sources, the tax class of the business (Accumulation Class-superannuation; Pension Class) and the type of asset.
- Where appropriate and feasible, and where a sound estimation basis exists, the income tax characteristics of investment income received or accrued from funds should be estimated. This would include appropriate estimates for imputation credits.
- Estimated income tax characteristics are to be updated with actuals once these are known. Estimation methodologies applied for external unit trust distributions should be reviewed annually.
- The tax provisions included in the unit prices should be reviewed at least quarterly.

3.2.4.3.3 Deferred Tax Asset (DTA)

- It is equitable and consistent with accounting standards to recognise an appropriately valued DTA to the extent that there are other sources of taxable income to offset the DTA or it is probable that sufficient taxable income will become available in the future to allow the benefit of the DTA to be recovered.
- An ongoing six monthly review should be undertaken to determine whether the carrying value of any DTAs continues to be appropriate. DTAs can be capped / reduced for the following reasons:

    a. it is no longer probable that sufficient taxable income will be available in the future to allow the benefit of the DTAs to be recovered.
    b. carrying the nominal value of DTA will act as an inappropriate drag on the performance of the investment option.
    c. carrying the nominal value of DTA would not reflect an appropriate present value of this illiquid asset.

d. in the event of significant withdrawals from a particular investment pool, last-man-standing issues could arise where the primary asset of the remaining members is the illiquid DTA.

- To help reach these decisions, the following factors will be considered when reviewing DTAs:

  a. The level of unrealised and realised tax gains/losses;
  b. Expectations of market movements and their likely volatility;
  c. The investment timeframe;
  d. Likely period to convert the DTA to cash;
  e. The extent to which DTAs in one pool can be applied against gains elsewhere in the same entity;
  f. The applicable effective tax benefit rate on realised capital loss usage; and
  g. Exposure of the fund to possible significant redemptions.

- The NAB Wealth Tax Provision Committee[10] should approve this DTA review.
- Where capped as a result of the 6 monthly review noted above, the DTA levels of individual investment pools will be monitored on at least a monthly basis to ensure that the established cap is maintained.

3.2.4.3.4 Unwinding of Deferred tax assets

i) The following approach is applicable to products unit priced on the UNISON[11] system:

1. The realised DTA is generally reflected as an illiquid receivable asset of the investment pool. It is unwound by emerging realised gains. Where a cap exists, the unwinding converts the receivable into cash and accelerates the unwinding of the DTA cap.
2. Any excess DTA for the investment pools that have been closed or are closing (due to BAU redemptions) since the time of the original cap, will be allocated on a pro-rata basis across all other open investment pools without any cap, within the same asset class.
3. Any DTA receivable and DTA above cap for the investment pools that have undergone significant trade-up or investment restructure where assets have been transferred to other investment pools within the Fund since the time of the original cap, will be allocated to the investment pools to which the assets have been transferred to.
4. Surplus realised gains in one investment pool can be used to offset realised losses in other investment pools within the same tax entity. As such, cash available from accumulated tax payable on net gains within an investment pool can be utilised to monetise the DTA receivables in other investment pools within the Fund. The following order of priority will apply for implementation:
   - **Priority 1**: Investment pools with DTA receivables and DTA above cap and current unitholders.
   - **Priority 2**: Investment pools with DTA receivables and current unitholders but no current DTA above cap.

ii) For Heritage Products:

1. The realised DTA is partly reflected as an illiquid receivable asset of the investment pool.

[10] Management Committee within NWMSL and is comprised of HO Actuarial – Pricing & Profitability, Head of Investment Control and Head of Tax.

[11] UNISON is a unit pricing system used by NWMSL.

2. A review of the deferred tax position occurs at least monthly to determine the need for an adjustment to any capping.
3. When unwinding the DTA cap, or part of it, the method should reflect the process undertaken when the capping was first applied.
4. Any excess DTA to be unwound for funds that have been closed or undergone significant trade-up since the time of the original cap will be allocated either on the UNISON order of priority where the investment pools have traded up to UNISON products, or on a pro-rata basis across appropriate remaining open funds.

3.2.4.3.5 Transfer of DTA by new clients

1. Where the tax law permits new clients to transfer their capital losses to the Fund, the proposal to bring the DTA associated with these capital losses onto the Fund's platform is to be approved by the NAB Wealth Tax Provision Committee. The following factors will be considered by the committee when determining whether to accept the new client with capital losses onto the Fund's platform:
   a. The current level of unrealised and realised tax gains/losses;
   b. Expectations of market movements and their likely volatility until the expected transition time;
   c. Tax rate used by the new client i.e. is the client using the same tax rate as the Fund;
   d. New client's current level of DTA and likelihood of change in the DTA level i.e. to not exceed 3% cap;
   e. Impact on existing unitholders i.e. basis point impact on included DTA, performance drag and dilution of DTA excluded from the unit price;
   f. Operational risk involved i.e. introduction of new process which has not been previously tested would lead to additional risk;
   g. Provision of Indemnity by the new client to cover any compensation arising from inaccurate information provided by the client;
   h. Client profitability;

   If approved by the committee, the offer should be made valid for a specified time frame. When setting this timeframe consideration should be given to the expected transition date.

3.2.4.3.6 Actualisation of the Current Tax Provision (i.e. tax wash-up)

1. For the tax return, the tax due must be calculated in accordance with the relevant tax legislation and for a superannuation fund tax due must be calculated at the total superannuation fund level. Tax may have previously been calculated at an underlying investment pools level, which now flows through to the superannuation fund's income. Within an income class, application of the tax legislation at the consolidated superannuation fund level may lead to tax outcomes that are different to the sum of the tax outcomes calculated at the investment pool levels.
2. To ensure that unit prices ultimately reflect the tax due and payable on the investment earnings on the underlying assets of the fund it is necessary to align the current tax provisions with the lodged tax return. Differences between the unit price tax provisions and the lodged tax return identified by this actualisation process typically include:
   a. different tax outcomes arising from the optimisation and utilisation of capital losses to offset capital gains available at a consolidated income class level that are not available at the investment pool level;
   b. differences arising from information being available at the time of the completion of the tax return that was not available at the time the tax provision

   for that period was estimated, such as final income components for trust distributions received during the period;
   c. differences arising from applying tax legislation that limits the value of tax-offsets that can be claimed in the consolidated tax return;
   d. differences arising from applying tax legislation timing rules for recognising income in the tax return that differ from the timing rules that recognise that income in the unit price.
3. To avoid unnecessary unit price adjustments, where differences between the current tax provisions and the lodged tax return are timing in nature and these differences have subsequently been reversed or will be reversed within the short-term (‘‘timing differences’’) then no actualisation adjustments to the unit prices are required. However where these differences are long-term or permanent in nature (‘‘permanent differences’’), or may have a material impact on policyholder equity, then actualisation adjustments to the unit prices should be considered. Appendix 5.1.3.1 provides definitions and examples of timing and permanent differences.
4. Where an investment pool ceases to exist and it can be clearly established that that investment pool’s assets or investors have been transferred to another investment pool, then any actualisation adjustments subsequently attributed to that terminated investment pool should be allocated and processed in the investment pool into which the assets or investors were transferred.
5. Where an investment pool ceases to exist and it cannot be clearly established that that investment pool’s assets or investors have been transferred to another investment pool, then any actualisation adjustments subsequently attributed to that terminated investment pool should be allocated pro-rata against all other investment pools that are open within the same or similar:
   a. asset class;
   b. investment style; or
   c. investment product grouping.
6. Where an investment pool’s assets are partially transferred to another investment pool, then a suitable apportionment of any annual actualisation adjustments should be considered between the funds where this is appropriate.
7. Current tax provisions included in the unit prices should be aligned to the tax return as soon as reasonably practicable after lodgement of the tax return. Group Tax provides the relevant lodged tax return working schedules to facilitate this process. For products invested directly in external funds, current tax provisions included in the unit prices are to be aligned to each external fund manager’s actual tax statements.
8. All tax actualisation adjustments are to be approved by the NAB Wealth Tax Provision Committee, and to be communicated to relevant internal stakeholders where appropriate.
9. Where the submitted tax return is subsequently amended then the impact of the amendments need to be assessed on a case by case basis in light of their materiality and impact on policyholder equity and any resultant amendments required to the tax provisions are to follow the actualisation process noted above.

3.2.4.3.7 Tax optimisation

1. Where capital loss usage adjustments occur at the tax return level that impact the effective tax rate, such as adjustments for the loss of tax discounts on capital gains offset by capital losses, then these adjustments should be attributed proportionally to the investment pools with losses.

3.2.4.3.8 Tax payment timing

1. Amounts are to be transferred to the tax reserve from investment pools with current tax liabilities. The timing of these transfers will differ between products due to different systems. The amounts to be transferred are equated to the tax on investment income as estimated in the unit price current tax provisions. Tax is paid by the Fund to the Australian Tax Office ("the ATO") from the tax reserve as and when required under the tax law.
2. Where the net current tax provision for all common investment pools is in a net tax refund position, the current tax asset where material (thresholds as determined by the Tax Provision Committee) will be periodically converted to a receivable within the asset value of the common investment pools (e.g. a total net tax refund position due to refundable tax credits exceeding tax payable on investment income). The amounts equivalent to the receivable balance are to be transferred to the investment pools from the tax reserve once the tax return for the relevant tax year has been lodged and the tax refund has been received from the ATO.

3.2.4.4 Related Policies & References

3.2.4.4.1 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing tax provisions include:

- Joint ASIC and APRA guide to Good Practice (Section 5.2)

The joint ASIC and APRA Guide to Good Practice notes that:

- A reasonable estimate of the tax provision is to be used each time a unit price is struck. The estimate must be reconciled with the tax provisions in the accounts from time to time.
- When estimations are used due to uncertainty in the timing or size of future cash flows, these estimates must be adjusted as soon as information on the actual tax position becomes available.
- Where assumptions are used for tax treatments in unit pricing, those assumptions need to be checked periodically by internal or external tax specialists.
- Reconciliations that compare the amounts used in unit pricing with the amounts, separately calculated, which are reported in financial statements and annual tax returns should be prepared once a year, within three months of the due date for payment of tax. Three types of reconciliations are required to be prepared to:
    - compare and resolve differences between the allowance for current tax in the unit price with the corresponding provisions in the accounts.
    - compare and resolve differences between the amounts of deferred tax in the unit price with the amounts of deferred tax in the accounts
    - compare and resolve differences between the movement in current tax and the movement in deferred tax
- Differences between tax amounts in the unit price and tax amounts in the financial statements should be applied equitably, taking account of the reasons for the difference and the nature of the products. It is normally expected that identified differences (positive or negative) are to be applied to unit holders
- Treatment of deferred tax on unrealised gains and losses will depend on the length of time the asset is held. Where an asset has been held for less than a year, in many cases deferred tax will be calculated on the full capital gain rate of 15%. In some cases, however, there may be a sound basis for adopting a different approach where the asset is expected to be held for more than a year. Where an asset has been held for more than a year, deferred tax will, in most cases, be calculated on the reduced capital gain rate of 10%, unless the old CPI basis

applies. It may also be appropriate to make an allowance for the time value of money, depending on the approach to discounting.

