



Super Investment Management Pty Ltd

SIM Unlisted Assets Valuation Protocol

Protocol Owner: SIM Chief Investment Officer

VERSION	Approval Date	Approved By
1		Investment Committee

1 Overview

Super Investment Management Pty Ltd (**SIM**) is Rest's wholly owned investment manager and, relevantly, manages various unlisted assets for Rest across a number of asset classes.

Rest requires that its unlisted assets are valued in a manner that:

- (a) accords with accounting standards, applicable industry standards, regulations and statutory requirements; and
- (b) maintains equity between members.

This protocol sets out the procedures and policies SIM is to adopt in respect of valuation of its unlisted assets.

2 Primacy of Rest directions

This protocol sets out the default procedures and policies SIM adopts in respect of valuation of its unlisted assets. However, SIM is subject to the direction and control of the Rest Board and Investment Committee in respect of its investment functions, including valuation.

Accordingly, any general or specific direction given by the Rest Board or the Investment Committee in respect of any valuation matter prevails over the procedures and policies set out in this Protocol.

3 Valuation Responsibility within SIM

Relevant portfolio managers are responsible for ensuring:

- (a) the timely, accurate and appropriate provision of information to external valuers to enable the requirements of this protocol to be fulfilled; and
- (b) SIM's responsibilities in this protocol are performed in respect of that portfolio manager's portfolio in a timely, accurate and appropriate manner.

SIM will, each quarter, attest to the performance of its obligations under this Protocol and the Rest Unlisted Asset Valuation Policy.

4 Valuation of directly held assets

This section sets out the policies and procedures that SIM will follow in respect of valuing assets directly managed by SIM.

4.1 External valuation required

Unless the Rest Investment Committee otherwise agrees, an external valuation firm with appropriate qualifications and expertise must be appointed to conduct an independent valuation of each of the directly held assets. SIM should also consider whether key inputs of any valuation are subject to appropriate external validation.

All external valuation firms will be appointed:

- (a) by SIM selecting an appropriate external valuer from a pool of external valuers approved by the Rest Investment Committee to conduct valuations of SIM's assets held in the relevant asset class;

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- (b) under an engagement letter executed by the Rest CEO, GMI or other appropriate Rest executive;
- (c) on a basis that ensures Rest has direct reliance on the external valuation;
- (d) on a basis that requires the valuer to notify SIM between valuations the instances of any matter that the valuer reasonably expects would have at least a 5% impact on the valuation of Rest's investment; and
- (e) for a maximum period of three years.

Unless otherwise approved by the Investment Committee, external valuation firms should be independent. In this context, independent means an organisation that is not the auditor of, or material service provider to, the relevant asset or Rest.

It is expected that at the end of the appointment period, rotation of external valuers would occur. However, recognition is given to the limited number of qualified valuers who are independent. Accordingly, the Investment Committee may approve the reappointment of a particular external valuer for one further term.

It is recognised that where Rest is one of a number of shareholders in an asset, it may be acceptable to jointly (together with other shareholders) appoint one valuer to undertake the valuation. However, SIM must ensure that any such valuer is independent (as defined above), appointed on appropriate terms and that appropriate valuation instructions are provided.

It may not be appropriate to obtain external valuation advice for all components of a valuation. For example, given the mechanical nature of the computation, SIM calculates mark-to-market debt valuations of some investments following receipt of independent market pricing (e.g., project finance lending market comparables for direct debt investments or construction facilities in development assets). SIM will ensure any such calculations are provided to Rest's external auditor as part of its annual process.

4.2 Valuation methodology

Rest's valuation policy requires SIM to ensure that valuations are conducted to determine the "fair value" of Rest's asset.

For each asset, SIM's starting point for valuation instructions is the commonly accepted valuation methodology for the relevant asset class. This is on the basis that any purchasers of any assets managed by SIM are likely to be market participants who price assets on the "industry standard" basis.

Accordingly:

- (a) property assets are valued in accordance with the *Australia and New Zealand Valuation and Property Standards*;
- (b) infrastructure assets are valued on a discounted cash flow basis;
- (c) private equity assets are valued consistently with the IPEV Board's *International Private Equity and Venture Capital Valuation Guidelines*; and
- (d) debt assets are marked-to-market.

