



Annual Report 2023-24



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Letter to the Treasurer

Mr. Tim Pallas
Treasurer of Victoria
1 Treasury Place
Melbourne Victoria 3000

Dear Treasurer

I am pleased to submit the 2023-24 VFMC Annual Report for presentation to Parliament, as required by section 46 of the Financial Management Act 1994.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Gay', written in a cursive style.

Lisa Gay
Chair



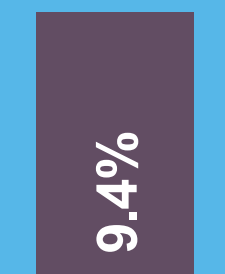
Investing for Victoria's future

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2023-24 Year in Review

**One year return
to 30 June 2024
vs benchmark
(net of fees)**



9.3%
BENCHMARK

**Longer term returns
vs benchmark
(net of fees)**



3YRS p.a.

5.1%
BENCHMARK



5YRS p.a.

6.3%
BENCHMARK



8YRS p.a.

7.5%
BENCHMARK



10YRS p.a.

7.2%
BENCHMARK

\$86.9bn

Funds Under Management

↑ \$13.2bn

increase on prior year

\$13.2m

Pre-tax surplus



287

**ESG engagements
across asset classes**



48%

**of VFMC's employees
are women**

About VFMC

VFMC is a public authority, investing for Victoria's future, managing funds of over \$86 billion for 32 Victorian public authorities and related organisations.

VFMC provides investment and fund management services to Victorian public authorities and the State of Victoria in a commercially effective, efficient, and competitive manner.

VFMC generates value for the State through delivering:

1. Pooled investing efficiency

By centralising the investment management services for multiple Victorian public authorities, VFMC removes the need for these authorities to individually replicate sub-scale internal capabilities, which are likely to be higher cost and unable to generate the same value.

2. Net return outperformance

By generating additional net returns above benchmark for its clients, VFMC effectively reduces the funding requirements from the Victorian State Government for its public authorities.

3. Dividend payments

By generating an operating surplus, VFMC can and has delivered a dividend to the State.

While all three drivers of value are important, VFMC's primary focus is on maximising value for the State by providing clients with efficient access to market leading net investment returns.

Values

VFMC's values are at the core of its culture:

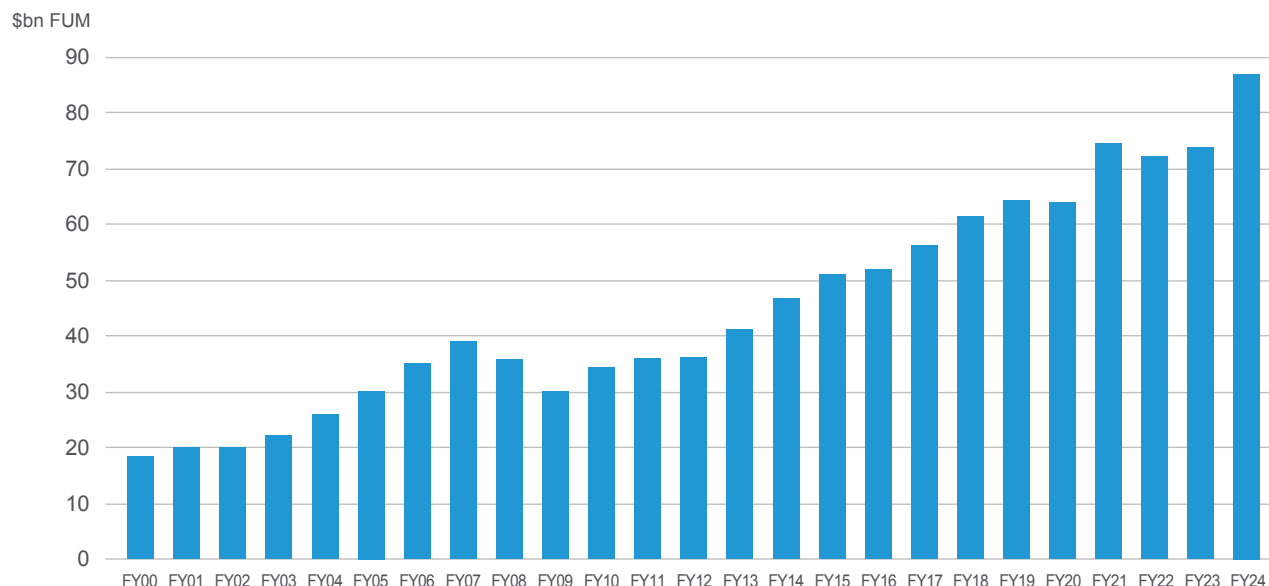
Do what's right: be courageous, take informed risks, be accountable for our decisions and behaviours.

Always aim to do better: to achieve the best outcomes for our stakeholders.

Be curious, smart, kind and inclusive: work together for greater impact.

Funds Managed

VFMC's Funds Under Management (FUM) rises and falls with markets. The performance of VFMC's investments are relative to markets, and client cash flows. As at 30 June 2024, VFMC's FUM was \$86.9 billion.



Services

VFMC manages investment risks and builds portfolios that aim to optimise returns and meet client objectives. It offers a range of investment and related services, including:

- developing strategic asset allocations for Foundation Centralised Investment Model (Foundation CIM) clients;
- designing and offering suitable products for other public authorities and related organisations;
- implementing investment strategies;
- offering investment guidance;
- providing internal funds management;
- selecting external fund managers and monitoring their performance;
- providing integrated investment stewardship (environmental, social and governance) services and guidance;
- providing proxy voting services; and
- monitoring of risk and compliance.

VFMC offers its clients the benefits of scale by providing access to opportunities and investment management expertise that may not be directly available to them at a competitive cost. This expertise is drawn from a combination of internal investment management and external fund managers. Internal management is utilised where VFMC has the capabilities to generate superior risk adjusted performance net of fees.

Approximately 33% of VFMC's funds are managed internally. VFMC also provides clients, including their Boards and Committees, with performance reports and regular insights on investments and broader global trends. This keeps clients informed of the current performance of their investments, as well as potential drivers of, and impacts on, future performance.

Strategic Plan

Evolve24 Strategic Agenda

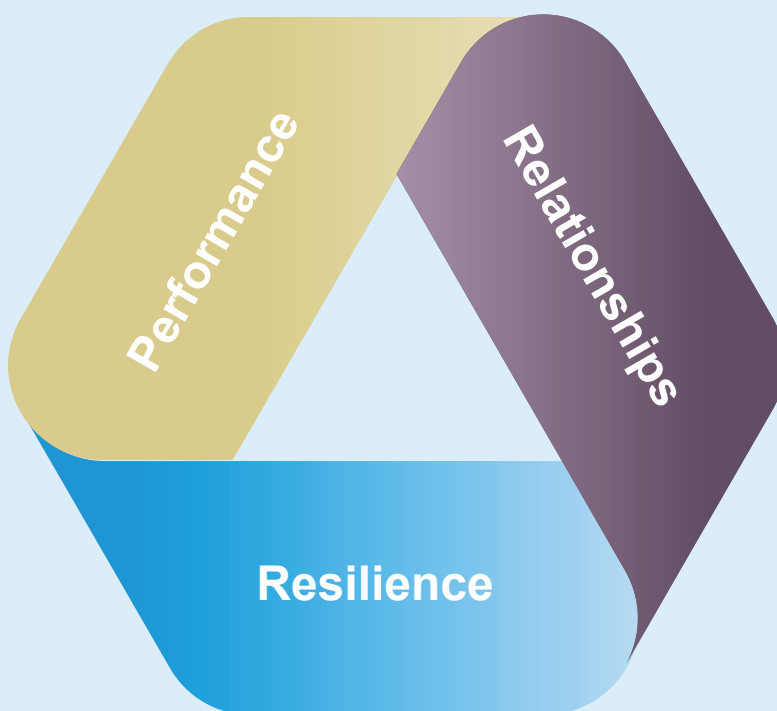
2023-24 was the final year of the Evolve24 strategic agenda. Evolve24 delivered a program of work which modernised VFMC's systems, data and analytics, and culture to ensure VFMC has the capability to continue to deliver for its clients. It provided VFMC with the capability and the flexibility to respond to changing operating and market environments.

Elevate to 28 Strategic Plan

In May 2024, the Board set a new four year strategic plan, Elevate to 28. Elevate to 28 recognises the need for VFMC to ensure the programs of work over the next 4 years enhance the organisation's capacity and capability to deliver on its purpose in the most efficient and cost-effective way.

VFMC's new strategy starts with its purpose: *Investing for Victoria's future*

To enable VFMC to continue to deliver for the State of Victoria, the new strategic plan is underpinned by three cornerstones of historical and future success: Performance, Relationships and Resilience.



Report from the Chair and Chief Executive Officer

From Our Chair

Maintaining our long-term performance focus and looking forward

In 2023-24, the Board reflected on the completion of the Evolve24 Strategic Agenda, which delivered on its objectives to optimise decision making, simplify processes and future-ready our culture and capability. The Evolve24 Strategic Agenda provided solid foundations upon which to build VFMC's next strategic plan, Elevate to 28. The Board and Executive team have worked closely over the year to develop a strategic plan that will enable VFMC to continue its work to:

- further increase the integrity of data, reduce manual processes,
- be future-ready to explore new technologies; and
- continuously improve our data and services, to deliver for our clients.

In the second year of the 2022 Investment Risk Management Plan (IRMP), VFMC has delivered a 9.4% net return for our Foundation Centralised Investment Model clients, which is above benchmark.

Governance

The Board and management team have remained focused on ensuring VFMC's governance is robust and supports sound decision making in an efficient way.

The Board has maintained a strong focus on strategic and emerging risks, with an emphasis on ensuring that VFMC's activities are aligned with the Board's risk appetite.

As a Board, we are satisfied VFMC has continued to maintain a positive risk culture, and our people understand the role they play in managing risk.

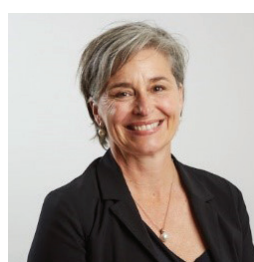
Acknowledgements

On behalf of the Board, I express my sincere thanks and appreciation to the former Chair, James MacKenzie, for his enormous contribution to VFMC over many years.

As a Board we farewelled David Martine in his capacity as Secretary to the Department of Treasury and Finance and were delighted to have him join the Board in his personal capacity. We were also pleased to welcome Chris Barrett to the Board, following his appointment as the new Secretary to the Department of Treasury and Finance.

On behalf of the Board, I express my appreciation and thanks to our people for their continued commitment to VFMC, engagement in their work and their valuable contributions in the development of VFMC's new strategic plan, Elevate to 28.

I look forward to working with our Board and our people in implementing VFMC's new strategic plan and celebrating VFMC's 30th anniversary in 2024.



A stylized, handwritten signature in black ink that reads "Lisa Gay".

Lisa Gay
Chair

From Our Chief Executive Officer

Investment and financial performance

In 2023-24, the VFMC team delivered strong returns for our clients in challenging economic times.

Pleasingly, the Foundation CIM aggregate portfolio delivered a 9.4% net return for 2023-24 and the Enhanced Income, Conservative, Balanced and Growth Pooled Funds outperformed their strategic asset allocation benchmarks over the year.

As we continue to evolve and uplift the way we work, we took the opportunity to refresh our approach to the development of our Corporate and Business Plan and budgeting process. Our refreshed approach is designed to continue to focus on our purpose and support an accountability culture at VFMC.

In 2023-24, VFMC has generated an operating surplus, which will again provide a dividend to the State.

People and Culture

This year we embedded our refreshed VFMC values into the way we work and the way we talk:

- **Do what's right:** be courageous, take informed risks, be accountable for our decisions and behaviour.
- **Always aim to do better:** to achieve the best outcomes for our stakeholders.
- **Be curious, smart, kind and inclusive:** work together for greater impact.

Demonstrating our commitment to diversity, inclusion and belonging, I am so proud that VFMC was awarded the 100 Women in Finance APAC DEI Award, which celebrates companies that are leaders in innovation and positive action in the areas of diversity, equity and inclusion in the Finance industry. VFMC was also shortlisted in the Australian Human Resources Institute Awards (Best Diversity, Equity and Inclusion Program) award and we again received a Family Friendly Workplace Accreditation.

Our comprehensive listening program has provided me with greater insight into how our people engage with their work and the organisation. I thank our people for their participation and openness in a range of activities, including Leadership Feedback Forums, Stay Interviews, Morning Teas with cross sections of the organisation and surveys.

Continued evolutionary transformation

This year we developed our new strategic plan, Elevate to 28. We took the opportunity to explore the ways in which VFMC can continue to deliver funds management services to the State and State agencies in a commercially efficient and effective way. Our work starts with focussing on our purpose: Investing for Victoria's Future. We will do this by providing strong net returns over the long term for our clients and the State. Our job is to support their financial health so that they can grow and improve the critical services they provide to Victorians, from accident and building insurance to superannuation for emergency service workers and cultural institutions. We are investing for the future of all Victorians.

Thank you

I would like to thank our Board and our people for their engagement and commitment to living our values and always striving to deliver the best outcomes for our clients and the people of Victoria. I look forward to working together to implement our new strategic plan in 2024-25 to deliver strong returns for our clients and ensure VFMC continues to be a great place to work.



A handwritten signature in dark ink, appearing to read 'Kate Galvin', written on a light blue background.

Kate Galvin
Chief Executive Officer

Governance



VFMC Board

VFMC Directors have broad experience in asset management, the public sector and business. The Board's role is to provide overall strategic guidance for VFMC and effective oversight of management. It must ensure that VFMC fulfils its objectives and functions and that its activities comply with the *Victorian Funds Management Corporation Act 1994* (the Act).

The role and responsibilities of the Board are detailed further in the VFMC Board Charter.

Lisa Gay

Chair

Appointed Director May 2016

Chair November 2023

Lisa Gay is a legal and compliance professional with financial services experience in funds management, investment banking and stockbroking.

She is a non-executive director of Computershare Limited and Koda Capital.

Lisa was formerly and a member of the Council of Trustees of the National Gallery of Victoria, Board Member of Fed Square, Deputy Chair of the Indigenous Land Corporation, Chair of Voyages Indigenous Tourism Australia, Chair of the Australian Securities and Investment Commission's Markets Disciplinary Panel and a non-executive director at Interim Melbourne Arts Precinct Board.