- Unit holders present in a product at the time an imputation credit amount accrues should receive the benefit of that amount in the unit price, even if legal entitlement arises later. The imputation credits are to be included in the unit price as soon as information is available. Where there is a periodic (for example, quarterly) distribution and the trust provides information on imputation credits, they should be included at that time. If not, a soundly based procedure to progressively estimate imputation credits during the year is preferred.
- DTAs should be included in unit prices to the extent that they have value for present or future unit holders. The value of DTAs included in unit prices should be systematically reviewed to help achieve equity between investors and to minimise price discontinuities in unit prices.
- When determining the amount of DTAs in unit prices and any cap on DTAs, factors that should be considered may include, but are not limited to:
  - the level of unrealised gains/losses
  - expectations of market movements and their likely volatility
  - the investment timeframe
  - likely investment inflows and outflows for the fund
  - the extent to which DTAs in one pool can be applied against gains elsewhere in the same entity or consolidated entity
  - the applicable tax rate
  - exposure of the fund to possible significant redemptions, and
  - marked change in the circumstances of the product.

3.2.5 Determining Spreads

3.2.5.1 Overview

A spread is an allowance in unit pricing to cover the costs incurred by the fund for a transaction initiated by an investor. Investor initiated transactions include the buying and redeeming of investment units. The spread stays within the investment fund to offset the costs incurred by transactions of the pool.

The aim of introducing the spread is to enhance the equity between investors by allocating a fair share of expected costs to be incurred by the investment pool from those transactions to those investors that create them. The transaction costs arise from brokerage costs, custodial costs, underlying fund transaction costs, stamp duty and other taxes associated with the purchase and/or divestment of an individual security.

The existence of spreads reduces the arbitrage opportunities that may exist between the more astute and less astute investors.

The recommended policy has been formulated on the basis of:

- A simple process (inequities arise when complex processes invariably falter).
- Spreads should be fair. Fairness is reflected in both the price investors transact at and the consistent application of the principles of pooling.

3.2.5.2 Scope

This policy covers the TUSS Products and the underlying unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "**Common Investment Pools**").

3.2.5.3 Policy Statements

The following principles are to be applied in the determination of the spreads.

1. There are several approaches in the industry to allow for transaction costs. These include mid pricing (i.e. no allowance), single pricing (i.e. either buy or sell price), dynamic single pricing (i.e. either buy or sell price or a mixture of the two), and dual pricing (i.e. buy/sell spread). Single pricing, dynamic single pricing, and dual pricing can all achieve the principle of investor equity, as long as there are appropriate processes and controls in place to monitor the transaction cost allowances.
2. The preferred approach for TUSS Products is to use buy/sell spreads to allow for transaction costs.

Determining the size of transaction cost allowances

3. Asset Management Division are to recommend expected transaction cost allowances of the next 6 months appropriate for individual investment mandates. Their recommendations are to consider recent historical observations, market intelligence and discussions with managers and brokers.
4. For products which hold a direct relationship with an external fund manager, the spreads are to mirror the buy/sell spreads of the underlying fund.
5. For products which hold a combination of direct investments, and investments in internal and external funds, spreads are to be determined based on a target asset allocation and expected transition costs of underlying assets.
6. In determining the size of the transaction cost allowance, consideration should be given to the potential impact of thinly traded assets (e.g. small caps), assets with

significant buy/sell spreads (e.g. property) and other situations where actual costs can differ significantly from expected.

7. In determining the size of the transaction cost allowance, consideration could also be given to the difference between cumulative spreads charged and actual transaction costs incurred over an extended period.

Additional principles for single pricing

8. Where system capability or product disclosure and constitution wording results in the need for a single price to be used, measures should be taken to ensure that the price applied maintains the principle of fairness to both transacting and non-transacting investors – see Appendix: 5.1.4 – TUSS Products: Determining Spreads for more details.

Other principles

9. Management is to have discretion to reduce or waive spreads where appropriate (e.g. in an “in specie” transfer of assets). However, no discretion is to occur if it adversely affects other unitholders.
10. Rounding may occur to simplify the management of the spreads.

Review of spreads

11. Spreads are to be reviewed on a six-monthly basis, as part of the six-monthly unit pricing parameter review process. This would involve a review of:
    a. the size of the buy/sell spreads; and
    b. the basis for single pricing (as set out in Appendix: 5.1.4 – TUSS Products: Determining Spreads), which includes the review of the direction of net cash flows to determine whether a single buy, mid or sell price should be used.
12. The spreads recommended will be subject to a review of overall reasonableness and consistency by the HO Actuarial - Pricing and Profitability prior to application.

3.2.5.4 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing transaction costs include:

- Regulatory Guide 94: Joint ASIC and APRA Guide to Good Practice (Section 4.2)
- Financial Services Council Standard No. 8.00 – Scheme Pricing (Section 10.1)

The joint ASIC and APRA Guide to Good Practice notes that:

- The use of a single mid-price with no allowance for transaction costs is not consistent with good practice.
- There should be a comprehensive policy governing the allocation of transaction costs.
- For single pricing, the policy should outline the basis and timeframes to assess the direction of cashflows, to determine whether the buyer or seller price is applied.
- Transaction costs should be calculated and applied consistently and equitably.
- Transaction cost methodology should be appropriate for the nature of the fund, and must be periodically reviewed.
- The transaction cost methodology should not result in money accruing to the product provider.

Financial Services Council Standard No. 8.00 notes that:

- Scheme Operators should incorporate a "transaction cost factor" in Scheme prices where identifiable transaction costs exist with respect to either the acquisition or disposal of Fund assets. The amount of any transaction cost factor must not accrue to the Scheme Operator.

3.2.6 Error and Compensation Policy

3.2.6.1 Overview

3.2.6.1.1 Objective of the Policy

The objective of this Unit Pricing Error and Compensation Policy is to set out guiding principles and a decision-making framework in relation to:

- Establishing the criteria for when an issue should be considered a unit pricing error.
- The standards to be met in relation to analysing the impacts of potential errors on investors and the degree of depth in the analysis.
- Defining the principles to be followed in compensation methodologies.
- Defining the board reporting requirements in relation to error determination and compensation.
- When external (i.e. independent third party) advice and verification should be obtained.
- Providing clear levels of authority for decision-making.

As set out below, the factual circumstances giving rise to each unit pricing error need to be considered on a case by case basis to determine an appropriate level of compensation. In each situation where an error arises, it will be necessary to consider whether the circumstances require a departure from the Policy. As a result, the recommendations in this Policy need to be considered in that regard.

3.2.6.1.2 Products covered by the Policy

This policy covers the TUSS Products and the underlying unitised investment pools utilised by the TUSS, Plum and NAB Staff Super Products (the "**Common Investment Pools**").

3.2.6.2 Policy Statements

3.2.6.2.1 Guiding Principles

The guiding principles specific to unit pricing error determination and compensation decisions are as follows:

- Compensation is designed to ensure that investor performance has not been adversely impacted by the error.
- Equity between transacting and non-transacting investors is maintained.
- NULIS in its corporate capacity will not profit at the individual investor's expense as the result of a unit pricing error.
- Errors will be evaluated on their absolute impact to investors over the full time period in which the errors have existed not a per annum or time limited basis.
- Corrective action will be taken for all errors, although not all errors will require compensation.
- Compensation will be based on the net impact to an individual investor, that is, positive impacts will be offset against adverse impacts.
- Where an error has resulted in a net benefit to an individual investor's performance, the Trustee, after taking into consideration commercial and reputational issues, may seek to recoup the erroneous benefit from the individual investor. The decision to recoup any such benefit should be made in accordance with the authority levels outlined in section 3.2.6.2.8.

3.2.6.2.2 What is a unit pricing error?

A unit pricing error can arise as a result of:

1. Incorrect facts being applied in the unit pricing process. ‘‘Incorrect facts’’ in the unit pricing process include but are not limited to:
   a. Management fees incorrectly represented in the unit pricing process.
   b. Incorrect application of unit pricing methodology.
   c. Incorrect asset values applied.
   d. Incorrect units on issue.
   e. Incorrect unit pricing process.
2. Unreasonable assumptions applied within the unit pricing process. Unreasonable assumptions made in the unit pricing process encompass both assumptions that are unreasonable at initial onset and assumptions that have not been reviewed and maintained in an appropriate manner.
3. Incorrect application of terms and conditions in constituent documents eg PDS, Constitution.
4. Incorrect or incomplete disclosure to investors.
5. Non-compliance with an approved policy.

The following does not constitute a unit pricing error:

6. Actualising accruals on a timely basis.
7. Updating and/or changing parameters on a timely basis in accordance with the Unit Pricing Governance Policy set out in this document.
8. Funds operation as disclosed.
9. Improvements effected in the process where the previous process has not been incorrect.
10. Impacts of large movement in asset values or large transactions.
11. New facts received post a decision being made if the decision was made with the best available information at the time.
12. Periodic revaluation adjustments for infrequently valued assets for which market values are not readily available.
13. Valuation adjustments for infrequently traded market assets as a result of better information becoming available.
14. Adjustments made for estimating performance fees on a reasonable basis.
15. Fund performance inefficiencies resulting from product design.
16. Estimating tax accruals on a reasonable basis.

3.2.6.2.3 Which unit pricing errors will be compensated?

Unit pricing errors can be broadly grouped into two categories:

- Category A - Unit pricing errors that relate to Management fees where NULIS in its corporate capacity and/or its other related party service providers have financially benefited from an error.
- Category B - Unit pricing errors that relate to incorrect asset values and assumptions.

Category A -- For unit pricing errors that relate to fees, all errors will be compensated. Where NULIS in its corporate capacity and/or its other related party service providers have financially benefited from a fee error, compensation must be paid such that this financial benefit is not retained. Section 3.2.6.2.4 defines how investors are compensated.

Category B -- For unit pricing errors that relate to incorrect asset values and assumptions there is a materiality threshold that needs to be applied before any compensation is required. As the determination of a unit price on any one day is based on a calculation of the value of the assets of the relevant unit, which is determined using the best available information from a number of sources and making a number of assumptions, it is appropriate to consider materiality thresholds.