However, SIM also instructs external valuers to have regard to comparable market transactions and/or earnings multiples of comparable publicly traded companies, to ensure that valuations reflect current

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market conditions and not just the price derived from commonly accepted valuation techniques. SIM may also procure independent preparation of key inputs into valuations (eg, electricity prices or wind studies).

New assets acquired by Rest in competitive processes will initially be held at the acquisition cost (inclusive of capital expenditures and transaction costs and taxes) as that cost is, by definition, the fair value of the asset in the market. New assets should be independently valued no later than the first anniversary of their acquisition, unless the Investment Committee otherwise approves.

To ensure equity between Rest's members across the development cycle, as soon as it is possible to do so, SIM values development phase assets on a market value basis (eg, stabilised value less cost to complete) rather than a current cost basis.

4.3 Periodicity

Rest's unlisted asset valuation policy states that it has a preference for quarterly valuations. However, full quarterly valuations are impractical for many assets managed by SIM given their complexity and consequent cost considerations.

Where quarterly valuations are not feasible, SIM will nevertheless ensure asset valuations are updated:

- (a) immediately to reflect new capital invested and/or distributions received; and
- (b) quarterly to reflect market movements (for assets valued on a mark-to-market basis) and/or roll forward (for assets valued on a discounted cash flow basis, determined on a mark-to-model basis) consistent with the annual external asset valuation.

SIM will ensure:

- an appropriate external independent valuer provides a valuation for its directly managed property assets each quarter;
- an appropriate external independent valuer provides a valuation for its other directly managed assets each year;
- where relevant (such as in relation to directly managed infrastructure assets) the external independent valuer provides, in its annual valuation, a roll forward valuation for the next three quarters consistent with its annual valuation (on a mark-to-model basis);
- additional valuations are procured whenever directed to do so by the Rest Board or Investment Committee; and
- that it notifies the Rest Board or Investment Committee whenever it considers that additional independent valuations should be procured, for example periods of unusual market volatility or asset specific issues.

Without limiting the foregoing, SIM will ensure the assets it manages are valued periodically as follows:

<i>Infrastructure – direct</i>	Annual independent valuation. Quarterly roll forward (ie, mark-to-model consistent with the annual independent valuation).
<i>Property – direct</i>	Annual independent full valuation.

	Quarterly independent abridged valuation.
<i>Direct Debt</i>	Annual independent valuation. Quarterly independent sourced market pricing data, which is utilised by SIM (subject to the oversight of the SIM credit committee) to mark the value of the investments to market.

4.4 Adoption of valuation

The process for the adoption of the valuations into unit pricing by Rest's custodian depends on the asset class as per the below:

<i>Infrastructure – direct</i>	Annual valuations are presented to the Investment Committee for approval before communication to Rest's custodian. Quarterly roll forward valuations (in accordance with the annual valuation approved by the Investment Committee) are communicated by SIM to Rest's custodian.
<i>Property – direct</i>	Annual and quarterly valuations are presented to the Investment Committee for approval before communication to Rest's custodian.
<i>Direct Debt</i>	Annual valuations are presented to the Investment Committee for approval before communication to Rest's custodian. In the event that a quarterly valuation results in a material movement in value (being 5% or more from the last approved annual valuation), that valuation is presented to the Investment Committee for consideration before communication to Rest's custodian. If the movement in value of a quarterly valuation is not material (ie, less than 5% from the last approved annual valuation), then SIM communicates that change in valuation directly to Rest's custodian.

5 Valuation policy for Investments with managers

SIM manages certain investments of Rest which produce, or which have managers who produce, valuations for their investors.

5.1 Valuation requirements

SIM should ensure, as part of the due diligence in respect of such investments, that the valuation policy of the investment / manager is reviewed to ensure it incorporates the principles consistent with the applicable accounting standards, applicable industry standards and regulatory requirements and is consistent with Rest's valuation policy (eg, requiring independent external valuations). This should also be reviewed on an ongoing basis as part of SIM's asset management functions.