From 1990-2010, Lisa was General Counsel and Managing Director of the Goldman Sachs Group Australia and its predecessor JBWere & Son.

Tom Considine

Director

Appointed June 2021

Tom Considine has extensive experience in infrastructure, commercial policy and strategy, public sector financial management and risk management.

Tom is a partner in the advisory and investment business with the Sayers Group.

Prior to this, Tom held a number of executive roles in the public sector, including Interim CEO, Suburban Rail Loop Authority, Group Head, Advisory and Civic Infrastructure at Development Victoria, and Chief of Staff to the Treasurer of Victoria.

Tom holds a Bachelor of Arts from Monash University and a Master of Business Administration from the University of Melbourne.

Chris Barrett

Director

Appointed December 2023

Chris Barrett has been Secretary to the Department of Treasury and Finance since December 2023. Chris joined DTF as Deputy Secretary of the Economic Division in January 2021.

Before this, Chris was the CEO of Invest Victoria and led both the Victorian Government's approach to investment attraction and the Economic Recovery Mission in response to coronavirus (COVID-19). Chris' career includes over two decades in public service in Melbourne, Canberra and internationally.

In 2011, Chris was appointed Australian Ambassador to the Organisation for Economic Cooperation and Development (OECD) in Paris, where he led Australia's engagement with the OECD and contributed to global best-practice public policy. Following on from his role with the OECD, Chris spent four years with the European Climate Foundation in Berlin as Executive Director, Finance and Economics.

Chris has a Master in Public Policy from Princeton University, and Master of Arts and a Bachelor of Commerce from the University of Melbourne.

VFMC Board

Lisa Gray

Director

Appointed January 2022

Chair of People Committee

Lisa Gray is an accomplished non-executive Director and CEO of businesses across private and public sectors. Lisa brings over 30 years' experience in leading and transforming large, distributed customer businesses across banking, investment management, superannuation, insurance and wealth management.

Lisa is a Non-executive Director of Challenger Limited, ING Bank Australia and Bupa Australia and New Zealand. She is also an Associate of Melbourne Business School.

Lisa was the CEO, VFMC from 2016 to September 2021. Prior to working with government, Lisa held senior executive roles at NAB including Group Executive, Enterprise Services and Transformation and Group Executive, Personal Banking. Before joining NAB, Lisa was CEO, MLC Insurance and Managing Director, Plum Financial Services.

Lisa's qualifications include an Advanced Management Program from INSEAD, MBA from University of Melbourne and Columbia University (NY), Graduate Diploma in Management from RMIT, and a Bachelor of Town and Regional Planning (Hons) from University of Melbourne.

David Martine PSM

Director

Appointed September 2014

David Martine has extensive public finance, policy and organisational leadership experience across the public sector. He is a director of Development Victoria and was previously a director of Treasury Corporation Victoria, and Infrastructure Victoria.

David was the Secretary of the Victorian Department of Treasury and Finance for nearly ten years until December 2023. He led the department providing economic, policy and commercial advice to the Victorian Government. Prior to this, David worked as a senior executive in the Commonwealth public sector, providing strategic advice to governments on a range of economic and other policy issues.

David was awarded the Public Service Medal (PSM) – Victoria in the Australia Day Honours 2019. This award recognises outstanding public service to social, microeconomic and public sector reform and innovation in Victoria.

David has a Bachelor of Economics (Honours) from Monash University and a Master of Business Administration.

Andrew Nicolaou

Director

Appointed September 2020

Andrew Nicolaou is a highly experienced risk management, assurance, consulting and regulation professional in financial services and government.

He is the Chair of the Audit Committees at the Department of Transport, Grampians Wimmera Mallee Water, Fire Rescue Victoria and the Victorian Parliament. He is also a member of the Audit Committee for Education in Victoria and has served on the Audit Committee of State Trustees.

Andrew previously specialised in the financial institutions of government, with senior roles covering the Treasury portfolio in Victoria over a period of 30 plus years. He provided services to the Transport Accident Commission, WorkSafe Victoria, Victorian Managed Insurance Authority, Rural Finance and the Department of Treasury and Finance. Andrew also supported the Victorian Treasury in the development and implementation of the Financial Management compliance, risk management and prudential assurance regimes.

Andrew is a Fellow of the Institute of Chartered Accountants, a Graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia.

Fiona Trafford-Walker

Director

Appointed August 2018

Fiona Trafford-Walker is a non-executive director and Chair of the Audit and Risk Committee at FleetPartners and a non-executive director at Perpetual Limited. She is a member of the Investment Committee at the Walter and Eliza Hall Institute and a Strategic Advisor to the Australian Retirement Trust Investment Committee.

Fiona is a former Investment Director at Frontier Advisors, where she previously held the positions of Managing Director and Director of Consulting.

In 2013, Fiona was named as the inaugural 'Woman of the Year' in the Money Management/Super Review Women in Financial Services Awards, was one of the top 10 global Asset Consultants by the US financial journal Chief Investment Officer from 2013 to 2016 inclusive, and 2019. She was a winner in The Australian Financial Review and Westpac 100 Women of Influence Awards for 2016 in the Board / management category.

Fiona holds a Bachelor of Economics (First Class Honours) from James Cook University, receiving a University Medal, a Master of Finance from RMIT and is a Graduate of the Australian Institute of Company Directors.

Maria Wilton AM

Director

Appointed December 2017

Chair of the Audit, Risk and Compliance Committee

Maria Wilton has broad experience in business, finance and governance having held leadership positions in investment management and superannuation.

Maria is Chair of Spirit Super, Growth Farms Australia Pty Ltd and QIC State Investment Committee, a Governor of the global Chartered Financial Analyst Institute and Director of Dexus Wholesale Property Fund.

Maria has extensive global experience and has held various investment and business roles in global asset management companies including Franklin Templeton, BT Financial Group and JP Morgan. Before joining the investment industry, Maria worked for the Commonwealth Treasury in economic research.

In 2019, Maria became a Member of the Order of Australia for significant service to business and finance.

Maria holds a Bachelor of Economics from the University of Tasmania, is a Chartered Financial Analyst charter holder and a Fellow of the Australian Institute of Company Directors.

VFMC Executive Leadership Team

Kate Galvin

CEO

Joined October 2021

Kate is responsible for the strategic development and leadership of VFMC and steward to the Board.

Lucy Carr

Chief Operating Officer

Joined December 2019

Lucy is responsible for leading VFMC's data and analytics, digital and technology, investment operations and projects and change portfolios.

Sarah Dunn

Head of Client and

Market Development

September 2020 – August 2024

Sarah was responsible for leading VFMC's client and stakeholder management, market development, investment performance reporting and communications portfolios.

Paul Shanley

Chief Finance and Risk Officer

Joined August 2022

Paul is responsible for leading VFMC's enterprise governance, risk management, compliance, finance, tax and legal portfolios.

Russell Clarke

Chief Investment Officer (CIO)

Joined May 2017

Russell is responsible for leading the investment team and overseeing the investment management of more than \$86 billion FUM.

Johanna Neilsen

Head of People

November 2018 – March 2024

Johanna was responsible for leading VFMC's people, culture and facilities portfolios.

VFMC Governance

VFMC's responsibilities and accountabilities are outlined primarily in the *Victorian Funds Management Act 1994* (the VFMC Act), the Instrument of Delegation and in Board and Management Committee charters.

The VFMC Board is responsible for managing the affairs of VFMC and may exercise its powers, including the power of delegation. The Board must have at least four, but no more than nine, members. Directors are appointed by the Governor in Council, with the Chair and Deputy Chair appointed by the Treasurer. Each Director is appointed for a term not exceeding three years and is eligible to be reappointed.

The Board is responsible for:

- appointing the CEO (with approval of the Treasurer) and the Corporation Secretary;
- recommending the Corporate and Business Plan to the Treasurer for approval;
- monitoring performance and implementation of corporate strategy by senior management;
- approving VFMC's investment philosophy and approach, as well as client IRMPs designed to achieve individual client objectives;
- monitoring investment performance of the organisation and compliance with client IRMPs;
- oversight of the investment strategy for VFMC Pooled Funds;
- oversight of VFMC's control and accountability systems, including approval of key policies;
- approving financial reports annually and monitoring financial results on an ongoing basis; and
- approving certifications provided to the Department of Treasury and Finance and to VFMC's clients.

The Directors are bound by parts of the *Public Administration Act 2004* and the Code of Conduct for directors of Victorian public entities. VFMC's people are bound by the Code of Conduct for Victorian public sector employees.

VFMC's investment powers and functions under the Centralised Investment Model are primarily derived from:

- Section 20 of the *Borrowing and Investment Powers Act 1987* (Vic) (BIPA) and the Orders in Council dated 13 June 2006 (Orders in Council);
- VFMC's appointment by each Foundation CIM Client under section 9A of the *VFMC Act* pursuant to the Orders in Council; and
- The Prudential Standard: VFMC and the Centralised Investment Model 1 October 2016 issued by the Department of Treasury and Finance (Prudential Standard).

The Prudential Standard outlines VFMC's obligations regarding governance, investment governance, client Investment Risk Management Plans, risk management, breach reporting and fit and proper person requirements. The Board certifies to the Department of Treasury and Finance and the Foundation CIM clients annually in relation to several obligations under the Prudential Standard.

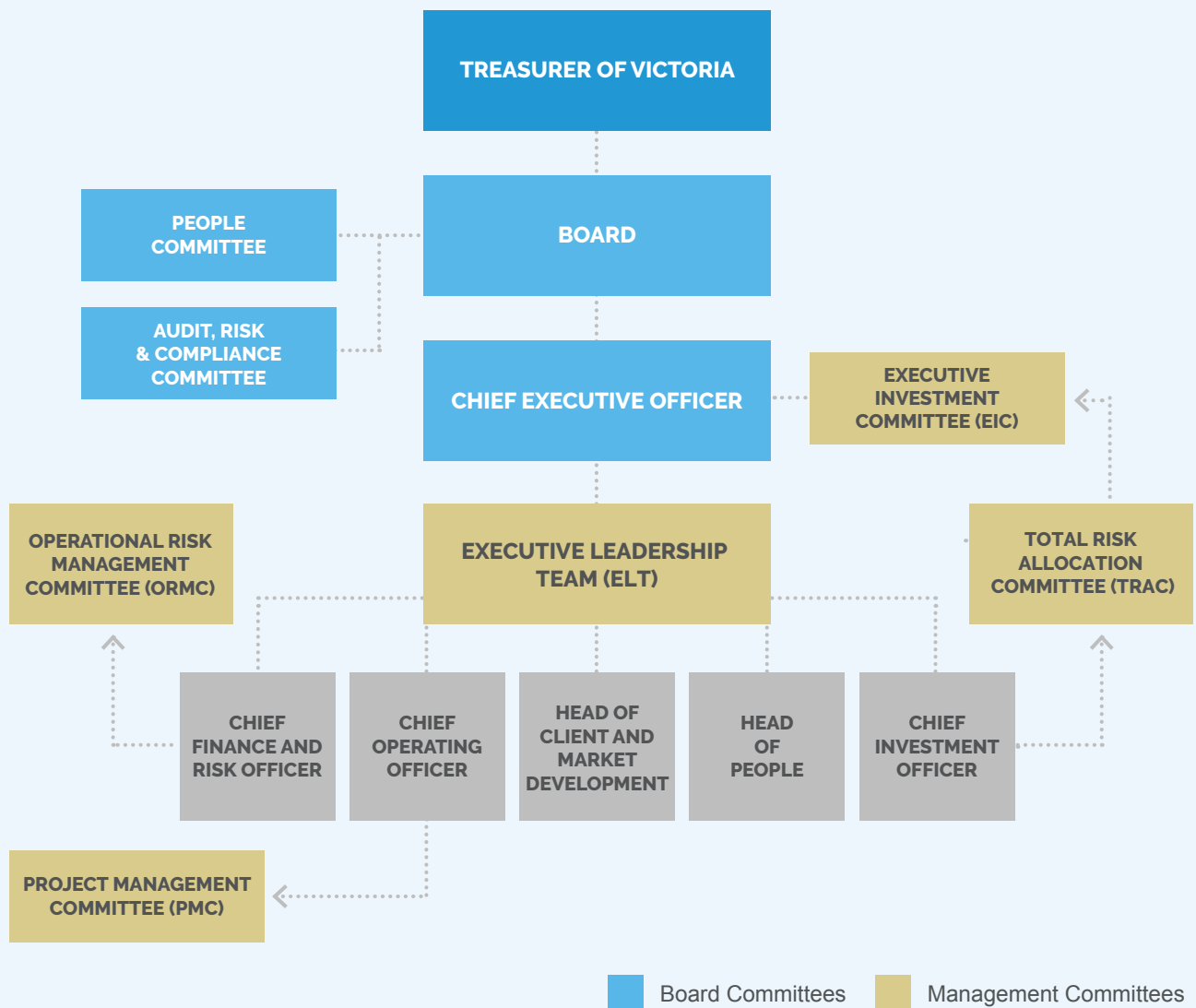
The Deed of Appointment under section 9A(3) of the VFMC Act 1994 dated 25 October 2022 between Treasurer and VFMC, sets out the terms of VFMC's appointment as fund manager for the Victorian Future Fund and includes a requirement for VFMC to develop an Investment Risk Management Plan in alignment with the requirements of the Prudential Standard.

In accordance with the VFMC Act, VFMC is subject to the general direction and control of the Treasurer.

Directions from the Treasurer may relate to the corporate performance of VFMC but must not include a direction in relation to an investment decision, dealing with property or the exercise of a voting right. Any direction must be published in the Victorian Government Gazette and VFMC Annual Report. The Treasurer did not issue any directions in 2023-24.

VFMC's governance structure

VFMC has a robust governance framework in place to support sound decision making.



Board and Committee meetings

The number of meetings held during 2023-24 and attendance of each Director are set out in the tables to the right.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee assists the Board with fulfilling its statutory and regulatory responsibilities, including overseeing the integrity of VPMC's financial reporting (including compliance with the Standing Directions made by the Minister for Finance (from 29 November 2018, the Assistant Treasurer) under the *Financial Management Act 1994*), risk management and internal controls.

The Committee Chair is Maria Wilton.

Meetings are held at least four times a year or as required.

People Committee

The People Committee assists the Board with overseeing the remuneration strategy, organisational culture, occupational health and safety, diversity, inclusion and belonging strategies and succession planning. The Committee evaluates the CEO's performance and makes recommendations to the Board. The Committee Chair is Lisa Gray.