Materiality thresholds recognise that even if:

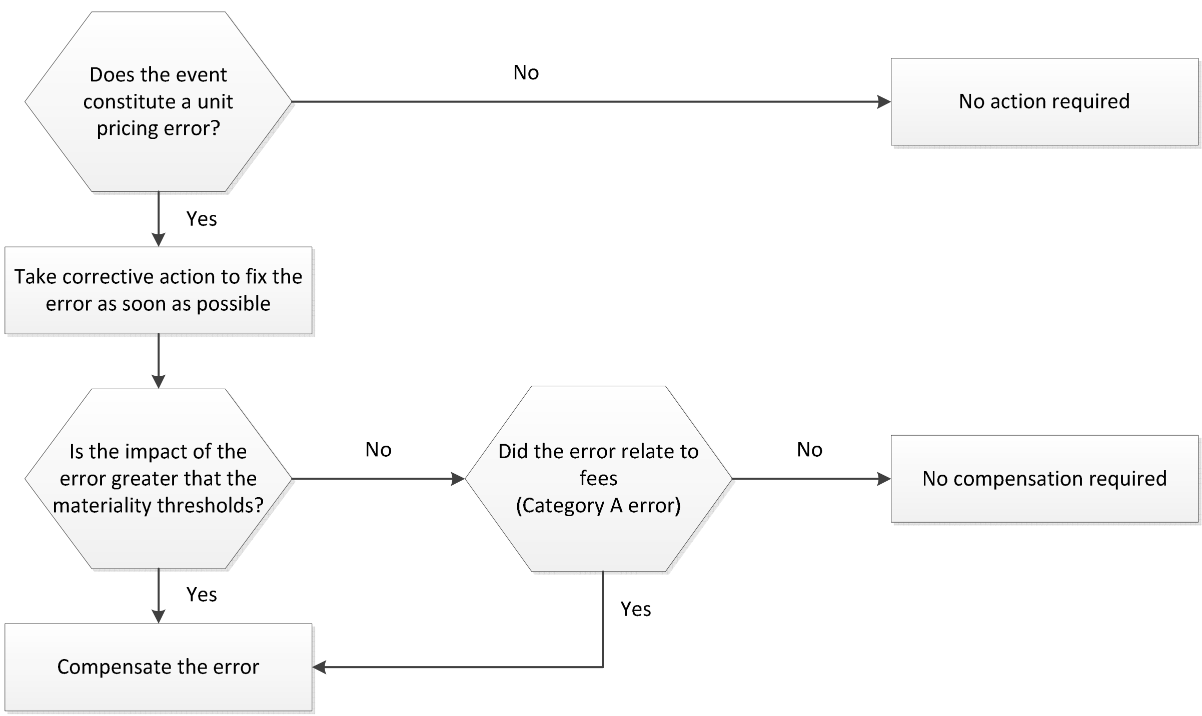
- All policies, guidelines and processes are followed;
- Information provided is relied on in good faith; and
- All assumptions made are reasonable (having regard to the circumstances that applied at the time the assumption was made),

there may still be imprecision in a unit price. Provided that the original unit price struck is within a reasonable range of a price struck based on better information, then equity has been maintained and no unit pricing error has occurred.

In the case of a fund of funds, the unit holder may be a product provider in a layered sequence of product providers. Compensation might be payable by one product provider to another, who would then independently determine any need to compensate its own unit holders. Refer to Section 3.2.6.2.4 for details of how investors are compensated.

Where an Error was caused by an outsourced service provider, compensation amounts and potentially costs associated with processing corrections will be sought from the service provider, subject to contractual arrangements. The Trustee will determine its own approach to compensation irrespective of whether any costs are recovered.

i) Compensation decision tree



3.2.6.2.4 Investor Compensation

i) Non-transacting Investors

Investors who have not transacted (non-transacting investors) have not ‘’realised’’ an impact on their investment performance. Value to these investors can therefore be restored at a fund level. The fund needs to be put in the position it would have been in had the error not occurred. If an investor has been in the fund for the whole period impacted by the unit pricing error and not transacted and the fund is made good, the investor’s performance will be unaffected after the compensation is paid into the fund.

The non-transacting investors, as members of the fund, may also be impacted by the actions of the transacting investors as discussed below.

ii) Transacting Investors

Investors who have transacted have crystallised the impact of the unit pricing error and therefore require individual consideration. As investors transact, beneficial interest in assets of the fund is proportionately shifted from or to non-transacting investors. If the unit price is too high or too low the incorrect beneficial interest in assets of the fund is shifted as a result of transacting investor’s actions. This has two potential implications:

- The non-transacting investors’ performance has been disadvantaged by the transaction;
- The transacting investors’ performance has been disadvantaged by the transaction.

3.2.6.2.5 Compensation Decision

Where a Fund is affected by a unit pricing error, the compensation decision is different for Category A and Category B type errors. The decision also considers the impact on non-transacting and transacting investors and the materiality thresholds outlined in the table below:

Materiality Threshold:

Cash investment options	5bp
All other investment options	30bp

For Category A type errors, where the unit pricing error exceeds the materiality threshold, transacting investors will be individually compensated and non-transacting investors are compensated via the amount being paid to the fund. The sum of these two amounts must at least total the total impact of the error to ensure NULIS in its corporate capacity has not benefitted as a result of the error. Where the unit pricing error is within the materiality threshold, the compensation is paid to the Fund.

For Category B type errors, compensation is paid only when the unit pricing error exceeds the materiality threshold. Non-transacting investors are generally compensated via the amount being paid to the fund and transacting investors will be individually compensated. Where the unit pricing error is within the materiality threshold, no compensation, at either the fund or investor level is necessary.

These decisions are summarised in the table below:

Nature of Unit Pricing Error	Compensation of Investor Impacts	
	Non-transacting Investors (Note 1)	**Transacting Investors (Note 2)**
Category A Exceeding materiality threshold	Compensate the Fund	Compensate Transacting Investors
Category A Not exceeding materiality threshold	Compensate the Fund	Compensate the Fund No additional payments to transacting investors
Category B Exceeding materiality threshold	Compensate the Fund	Compensate Transacting Investors
Category B Not exceeding materiality threshold	No compensation necessary	No compensation necessary

Note 1: Non-transacting Investors are investors who have not transacted using an incorrect unit price.

Note 2: Transacting Investors are investors who have transacted using an incorrect unit price.

- Where an investor is identified as requiring specific compensation due to their individual circumstances (e.g. exited), then compensation will be paid to those investors who are due a dollar amount exceeding $20.
- Depending on the nature of the error, it is not generally intended that investors impacted by $20 or less will be notified.
- Any monies not paid out due to applying a dollar materiality threshold should be paid into the relevant investment pool.
- Note an Investor may be both a Non-transacting Investor and a Transacting Investor.
- Where appropriate, compensation may be applied by reprocessing of all affected transactions.

3.2.6.2.6 Subsequent Investment Performance

In determining the compensation calculation:

- In-force investors receive investment performance equal to the fund they are invested in;
- Exited investors receive the relevant 90-day Bank Bill rate from point of exit of that fund;
- Switched out investors receive additional units in the fund switched into, equal to the same number of units that would have been received had the error not occurred.

3.2.6.2.7 Time Limitations

On discovery of an error, procedures and processes should be implemented within the shortest possible time to eliminate the ongoing impact of the error.

If there is a materially adverse impact to the investor's performance, there will be no historical time limit on the calculation of the error compensation, while the error is material.

Unit pricing compensations should be implemented as a high priority. It is expected that compensation should not take more than six months to complete. In the instance where compensation is not completed within 6 months of the event being raised, the event will be reported to the relevant Board/Committee to ensure appropriate escalation and awareness of the outstanding compensation due to investors.

3.2.6.2.8 Delegated Authorities for Approving Compensation Strategies, External Reviews and Reporting

The following table sets out the authority levels for approving compensation strategies, the use of external experts and reporting requirements in relation to unit pricing errors.

For the avoidance of doubt, all instances of recoupment must have duly considered the commercial and reputational issues associated with the particular circumstances. In all instances, the Office of the Trustee must be notified prior to the recoupment.

Business Unit Management Group **Note 1**	**Wealth Risk Management Committee** **Note 2**	**Audit Committee** **Note 3**	**Trustee Board** **Note 4**
Up to $0.5 million potential cost to NULIS in its corporate capacity and/or its other related party service providers	Greater than $0.5 million and up to $4 million potential cost to NULIS in its corporate capacity and/or its other related party service providers **OR** The issue is Category A (relates to fees where NULIS in its corporate capacity and/or its other related party service providers have benefited) and under $4 million potential compensation	Greater than $4 million potential cost to NULIS in its corporate capacity and/or its other related party service providers **OR** The issue is Category A (relates to fees where NULIS in its corporate capacity and/or its other related party service providers have benefited) and over $4 million potential compensation. Independent assurance, either through internal or external audit, must review and approve the compensation approach.	Items will be escalated as required under the delegations of authority agreed between the Audit Committee and the Trustee Board.

- **Note 1**: The Business Unit Management Group consists of the Head of Investment Control, EGM CFO NAB Wealth, GM of the relevant product, HO Actuarial - Pricing and Profitability and the Head of Management Assurance OTT. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the compensation strategies, the use of external experts and reporting requirements in relation to unit pricing errors.
- **Note 2**: The Wealth Risk Management Committee is represented by Group Executive NAB Wealth, EGM Super and Investment Platforms, EGM CFO NAB Wealth, Chief Risk Officer,

COO Office of the Trustee Wealth and GM Management Assurance. Pre-requisite is the approval by the Business Unit Management Group described in Note 1. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the compensation strategies, the use of external experts and reporting requirements in relation to unit pricing errors

- **Note 3**: Items defined as Significant Events are also reported to the Trustee for disclosure considerations under the Significant Events Process.
- **Note 4:** The Audit Committee to notify the Trustee Board as appropriate.

3.2.6.2.9 Board Reporting

Reporting to the boards will be in line with the approved delegations and will include, but not be limited to:

- How the error occurred
- Funds affected
- Period affected
- Impact on fund
- Impact on individual investors
- Principles used in assessing compensation
- Risks and assumptions used in determining proposed compensation package. This will require supporting actuarial analysis.
- Regulator communications

3.2.6.2.10 Compensation Approach

The Event Owner will engage the relevant GM Product to provide a briefing on the event, and request they manage the calculation and payment (if required) of member compensation. Arrangements around the resourcing, funding and timing of member payments will be discussed and agreed at this time. Once Product initiate the member compensation process:

1. Investment Control to provide corrected notional[12] unit prices which will be used in the compensation calculation.
2. Product[13] to obtain member data required for the compensation calculations.
3. Product to calculate an appropriate compensation entitlement for investors. The analysis must:
    a. consider the impact to all investors impacted by the unit pricing error;
    b. provide reasonable assurance that there has been material restoration of all investors' investment performance;
    c. consider whether the unit pricing error is material, as defined above;
    d. provide reasonable assurance that the proposed compensation strategy will return investors' performance to materially the same position that it would have been had the error not occurred;
    e. be appropriately documented, including checks and technical review undertaken; and
    f. be approved by the HO Actuarial - Pricing and Profitability with respect to complex calculations.

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[12] Notional defined as what the unit price would have been if the error had not occurred

[13] In some business units, this could be the Product Actuary

4. The Product team is responsible for customer communication and payment of compensation. Each event would need to develop a detailed Q & A document for the call centre.
5. Error remediation and compensation forms part of the Group Event Management Standard which also includes event escalation, internal and external reporting. This policy must be read in conjunction with that Standard.

External assurance of the proposed compensation strategy will be obtained from an external unit pricing compensation expert where the impact to the fund requires escalation to the Audit Committee. The Boards or approved delegates will approve the external assurance strategies and briefs to NWMSL.

The scope of the External review will, at a minimum, include:

1. Reasonable assurance that the proposed compensation strategy will return investors' performance to materially the same position that it would have been had the error not occurred
2. Application against this policy
3. Opinion on associated risks of compensation package
4. Opinion on completeness of compensation package

3.2.6.2.11 Changes to this Policy

Any approved changes to this Policy should not be applied retrospectively. Error determination, compensation analysis and compensation actions are subject to the governing Unit Pricing Error and Compensation Policy in place at the time of identification of an Event.

3.2.6.3 Key regulatory principles and industry standards

The key regulatory principles and industry standards governing unit pricing policy framework include:

- Financial Services Council Standard No 8 (Section 7.1)
- Financial Services Council Standard No 17 (Incorrect Pricing of Scheme Units - Correction and Compensation)
- Regulatory Guide 94. Joint ASIC and APRA "Unit pricing: Guide to Good Practice" (Section 2.3, 4.1 and 6.3)

3.3 Plum Products

3.3.1 Overview

3.3.1.1 Background

The Plum Products invest largely into the internal common investment pools.