To the extent possible, there should be obligations on the investment and/or the underlying manager to cooperate with any independent valuation commissioned by Rest. SIM should advise the Investment Committee of any circumstances that it considers would warrant any such independent valuation.

SIM should also ensure that the valuation for unit pricing purposes appropriately reflects the underlying manager's performance fees, venture costs, foreign exchange overlay, tax provisions or other component if that is not otherwise represented in the asset valuation produced by the underlying manager. In respect of the Greystar venture, the value of the debt funding is not reflected in the asset valuation and SIM

therefore ensures the asset valuation for unit pricing purposes reflects the mark-to-market value of the debt funding in that venture.

5.2 Periodicity

The periodicity of the valuation will be considered as part of the due diligence on each investment. SIM will ensure appropriate valuations are produced by the investments / managers at least annually. SIM's assessment of what is appropriate must have regard to standard practice in the sector and the materiality of the asset and Rest's interest in it.

SIM will ensure that:

- quarterly valuation updates are obtained wherever possible;
- to the extent Rest's legal rights entitles it to do so, additional valuations are procured whenever directed to do so by the Rest Board or Investment Committee; and
- it notifies the Rest Board or Investment Committee whenever it considers that additional independent valuations should (and can) be procured, for example periods of unusual market volatility or asset specific issues.

SIM should also consider the periodicity (e.g., every three years) of any additional external valuation of the asset to validate the underlying manager's approach to valuation.

Without limiting the foregoing, SIM will ensure the assets it manages are valued periodically as follows:

<i>Infrastructure – funds</i>	Consistent with basis considered and approved as part of investment.
<i>Property – funds</i>	Consistent with basis considered and approved as part of investment.
<i>Private Equity</i>	Consistent with basis considered and approved as part of investment.

5.3 Adoption of valuation

The process for the adoption of the valuations into unit pricing by Rest's custodian depends on the asset class as per the below:

<i>Infrastructure – funds</i>	Valuations are communicated to Rest's custodian either directly from managers direct or via SIM (to enable the matters noted in the third paragraph of paragraph 5.1 above to be addressed).
<i>Property – funds</i>	Valuations are communicated to Rest's custodian either directly from managers direct or via SIM (to enable the matters noted in the third paragraph of paragraph 5.1 above to be addressed).
<i>Private Equity</i>	Valuations are communicated to Rest's custodian either directly from managers direct or via SIM (to enable the matters noted in the third paragraph of paragraph 5.1 above to be addressed).

6 Obligation to notify Rest in respect of material valuation matters

A "material valuation matter" is a fact or circumstance that SIM reasonably expects would have at least a 5% impact on valuation of Rest's interest in an investment.

If SIM becomes aware of any material valuation matters, then SIM must report such information to the Investment Committee. These matters may include:

- (a) matters notified to SIM by the external valuer in accordance with the valuation engagement;
- (b) comparable market transactions or valuations;
- (c) divergent valuations for the same underlying assets between different investment structures (e.g., the valuation attributed within a fund and the valuation for a direct co-investment);
- (d) changes in applicable discount or capitalisation rates;
- (e) changes in asset profile or risks;
- (f) changes in, or adverse performance of, key revenue and expenses drivers; and
- (g) change in ownership of an asset.

If SIM considers that any matter justifies a departure from Rest's usual valuation principles, SIM will ensure the information is presented for consideration by the Investment Committee.

7 Definitions

In this protocol, the following terms (and corresponding expressions) have the meaning set out:

- (a) *mark-to-market* – is a pricing method for an investment based on setting the price for that investment at its current market price or, if that investment is not quoted on a market, at the current market price of similar assets or liabilities;
- (b) *market-to-model* – is a pricing method for a specific investment – based on the current application of the assumptions set out in the relevant financial model for that investment; and
- (c) *fair value* – has the meaning set out in *Australian Accounting Standard 13 – Fair Value Measurement*, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

8 Protocol review

The Protocol owner is responsible for ensuring that this protocol is updated in accordance with any changes in operational practice or new issues identified. The SIM Unlisted Assets Valuation Protocol will be formally reviewed by the Protocol owner every two years with any material amendments provided to the Investment Committee for approval.