Meetings are held at least twice a year or more often as required.

Board

| Director | Meetings held in 2023-24 | Meetings eligible to attend | Attended |
|-----------------------|--------------------------|-----------------------------|----------|
| James MacKenzie | 9 | 2 | 2 |
| Lisa Gay | 9 | 9 | 9 |
| Chris Barrett | 9 | 4 | 3 |
| Tom Considine | 9 | 9 | 9 |
| Lisa Gray | 9 | 9 | 8 |
| David Martine | 9 | 9 | 8 |
| Andrew Nicolaou | 9 | 9 | 8 |
| Fiona Trafford-Walker | 9 | 9 | 9 |
| Maria Wilton | 9 | 9 | 7 |

Audit, Risk and Compliance Committee

| Director | Meetings held in 2023-24 | Meetings eligible to attend | Attended |
|-----------------|--------------------------|-----------------------------|----------|
| Maria Wilton | 5 | 5 | 5 |
| Lisa Gay | 5 | 5 | 5 |
| James MacKenzie | 5 | 1 | 1 |
| Tom Considine | 5 | 5 | 5 |
| Andrew Nicolaou | 5 | 5 | 5 |

People Committee

| Director | Meetings held in 2023-24 | Meetings eligible to attend | Attended |
|-----------------------|--------------------------|-----------------------------|----------|
| Lisa Gray | 4 | 4 | 4 |
| Lisa Gray | 4 | 4 | 4 |
| David Martine | 4 | 4 | 2 |
| Fiona Trafford-Walker | 4 | 4 | 3 |
| James MacKenzie | 4 | 1 | 1 |

VFMC Governance

Directors' benefits

Since the end of the previous financial year, no Director of the Corporation (other than disclosed in the Financial Statements) has received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the Corporation, with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Independence and related parties

The Board has agreed that conflicts of interest are addressed where applicable by Directors declaring their interests, absenting themselves from relevant discussions and abstaining from voting at VFMC's Board meetings. All transactions with deemed related parties have been made on commercial terms and conditions. These related party transactions are detailed on page 75 of this report.

Indemnification and insurance of Directors and Officers

The Directors' and Officers' liability insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Corporation or a related body corporate) incurred by a person in their position as a Director or Officer of the Corporation unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Risk Management

VFMC's risk management framework is consistent with the Victorian Government Risk Management Framework and is an integral part of VFMC's governance, business planning and management responsibilities.

The Board has overall responsibility for risk management within VFMC. This includes:

- approval and oversight of the risk management framework;
- setting the desired risk culture;
- setting VFMC's risk appetite to guide management in decision making;
- review of the residual risk rating for key enterprise-wide risks; and
- approval of and monitoring of compliance with client Investment Risk Management Plans.

The framework ensures identification, assessment and management of risk, with an appropriate focus on risk and compliance matters.

VFMC has adopted the 'three lines model' for risk management:

Line 1: the business

All of our people are responsible for proactively identifying and managing risk on a day-to-day basis.

Line 2: Chief Finance and Risk Officer and the Risk and Compliance team

The team:

- promotes a proactive and holistic view of risk
- maintains and supports a risk management program to evaluate, manage and mitigate enterprise risk across the organisation
- provides guidance, escalation and challenge to risk owners in their application of risk management practices and
- facilitates opportunities for learning and continuous improvement where risks or process failings have eventuated.

Line 3: Independent internal audit function

The internal audit function (delivered through an outsourced provider) assesses and reports on VFMC's operations, internal controls and compliance with regulatory obligations.

Line 3 provides assurance over lines 1 and 2 and the appropriateness, effectiveness and adequacy of the risk management framework and internal controls.

Risk Culture

Effective risk management is a key enabler of VFMC's strategic delivery and an integral part of its culture.

VFMC's Risk Culture and Conduct Framework outlines VFMC's desired risk culture:

VFMC understands that thinking about and managing risk is part of everyone's role and recognises that risk presents both opportunities and challenges.

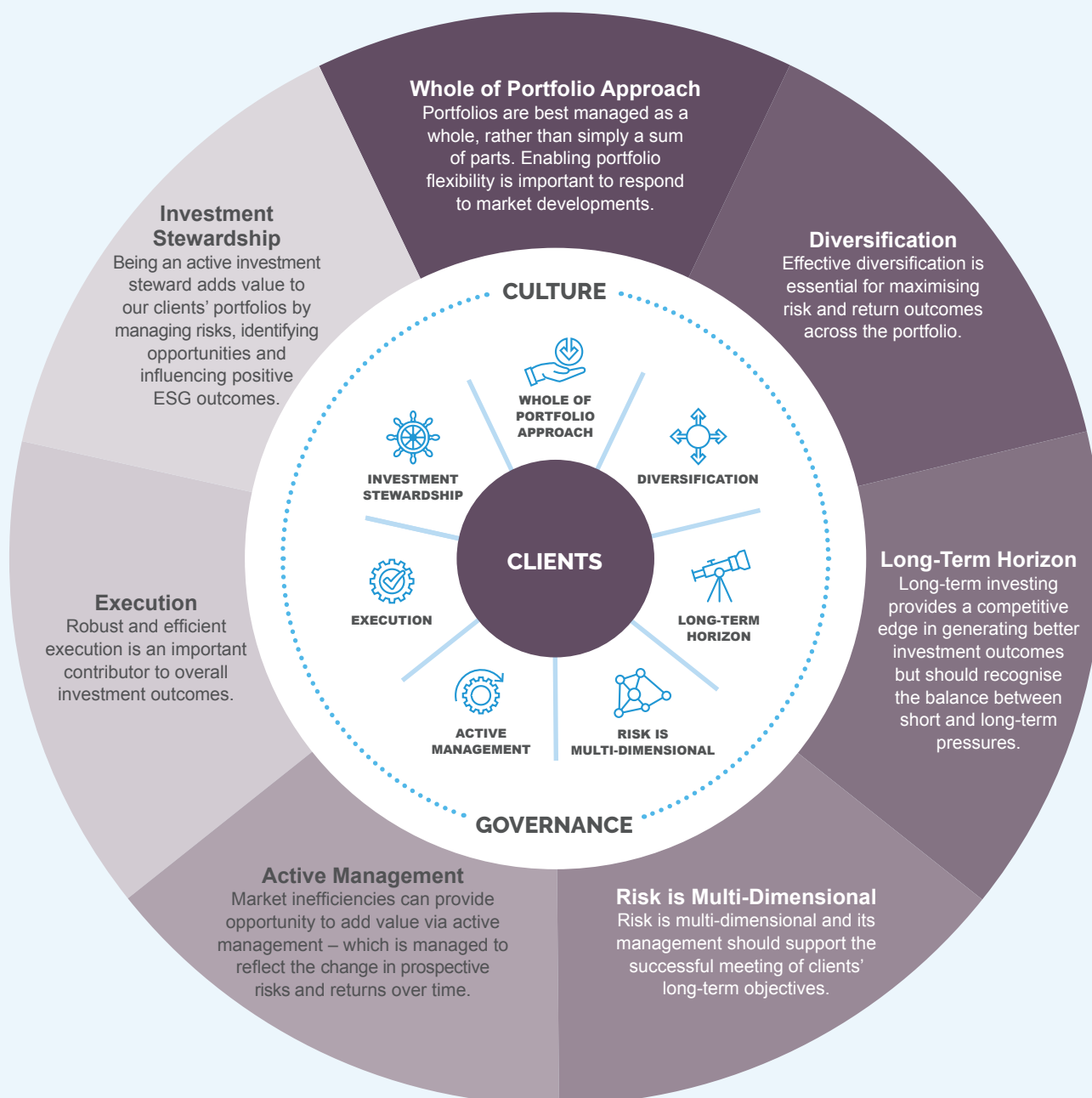
Risk culture is measured and reported to the senior management team, and the Board through the Audit, Risk and Compliance Committee.



Investment Management

Investment management approach

Our Pillars



Our Foundations

Clients
Clients' specific circumstances are considered when designing and managing their portfolios.

Culture & Governance
Good governance practices improve the quality of decision making that can lead to better investment outcomes.

Investment philosophy

VFMC's investment philosophy emphasises VFMC's position as a long-term investor. Investment stewardship is one of the pillars that ensures investment decisions are made with consideration of environmental, social and governance (ESG) related matters.

The Investment Risk Management Plan

The IRMP documents the Foundation CIM clients' investment objectives, their strategic asset allocations and VFMC's investment management approach.

The IRMP is reviewed every three years.
The current IRMP commenced on 1 July 2022.

The 2025 IRMP review is underway, with VFMC working closely with Foundation CIM clients to revisit their investment objectives to inform the next IRMP which takes effect from 1 July 2025.

Portfolio construction

When partnering with VFMC to manage their investments, Foundation CIM clients first set their objectives within their risk tolerance. VFMC then works closely with clients to design and build portfolios to meet these objectives. VFMC also designs portfolios for Pooled Fund clients, which includes three multi-asset options and a single sector option with the recent introduction of the Enhanced Income portfolio. Clients are responsible for managing their own liabilities and capital commitments.

VFMC is a liability-aware investor. In constructing portfolios for Foundation CIM clients, it considers their forecast future liabilities (insurance and superannuation payments) and seeks to reduce the long-term cost to the State of funding those liabilities. VFMC's approach balances an awareness of specific client liability obligations with a primary focus on their long-term return objectives, while also considering their shorter-term business pressures.

This provides VFMC with greater flexibility compared to a strict liability-matching approach, which would limit it to making investments designed solely to reflect clients' liability profiles.

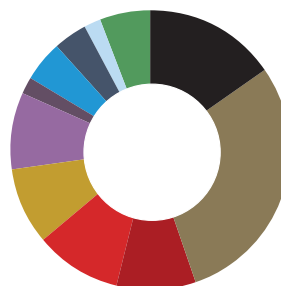
While each Foundation CIM client is unique, portfolios are generally designed to deliver absolute returns in the order of 4.0% to 5.25% per annum in excess of inflation, expressed via the Consumer Price Index, Average Weekly Earnings or Wage Price Index over rolling eight-to-ten-year periods, depending on each client's risk profile.

Strategic asset allocation

VFMC sets a strategic asset allocation designed to meet each client's long-term investment objectives, liabilities and risk tolerances with effective diversification. The charts below show the breakdown of the strategic asset allocation for each asset class at 30 June 2024 across the Foundation CIM clients and the VFMC Pooled Funds respectively. The Foundation CIM aggregate is a weighted average of individual clients' strategic asset allocations.

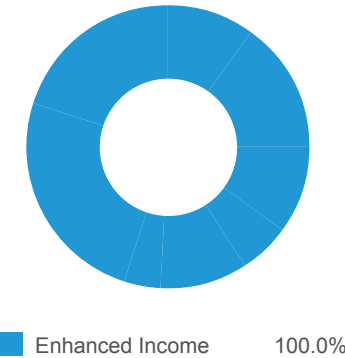
Foundation CIM clients aggregate strategic asset allocation at 30 June 2024

| | | | |
|------------------------|-------|------------------------|------|
| Australian Equities | 15.4% | Emerging Markets Debt | 2.0% |
| International Equities | 29.6% | Inflation Linked Bonds | 4.9% |
| Infrastructure | 9.0% | Australian Bonds | 3.7% |
| Property | 10.0% | US Bonds | 2.0% |
| Hedge Funds | 8.9% | Cash | 5.7% |
| Private Credit | 8.8% | | |

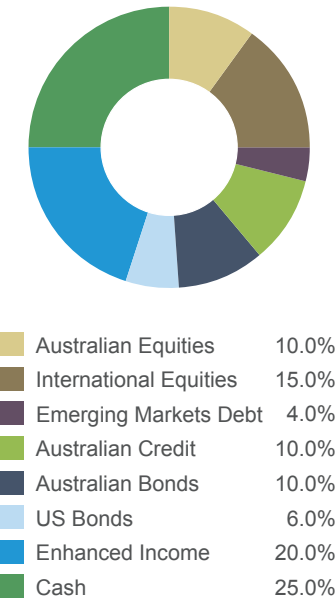


VFMC Pooled Funds strategic asset allocation
at 30 June 2024

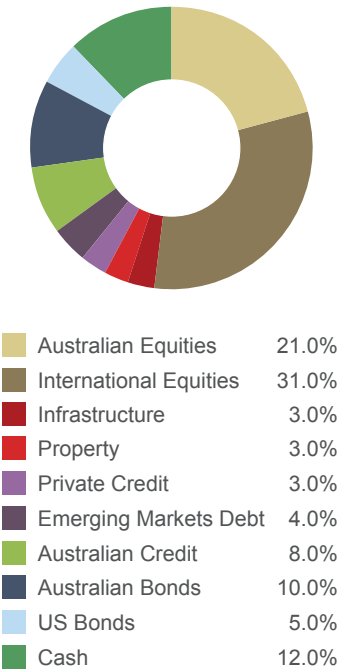
VFMC Enhanced Income Fund



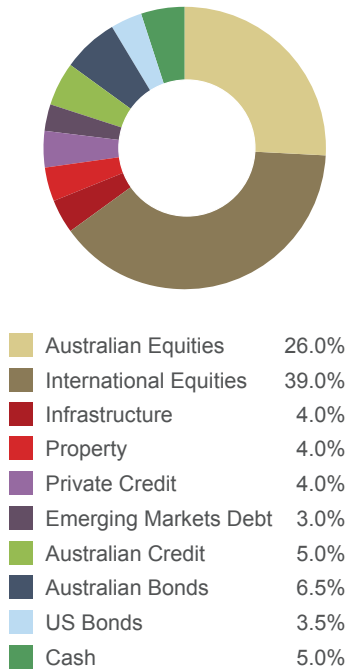
VFMC Conservative Fund



VFMC Balanced Fund



VFMC Growth Fund



Managing currency

As a global investor, VFMC also considers the impact of currency exposure on international asset returns.

When designing portfolios, VFMC evaluates the most appropriate level of foreign currency exposure to balance return and diversification benefits at the portfolio level, rather than allowing this exposure to be shaped solely by the currency of underlying investments. It uses currency hedging to manage these exposures as needed and proactively manages its foreign currency hedging program in response to market developments.