Where the Plum Products invest into the internal common investment pools, the unit price of these investment pools will be calculated under the unit pricing policy applicable to the Common Investment Pools (see section 3.2).

The remaining assets are invested in distributing collective investments and a small number of external assets that largely support reserves in the accumulation plans and defined benefit sub-plans, to which the Asset Valuation policy in this section applies.

3.3.1.2 Product Offering

Investment options offered by Plum Products comprise:

- pre-mixed options which are invested in various sector-specialist collective investment managers; and
- direct options which are invested in various sector-specific and diversified collective investment options.

3.3.1.3 Unitisation and Pricing

Each investment option offered through the Plum Products is individually unitised, and a unit register maintained for each option by NWMSL.

As opposed to investing directly into assets and derivatives via investment mandates, the Plum Products (through each investment option offered) invests purely in collective investments which provide a range of direct and blended asset sector exposures. The unit price for each investment option offered by the Plum Products is therefore derived from the unit price of the collective investments each option invests in.

Members contributing to investment options within the Plum Products are issued with units in these options. Members' unit holdings will reduce where withdrawals are made.

Members' benefits are recorded as the product of their unit holdings in available investment options and the unit price of each investment option.

3.3.1.4 Outsourced Service Providers

NWMSL maintains member account balances and investment option unit registries for the Plum Products through the processing and recording of all member transactions. The Superb 2000 administration system ("**Superb**") is used to facilitate the administration of all member accounts.

NAS maintains underlying asset valuations and unit registries for all investment options and calculates unit prices for each investment option based on this. NAS utilises the HiPortfolio investment administration system to facilitate accounting for each investment option and the CRIS registry system to facilitate unit registry maintenance and unit pricing requirements for each investment option.

3.3.1.5 Outsourcing of Unit Pricing

The following functions relevant to the unit pricing process have been outsourced to NAS:

- Custody of assets;
- Initiation, settlement and recording of asset transactions;
- Valuation of assets; and
- Pricing of Investment Options within Plum Products.

The contractual details specific to the provision of these services are detailed in the Custody Agreement (as amended from time to time) between the Trustee and NAS. The Custody Agreement includes a Service Level Agreement which provides specific details of the services provided by NAS.

Whilst these functions have been outsourced, the accountability for the prudent management of the unit pricing process rests with the Trustee. It is therefore the Trustee's responsibility to ensure appropriate control systems, policies and procedures over the unit pricing process are designed, established and maintained.

The Trustee executes this responsibility through NWMSL. The unit pricing systems are therefore implemented, controlled and monitored by NWMSL. NWMSL includes the following in its assessment of the adequacy of the control systems, policies and procedures over the unit pricing process:

- **Receipt of audit reports**
  An annual external audit report over NAS's controls and procedures is received and provided to the Trustee.
- **Daily unit price review and recalculation**
  All daily unit prices provided by NAS are reviewed by NWMSL utilising strict parameters. Where prices do not satisfy these parameters, further investigation is conducted by NWMSL, which may include clarification with NAS. A review of NAS's unit pricing policies and procedures is completed annually.
- **Unit price reviews and attestation**
  All unit pricing parameters are reviewed on a bi-annual basis and adjustments made where required. Actuarial certification is obtained over the process employed to review pricing parameters on a bi-annual basis. Attestations are made by NWMSL to the Trustee over the unit pricing practices on a quarterly basis.
- **Compliance with Custody Agreement**
  NAS provides a quarterly certification of its compliance with the Custody Agreement. This certification is provided to the Trustee. Compliance of NAS with key service delivery requirements within the Service Level Agreement are monitored and reported to the Trustee on a quarterly basis.
- **Issues log**
  Use of a formal register for tracking and recording NAS operational issues involving NWMSL and NAS performance in relation to pricing, registry and valuation. The register is accessible by NAS and NWMSL and forms part of the NAS reporting process.
- **APRA SPS231 Review**
  APRA SPS 231 is a prudential standard which requires that all outsourcing arrangements involving material business activities entered into by the Trustee be subject to appropriate due diligence, approval and ongoing monitoring. An attestation that describes how these requirements are met is provided to the Trustee on an annual basis.
- **Meetings**
  Periodical meetings are held with NAS to discuss and resolve operational issues and identify upcoming events that may affect process.

3.3.1.6 Trustee Responsibility

Whilst NAS, as appointed custodian, values units for each investment option offered by the Plum Products, it is not involved with the direct valuing of units in the collective investments which the investment options invest in or the underlying assets of these collective investments (unless engaged as custodian by any of these collective investments). The unit prices for collective investments are calculated and published by the responsible entities for each collective investment.

Where the Trustee has no direct control over calculation of unit prices of collective investments the Trustee assesses the quality of managers' practices through the following:

1. requiring NWMSL to have consideration of the accuracy of unit prices provided by collective investment managers as part of the daily unit pricing review and recalculation;
2. requiring JANA and JCIS to carry out due diligence prior to investment in a collective investment vehicle and on an ongoing basis as outlined in the Trustee's Investment Governance Policy;
3. requiring JANA and JCIS to redeem from existing investments where ongoing due diligence suggests this is prudent.

3.3.1.7 Policy and Procedures

The Trustee's unit pricing policies govern the activities of NWMSL and NAS within the unit pricing process.

The Trustee has considered the following guidance, where applicable, in preparing the Unit Pricing Policy and Practice (the "**Policy**"):

- Financial Services Council ("**FSC**") Guidance Note No. 4.00 "Incorrect Pricing of Scheme Units – Correction and Compensation";
- FSC Standard No. 8.00 "Scheme Pricing";
- FSC Standard No. 9.00 "Valuation of Scheme Assets and Liabilities";
- FSC Guidance Note No. 26 "Asset Valuation and Unit Pricing for Infrequently Valued Assets";
- Joint ASIC and APRA guide "Unit pricing Guide to good practice"; and
- APRA Prudential Practice Guide SPG531 – Valuation

The key unit pricing procedures and controls implemented by the Trustee over the unit pricing process are documented and regularly monitored to reflect all current procedures and controls.

3.3.1.8 Principles of Unit Pricing

The Trustee has endeavoured to develop a process for unit pricing that is:

- fair and equitable – between existing, new and departing members;
- coherent and logical;
- transparent and understandable;
- consistent; and
- accurate and independently verifiable.

The process for unit pricing is designed to enable interests to be transacted at prices that reflect the following:

- the value of assets and liabilities;
- the number of units held;
- allowance for tax where applicable;
- allowance for transaction costs; and
- rounding adjustments.

3.3.1.9 Management of Risk

The Trustee is responsible for building and maintaining an effective risk management culture. It does this through the implementation of a Risk Management Framework ("**Framework**").

As part of this Framework, the Trustee has assessed the risks associated with the unit pricing process by identifying the risks and the controls in place to mitigate the risks. The risks in the Framework are reviewed at least annually.

There are a number of elements in the Framework, one of which is recording, tracking and resolving any events which represent a breakdown in controls. This is completed through the Event Capture database. All unit pricing incidents involving a breakdown of controls are tracked through this database.

The Trustee has visibility and oversight of all unit pricing activity. This is achieved through reporting and attestations (by NWMSL and NAS to the Trustee) regarding unit pricing activity and reviews.

NWMSL has also developed a Business Continuity Plan, which includes a Disaster Recovery Plan, which addresses the resumption of business after any incident requiring those plans to be triggered.

3.3.2 Unit Pricing Policy

3.3.2.1 Methodology

A forward pricing methodology is incorporated into the unit pricing process.

A forward pricing methodology prevents members from initiating transactions at unit prices that do not reflect known market movements. It therefore provides protection to members by eliminating the possibility of members investing for speculative and arbitrage opportunities.

3.3.2.2 Pricing Frequency

Interests in the Plum Products may be transacted on any business day in Australia. Whilst prices are not released for National public holidays, local public holidays are not observed (Labour Day and Melbourne Cup Day) and prices are required for transactions received on these days. NAS therefore values assets and liabilities and calculates unit prices for the Plum Products each business day. NWMSL releases unit prices provided by NAS each business day unless suspended.

3.3.2.3 Pricing Formula

The unit price of each investment option should be determined as:

$$\frac{GAV - PT - PF + MFR}{Units\ Held} + or - BSS$$

where,

GAV	=	*Gross Asset Value of the Funds or Trust in collective investment*
PT	=	*Provision for taxation*
PF	=	*Provision for fees*
MFR	=	*Management fee rebate*
BSS	=	*Buy/Sell spread*
Units Held	=	*Units held in the collective investment*

The application of a buy/sell spread (where applicable), produces a buy price (at which contributions are processed) and a sell price (at which benefit payments are processed) for each investment option.

Where a buy/sell spread is not applicable, a single price is determined and applied to contributions and benefit payments.

3.3.2.4 Valuation of Assets – Gross Asset Values

The underlying assets of the collective investments which the Plum Products invest in are largely traded on regulated markets and are therefore valued at market prices.

The market prices of these underlying assets are reflected in the unit prices of the collective investments. As the unit prices of the options are derived from the unit prices of the collective investments in which it invests, unit prices also reflect market prices of the underlying assets of the collective investments. The value of units for each investment option will move up or down in line with realised and unrealised earnings of the underlying collective investments.

In accordance with industry practice, market prices of underlying assets used in the valuation of collective investment units and market prices of collective investment units used in the valuation of

Plum Products are the most recent which can reasonably be obtained. Market prices for collective investment units reflect daily soft close mid-prices of these collective investments.

The underlying assets of the collective investments are valued assuming a going concern basis of these assets unless this assumption is inappropriate ie. if the asset is in liquidation. The units in collective investments are also valued assuming a going concern basis of these units unless the assumption is inappropriate.

Certain accruals are added to/subtracted from the Gross Asset Value of relevant Plum Products' units in order to provide for the future payment/benefit of certain expenses/revenues specific to these units. Investment platform fees and management fee rebates are accrued for on a daily basis rather than being incorporated into pricing on a cash basis. This ensures that these fees and rebates are equitably attributed to members during their period of investment. The tax accrual is calculated daily and through fortnightly actualisations is adjusted for capital gains tax and estimates for imputation credits. This ensures that capital gains and imputation credits are attributed more equitably to members during the year than had these adjustments been made annually upon the lodgement of the Fund's income tax return.

Generally assets are valued at least as frequently as interests in the funds may be traded (generally daily), except where this is not practical for certain asset types (e.g. Private equity) or where it is appropriate to the nature of the asset to value the asset on a less frequent basis. Further:

1. valuations of these assets will be staggered throughout the holding period.
2. steps will be taken to maintain the equitable treatment of members, including the review, and if required, immediate adjustment of valuations in the event of a major market movement or other significant events which would cause the value of the asset used in unit pricing to be significantly different to the current market value.

3.3.2.5 Provision for Taxation Policy

3.3.2.5.1 Principles

Due to the expansive and evolving nature of tax legislation and the potential number of different circumstances that may impact tax provision estimates, the following guiding principles have been developed to support tax provisioning where specific policy directives may not be available:

1. Tax provision estimates and adjustments should be fair and equitable across all members.
2. Unit prices must ultimately reflect the tax due and payable, as reflected in the income tax return of the Fund, on the investment earnings of the underlying assets of the Fund.
3. Tax provisions in unit pricing are a "best estimate" of the future tax liability based on the best information available at the time the provision is calculated. Adjustments to a tax provision should be made when additional information becomes known that would enable a more accurate estimate of the actual tax liability.
4. Processes and procedures around calculating or adjusting tax provisions should be applied consistently and be transparent and sustainable.
5. Each tax provision adjustment should be considered on a case by case basis in light of its materiality and impact on member equity.

The APRA & ASIC Unit Pricing Guide to Good Practice specifies that adjustments to tax provisions arising from consistent application of a tax policy are not unit pricing errors requiring compensation. However, compensation does need to be considered where a tax policy has been, or is, inappropriate or where the application of a tax policy has been, or is, deficient.

3.3.2.5.2 Process

The Plum Products largely invest into internal Common Investment Pools unit priced under section 3.2 of this document. Where the Plum investment options invest into the internal Common investment pools, the unit price of these investment pools will include provisions for taxation expense or benefits, including deferred tax, calculated under the unit pricing policy in section 3.2. For the remaining investment assets, a daily estimate for taxation expense is provided against the gross asset values of all Plum investment options investing in untaxed collective investments. The following rates will apply depending on the underlying investment class. Rates vary depending on the taxable nature of income received by that option.

- Cash – 15% (Interest Income)
- Domestic and International Fixed Interest - 15% (Interest and Other Income)
- Multiple sector options with greater than 50% defensive assets – 15% (Interest and Other Income)
- International Equity - 10% (Discount Capital Gains)
- Property - 10% (Discount Capital Gains)
- Multiple sector options with greater than or equal to 50% growth assets – 10% (Discount Capital Gains)
- Domestic Equity - 5% (Discount Capital Gains and Imputation Credits)
- Any investment option over individual DTA cap (Refer Section 2.5 (d)) – 0% (Movement in DTA based solely on NAV and not market performance)

A '**growth'** option is defined as any option that holds greater than or equal to 50% of its assets in the following asset classes - Domestic Equities, International Equities, Direct and Listed Property.

A '**defensive'** option is defined as any option that holds less than 50% of its assets in the following asset classes - Domestic Equities, International Equities, Direct and Listed Property.

On a monthly basis, the provision for tax for each investment option is 'actualised'. When actualising the taxation provision, an estimated tax liability is calculated based on the latest available information. Included in this calculation is distribution information for franked and unfranked dividends, foreign income, imputation and foreign tax credits and capital gains. The calculation incorporates capital gains discounting and optimisation and estimates for future tax credits. Calculations are based on actual figures provided by fund managers, or, failing availability of this, an estimate based on prior year distribution components.

Optimisation and discounting of capital gains (realised and unrealised) is completed at a 'whole of fund' level. Investment options are taxed according to capital gains received and are given the benefit of losses where these losses can be utilised against other gains within the Fund. Where the Fund is in a realised loss position, this loss is transferred to the unrealised loss calculation for the relevant investment options carrying losses to utilise against future gains. Where the Fund is in an unrealised loss position, the Deferred Tax Asset of these losses is recognised in each relevant investment option at scaling rates beginning at 10%, rather than the standard tax rate of 15%. The level of these losses is monitored to ensure that the losses stay within a reasonably recoverable range. All realised and unrealised short gains are taxed at 15% and all realised and unrealised long gains are taxed at the discount rate of 10%.

On an annual basis, the provision is again actualised when the income tax return for the Fund is prepared. At this stage, actual tax payable for each investment option is reconciled to tax provided for during the year and an adjustment made to relevant unit prices. Additionally, tax provisions in unit prices are reconciled annually with the tax provisions in the financial statements of the Fund.

3.3.2.5.3 Provision for Deferred Income Tax (PDIT)

A provision for deferred income tax is incorporated into the monthly provisioning for unrealised capital gains of the investments of the Plum Products in external untaxed collective investments. Where short unrealised capital gains exist, these are taxed at 15% within each relevant investment option. Where unrealised long capital gains exist, these are taxed at 10% within each relevant investment option. Where the Plum investment options invest into the internal Common investment pools, the unit price of these investment pools will include provisions for taxation expense or benefits, including deferred tax, calculated under the unit pricing policy in section 3.2.

3.3.2.5.4 Deferred Tax Asset ("DTA")

If the Fund is in an unrealised capital tax loss position (including any provision for prior year or current period carried forward realised losses) an asset will be recognised to the extent that it is probable that these losses may be utilised against any future gains the Fund may make.

In addition, because the defensive options do not generally give rise to material capital gains or losses, they are excluded from the calculations set out in the table below. In effect this means that recognition of the benefit of capital losses is dependent on potential capital tax gains on the growth options in the Plum Products.

The DTA for all growth option losses of the investments of the Plum Products in external untaxed collective investments will be initially capped at 10% to account for the fact that the majority of the Fund's capital gains are long gains (greater than 12 month holding) and therefore are discounted for tax purposes. Capital losses can only be utilised at a grossed up long gain level which means that the actual tax benefit of these losses to the Fund is only 10% (as tax equivalent gains are taxed at 10%). Capital losses utilised against short gains (less than 12 month holding) realise a 15% tax benefit for the Fund. Where the Plum investment options invest into the internal Common investment pools, the unit price of these investment pools will include provisions for taxation expense or benefits, including deferred tax, calculated under the unit pricing policy in section 3.2.

As capital losses as a percentage of the Net Asset Value ("**NAV**") increases, the less likely it is that these losses may be offset by future gains. To reflect this, the level of DTA recognised will be reduced as per the bands in the table below. The DTA will be reduced, rather than just capped, once losses exceed 50% of the NAV, to account for the increasing unlikeliness of the future use of these losses. All growth option losses and NAVs will be pooled together to complete the calculation to obtain an average asset/liability recognition %. This rate will then be applied to the net gain/loss of individual growth options to determine their deferred tax asset or liability.

Capital Losses as % of Growth Option NAV	DTA Cap % on Growth Options	DTA as % of Unit Price @ top of band
0%-10%	10%	1.00%
10%-20%	8%	1.80%
20%-30%	6%	2.40%
30%-40%	4%	2.80%
40%-50%	2%	3.00%
50%-60%	-2%	2.80%
60%-70%	-4%	2.40%
70%-80%	-6%	1.80%

80%-90%	-8%	1.00%
90%-100%	-10%	0.00%

Where an option is deemed to be a ‘defensive’ option, the following rates will apply for the deferred tax position. A short description of the rationale behind that rate is also included.

1. Short gains -15%

Capital gain on an asset held for less than 12 months. Taxable by the Fund at 15%

2. Long gains -10%

Capital gain on an asset held for greater than 12 months. After discount factor of one third, taxable by the Fund at 10%

3. Tax deferred -10%

Income generally derived from Property investments which reduces cost base in capital gain calculation. Given most gains in the Fund are long gains as above, taxable by the Fund at 10%

4. Carry forward realised losses + 10%

Any realised capital loss that cannot be offset against a capital gain in the current period. The bulk of capital losses are offset against long gains as above therefore value is given of +10%.

5. Unrealised losses + 10%.

Any unrealised capital loss that when realised would likely be offset against a long gain as above therefore value is given of +10%

After these DTA levels have been calculated, a further cap at individual investment option will apply. Any defensive options will be capped at 1.5%, while growth options will be capped at 6%.

The provision for DTA is reviewed fortnightly along with all other tax provisions in the tax actualisations to ensure its equitable application.

3.3.2.5.5 Bulk Withdrawal

The DTA assumptions were developed under the assumption that the Plum Products are a going concern and likely to have positive cash flow and investment earnings over time. If any of these factors change or the Plum Products requires any significant investment restructure, the assumptions will be revised. Please note that where the Plum investment options invest into the internal Common investment pools, the unit price of these investment pools will include provisions for taxation expense or benefits, including deferred tax, calculated under the unit pricing policy in section 3.2.

New Employer Plans

When a new employer plan joins the Fund and invests into an existing Plum Product option that has a DTA, the members will receive the current unit price used for normal daily transactions. As noted above there will likely be an increase in unit prices from these cash flows as a result of the ratio of capital tax losses to net assets decreasing. In most cases this will not be material as transitioning clients mostly hold diversified options which invest into large internal common investment pools.

New Employer Plan or Investment option – purpose built DTA recoverable options

Where the tax legislation allows the transferring of capital tax losses in a successor fund transfer situation, the Trustee’s approach to this is to establish discrete investment options to house capital tax losses transferred in from other super funds. It should be noted that a fund may not necessarily be able to transfer these losses out or receive any value for these losses when redeeming out of this new option.

New Employer Plan or Investment option – joining an existing purpose built DTA recoverable option

Where the CGT rollover relief provisions apply, it may be possible to use existing DTA recoverable options, provided an equitable outcome across all members can be maintained. The key requirement to ensuring this equitable outcome is for the ratio of capital tax losses to net assets to be consistent between the new employer plan transferring in and the existing investment option it is joining.

Investment Option Closure – MasterKey and Plum Investment Committee (M&P IC) decision

Where the M&P IC decides to terminate an investment option, which has a DTA in its NAV and the capital tax losses cannot be transferred, then the value of these tax losses, would be lost to the members of the terminating option. The Trustee may fund the DTA value from it's reserves. As part of the year end tax process, realised gains from other options will be used to offset losses realised in the closed option. Any remaining cash will be reimbursed to the reserves. Group Tax has confirmed there are no unintended tax consequences of the Trustee pre-funding DTA in this manner. The Trustee reserves the right to fund less or none of the DTA calculated, based on specific circumstances.

Investment Option Closure - fund manager decision

Under the rare circumstances that an investment option manager terminates an investment option and a suitable replacement taxable investment cannot be found, the Trustee may elect either to honour the DTA included in the unit price (either fully or partially) or reduce the DTA to zero. Each situation will be evaluated and a resolution with recommendations presented to the Trustee for approval based on the relevant circumstances.

Employer Plan or Investment option closure

Where an entire employer plan leaves the Fund and it has holdings in a taxable option with a DTA, it is proposed that a special tax actualisation adjustment may be approved by the M&P IC to be put through the unit pricing to reflect the reduced pool of assets that will remain after the client leaves. This is to counter the delayed impact cash flows have on the calculation of tax accruals (i.e. Capital Tax Losses divided by NAV).

Bringing forward the calculation of tax accruals before the plan leaves ensures that they receive both positive and negative impacts of this calculation process. There are currently very few holdings which would have a material reduction in their unit price as a result of an employer plan leaving predominately because the bulk of holdings are held by the Personal Plan (PPP) or options are spread across many plans holdings in external sector options.

Employer Plan or Investment option closure – purpose built DTA recoverable options

For any employer plans with purpose built DTA recoverable investment options, it is acknowledged that under current legislation, and the investment structure, that if they were to leave the Plum Products, the Trustee would not be able to give value to the remaining capital tax losses in these options. Where these DTAs are significant, it would not be practical for the Trustee to give value in exit valuations. This would result in the unit price being written down at the time of the exit by the value of the DTA.

Funds Merging

Capital tax losses cannot be utilised across different tax entities and therefore the DTA policy needs to apply separately to the unit prices of investment options of different tax entities. However current Capital tax loss rollover relief legislation may apply. Where a successor fund transfer has been agreed to by the Trustee, the DTA calculation will be updated to combine the two entities.