Active asset allocation management

VFMC takes an active approach to asset allocation as it believes market inefficiencies can provide opportunity to add incremental value. VFMC has two active asset allocation programs, the Dynamic Asset Allocation and Cycle Aware Asset Allocation programs. These programs are designed to improve portfolio resilience, increase absolute and risk-adjusted returns and take advantage of market opportunities at different stages of the business cycle. A range of risks and opportunities are considered to maximise the probability of long-term success, as VFMC believes downside protection in the portfolio is as important as capturing upside opportunities.

Internal and external funds management

VFMC uses a combination of internal and external management across portfolios. Internal management is undertaken within the Australian Equities, International Equities, Australian Credit, Fixed Interest and Cash asset classes, as well as the Dynamic Asset Allocation and Cycle Aware Asset Allocation programs.

VFMC also partners with external investment managers who execute investment strategies and make active investment decisions on its behalf. VFMC's external managers represent a range of trusted, specialist investment organisations from around the globe.

Investment performance

Investment environment

Financial year 2023-24 saw several shifts in the economic and investment market landscape globally. The first part of the year was characterised by a 'wall of worry' with the general belief that being at or near the end of the most aggressive and coordinated interest rate tightening cycle in over four decades, a recession was looming. This gave way quite abruptly late in 2023 to the emergence of a more constructive tone with activity proving to be more resilient, inflation receding, interest rates stopped rising and, the secular thematic of Artificial Intelligence (AI) and the potential benefits. These all contributed to equity markets recording strong gains, notwithstanding the ever-lurking clouds of political and geopolitical uncertainty.

A key theme throughout the year was one of 'US exceptionalism'. The resilience in economic growth caught most by surprise given the sharp monetary policy tightening cycle. However, key mitigants were record levels of fiscal spending, strong employment growth and less sensitivity to moves in interest rates due to most housing debt locked into low fixed rate mortgages. This exceptionalism, along with the AI thematic, contributed to the US S&P returning nearly 25% in US Dollar terms. This underpinned international shares, returning around 20% in Australian dollar terms.

Outside of the US, whilst growth was more modest, it nevertheless was not as weak as feared at the beginning of the year. Further, inflation continued to grind lower along its 'bumpy' path, easing concerns that plagued investors at the start of the year.

These factors also contributed to a positive turn in company earnings expectations supporting major developed regions returning double-digit equity returns.

Global bond yields were quite volatile through the year, with long-end yields finishing higher. This reflected the uncertainty around the trajectory of inflation toward central banks targets and the likely timing and speed of policy response. With inflation having peaked in late 2022, the US Federal Reserve and the RBA's last rate hike was July 2023 and November 2023, respectively. Globally the monetary policy cycle began shifting towards lowering official cash rates, with Australia a potential outlier. Over the year, fixed income benchmark returns were flat to modestly positive in the US and Australia, respectively.

Looking ahead, the macro and investment environment is subject to an unusual degree of uncertainty. This is because whilst inflation has been moving lower it remains above central banks' targets – this is especially the case in Australia; there are signs the labour market resilience is waning; and importantly the coming year is filled with events such as the US election and ongoing international conflicts. Whilst earnings expectations for the year ahead have improved, valuations are assessed to be elevated in aggregate. Combined with an uncertain macro, policy and political outlook suggests a potentially volatile backdrop.

Investment Performance

Over the past 10 years, the Foundation CIM aggregate portfolio has delivered a net return of 7.7% after fees per annum, outperforming the strategic asset allocation benchmark return of 7.2% per annum.

Foundation CIM clients' aggregate performance by asset class (net of fees)

| Asset Class | 1 Year | | 3 Years | | 5 Years | | 8 Years | | 10 Years | |
|--------------------------------|------------|------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
| | Actual (%) | Bmk (%) | Actual (%) | Bmk (% p.a.) | Actual (%) | Bmk (% p.a.) | Actual (%) | Bmk (% p.a.) | Actual (%) | Bmk (% p.a.) |
| Equities | | | | | | | | | | |
| Australian Equities | 11.4 | 11.9 | 5.6 | 6.1 | 7.2 | 7.2 | 8.9 | 9.3 | 8.1 | 8.0 |
| International Equities | 18.1 | 16.5 | 7.6 | 7.7 | 11.0 | 10.5 | 11.8 | 11.5 | 10.9 | 10.6 |
| Real Assets | | | | | | | | | | |
| Infrastructure | 5.5 | 7.8 | 11.0 | 10.1 | 8.8 | 8.8 | 10.6 | 8.1 | 11.9 | 7.7 |
| Property | -6.5 | -2.0 | 1.5 | 4.5 | 3.0 | 4.1 | 5.8 | 6.4 | 7.1 | 7.4 |
| Alternative Strategies | | | | | | | | | | |
| Hedge Funds | 10.1 | 7.6 | 7.7 | 3.6 | 6.8 | 4.5 | n/a | n/a | n/a | n/a |
| Credit | | | | | | | | | | |
| Private Credit | 9.4 | 8.5 | 6.5 | 4.3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Emerging Markets Debt | 5.4 | 3.9 | -0.3 | -1.7 | n/a | n/a | n/a | n/a | n/a | n/a |
| Cash and Fixed Interest | | | | | | | | | | |
| Inflation Linked Bonds | 4.8 | 3.6 | 0.5 | -0.7 | 1.9 | 1.0 | 2.9 | 2.2 | 3.4 | 2.9 |
| Australian Bonds | 5.0 | 3.7 | -1.4 | -2.1 | -0.1 | -0.6 | 1.5 | 1.2 | 2.4 | 2.2 |
| US Bonds | 2.0 | 0.0 | -3.2 | -4.4 | n/a | n/a | n/a | n/a | n/a | n/a |
| Cash | 5.3 | 4.4 | 2.9 | 2.4 | 2.1 | 1.6 | 2.1 | 1.7 | 2.2 | 1.9 |
| Other | | | | | | | | | | |
| Insurance | 10.4 | 7.5 | 4.1 | 5.5 | 4.4 | 4.7 | n/a | n/a | n/a | n/a |
| DAA Overlay | -0.2 | - | 0.1 | - | 0.0 | - | 0.0 | - | 0.1 | - |
| CAA Overlay | | | | | | | | | | |
| CAA Overlay | 0.0 | - | n/a | - | n/a | - | n/a | - | n/a | - |
| Total Fund (Net) | 9.4 | 9.3 | 5.5 | 5.1 | 6.6 | 6.3 | 7.8 | 7.5 | 7.7 | 7.2 |

Active Asset Allocation Programs

VFMC seeks to enhance total portfolio returns via its two internally managed active asset allocation programs: the Dynamic Asset Allocation and Cycle Aware Asset Allocation programs.

During the 2023-24 financial year, VFMC's portfolio positioning was on average modestly defensive with a small underweight position in International Equities. This position was reduced (commencing the end of 2023), but nevertheless was a driver of net value detractor. Partially mitigating this were underweight positions held in long duration bonds (10 and 30 years) and an overweight position in the Australian dollar, both considered to reflect a 'risk on' posture, which contributed positively to active performance. At the end of the financial year, all active positions were closed, reflecting the various cross-currents on economies and financial markets.

Asset Class Returns

Most asset classes made a positive contribution to absolute performance during the 2023-24 financial year, with equity assets producing the strongest result, followed by hedge funds and private credit.

The strongest contributions to relative performance (versus benchmark) came from International Equities, Hedge Funds and the Fixed Income asset classes. This was offset by Property and to a lesser degree Infrastructure, which faced challenges from lower valuations and benchmarks with CPI components.

Net of fees results by asset class alongside relevant benchmark returns for one, three, five, eight and ten year periods are shown on the prior page. Total portfolio results achieved by VFMC are shown net of fees (and excluding franking credits for superannuation clients). The total portfolio benchmark comprises a capital weighted blend of the asset class benchmarks. Benchmarks for each asset class are listed on page 32.

Australian Equities

The Australian equity portfolio delivered a double-digit return for the 2023-24 financial year, modestly below its benchmark. Equity market performance was volatile as markets digested a confluence of national elections across the world, a spike in geopolitical fears and a realisation that interest rates were set to stay higher for longer. Whilst stock selection within Industrials, Real Estate and Financials excluding Banks were positive contributors, this was offset by an underweight to Banks stocks which had an exceptionally strong year. Metals and Mining stocks struggled over the financial year, mostly on China macro concerns.

International Equities

Global equity markets delivered very strong returns over the 2023-24 financial year, led by US growth stocks, in particular, those associated with the Artificial Intelligence theme rising the most. The International Equity portfolio significantly outperformed its benchmark over the year, predominantly due to stock selection within the Health Care and Communication Services sectors. Whilst underperforming developed markets, the dedicated Emerging Markets equities portfolio strongly outperformed the MSCI Emerging Markets Index, mainly due to exposure to Taiwan, Turkey and South Korea. The VFMC Low Volatility portfolio also strongly outperformed its benchmark, with positive contributions from all underlying managers.

Infrastructure

The Infrastructure portfolio underperformed its benchmark for the year, primarily due to the higher interest rate environment impacting asset valuations in addition to weaker operational performance from some funds and co-investments within the portfolio. Overall, infrastructure investors continued to navigate an uncertain macroeconomic backdrop of lower economic growth expectations, persistently higher inflation and interest rates. Deal and fund-raising activity recovered to a degree in the second half of the financial year, as investors adjusted to the market environment, with the digital sector (particularly data centres) and the energy transition the key areas of investment focus.

Property

The Property portfolio delivered a negative return for the financial year and underperformed its benchmark due to the significant increase in the inflation linked component of the benchmark.

Performance was negatively impacted by a continued softening in capitalisation rates for assets with the impact most pronounced in the office sector. Retail, living and industrial sectors also saw valuation declines but these had largely moderated by the end of the year. Property debt strategies in Australia and the US again delivered strong positive risk adjusted returns to provide diversification and defensiveness to the property portfolio.

Fixed Interest

The first half of the financial year saw global central banks continue to raise their respective official cash rates with the firm objective of lowering inflation (with just one more rate rise in the case of the US, Canada, UK, and Australia, two in the case of the European Central Bank noting for the first time in over 15 years the Bank of Japan raised its cash rate in March 2024). The ongoing rate rises continued to keep upward pressure on the broader term structure of interest rate yield curves into the end of 2023. At the start of 2024, there were signs of moderation in inflation and policy settings were sufficiently restrictive. Central Bank rhetoric turned to how long policy would remain on hold before rates could come down again. Bonds yields began to move lower in yield, inflation moderated, and in some jurisdictions, there was enough economic weakness such as Europe and Canada for their Central Banks to follow through with rate cuts. From a return perspective, the fixed income asset classes at the benchmark level delivered low single-digit positive returns with active management delivering considerable excess returns above these. All managers, led by the internal VFMC team, and all key strategy types, added value with interest rate management and relative value strategies contributing the most to the excess return outcomes.

Hedge Funds

The Hedge Fund portfolio delivered positive absolute returns and outperformed its benchmark for the year. Managers across a range of investment strategies generated strong returns from increased market volatility and dispersion. They were able to take advantage of interest rate volatility from changes in rate cut expectations as well as benefit from idiosyncratic risk in equities and differential currency views across countries.

Private Credit

The Private Credit portfolio delivered a strong positive return for the year and outperformed its benchmark.

Credit markets performed very strongly over the financial year as fears around a sustained high inflation and economic slowdown diminished. The increase in cash rates over the last 12 months benefited the floating rate credit investments. The slower economic growth in Europe compared to the US and Asia contributed to the underperformance of some European credit strategies. Overall default rates in the credit market remained very low, however the number of companies that were on watch and looking to restructure their balance sheet was on the rise.

Emerging Markets Debt

The Emerging Market Debt portfolio delivered a positive absolute return for the year and outperformed its benchmark.

Emerging market high yield debt markets benefited from a tightening of credit spreads which drove returns in hard currency bonds (emerging market debt issued predominantly in US dollars). Local currency bonds (issued in the country's own currency) were muted from weakness in emerging market currencies, which came under pressure from the strong US dollar.

Insurance

The Insurance portfolio delivered strong returns, outperforming its benchmark for the year. The Natural Catastrophe portfolio was the main driver of performance, underpinned by yields at close to historic highs. Importantly, the US hurricane season was the quietest in a number of years (after most of the last five years were well above average losses) which resulted in low portfolio capital losses.

Cash

The Cash portfolio delivered a higher return than the benchmark over the year. Cash exposures are actively managed for performance, appropriate risk exposure and to provide portfolio liquidity as required. During the 2023-24 financial year the cash rate was raised once by 0.25% from 4.1% to 4.35%.

Asset Class Benchmarks

| Asset Class | Benchmark |
|------------------------|---|
| Australian Equities | S&P ASX300 Accumulation Index |
| International Equities | 66% MSCI World (Net dividends reinvested) in AUD 17% MSCI Emerging Markets Index (Net dividends reinvested) in AUD 17% MSCI World Minimum Volatility (USD) Index (Net dividends reinvested) in AUD |
| Infrastructure | 75% CPI + 4.5% p.a. 25% MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) |
| Property | 50% CPI + 4% p.a. 50% MSCI/Mercer Australia Core Wholesale Monthly PFI (Net) Index |
| Hedge Funds | 50% Bloomberg AusBond Bank Bill Index + 3% p.a. 50% Hedge Funds Research Inc. (HRFI) Fund of Fund Diversified Index (AUD Hedged) |
| Private Credit | 50% Bloomberg AusBond Bank Bill Index + 3% p.a. 25% S&P/LSTA Leveraged Loan Index (AUD Hedged) 12.5% HFRI ED - Distressed/Restructuring Index (AUD Hedged) 12.5% Merrill Lynch High Yield Master II (AUD Hedged) |
| Australian Credit | Bloomberg AusBond Bank Bill Index |
| Emerging Market Debt | 50% JP Morgan EMBI Global Diversified (AUD Hedged) 50% JP Morgan GBI EM Global Diversified (AUD Unhedged) |
| Inflation Linked Bonds | Bloomberg AusBond Government Inflation Linked Index 0+ Yr Index |
| Australian Bonds | Bloomberg AusBond 0+ Yr Composite Index |
| US Bonds | Bloomberg Barclays US Treasury Index (AUD Hedged) |
| Enhanced Income | Bloomberg AusBond Bank Bill Index |
| Cash | Bloomberg AusBond Bank Bill Index |
| Other Strategies | Bloomberg AusBond Bank Bill Index + 3% p.a. |

VFMC Pooled Funds

As at 30 June 2024, 26 clients were invested in the Pooled Funds, with combined investments totaling \$3.9 billion.