3.3.2.6 Tax Provision Committee

The Trustee has delegated certain responsibilities to the NAB Wealth Tax Provision Committee[14]. These are:

- to undertake a regular review of the carrying value of any Deferred Tax Assets ("DTA") to ensure that it continues to be appropriate, consistent with the process for TUSS products outlined in section 3.2.4.3.3;
- to consider, and reject or approve as it considers prudent, any proposal for new clients to transfer their capital losses to the Fund, consistent with the process for TUSS products outlined in section 3.2.4.3.5;
- to review and approve the annual tax actualisation adjustments , consistent with the process for TUSS products outlined in section 3.2.4.3.6.

3.3.2.7 Provision for Fees

There are a number of investment options where an investment management fee is payable. This investment management fee is accrued daily based on the NAV of the option. This provision is settled from the assets held in the relevant investment options on a quarterly basis.

Fee materiality disclosure

Changes to investment management fees are reviewed to determine whether they could be considered to be material or a significant event, both of which require to be disclosed to members.

3.3.2.8 Custody Fees

All investment options priced using NAS will incur custody costs of which an invoice is received monthly. The total amount payable to NAS including GST will be redeemed based on weighted FUM from each investment option. As the annual amount is expected to be less than 0.02% per option and the invoice is paid monthly, no accrual is accounted for in daily pricing.

3.3.2.9 Management Fee Rebates

A daily accrual for management fee rebates provided by certain collective investment managers is added back to the gross asset value of the Plum Product investment options investing in those collective investments. The accrual rate for management fee rebates is reviewed on a quarterly basis against the management fee rebates being provided by the collective investments in which the Plum Products invests. The provision being carried in the unit price is reviewed monthly and actualised when rebates are received. All rebates will accrue on an after tax basis, i.e. at 85% for cash options, 95% for Australian equity options etc (to allow for the impact of imputation tax credits as well as the discounted capital gains), of the expected value of the rebate to allow for tax payable on the rebate upon receipt. Rebates are received on a number of different frequencies including, monthly, quarterly and bi-annually.

3.3.2.10 Performance Fees

Where a collective investment manager charges a performance fee as part of its overall management fee and a reasonable estimate of this calculation can be performed, an accrual will be provided for in the NAV of the relevant investment option. This accrual should be calculated and

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[14] Management Committee within NWMSL and is comprised of HO Actuarial – Pricing & Profitability, Head of Investment Control and Head of Tax.

adjusted daily if possible (or monthly otherwise) and adjusted as part of the management fee rebate review.

3.3.2.11 Buy/Sell Spread

Buy/sell spreads are applied to better achieve equity between unit holders entering an investment option and those remaining in an investment option due to the transaction costs of buying and selling underlying assets. Buy/sell spreads are not deducted from the underlying investment assets (unlike fees) but are a mechanism to adjust the number of units bought or sold by transacting members.

The objectives of buy/sell spreads include:

1. Maintaining better equity between unit holders;
2. Remove impediments to growth and scale which is in the interest of all members;
3. Improve consistency in the policy; and
4. Consistency with the Joint APRA and ASIC Unit Pricing Guide to Good Practice.

Overriding the requirements in section 3.3.2.11 is the Trustee's discretion to adjust buy/sell spreads as it sees fit to protect the interests of all members and maintain equity between all members.

3.3.2.11.1 Ongoing Transactions

1. Buy/sell spreads are applied for the MySuper option.
2. No buy/sell spreads are applied for the Premixed, MLC Active and JANA Active diversified options.
3. Buy/sell spreads applied by external underlying managers in the sector and closed options are passed on to members.
4. No buy/sell spreads for JANA options in the sector and closed options.
5. No buy/sell spreads on ongoing transactions for client specific investment options.

3.3.2.11.2 Asset Transfers

1. Buy/sell spreads are applied for the MySuper option.
2. Waive the buy spread applied on new members joining the Plum Products, subject to the impact on existing unit holders being no greater than 5bps in a 12 month period (eg if multiple clients join the same investment unit) are subject to Trustee approval.
3. For employer sponsored plans leaving the Plum Products, the sell spread of the underlying managers is passed on for all investment options on redemption (i.e, apply a sell price for redemption rather than a mid-price).
4. No buy/sell spreads on members (employer sponsors) specific investment options.

A table of the spreads to be applied by investment option and scenario is below.

Option	**Asset Transfer**		**Ongoing Transactions**	
	Buy	**Sell**	**Buy**	**Sell**
Diversified				
MySuper	Yes	Yes	Yes	Yes
Premixed	No*	Yes	No	No
MLC Active	No*	Yes	No	No

Option	Asset Transfer		Ongoing Transactions	
JANA Active	No*	Yes	No	No
Sector				
External options	No*	Yes	Yes	Yes
JANA options	No*	Yes	No	No
Closed options				
External options	No*	Yes	Yes	Yes
JANA options	No*	Yes	No	No

* If impact on pool is no more than 5bps

3.3.2.11.3 Spread materiality disclosure

If the total spread increases since the last disclosure to members is less than or equal to 0.30%, then no material or significant event is occurring and members will be advised through the next scheduled disclosure.

Changes to investment management fees are reviewed to determine whether they could be considered to be material or a significant event, both of which require to be disclosed to members.

3.3.2.12 Suspension of Transactions and Pricing

Transactions and pricing may be suspended where unit prices cannot be determined and where to process transactions has the potential to prejudice members.

Suspending prices causes significant disruption to the business and access to members' funds and is therefore only used where members and investment pools can be significantly disadvantaged.

Suspension of transactions in and pricing of a Plum Products' investment option may occur when the price of an underlying collective investment in which the Fund invests is suspended or stale for more than 2 days, or in the event of significant business interruption.

After 2 business days the decision to suspend or otherwise will be reviewed daily as follows:

Business Days Stale	Reviewed by:	Reported to and approved by:
3 – 5	Head of Investment Control	Office of the Trustee
6 or more	GM Product	Trustee Board (or if appropriate delegated to the Audit Committee)

Note: If the Head of Investment Control or GM Product is unavailable, their authorised delegate has the responsibility to review the decision to suspend or resume unit prices.

Where transactions in and pricing for a particular Plum Product investment option are suspended, compulsory contributions received for investment in the suspended investment option will remain in an applications bank account for the duration of the suspension period.

Once unit pricing resumes to normal frequency, all days prior which have had the price suspended will have the current price rolled back. Therefore all transactions with an effective date with a suspended price will receive the first price struck after the suspension period ends. This ensures there is no backdating of transactions and all members receive the current option valuation.

During the 30 June distribution period, i.e. pricing from 1 July onwards, all investment options that are expecting a distribution will be suspended until the distribution reinvestment is processed and normal pricing resumes. This is due to the significantly longer length of time it takes for year end distributions to be completed. Once pricing resumes, prices will be rolled back as per normal price suspension policy above.

3.3.2.13 Rounding

Unit holdings for Plum investment options are rounded to four decimal places.

Unit prices for Plum investment options are rounded to four decimal places.

3.3.2.14 Arbitrage Policy

An opportunity for arbitrage exists where the latest price available as provided by the underlying fund manager is consistently one day behind the current Plum Product investment option pricing date.

As the value date for the underlying manager price is one day behind the value date for the relevant investment option price, members have the opportunity to arbitrage unit price movements based on their knowledge of market movements in advance. This means that members can trade on a known market movement and may make a profit at the expense of other members in the relevant investment options. A monthly analysis is undertaken in order to identify where members are potentially arbitraging these investment options. When a member is identified to be arbitraging, the Product Team will be notified in order for them to make a decision on what action to take in regards to this.

3.3.2.15 Compensation Policy

3.3.2.15.1 Compensation for Unit Pricing Errors

The Trustee will consider compensating members and investment options disadvantaged by unit pricing errors.

Corrective action will be taken for all errors (this includes prevention for reoccurrence), although not all errors will require compensation.

Where the Trustee determines that compensation is required, it aims to restore the equity value of members' interests and investment pools affected by unit pricing errors.

3.3.2.15.2 What is a unit pricing error?

A unit pricing error can arise as a result of:

1. Incorrect facts being applied in the unit pricing process. "Incorrect facts" in the unit pricing process include but are not limited to:
    a. Investment fees incorrectly represented in the unit pricing process.
    b. Incorrect application of unit pricing methodology.
    c. Incorrect asset values applied.
    d. Incorrect units on issue.
2. Incorrect unit pricing process.

3. Unreasonable assumptions applied within the unit pricing process. Unreasonable assumptions made in the unit pricing process encompass both assumptions that are unreasonable at initial onset and assumptions that have not been reviewed and maintained in an appropriate manner.
4. Incorrect application of terms and conditions in constituent documents eg PDS, Constitution.
5. Incorrect or incomplete disclosure to members.
6. Non-compliance with an approved policy.

The following does not constitute a unit pricing error:

7. Actualising accruals on a timely basis.
8. Updating and/or changing parameters on a timely basis.
9. Funds operation as disclosed.
10. Improvements effected in the process where the previous process has not been incorrect.
11. Impacts of large movement in asset values or large transactions.
12. New facts received post a decision being made if the decision was made with the best available information at the time.
13. Periodic revaluation adjustments for infrequently valued assets for which market values are not readily available.
14. Valuation adjustments for infrequently traded market assets as a result of better information becoming available.
15. Adjustments made for estimating performance fees on a reasonable basis.
16. Fund performance inefficiencies resulting from product design.
17. Estimating tax accruals on a reasonable basis.

3.3.2.15.3 Which unit pricing errors will be compensated?

Unit pricing errors can be broadly grouped into two categories:

1. **Category A** - Unit pricing errors that relate to Investment fees where NULIS in its corporate capacity has financially benefited from an error.
2. **Category B** - Unit pricing errors that relate to incorrect asset values and assumptions.

Category A – For unit pricing errors that relate to fees, all errors will be compensated. Where NULIS in its corporate capacity has financially benefited from a fee error, compensation must be paid such that this financial benefit is not retained.

Category B – For unit pricing errors that relate to incorrect asset values and assumptions there is a materiality threshold that needs to be applied before any compensation is required. As the determination of a unit price on any one day is based on a calculation of the value of the assets of the relevant unit, which is determined using the best available information from a number of sources and making a number of assumptions, it is appropriate to consider materiality thresholds.

Materiality thresholds recognise that even if:

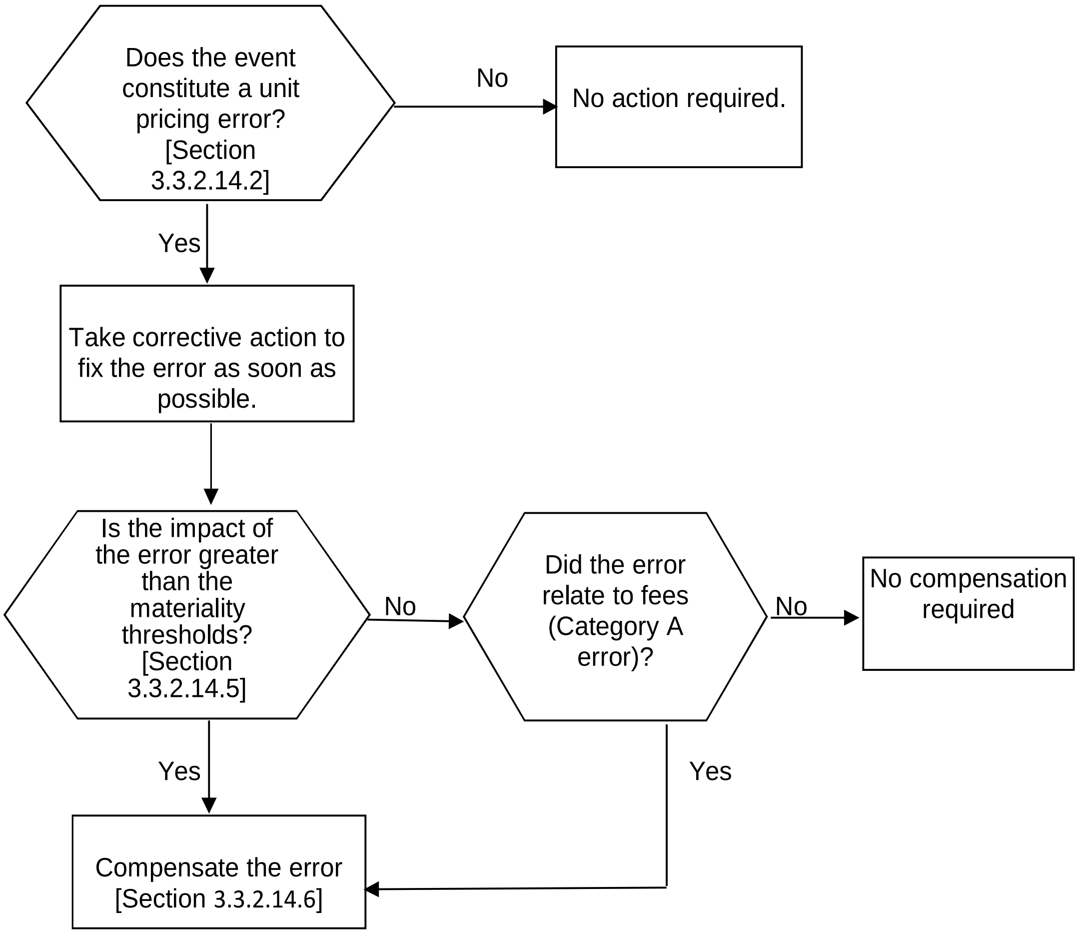
1. All policies, guidelines and processes are followed;
2. Information provided is relied on in good faith; and
3. All assumptions made are reasonable (having regard to the circumstances that applied at the time the assumption was made),

there may still be imprecision in a unit price. Provided that the original unit price struck is within a reasonable range of a price struck based on better information, then equity has been maintained and no unit pricing error has occurred.

In the case of a fund of funds, the unit holder may be a product provider in a layered sequence of product providers. Compensation might be payable by one product provider to another, who would then independently determine any need to compensate its own unit holders.

Where an error was caused by an outsourced service provider, compensation amounts and potentially costs associated with processing corrections will be sought from the service provider, subject to contractual arrangements. The Trustee will determine its own approach to compensation irrespective of whether any costs are recovered.

Compensation decision tree



3.3.2.15.4 Member Compensation

i) Non-transacting Members

Members who have not transacted (non-transacting members) have not "realised" an impact on their investment performance. Value to these members can therefore be restored at the investment pool level. The investment pool needs to be put in the position it would have been in had the error not occurred. If a member has been in the investment pool for the whole period impacted by the unit pricing error and not transacted and the investment pool is made good, the member's performance will be unaffected after the compensation is paid into the investment pool.

The non-transacting members, as members of the investment pool, may also be impacted by the actions of the transacting members as discussed below.

ii) Transacting Members

Members who have transacted have crystallised the impact of the unit pricing error and therefore require individual consideration. As members transact, beneficial interest in assets of the investment pool is proportionately shifted from or to non-transacting members. If the unit price is too high or too low the incorrect beneficial interest in assets of the investment pool is shifted as a result of transacting member's actions. This has two potential implications:

1. The non-transacting members' performance has been disadvantaged by the transaction;
2. The transacting member's performance has been disadvantaged by the transaction.

3.3.2.15.5 Compensation Decision

Where the Plum Products are affected by a unit pricing error, the compensation decision is different for Category A and Category B type errors. The decision also considers the impact on non-transacting and transacting members and the materiality thresholds outlined in the table below:

Materiality Threshold:

Cash investment options	5bp
All other investment options	30bp

For Category A type errors, where the unit pricing error exceeds the materiality threshold, transacting members will be individually compensated and non-transacting members are compensated via the amount being paid to the investment pool. The sum of these two amounts must at least total the total impact of the error to ensure the Trustee has not benefited as a result of the error. Where the unit pricing error is within the materiality threshold, the compensation is paid to the investment pool.

For Category B type errors, compensation is paid only when the unit pricing error exceeds the materiality threshold. Non-transacting members are generally compensated via the amount being paid to the investment pool and transacting members will be individually compensated. Where the unit pricing error is within the materiality threshold, no compensation, at either the investment pool or member level is necessary.

These decisions are summarised in the table below:

Nature of Unit Pricing Error	**Compensation of Member Impacts**	
	Non-transacting members (Note 1)	**Transacting members (Note 2)**
Category A Exceeding materiality threshold	Compensate the investment pool	Compensate Transacting members
Category A Not exceeding materiality threshold	Compensate the investment pool	Compensate the investment pool No additional payments to Transacting members
Category B Exceeding	Compensate the investment pool	Compensate Transacting members

materiality threshold		
Category B **Not exceeding** **materiality threshold**	No compensation necessary	No compensation necessary

Note 1: Non-transacting members are members who have not transacted using an incorrect unit price.

Note 2: Transacting members are members who have transacted using an incorrect unit price.

1. Where a member is identified as requiring specific compensation due to their individual circumstances (eg. exited), then compensation will be paid to those members who are due a dollar amount exceeding $20.
2. Depending on the nature of the error, it is not generally intended that members impacted by $20 or less will be notified.
3. Any monies not paid out due to applying a dollar materiality threshold should be paid into the relevant investment pool.
4. Note a member may be both a Non-transacting member and a Transacting member.
5. Where appropriate, compensation may be applied by reprocessing of all affected transactions.

3.3.2.15.6 Compensation Approach

The Event Owner will engage the relevant GM Product (“**Product**”) to provide a briefing on the event, and request they manage the calculation and payment (if required) of member compensation. Arrangements around the resourcing, funding and timing of member payments will be discussed and agreed at this time. Once Product initiates the member compensation process, the following activities are to occur:

1. Investment Control to provide corrected notional[15] unit prices which will be used in the compensation calculation.
2. Product to obtain member data required for the compensation calculations.
3. Product to calculate an appropriate compensation entitlement for members. The analysis must:
   a. consider the impact to all members impacted by the unit pricing error;
   b. provide reasonable assurance that there has been material restoration of all members’ investment performance;
   c. consider whether the unit pricing error is material, as defined above);
   d. provide reasonable assurance that the proposed compensation strategy will return member’s performance to materially the same position that it would have been had the error not occurred;
   e. be appropriately documented, including checks and technical review undertaken; and
   f. be approved by the HO Actuarial - Pricing and Profitability with respect to complex calculations.
4. Approval of compensation by relevant parties in according with delegation table in section 3.3.2.17.2.

15 Notional is defined as what the unit price would have been if the error had not occurred.

5. The Product team is responsible for developing member communications and payment of compensation. A detailed Q & A document for use by the call centre must be developed for each event.
6. Error remediation and compensation forms part of the Group Event Management Standard which also includes event escalation, internal and external reporting. This policy must be read in conjunction with that Standard.

Independent assurance of the proposed compensation strategy will be obtained from an independent and experienced expert where indicated in the delegations table in section 3.3.2.17.2. The Audit Committee or approved delegates will approve the assurance strategies and brief to the independent provider. The scope of the independent review will at a minimum include:

1. Reasonable assurance that the proposed compensation strategy will return members' performance to materially the same position that it would have been had the error not occurred;
2. Application against this Policy;
3. Opinion on associated risks of the compensation package; and
4. Opinion on completeness of the compensation package.

3.3.2.15.7 Compensation for the Cost of Backdating

In accordance with the Trustee's Effective Date Policy (contained within the Trustee's Product Management Operating Document), member transactions may be backdated under certain circumstances. When transactions are backdated, a cost or benefit may arise for investment pools affected by these transactions, thereby impacting all members invested in these investment pools. When a cost arises, investment pools are compensated by the Trustee for these costs. However, any benefit derived by investment pools as a result of backdating is retained by those investment pools.

3.3.2.15.8 Compensation Received from External Collective Investment Managers

The Trustee may receive compensation from collective investment managers which it invests with. Compensation may be received for unit pricing errors, processing errors or processing delays. The attribution of such compensation will be dealt with according to the circumstances which gave rise to the compensation and the impact on members and investment pools.

3.3.2.16 Dispute Resolution

A formal system of recording, handling and resolving disputes with members has been established.

Members may also make complaints to the Superannuation Complaints Tribunal in certain circumstances.

3.3.2.17 Unit Pricing Governance

3.3.2.17.1 Responsibility for Changes to Unit Pricing Inputs & Methodology

The Trustee has advised NAS of the methodology to be used for striking unit prices.

All rates, variables and methodologies utilised in the calculation of unit prices by NAS are the responsibility of NWMSL through the HO Actuarial - Pricing and Profitability.

Business ownership for unit pricing inputs is as follows:

Business Owner	Input
GM Product*	Fees: Plum Investment Fee Fees: Management Fee Rebate Buy / Sell spreads
Head of Tax (Group Taxation)	Tax methodology & tax rates
Head of Investment Control	Fees: Custody Fees Input of approved parameters within the unit price

* The GM Product (Input owner) is supported by appropriate product / actuarial resources (where required) used to manage / review the parameters they are responsible for.

Business Owners are responsible for the provision and regular review of unit pricing inputs and methodologies. These Business Owners are also responsible for ensuring that any approved change is implemented on a timely and accurate basis.

In performing the review of unit pricing inputs, the Business Owners are responsible for:

1. ensuring that the review has included all necessary stakeholders;
2. ensuring that the review incorporates all unit linked products in their respective areas of responsibility;
3. identifying which unit pricing input/products have been reviewed and maintaining appropriate records of the review performed;
4. providing a recommendation via an attestation to the HO Actuarial – Pricing and Profitability on whether particular unit pricing inputs require change or not);
5. ensuring the input change is implemented.

The HO Actuarial – Pricing and Profitability is required to confirm to the Trustee, on a half yearly basis, that all rates and variables have been appropriately reviewed and updated. This process is also subject to the escalation criteria detailed below, to ensure that significant modifications to rates/variables are appropriately referred to the Trustee for noting or decision-making.

3.3.2.17.2 Delegated Authorities for Approving Changes to Unit Prices and Compensation

The authority levels detailed in the table below govern the approval of decisions relating to unit pricing input and methodology changes and compensation for unit pricing errors.

Business Unit Management Group Note 1	Wealth Risk Management Committee Note 2	Audit Committee Note 3	Trustee Board Note 4
Input & Methodology Changes			
Greater than 30 basis points (5 basis points for cash options) impact on unit price **and** between $1-$2.5 million impact on net asset value of investment option	Greater than 30 basis points (5 basis points for cash options) impact on unit price **and** between $2.5 -$10 million impact on net asset value of investment option	Greater than 30 basis points (5 basis points for cash options) impact on unit price **and** above $10 million impact on net asset value of investment option	Items will be escalated as required under the delegations of authority agreed between the Audit Committee and the Trustee Board.
Unit Pricing Errors			
Greater than 30 basis points (5 basis points for cash options) on member/pool value **and** up to $0.5 million potential compensation	Greater than 30 basis points (5 basis points for cash options) impact on member/pool value **and** between $0.5-$4 million potential compensation **OR** the issue is Category A (relates to fees where NULIS in its corporate capacity and/or its other related party service providers have benefited) and under $4 million potential compensation	Greater than 30 basis points (5 basis points for cash options) impact on member/pool value **and** greater than $4 million potential compensation **OR** the issue is Category A (relates to fees NULIS in its corporate capacity and/or its other related party service providers have benefited) and over $4million potential compensation. Independent assurance, either through internal or external audit, must review and approve the compensation approach.	Items will be escalated as required under the delegations of authority agreed between the Audit Committee and the Trustee Board.