Net of fees results for each of the VFMC Pooled Funds alongside relevant benchmark returns are shown in the following table. The VFMC Enhanced Income Fund delivered positive returns over the period since inception from December 2022 for Pooled Fund clients.

The VFMC Conservative, Balanced and Growth Pooled Funds outperformed their strategic asset allocation benchmarks over the financial year. This was driven by the strong absolute performance of Australian and International equities, Australian Credit and the outperformance of VFMC's Debt and Cash strategies.

The strong financial year absolute returns in conjunction with some easing of inflation assisted the Funds in recouping some of the longer term underperformance of their respective investment objectives. Notably, the Growth Fund, with its higher equities allocation, performed in line with its CPI + 4% per annum objective over 10 years.

VFMC Pooled Fund aggregate performance by Fund

Pooled Fund aggregate performance by Fund to 30 June 2024

| VFMC Pooled Fund | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|------------------------------------|--------|------|---------|--------|---------|--------|----------|--------|
| | Actual | Bmk | Actual | Bmk | Actual | Bmk | Actual | Bmk |
| | (%) | (%) | % p.a. | % p.a. | % p.a. | % p.a. | % p.a. | % p.a. |
| Enhanced Income Fund ¹ | 5.4 | 4.4 | n/a | n/a | n/a | n/a | n/a | n/a |
| Conservative Fund (Capital Stable) | 7.3 | 6.4 | 2.9 | 2.3 | 3.2 | 2.8 | 3.8 | 3.6 |
| Balanced Fund | 9.4 | 9.0 | 3.6 | 3.5 | 5.0 | 4.9 | 5.7 | 5.9 |
| Growth Fund | 10.6 | 10.4 | 4.2 | 4.4 | 6.1 | 6.3 | 6.7 | 7.2 |

¹ Incepted Q4 2022, 3 year performance not available.

Investment stewardship

VFMC is a long-term steward of its clients' capital, balancing investment returns and ESG risks and opportunities in the investment decision making process.

VFMC seeks to improve risk-adjusted returns by being an active and responsible steward of its clients' capital and managing material ESG issues alongside other investment factors. VFMC achieves this by systematically integrating ESG factors into its whole of portfolio investing approach and evaluating ESG risks and opportunities when selecting, managing and monitoring investments.

VFMC PURPOSE

Investing for Victoria's future



OVERARCHING INVESTMENT STEWARDSHIP APPROACH

VFMC aims to improve risk-adjusted returns by being a responsible investor of its clients' capital by managing environmental social and governance (ESG) risks.

PILLARS OF ACTIVITY

1

ACTIVE OWNERSHIP

2

ESG INTEGRATION

3

MAJOR ESG PROJECTS

4

COLLABORATION AND
INFORMATION SHARING

Enabling policies, such as:

INVESTMENT
STEWARDSHIP
POLICY

PROXY
VOTING
POLICY

CLIMATE
CHANGE
POSITION

MODERN
SLAVERY
POLICY

EXCLUSIONS
POLICY

Active Ownership

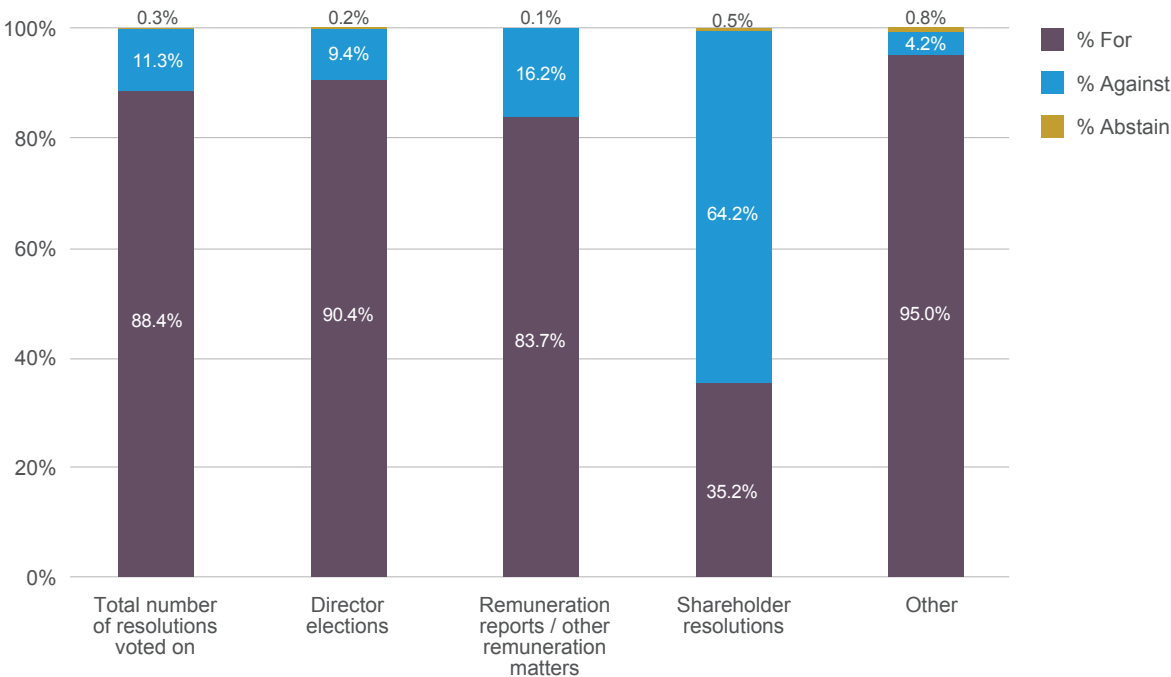
VFMC actively monitors and engages with investee companies and external fund managers across all asset classes. This active ownership enables VFMC to influence positive change in ESG practices across its portfolio and in real-world outcomes, which is achieved through two approaches: direct and indirect company engagement, and proxy voting. VFMC engages directly with investee companies and indirectly via fund managers on its material existing and emerging ESG issues, particularly those that can impact the long-term sustainability of its investments.

In 2023-24, VFMC undertook 287 engagements across material themes.

Proxy voting

The second element of VFMC’s approach to active ownership is proxy voting. Voting at company Annual General Meetings provides investors such as VFMC with a formal means to exercise ownership rights, hold the Board and company management accountable and, where appropriate, indicate dissatisfaction or concern with an issue. Contentious resolutions can be effective in influencing a company to take action.

In the 2023-24 year, VFMC voted on 4,876 resolutions across both global and domestic companies.



ESG Integration

In 2023-24, ESG due diligence was undertaken on 31 new investment mandates and several direct investment opportunities. Items of note discussed at VFMC's ESG working group and investment team meetings throughout the year included:

- Policy implications of COP28 on renewable energy investment and national climate pledges,
- Analysis and trends in human capital indicators (diversity, inclusion, turnover, culture) as leading indicators of performance; and
- A review of Native Title and Indigenous Land Use Agreements and the importance of incorporating 'Free, Prior, Informed and Consent' processes in investment projects on First Nations land.

Case Study: ESG Sovereign Model

In 2023-24, the Investment Stewardship team released a proprietary ESG sovereign model and PowerBI dashboard.

This tool, which evaluates 180 countries across 24 ESG factors, will allow for the evaluation of sovereign ESG performance over time, relative to peers, and at various levels of granularity. The tool will significantly enhance investment due diligence given its ability to drill down into the ESG characteristics of each country.

Major Projects

VFMC undertakes dedicated ESG projects to support its investment stewardship activities, enhance its understanding of material risks and to meet legislative obligations. These projects are initiated when significant cross-functional input or resourcing is required to support or enable improvements to VFMC's whole of portfolio approach.

Key ESG projects undertaken in 2023-24 included:

- VFMC's Climate Action Plan, which details the strategic roadmap for how it will achieve net zero portfolio emissions by 2050,
- Implementation of a sovereign ESG risk dashboard which assesses sovereign ESG risks and performance; and
- Enhanced decision-making process with the inclusion of an ESG due diligence questionnaire and pre/post investment Carbon Footprint report.

Collaboration

To maintain a robust approach to ESG risk, VFMC regularly collaborates and shares knowledge with peer investors and other industry participants. VFMC also works with investment managers, investee companies and other institutional investors through investor-led initiatives to integrate, capture and monitor the positive social, environmental and governance impacts of investments.

VFMC is a member of, and participates in, collaborative initiatives including the following:



Case Study: Collaboration

VFMC participated in a collaborative project on culture-based financial risks, with the research showing these risks - turnover, absenteeism, manager productivity losses, higher workers compensation premiums and extra provisioning for creating safer workplaces – lead to significant increased costs for workplaces.

Overall, the report found that culture based financial risks are not treated with the same level of priority as other business risks such as physical safety. Most companies do a poor job of capturing psychological safety and culture-based risks in their enterprise risk management frameworks. Furthermore, companies either do not have the tools or are only at the beginning of collecting human capital information.

Electricity Consumption

| Indicator | 2023-24 | 2022-23 |
|--|------------|-----------|
| Total electricity consumption (kWh) | 177,657.23 | 152,541.2 |
| Purchased electricity | | |
| Corporate Office (a) | 81,047.83 | 67,373.5 |
| Not directly purchased but from outside the organisation | | |
| Corporate Office (a)(b) | 96,609.40 | 85,167.7 |

Notes:

a. This being the sole office of Victorian Funds Management Corporation

b. This is an estimate based on most recent available data provided by the Landlord



Clients, People and Community

VFMC clients

VFMC manages funds for 32 Victorian public authorities and related organisations, including Local Government. The returns generated from client investment portfolios support client organisations to deliver important community services, such as health and wellbeing, insurance, education, retirement outcomes and enhancements to the cultural lives of Victorians.

In 2023-24, VFMC welcomed two new clients, Melton City Council and the Victorian Government - Victorian Future Fund.

VFMC has four categories of clients:

1. Foundation CIM clients

Public sector and superannuation agencies that are required to invest through VFMC under the Centralised Investment Model.

2. Foundation CIM 'Model' client

The Treasurer (responsible for administering the Victorian Future Fund (Fund)) has appointed the Victorian Funds Management Corporation as fund manager to invest the assets of the Fund in accordance with section 9A(3) of the *Victorian Funds Management Corporation Act 1994*.

3. Other CIM clients

Public sector agencies that are required to invest through VFMC under a Standing Direction under the *Financial Management Act 1996*.

4. Other clients

Other clients that must be established under a State Act, with Board members appointed by a Minister and wholly or partly funded by the State of Victoria.

Client investment services

VFMC engages regularly with its clients to maintain a close understanding of their environments and evolving needs. It also provides clients with investment guidance, integrated investment stewardship services, regular Board and Committee updates, and monthly, quarterly and annual reporting. During 2023-24, VFMC implemented a refreshed service proposition for the VFMC Pooled Fund clients with increased regularity of engagement and support relating to the nature of investment services required.

VFMC performs an extensive review of the investment strategy for its Foundation CIM clients every three years, with the latest IRMP approved in April 2022. Implementation is undertaken over the following three years with the second phase implemented 1 July 2023 and the final phase implemented 1 July 2024. 2024 saw the commencement of the work for the new 2025 IRMP with refreshed capital market assumptions.

Throughout the IRMP process, VFMC works closely with Foundation CIM clients and the Department of Treasury and Finance to ensure client's risk and return profiles, long-term liability profiles, funding ratios, liquidity and income requirements are understood.

Client performance reporting

In 2023-24 performance reporting was further enhanced with the development of dashboard reports of VFMC Pooled Fund clients' individual performance for their Board and Committee updates.

Based on client feedback, a new online client portal, Client Connect, was launched in May 2024.

Client satisfaction survey

VFMC undertakes independent biennial client satisfaction surveys. The last survey was conducted in December 2022, which showed overall client satisfaction remained high at 7.5 out of 10, primarily attributable to strong investment performance and high-quality client service, down slightly from 7.9 in 2020. The next survey will be conducted in 2024-25.

VFMC client events

As part of its commitment to client education and engagement, VFMC hosted three investment forums for its clients in 2023-24. These forums provided updates on investment markets and performance drivers, as well as targeted topics including:

- investment market assumptions and the medium to long-term return outlook;
- impacts of geopolitical activity on investment markets;
- individual asset class deep dives; and
- VFMC's current key initiatives and progress in investment stewardship.

VFMC introduced ESG webinars in 2023-24 to assist clients with managing their own reporting and stakeholder engagement. Topics included:

- Climate change
- First Nations people and cultural heritage
- Climate reporting and transition planning
- Update on climate change policy in Australia

VFMC client engagement

VFMC held two client strategy forums in 2023-24. Foundation CIM clients, DTF and VFMC shared and discussed their corporate strategies to enhance mutual understanding, collaboration and partnership. VFMC also launched its new corporate strategy, Elevate to 28, to clients in 2024.

During the first half of 2024, VFMC engaged with Foundation CIM CEOs and Chairs, and conducted a survey with VFMC Pooled Fund clients, enabling them to provide input to the next VFMC strategy. Core themes were the clients' requirement for ongoing strong investment returns, a strong appreciation of VFMC's expertise in ESG and the strength of the relationship and partnership between clients, DTF and VFMC.

Contributing to the investment community

As well as hosting client forums, VFMC actively engages with the industry as a thought leader and contributes to the investment community through knowledge sharing.

In 2023-24, VFMC representatives were invited to participate in panels, roundtables and presentations at several industry events. VFMC leaders and investment experts spoke across a range of topics, such as:

- emerging market and macroeconomic trends;
- trends in property demand, including resilience in property;
- portfolio strategy and portfolio construction;
- absolute returns and market volatility; and
- ESG considerations, including the transition to a net zero future.

VFMC people

At VFMC we love our work and the impact we have. VFMC's impact is felt by all Victorians through its contribution to the continued prosperity of Victoria with over \$86 billion in funds under management.

VFMC strives to have its people known as a diverse, extraordinary team, delivering long term returns. The team are curious, smart and kind and genuinely care about each other. VFMC's culture is its enduring strength, and what our people value is at the core of our culture:

Do what's right: Be courageous, take informed risks, be accountable for our decisions and behaviour.

Always aim to do better: to achieve the best outcomes for our stakeholders.

Be curious, smart, kind and inclusive: work together for greater impact.

Gender Equality Action Plan

Since VFMC submitted its first Gender Equality Action Plan (GEAP) to the Gender Equality Commission in early 2022, focus and progress has continued with the implementation of the plan that runs to 2025. The VFMC GEAP focuses on equal gender composition, reducing the gender pay gap, concentrating on recruitment and promotion of diverse talent, enabling flexible work, and a workplace with no sexual harassment.