- **Note 1**: The Business Unit Management Group consists of the Head of Investment Control, EGM CFO NAB Wealth, GM of the relevant product, HO Actuarial - Pricing and Profitability and the Head of Management Assurance OTT. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the proposed changes to the unit pricing inputs and methodologies, the compensation strategies, the use of external experts and reporting requirements in relation to unit pricing errors.

- **Note 2**: Wealth Risk Management Committee is represented by Group Executive NAB Wealth, EGM Super and Investment Platforms, EGM CFO NAB Wealth, Chief Risk Officer, COO Office of the Trustee Wealth and GM Management Assurance. Pre-requisite is the approval by the Business Unit Management Group described in Note 1. If any member of the Group is unavailable, their authorised delegate has the responsibility to approve the proposed changes to the unit pricing inputs and methodologies, the compensation strategies, the use of external experts and reporting requirements in relation to unit pricing errors.
- **Note 3**: Items defined as Significant Events are also reported to the Trustees for disclosure considerations under the Significant Events Process.
- **Note 4:** The Audit Committee to notify the Trustee Board as appropriate.

Where the impact to the unit price of an input or methodology change, or the unit price is incorrect by greater than 30 basis points (5 basis points for cash options), but less than the minimum dollar thresholds in column 1, these will be approved by the Head of Investment Control together with the Head of Management Assurance OTT, or delegates in their absence.

Where the impact to the unit price of an input or methodology change, or the unit price is incorrect by less than 30 basis points (5 basis points for cash options), the change will be managed by Investment Control under current processes of engagement with impacted stakeholders.

4. Review and Approval

4.1.1 Review of this Policy

This policy must be reviewed at least every three years as to its appropriateness, effectiveness and adequacy by an operationally independent, appropriately trained and competent person(s).

A review of this policy must be conducted if:

- The Trustee changes any of its current Superannuation Business Services Provider, Custodian or Investment Consultant or Portfolio Manager;
- The process surrounding the calculation of unit prices materially changes;
- The frequency of calculating unit prices changes;
- The allocation of reserves within the Fund changes;
- Any of the assumptions used in the unit price calculation process (e.g. tax estimations) materially change.

The Policy owner must provide an annual attestation as to the completeness and currency of this policy.

4.1.2 Approval of this Policy

The Trustee Board of Directors acknowledges that this document represents its “Unit Pricing Policy” and approves its contents.

4.1.3 Policy Variations and Exemptions

Any changes to this policy must be approved by section specific delegated authorities (if relevant; see specific policies) or by the Trustee (or its delegated committee) where no specific delegation is made in this document.

Non-material variations or exemptions can be approved by the COO, Office of the Trustee.

5. Appendix

5.1.1 TUSS Products and Common Investment Pools: Governance

5.1.1.1 Business owner of unit pricing parameters

Role	Business area
Head of Implementation & Analytics	Asset management
GM Product*	• Retirement solutions • JANA • Retail Super and Investments • Corporate Super
Manager, Pricing	Asset management
Head of Investment Control	Wealth Finance
Head of Tax	Group Taxation

*The GM Product (parameter owner) is supported by appropriate product / actuarial resources (where required) used to manage & review the parameters they are responsible for.

5.1.2 TUSS Products and Common Investment Pools: Asset Valuation

5.1.2.1 Key regulatory principles and industry standards

5.1.2.1.1 The joint ASIC and APRA Guide to Good Practice notes that:

- A sound and justifiable policy for asset valuation is to be developed, which explains the methodologies and assumptions used and why they are reasonable for the asset being valued.
- The valuation policy remains the responsibility of the Responsible Entity even if an outsourcing arrangement exists.
- Unit prices should only be struck with the same frequency that asset values are determined
- In some cases, reasonable estimates of asset values may need to be used. Where there is recognised valuation methodologies, as for property and infrastructure, valuations should be obtained periodically from reputable, professional, third party valuers. Between periodic valuations, the value of the asset needs to be considered each time a price is struck.
- The Responsible Entity is responsible for understanding the valuation bases for non-exchange traded assets, and for ensuring that the bases, including the model and assumptions, are appropriate, reasonable, independently verifiable, internally consistent and periodically reviewed.
- Estimates are not to be used where actual values are available. However, when estimates are used, a sound and reasonable basis must be developed, documented, periodically tested and regularly updated.
- When estimations are used, an appropriate frequency should be set for calculating prices based on actual asset values, and for comparing hard and soft prices, based on the nature of the assets. A reasonable basis should be adopted for adjusting prices when a significant difference is found.

5.1.2.1.2 FSC Standards No. 8.00 and No. 9.00 notes that:

- The valuation of a Scheme's Assets and Liabilities must be based on the market value of all Assets and Liabilities.

- Where Assets and Liabilities are traded on a properly regulated market, valuation must be based on the market price. However, on occasions where the market price in unavailable or unreliable, valuation must be determined on good faith, and any relevant factors and methodologies considered in the valuations are clearly documented.
- Where no market exists, a valuation should be obtained from a reputable, independent third party (such as a professional valuer or tax agent), or must be based upon sound and justifiable policies.
- Where the valuation of Assets and Liabilities cannot be determined at a valuation point, transactions must be suspended until when the values can be determined.
- Assets and Liabilities must be valued at least as frequently as interests in the Scheme may be traded, except where it is in the best interests of Investors to initiate less frequent valuations.
- For infrequently valued assets, valuation policies must be developed which limit the occurrence of sudden significant increases or decreases in Net Asset Value which do not reflect a true sudden increases or decreases in underlying value of Assets and Liabilities.

5.1.2.1.3 FSC Guidance Note 26 notes that:

- For infrequently valued assets, movement in the asset values within a portfolio must be monitored between periods, and assets must be revalued where there is a significant difference between the value of the portfolio used for unit pricing and the current market value. This can be achieved through updated valuations or estimates.
- If an updated valuation or estimate cannot be performed, transactions should be suspended until such time the current valuations can be included in unit pricing.

5.1.2.1.4 Prudential Practice Guide SPG 531 – Valuation

- Trustee would have a formally documented valuation policy approved by the Board that outlines the Trustee's valuation procedures.
- A valuation policy would address the following:
    - the roles and responsibilities of the Board, the committee with delegated responsibilities for the oversight of valuation procedures, and other relevant personnel;
    - the various stages of the valuation process;
    - the valuation methodology employed for each asset class (and sub-asset class where relevant), including the frequency of review, the use of valuation models and specific valuation techniques;
    - the established hierarchy of valuation data sources for various types of assets, including identifying those responsible for determining the hierarchy;
    - the validation of valuation outputs including any back-testing procedures;
    - the process for rejecting or reassessing a valuation;
    - the use of external valuers and their periodic rotation;
    - the reporting of valuations to the committee with delegated responsibilities for the oversight of valuations;
    - the circumstances in which valuations would be reported to the Board and management; and
    - the frequency and method for reviewing, revising and approving the valuation
    - policy and the circumstances that would trigger an interim review outside of the regular timeframe.
- Where an Trustee offers an externally managed investment option, a prudent Trustee would ensure the investment manager's valuation policy, including its valuation methodology and procedures, are appropriate and consistent with its own valuation policy

5.1.2.2 Suspension / estimation guidelines

The following guidelines are to be applied when considering suspension or estimation of unit prices due to significant market movements.

Heritage and Super Solutions products (historically priced):

Market movements per day over:

Cash type assets: +/- 0.10%

Fixed Interest: +/- 1.00%

Equities: +/- 3.00%

Property: +/- 3.00%

All other products: Market movements over 5% per day for all asset types.

5.1.3 TUSS Products and Common Investment Pools: Taxation

5.1.3.1 Appendix A - Timing and Permanent Differences

Timing differences are differences between the current tax provisions and tax return that are timing in nature. That is, the tax on taxable income included in the current tax provision in the unit price and the tax return is the same, but is recognised in different tax years. These timing differences reverse in the short-term (generally within 12 months).

Permanent differences are differences between the current tax provisions and tax return that are permanent in nature. That is, the tax on taxable income included in the current tax provision in the unit price and the tax return will never be the same or will only be the same in the long-term.

Examples of timing and permanent differences include:

Type of difference	Classification	Unit pricing treatment
Cost of grossing up discount gains in the tax return when utilising capital losses carried forward in the funds	Permanent Difference	Adjustment required to the unit price
Franking credit ceiling calculation adjustment in the tax return	Permanent Difference	Adjustment required to the unit price
Anti tax deferral regimes	Timing Difference	Adjustment may be required to the unit price
Distribution entitlement adjustment in the tax return	Timing Difference	No adjustment required to the unit price
Interest receivable adjustment in the unit price	Timing Difference	No adjustment required to the unit price

5.1.4 TUSS Products: Determining Spreads

5.1.4.1 Approach by Major Product Category

Entity	Product	Approach	Comment
TUSS Products (ex NULAL)	Heritage products	Single price	The cost of disposal of assets is included in the valuation of assets.
TUSS Products – Super	Various products on Compass & Eclipse	Buy / Sell Spread	Direct investments, Pooled Unit Trusts and External Fund Manager Trusts. Compass unit registry.
TUSS Products - Super	Various products on Capsil	Single Priced	Capsil unit registry. The cost of disposal of assets is included in the valuation of assets.
TUSS Products – Super	Wholesale Units	Buy / Sell Spread	Direct investments, Pooled Unit Trusts and External Fund Manager Trusts. Buy / Sell spreads are applied.
TUSS Products – Pension	Various products on Compass	Buy / Sell Spread	Compass unit registry Buy / Sell spreads are applied.
TUSS Products – Pension	Various products on Capsil	Single Priced	Capsil unit registry. The cost of disposal of assets is included in the valuation of assets.
TUSS Products – Pension	Wholesale Units	Buy / Sell Spreads	Direct investments, Pooled Unit Trusts and External Fund Manager Trusts. Buy / Sell spreads are applied.

5.1.4.2 Single Pricing

The investment funds subject to single pricing are generally closed to new business and are expected to ultimately wind down.

The single price needs to include an allowance for the estimated cost of disposing the assets, that is, the valuation of the assets needs to include the cost of disposal for funds once these costs have the potential to have a material adverse impact on investors who do not transact.

5.1.4.2.1 Considerations for change in basis

The following matters need to be considered when assessing the need for a change in the valuation basis. The listed matters are not exhaustive.

- Is the fund closed to new business?
- Is the fund open but declining at greater than a specified proportion, say 10% pa?
- Is there any real likelihood that the fund will start to grow?
- What is the expected life of the fund?
- If yes to 1 or 2, is there a significant proportion of the fund, say 25%, held by a small proportion of investors, say less than 10%?
- What is the status of other funds that invest in the fund under review?
- What is the likely immediate impact on the value of investors' benefits