VFMC's participation in the Change Makers course continued in 2023-24, with 32 senior male leaders having completed the course, representing 92% of VFMC's male leaders. VFMC is committed to continuing this program ensuring all newly appointed male people leaders complete this training as a key component of VFMC's investment in leadership capability.

All VFMC people complete Core Inclusion and Workplace Behaviour e-learning.

Other programs delivered this year that support the VFMC GEAP included VFMC's Analyst Program, the LIFT Sponsorship program and our partnership with Future Impact initiative.

Further actions implemented in line with the VFMC GEAP include the capturing of intersectional data to ensure understanding of representation across the workforce and a focus on male leaders actively promoting caring responsibilities to normalise the caring role.

VFMC continues to align its remuneration practices within the context of the policy settings of the Victorian Public Sector. VFMC has an internal Remuneration Policy to support transparency and understanding of how remuneration is set and reviewed. VFMC is focused on improving its gender pay gap. Since VFMC lodged its first GEAP data in 2021, VFMC has reduced its gender pay gap from 24.7% to 16.7% (median total remuneration gap). VFMC remains committed to reducing the gender pay gap to less than 15%.

Family Friendly Workplace Certification

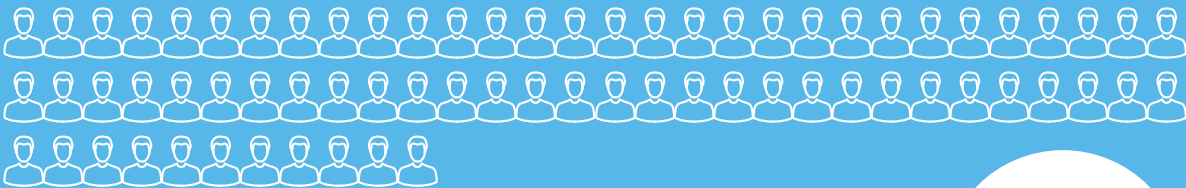
VFMC once again achieved Family Friendly Workplace Certification, during National Families Week in May 2024. VFMC has now created its second, two-year Family Friendly Workplace Action Plan. Through initiatives like return-to-work coaching, flexible and hybrid working, and the CaLM program supporting those with ageing family members, VFMC is setting a standard for what a family inclusive workplace can look like.

Our team at 30 June 2024

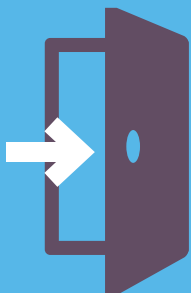
140 employees



69
WOMEN



71
MEN



we welcomed
31 new people

19 women and 12 men
to our team in both permanent
and contract roles this year

**5 people took
parental leave**



2 women and 3 men

Development @ VFMC Program

The Development @ VFMC Program provides opportunities for all VFMC People to participate in training and development aligned with their performance and development goals. Programs include:



The VFMC LIFT Sponsorship Program

Co-created with, and facilitated by Future Impact, this program is designed to support aspiring leaders chart a pathway to leadership, including in the areas of leadership purpose and career strategy, confidence and passion, influence and impact. It is delivered through experiential learning, complimented by peer coaching and sponsorship.



The VFMC Analyst Program

The VFMC Analyst Program, focuses on the attraction, development and retention of a cohort of talented analysts with 2-3 years of work experience from a broad range of backgrounds. With annual intakes, analysts participate in a two-year training and development program co-designed with the VFMC Investment Leadership Team to provide a broad range of opportunities.



Change Makers

As part of VFMC's Gender Equality Action Plan commitments, this course facilitated by Future Women is for men striving to be better managers and leaders by understanding how diverse and inclusive workplaces benefit all.



New Leader Program

Delivered by the Australian Institute of Management (AIM) this program is for newly appointed People Leaders, and focuses on three key areas: Effective Communication, Implementing Innovation and Continuous Improvement and Project Management Fundamentals.



VFMC Mini MBA

Delivered by The Australian Institute of Management (AIM) covering the key areas of strategy, leadership, customers, numbers, change and action, this course is aimed at intermediate to mid-level team members.



People Leader Forum

Facilitated internally by VFMC's People Team, People Leaders meet quarterly to participate in development opportunities, networking and sharing of leadership experiences.



Knowing VFMC

Delivered internally as a series of training sessions aimed at ensuring the VFMC team understands clients, products and how VFMC invests.



Building a safe and inclusive workplace

Focused on Diversity, Inclusion and Wellbeing, this program includes training in the areas of Inclusion, Appropriate Workplace behaviours, First Aid and Mental Health First aid.

Career Development @ VFMC

The development and growth of VFMC people continues to be a focus both on the job and through more structured training and development opportunities. All VFMC people agree development plans with their People Leader, and promotions are awarded annually.

VFMC's internal rotation program ran for the sixth year in 2023-24 and continues to provide opportunities to access and observe senior leaders and to participate in a range of VFMC governance and decision-making forums. The program develops leadership knowledge and capabilities.

Balanced Lives @ VFMC

Positive health and wellbeing are important for the VFMC people to be able to live meaningful and enjoyable lives, and essential for the sustainable delivery of VFMC's purpose and priorities.

VFMC operates a hybrid working model, known as Balanced Lives @ VFMC, in which VFMC people combine working from VFMC's shared workspace with working remotely as part of an agreement within their teams. Our Balanced Lives @ VFMC Playbook outlines how hybrid working can be adopted at VFMC while ensuring we remain focused on delivering our purpose of investing for Victoria's future.

98%

My manager supports working flexibly

96%

I am confident that if I requested a flexible work arrangement, it would be given due consideration

81%

I am satisfied with my current work life balance in my role

Team engagement

VFMC continues to participate annually in the Victorian Public Sector Commission People Matter Survey.

VFMC's response rate in 2023 was 75%. Indicators in the categories of Engagement, Satisfaction, Inclusion and Taking Action, improved since the 2022 survey, with all scores higher than our comparator group and the public sector overall. VFMC's strengths continue to be in the areas of Hybrid and Flexible working and our positive culture. VFMC's people indicated their high levels of Engagement are driven by the sense of accomplishment and purpose from the work they do, high levels of public trust, and the sense that people are developing and learning in their roles.

92%

I am proud to tell others I work for my organisation

90%

I would recommend my organisation as a good place to work

96%

My organisation is committed to earning a high level of public trust

Workplace health, safety and wellbeing

For VFMC, the health, safety and wellbeing of its people is always a priority. All VFMC employees are supported to create safe hybrid working environments via an external provider, which conducts virtual assessments of home workspaces to ensure ergonomic safety. Those identified as requiring adjustments receive further support via a one-on-one consultation.

The Employee Assistance Program (EAP) continues to provide specialist mental health support along with tailored support for People Leaders. The uptake of the EAP remains consistent with the previous year and continues to be at a healthy organisation utilisation rate. VFMC has continued its annual program of external training for First Aid Officers and Fire Wardens, along with workplace-based training on emergency protocols.

To increase VFMC's internal capability to assist its people to better manage their own, and support others' positive mental health, 27 VFMC people undertook Mental Health First Aid Training in 2023-24.

VFMC People Leaders participate in quarterly training to continue to strengthen their leadership capability, with some sessions focused on health, safety and wellbeing. In 2023-24, training included:

- Neurodiversity in the Workplace,
- Creating and leading a safe and respectful working environment (with a focus on Positive Duty); and
- Leading and Navigating Change (with a focus on Psychosocial Safety).

VFMC in the community

Recognising the importance of community connection, all VFMC people have access to two days of volunteering leave annually to connect with colleagues and the community.

During 2023-24, the VFMC team has contributed over 510 volunteer hours into the community. VFMC held its second annual Corporate Volunteering Month in March 2024. Many team members participated in a range of volunteer opportunities at organisations including West Welcome Wagon, Foodbank Victoria, and the Lost Dogs Home.

Teams have also volunteered outside of the corporate volunteering month at organisations such as Fareshare and Port Phillip Eco Centre.

An annual highlight at VFMC is Team VFMC's participation in the Mother's Day Classic to support breast cancer research. This year the team raised over \$2,600 as part of this community event, increasing VFMC's total contribution to \$29,101.

Social procurement

VFMC's social procurement strategy aligns with its ESG framework and aims to drive social and sustainable benefits from procurement decisions. As part of that strategy, VFMC engages with providers including The Good Good, BioPak, Fruit2Work and Green Collect.

Case Study: Social Procurement

Opportunities for Victorian Aboriginal people is one of seven social procurement objectives included in the Victorian Government Social Procurement Framework. VFMC contributed to this by purchasing from a Victorian Aboriginal business.

In celebration of NAIDOC week, Bunji catering provided morning tea to an all-staff event. Bunji catering is a corporate catering venue aligned with Jarrah Integrated Services. They are an Aboriginal company built on a shared commitment to Indigenous business development, and career development and advancement, including key community engagements and initiatives across Victoria. Their mission is to create a meaningful niche within the catering industry, so they can introduce delicious native cuisine that tells stories of the land, pays homage to the heritage and fuels reconciliation.



KPIs, Financial Performance and Other Disclosures

Key performance indicators

Client portfolios versus benchmarks

While each Foundation CIM client is unique, portfolios are generally designed to deliver absolute returns in the order of 4.0% to 5.25% in excess of inflation (Consumer Price Index), Average Weekly Earnings or the Wage Price Index per annum over rolling eight-to-ten-year periods, depending on each client's investment objective. VFMC strives to achieve these objectives by:

- setting the most appropriate strategic asset allocation; and
- adding value to that strategic asset allocation through its active asset allocation programs and active management strategies within asset classes.

The following table sets out the long-term objective for each Foundation CIM client and VFMC's multi-year performance against each objective. Clients set a probability of each objective being achieved, as they understand that pursuing a growth-oriented long-term strategy means their objectives will not be achieved in all periods.

Individual Client Performance versus stated objective for periods ending 30 June 2024

| Client | Objective Horizon (years) | Performance Net of Fees % p.a. | Target Return per Objective % p.a. | Investment Objective | Probability of Objective Being Achieved |
|-------------------|---------------------------|--------------------------------|------------------------------------|---|---|
| WorkSafe Victoria | 8 | 7.7 | 7.4 | AWE (Vic) + 4% p.a. over rolling eight year periods | 60% |
| TAC | 10 | 7.7 | 7.8 | CPI (Melb) + 5% p.a. over rolling ten year periods | 60% |
| VMIA | 10 | 7.7 | 6.6 | WPI (Aust) + 4.25% p.a. over rolling ten year periods | 60% |
| ESSSuper SSF | 8 | 8.0 | 8.4 | CPI (Aust) + 5.25% p.a. over rolling eight year periods | 60% |
| ESSSuper DB | 8 | 7.5 | 8.1 | CPI (Aust) + 5% p.a. over rolling eight year periods | 60% |

Note: These Client Objectives were implemented on 1 July 2022

People engagement

VFMC's people continue to report that, along with our clear purpose of investing on behalf of the State of Victoria to ensure its future prosperity, VFMC's culture is its strength. VFMC people report that they are driven by the significant impact they can have in their roles, their colleagues, and the way that VFMC prioritises driving successful careers while living balanced lives.

VFMC participated in the Annual Victorian Public Sector People Matter Survey in May 2023 with an excellent response rate of 75%, and good representation across all teams.

The results revealed that VFMC is performing above its peers in the Public Sector on most measures including Employee Engagement where VFMC scored 79%, an increase of two percentage points since 2022. Other results include:

- 100% of VFMC people feel they understand how their job helps VFMC achieve its goals
- 99% of people also feel they achieve something important through their work and can make a worthwhile contribution at work
- 98% of VFMC people also indicated that they get a sense of accomplishment from their work

Operational risk

VFMC's internal control framework aims to ensure there are no significant breaches of legislation, policies, guidelines or the requirements under the Prudential Standard.

For the year ended 30 June 2024 and to the date of signing this report, there were no significant breaches.

Financial performance

Operating surplus

VFMC returned a pre-tax surplus of \$13.2 million in 2023-24.

Operating revenue

VFMC's revenues comprise of management fees, performance fees and interest income. In 2023-24, VFMC earned revenues from these sources of \$237 million.

Return on capital

VFMC's return on capital for the year ended 30 June 2024 was 12.8%.

Dividend

A dividend of \$4.3 million was paid to the State of Victoria during 2023-24.

For further information, refer to VFMC's financial statements on pages 64-92.

Expenditure on consultancies and major contracts

In 2023-24, VFMC invested in its operations by continuing the execution of the Evolve24 Strategic Agenda, with an annual expenditure of \$951,000. This compared to an expenditure of \$801,000 in 2022-23. For details of individual consultancies, visit www.vfmc.vic.gov.au.

VFMC has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than \$10 million in value entered into during the financial year ended 30 June 2024. Details of contracts that have been disclosed in the Victorian Government Contracts Publishing System can be viewed at: www.tenders.vic.gov.au.

VFMC's information and communication technology business as usual (BAU) expenditure in 2023-24 was \$11,102,000 compared with \$10,645,000 in 2022-23.

Key financials

Pre-tax surplus

2023-24

\$13.2m

2022-23

\$10.4m

2021-22

\$24.2m

Net assets

2023-24

\$74.2m

2022-23

\$69.8m

2021-22

\$71.0m

Dividend paid

2023-24

\$4.3m

2022-23

\$8.4m

2021-22

\$7.8m

General compliance information

This section includes disclosures required by the *Financial Management Act 1994* and the *Victorian Funds Management Act 1994* (VFMC Act).

Incorporation and Ministerial Responsibility

VFMC was established under the *VFMC Act* to provide:

- a) investment and funds management services to participating bodies and the State;
- b) its services in a commercially effective, efficient, and competitive manner

VFMC is subject to the general direction and control of the Treasurer of Victoria.

Objectives, functions, powers, and duties of the Corporation

VFMC was established to provide to:

- a) investment and funds management services to participating bodies and the State;
- b) its services in a commercially effective, efficient, and competitive manner.

The functions of the Corporation are:

- c) to manage funds of public authorities and the State
- d) to provide funds management, investment services or other financial services and financial or investment advice to public authorities and the State) to act as trustee;
- e) to act as manager of a trust; and
- f) to carry out functions or provide such financial, investment or other services in relation to financial assets of public authorities or the State as the Treasurer determines

Freedom of Information Act 1982

Under section 39 of the *Freedom of Information Act 1982* (FOI Act), VFMC is not, and is not eligible to be declared to be, an agency or prescribed authority within the meaning of the FOI Act.

Disclosure of emergency procurement

During 2023-24, emergency procurement was not activated.

Local Jobs First Act 2003

During 2023-24, no contracts commenced to which the *Local Jobs First Act 2003* applied.

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and facilitates people in making disclosures of (i) improper conduct by public officers, public bodies, and other persons and (ii) detrimental action taken in reprisal. It provides protection to people who make such disclosures and who suffer detrimental action in reprisal for those disclosures. It ensures that those disclosures are properly assessed and, where necessary investigated. Further, it provides protection of the confidentiality of the content of those disclosures and the identity of the person making those disclosures.

VFMC does not tolerate improper conduct by its employees. VFMC does not tolerate threatening or taking detrimental action against another person in reprisal for a public interest disclosure.

Employees, and members of the public are encouraged to report known or suspected incidences of improper conduct or detrimental action in reprisal for a public interest disclosure.

VFMC will take all reasonable steps to protect people who make disclosures and will endeavour to foster a culture in which people can make disclosures without the fear of reprisal.

VFMC will also afford natural justice to the person who is the subject of the disclosure.

Disclosures of improper conduct or detrimental action by VFMC or any of its employees or directors may be made directly to IBAC at www.ibac.vic.gov.au, by phone: 1300 735 135, or by email: info@ibac.vic.gov.au.

Compliance with the Building Act 1993

VFMC does not own or control any government buildings and is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Modern Slavery Act

VFMC is required to comply with the *Modern Slavery Act 2018* (Cth) (Modern Slavery Act) which covers eight types of serious exploitation practices which are offences under the *Criminal Code Act 1995* (Cth): trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the inappropriate or unacceptable form of child labour (modern slavery).

In meeting its obligations under the Modern Slavery Act, VFMC takes into account the Guidelines for Reporting Entities issued by the Department of Home Affairs and closely aligns its approach with the UN Guiding Principles on Business and Human Rights, the recognised global standard for preventing and addressing business-related human rights harm.

More information is available in VFMC's Modern Slavery Policy, which should be read in conjunction with its Investment Stewardship Policy.

Gender Equality Act 2020

The *Gender Equality Act 2020* (Gender Equality Act) came into effect in March 2021. The Gender Equality Act required VFMC to prepare a four-year Gender Equality Action Plan relating to its operations, informed by gender impact analysis, workplace gender equality indicators, accompanied by targets (set by Victorian State Government) and reported annually with sound evidence.

VFMC has an Action Plan and complies with its mandatory reporting obligations under the Gender Equality Act.

Information Available on Request

To the extent applicable, the following information is available to the relevant Minister upon request:

- a) declarations of pecuniary interests duly completed by all relevant officers;
- b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- c) details of publications produced by VFMC about VFMC and the places where the publications can be obtained;
- d) details of changes in prices, fees, charges, rates, and levies charged by VFMC;
- e) details of any major external reviews carried out on VFMC;
- f) details of major research and development activities undertaken by VFMC;
- g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- h) details of major promotional, public relations and marketing activities undertaken by VFMC to develop community awareness of VFMC and the services it provides;
- i) details of assessments and measures undertaken to improve the occupational health and safety of employees;
- j) a general statement on industrial relations within VFMC and details of time lost through industrial accidents and disputes;
- k) a list of major committees sponsored by VFMC, the purposes of each committee and the extent to which the purposes have been achieved; and
- l) details of all consultancies and contractors including:
 - i. consultants/contractors engaged;
 - ii. services provided; and
 - iii. expenditure committed to for each engagement.

Financial management compliance attestation statement

I, Lisa Gay, on behalf of the Responsible Body, certify that Victorian Funds Management Corporation (VFMC) has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read 'Lisa Gay', is positioned above the printed name and title.

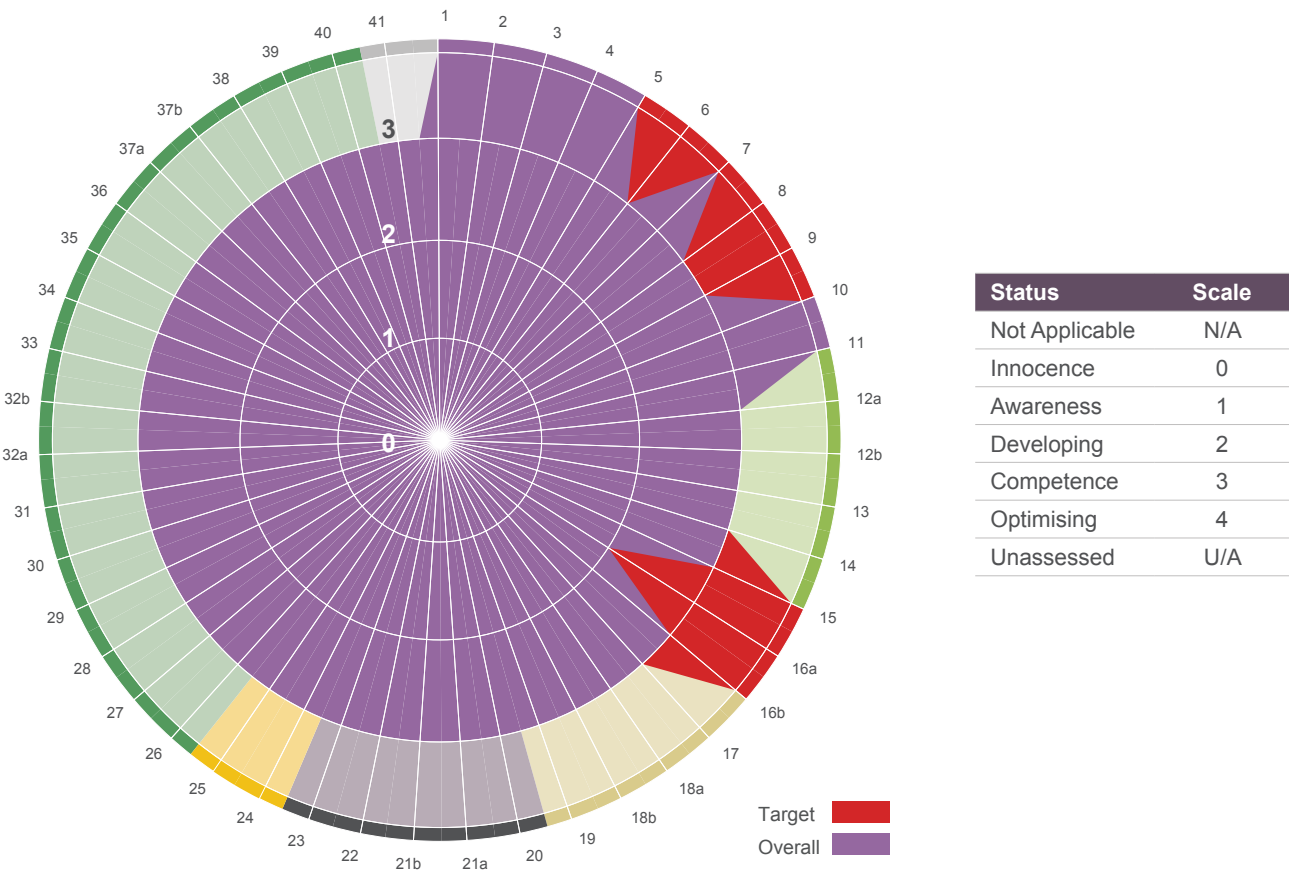
VFMC Chair

Dated 20 September 2024

Asset Management Accountability Framework (AMAF) maturity assessment

The following sections summarise VFMC’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website.

VFMC’s target maturity rating is ‘competence’, meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.



Leadership and Accountability (requirements 1-19)

VFMC has met its target maturity level under most requirements within this category.

VFMC did not comply with a requirement in the area of asset management system performance. There is no material non-compliance reported in this category. VFMC has set its target maturity to improve performance and responsibility in this area.

Planning (requirements 20-23)

VFMC has met its target maturity level in this category.

Acquisition (requirements 24 and 25)

VFMC has met its target maturity level in this category.

Operation (requirements 26-40)

VFMC has met its target maturity level in this category.

Disposal (requirement 41)

VFMC has met its target maturity level in this category.

Disclosure index

The Annual Report of VFMC is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of VFMC's compliance with statutory disclosure requirements.

| Legislation | Requirement | Page reference |
|--|---|----------------|
| Report of Operations – FRD Guidance | | |
| Charter and Purpose | | |
| FRD 22 | Manner of establishment and the relevant Ministers | 61 |
| FRD 22 | Purpose, functions, powers, and duties | 17 |
| FRD 8 | Departmental objectives, indicators, and outputs | 46 |
| FRD 22 | Key initiatives and projects | 9 |
| FRD 22 | Nature and range of services provided. | 9 |
| Management and Structure | | |
| FRD 22 | Organisational structure | 18 |
| Financial and other information | | |
| FRD 8 | Performance against output performance measures | 28 |
| FRD 8 | Budget portfolio outcomes | N/A |
| FRD 10 | Disclosure index | 54 |
| FRD 12 | Disclosure of major contracts | 49 |
| FRD 15 | Executive officer disclosures | 73 |
| FRD 22 | Employment and conduct principles | 40 |
| FRD 22 | Occupational health and safety policy | 44 |
| FRD 22 | Summary of the financial results for the year | 49 |
| FRD 22 | Significant changes in financial position during the year | 57 |
| FRD 22 | Major changes or factors affecting performance | 27 |
| FRD 22 | Subsequent events | 81 |
| FRD 22 | Application and operation of Freedom of Information Act 1982 | 50 |
| FRD 22 | Compliance with building and maintenance provisions Building Act 1993 | 51 |
| FRD 22 | Statement on National Competition Policy | N/A |
| FRD 22 | Application and operation of the Public Interest Disclosure Act 2012 | 50 |
| FRD 22 | Application and operation of the Carers Recognition Act 2012 | N/A |
| FRD 22 | Details of consultancies over \$10,000 | 49 |
| FRD 22 | Details of consultancies under \$10,000 | N/A |
| FRD 22 | Disclosure of government advertising expenditure | N/A |
| FRD 22 | Disclosure of ICT expenditure | 49 |
| FRD 22 | Statement of availability of other information | 51 |
| FRD 22 | Asset Management Accountability Framework (AMAF) maturity assessment | 53 |
| FRD 22 | Disclosure of emergency procurement | 52 |

| | | |
|---|--|-----|
| FRD 22 | Disclosure of procurement complaints | N/A |
| FRD 24 | Environmental Reporting | 35 |
| FRD 25 | Local Jobs First Act disclosures | 50 |
| FRD 29 | Workforce Data disclosures | 41 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | 3 |
| Compliance attestation and declaration | | |
| SD 5.4.1 | Attestation for compliance with Ministerial Standing Direction | 53 |
| SD 5.2.3 | Declaration in report of operations | 53 |
| Financial Report | | |
| Financial Statements | | |
| SD 5.2.2 | Declaration in financial statements | 82 |
| Other requirements under Standing Directions 5.2 | | |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 61 |
| SD 5.2.1(a) | Compliance with Standing Directions | 61 |
| SD 5.2.1(b) | Compliance with Model Financial Report | 62 |
| Other disclosures as required by FRDs in notes to the financial statements | | |
| FRD 9 | Departmental Disclosure of Administered Assets and Liabilities by Activity | N/A |
| FRD 11 | Disclosure of Ex gratia Expenses | N/A |
| FRD 13 | Disclosure of Parliamentary Appropriations | N/A |
| FRD 21 | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 74 |
| FRD 103 | Non-Financial Physical Assets | 66 |
| FRD 110 | Cash Flow Statements | 60 |
| FRD 112 | Defined Benefit Superannuation Obligations | N/A |
| FRD 114 | Financial Instruments – general government entities and public non-financial corporation | N/A |
| Legislation | | |
| <i>Freedom of Information Act 1982</i> | | |
| <i>Building Act 1993</i> | | |
| <i>Public Interest Disclosures Act 2012</i> | | |
| <i>Carers Recognition Act 2012</i> | | |
| <i>Local Jobs Act 2003</i> | | |
| <i>Financial Management Act 1994</i> | | |



Annual Financial Report

for the year ended
30 June 2024

Comprehensive operating statement

for the financial year ended 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 |
|---|-------|----------------|----------------|
| Income from transactions | | | |
| Portfolio management and custodian fees | | 229,549 | 181,853 |
| Performance fees | | 5,172 | 8,539 |
| Total income from contracts with customers | | 234,721 | 190,392 |
| Interest and other income | | 2,449 | 1,643 |
| Total income from transactions | | 237,170 | 192,035 |
| Expenses from transactions | | | |
| Portfolio management and custodian expenses | 4 | 150,197 | 113,116 |
| Employee benefit expenses | 4 | 39,724 | 37,242 |
| Depreciation and amortisation expenses | 4 | 3,492 | 2,489 |
| Other operating expenses | 4 | 30,553 | 28,831 |
| Total expenses from transactions | | 223,966 | 181,678 |
| Net surplus from transactions | | 13,204 | 10,357 |
| Other economic flows included in net surplus | | | |
| Net gain arising from revaluation of long service leave | | 18 | 26 |
| Net surplus before tax | | 13,222 | 10,383 |
| Income tax expense | 5 | 3,973 | 3,138 |
| Net surplus after tax | | 9,249 | 7,245 |
| Comprehensive result | | 9,249 | 7,245 |

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

Balance sheet

as at 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 |
|-----------------------------------|-------|----------------|----------------|
| Assets | | | |
| Financial assets | | | |
| Cash and cash equivalents | 14(a) | 60,995 | 51,691 |
| Trade and other receivables | 6 | 63,072 | 47,325 |
| Total financial assets | | 124,067 | 99,016 |
| Non-financial assets | | | |
| Prepayments and other assets | | 1,776 | 1,618 |
| Income tax refundable | | 2,341 | 3,114 |
| Deferred tax assets | 5 | 3,792 | 3,916 |
| Property, plant and equipment | 7(a) | 1,702 | 1,517 |
| Right-of-use asset | 10 | 2,336 | 3,211 |
| Intangible assets | 7(b) | 7,038 | 7,744 |
| Total non-financial assets | | 18,985 | 21,120 |
| Total assets | | 143,052 | 120,136 |
| Liabilities | | | |
| Trade and other payables | 8 | 53,688 | 35,415 |
| Lease liability | 10 | 3,344 | 4,462 |
| Provisions | 9 | 11,210 | 10,426 |
| Total liabilities | | 68,242 | 50,303 |
| Net assets | | 74,810 | 69,833 |
| Equity | | | |
| Contributed equity | | 5,000 | 5,000 |
| Accumulated surplus | | 69,810 | 64,833 |
| Net worth | | 74,810 | 69,833 |

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

for the financial year ended 30 June 2024

| | \$'000 Contributed Equity | \$'000 Accumulated Surplus | \$'000 Total |
|-----------------------|---------------------------------|----------------------------------|-----------------|
| 1 July 2022 | 5,000 | 65,988 | 70,988 |
| Net surplus after tax | - | 7,245 | 7,245 |
| Dividends paid | - | (8,400) | (8,400) |
| 30 June 2023 | 5,000 | 64,833 | 69,833 |

| | \$'000 Contributed Equity | \$'000 Accumulated Surplus | \$'000 Total |
|-----------------------|---------------------------------|----------------------------------|-----------------|
| 1 July 2023 | 5,000 | 64,833 | 69,833 |
| Net surplus after tax | - | 9,249 | 9,249 |
| Dividends paid | - | (4,272) | (4,272) |
| 30 June 2024 | 5,000 | 69,810 | 74,810 |

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash flow statement

the financial year ended 30 June 2024

| | Notes | 2024 \$'000 | 2023 \$'000 |
|--|--------------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from trade and other debtors | | 218,814 | 200,182 |
| Payments to creditors and employees | | (201,325) | (166,056) |
| Net GST paid | | 1 | (10,786) |
| Income tax paid | | (3,076) | (8,515) |
| Lease interest paid | 10 | (87) | (111) |
| Interest received | | 2,463 | 1,694 |
| Net cash flows from operating activities | 14(b) | 16,790 | 16,408 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (876) | (268) |
| Payments for intangibles | | (1,220) | (3,965) |
| Net cash flows used in investing activities | | (2,096) | (4,233) |
| Cash flows from financing activities | | | |
| Dividends paid | 17 | (4,272) | (8,400) |
| Lease principal paid | 10 | (1,118) | (1,047) |
| Net cash flows used in financing activities | | (5,390) | (9,447) |
| Net increase in cash and cash equivalents | | 9,304 | 2,728 |
| Cash and cash equivalents at the beginning of the financial period | | 51,691 | 48,963 |
| Cash and cash equivalents at the end of financial year | 14(a) | 60,995 | 51,691 |

The cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. General information

The financial report of Victorian Funds Management Corporation (VFMC) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the directors on 20 September 2024. The Board has the power to amend and reissue the financial statements.

VFMC is a Victorian-based for-profit entity incorporated in Australia, established under the *Victorian Funds Management Corporation Act 1994* (the Act), proclaimed on 19 July 1994, and commenced operations on 20 July 1994 following a contribution of initial capital of \$5,000,000.

The Act established VFMC as a body corporate governed by an independent Board of Directors whose members are appointed by the Governor in Council. The Act specifies that VFMC is subject to the general direction and control of the Treasurer and that any directions must be consistent with the objectives of the Corporation as specified in the Act. These objectives are that VFMC provides investment and funds management services to Victorian public authorities in a commercially effective, efficient and competitive manner.

The principal address of VFMC is: Victorian Funds Management Corporation
Level 13, 101 Collins Street
Melbourne VIC 3000

2. Application of new and revised accounting standards

(a) New and revised accounting standards effective for the current year

Summarised below are the new and amended standards and interpretations which are effective from periods beginning 1 July 2023 or beyond. They do not materially impact the financial statements of VFMC.

- AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities from a Single Transaction
- AASB 2021-2 Amendments to AASB 101 – Disclosure of Accounting Policies; Amendments to AASB 108 – Definition of Accounting Estimates, and
- AASB 2021-6 Amendments to AASs – Disclosure of Accounting Policies

(b) New and revised accounting standards issued but not yet effective

A number of new and amended standards and interpretations have been published that are not yet effective for periods beginning 1 July 2023 and have not been early adopted by VFMC. These standards and interpretations applicable from periods beginning 1 July 2024 or beyond, as noted by effective date, are not expected to have a material effect on the financial statements of VFMC.

3. Material Accounting Information

(a) Statement of compliance

VFMC has been designated as a 'for profit' entity pursuant to the *Financial Management Act 1994* (FMA). The General Purpose Financial Statements of VFMC have been drawn up in accordance with the financial reporting provisions of the FMA, applicable Australian Accounting Standards (AAS) and other authoritative pronouncements of the AASB and Accounting Interpretations.

(b) Basis of accounting preparation and measurement

The Financial Statements have been prepared on a historical cost basis, except for any item that is measured at fair value for which further information is contained in Note 18(h). The financial report is presented in Australian dollars and all values are rounded to the nearest thousand.

Notes to the financial statements

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The comprehensive operating statement comprises two components, being 'net surplus from transactions' and 'other economic flows included in net surplus'. The sum of the two represents the net surplus. The net surplus is equivalent to profit or loss derived for the year.

The balance sheet is presented in liquidity order with assets aggregated into financial and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant.

Both the functional and presentation currency of VFMC is Australian dollars. Transactions denominated in foreign currencies are converted at the exchange rate at the date of the transaction. Foreign currency payables at balance date are translated at exchange rates at balance date.

(c) Critical accounting judgements and key sources of estimation uncertainty

VFMC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key assumptions concerning the future and other key sources of estimation at reporting date are described below.

Revenue recognition

Consideration for management and performance fees is variable in nature. Revenue is recognised as the performance obligation has been satisfied, to the extent that it is highly probable that a significant reversal in cumulative revenue recognised will not occur or when the uncertainty associated with the variable consideration is resolved.

Performance fees revenue is derived over both one year and three year terms, calculated as out-performance against agreed-upon benchmarks. Performance fee revenue is recognised when it is considered highly probable that the revenue is not subject to reversal.

Principal versus Agent

VFMC engages a number of third-party organisations to fulfil certain performance obligations in portfolio management and custody arrangements. Generally, VFMC is deemed to be the principal in these arrangements because VFMC controls the investment management and other related services before they are transferred to customers. Such control is evidenced by VFMC's primary responsibility to customers, the ability to negotiate the third-party contract price and select and direct third-party service providers. Therefore, management fee revenue is reported on a gross basis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Significant management judgement is required to determine the amount of deferred tax balances, based on the likely timing and the level of future taxable profits.

Notes to the financial statements

4. Expenses

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Portfolio management and custodian expenses | 150,197 | 113,116 |
| Salary and related expenses | 39,272 | 36,708 |
| Directors' fees | 452 | 534 |
| <i>Total employee benefit expenses</i> | 39,724 | 37,242 |
| IT expenses | 11,102 | 10,645 |
| Market data | 9,154 | 5,712 |
| Investment research and advice | 1,803 | 1,022 |
| Recruitment and placement fees | 764 | 1,108 |
| Consultancy, internal audit and professional advisory | 1,386 | 1,637 |
| Rental and outgoings | 396 | 686 |
| Legal expenses | 603 | 1,749 |
| Insurance | 1,606 | 2,171 |
| Audit fees | 99 | 165 |
| Finance cost | 87 | 111 |
| Strategic development costs | 1,135 | 1,450 |
| Office administration | 861 | 1,127 |
| Travel and accommodation | 881 | 757 |
| Other expenses | 676 | 491 |
| <i>Total other operating expenses</i> | 30,553 | 28,831 |
| Depreciation of property, plant & equipment | 691 | 625 |
| Depreciation of right-of-use asset | 876 | 876 |
| Amortisation of intangible | 1,925 | 988 |
| <i>Total depreciation and amortisation expenses</i> | 3,492 | 2,489 |
| Total expenses | 223,966 | 181,678 |

Portfolio management and custodian expenses:

These expenses are variable in nature and are recognised on a systematic basis that is consistent with the transfer of the related services to customers.

Salary and related expenses:

These expenses include all costs related to employment including wages and salaries, superannuation, redundancy payments, leave entitlements, incentives, work cover insurance, payroll tax and fringe benefit tax which are recognised when services have been rendered.

Other operating expenses:

These expenses relate to general operating costs and are recognised in the period in which the expense is incurred, which is when the goods or services have been provided to VFMC.

Notes to the financial statements

5. Income tax

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| (a) Income tax expense | | |
| The major components of income tax expense are: | | |
| Comprehensive operating statement | | |
| Current income tax charge | 3,937 | 3,367 |
| Adjustments in respect of current income tax of previous years | (88) | (75) |
| Deferred income tax – relating to origination and reversal of temporary differences | 124 | (154) |
| Income tax expense reported in the comprehensive operating statement | 3,973 | 3,138 |
| (b) The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows: | | |
| Accounting net surplus before tax from continuing operations | 13,222 | 10,384 |
| Prima facie tax calculated at 30% | 3,967 | 3,115 |
| Non-deductible expenses | 6 | 23 |
| Income tax attributable to net surplus from operations | 3,973 | 3,138 |

VFMC is exempt from Federal Income Tax under Section 24AM of the *Income Tax Assessment Acts 1936 and 1997* (as amended). VFMC is however required under the *State Owned Enterprises Act 1992*, to pay Income Tax as determined under the National Tax Equivalent Regime.

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Deferred tax assets at 30 June relate to the following: | | |
| - salary and related expenses | 3,363 | 3,128 |
| - fixed and intangible assets | 57 | 225 |
| - client rebates | - | 127 |
| - others | 372 | 436 |
| Total deferred tax assets | 3,792 | 3,916 |

Deferred tax assets are recognised for all deductible taxable temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the financial statements

6. Trade and other receivables

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Management fees and trade receivables | 61,814 | 46,646 |
| Receivables from VFMC Trusts | 1,219 | 641 |
| Australian Taxation Office (GST) | 39 | 38 |
| Total trade and other receivables | 63,072 | 47,325 |

Trade and other receivables are carried at amortised cost and these represent amounts due for services supplied by VFMC prior to the end of the financial year. All current receivables are non-interest bearing and settlement terms are up to 30 days from the invoice date.

VFMC apply the practical expedients available under AASB 9 when measuring expected credit losses by utilising historical credit loss experience adjusted for known events that could impact the recoverability of these balances, which has been minimal due to the nature of VFMC's debtors. VFMC receivables are either with other government entities or with the Trusts, which are managed by VFMC. Receivables from VFMC Trusts are for expenses incurred on behalf of the Trusts. As such no expected credit loss has been recognised for these receivables.

Notes to the financial statements

7. Property, plant and equipment and intangible assets

(a) Property, plant and equipment

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Leasehold premises improvements | 5,059 | 4,901 |
| Less: Accumulated depreciation | (4,079) | (3,667) |
| | 980 | 1,234 |
| Furniture, fittings and equipment | 5,307 | 4,589 |
| Less: Accumulated depreciation | (4,585) | (4,306) |
| | 722 | 283 |
| Total carrying value | 1,702 | 1,517 |
| Reconciliation | | |
| <i>Leasehold premises improvements</i> | | |
| Carrying amount at beginning | 1,234 | 1,632 |
| Additions | 148 | - |
| Depreciation | (403) | (398) |
| | 980 | 1,234 |
| <i>Furniture, fittings and equipment</i> | | |
| Carrying amount at beginning | 283 | 243 |
| Additions | 727 | 268 |
| Depreciation | (288) | (228) |
| | 722 | 283 |
| Total property, plant and equipment | 1,702 | 1,517 |

Property, plant and equipment, are measured initially at cost and are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity. Cost less accumulated depreciation approximates fair value.

The cost of existing leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements of 5-10 years on a straight-line basis.

Furniture, fittings and equipment are depreciated over their estimated useful lives using the straight-line method. The expected useful lives of these assets are in the range of 1-5 years.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal with such impairment losses recognised in the comprehensive operating statement. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the financial statements

7. Property, plant and equipment and intangible assets (continued)

(b) Intangible assets

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Intangible assets | 17,986 | 16,202 |
| Less: Accumulated amortisation | (12,042) | (10,116) |
| | 5,944 | 6,086 |
| Intangible assets – work in progress | 1,094 | 1,658 |
| Total carrying value | 7,038 | 7,744 |
| Reconciliation | | |
| <i>Intangible assets</i> | | |
| Carrying amount at beginning | 6,086 | 3,936 |
| Transfer from Intangible assets – work in progress | 1,783 | 3,138 |
| Amortisation | (1,925) | (988) |
| | 5,944 | 6,086 |
| <i>Intangible assets – work in progress</i> | | |
| Carrying amount at beginning | 1,658 | 831 |
| Additions | 1,219 | 3,965 |
| Transfer to Intangible assets | (1,783) | (3,138) |
| | 1,094 | 1,658 |
| Total intangible assets | 7,038 | 7,744 |

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life by using the straight-line method and are tested for impairment at minimum annually or upon indication that the intangible asset may be impaired. Intangible assets held at reporting date are being amortised over 3-5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate. There has been no change to the estimated useful lives over the financial year. At reporting date, VFMC does not have any intangible assets with indefinite useful lives.

Work in progress relates to Data and Analytics platform development and is carried at cost. In determining the amounts to be capitalised, management makes assumptions regarding the expected future benefits and the expected period of benefits. Amortisation of these asset, on the same basis as other intangible assets, commences when the assets are ready for their intended use. No impairment is required as at reporting date.

Notes to the financial statements

8. Trade and other payables

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Accrued management and performance fees | 48,518 | 31,214 |
| Trade creditors and other payables | 5,170 | 4,201 |
| Total trade and other payables | 53,688 | 35,415 |

Trade and other payables are carried at amortised cost and represent liabilities for services provided to VFMC prior to the end of the financial year and which are unpaid. All payables are non-interest bearing and are paid within the settlement conditions applicable to each provider of goods and/or services. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Notes to the financial statements

9. Provisions

| | 2024 \$'000 | 2023 \$'000 |
|-------------------------------------|----------------|----------------|
| Current | | |
| Unconditional annual leave | | |
| expected to settle within 12 months | 815 | 745 |
| expected to settle after 12 months | 966 | 1,061 |
| Unconditional long service leave | | |
| expected to settle within 12 months | 446 | 443 |
| expected to settle after 12 months | 1,324 | 1,352 |
| Unconditional incentives | 3,795 | 3,835 |
| Provisions for on-costs | | |
| expected to settle within 12 months | 443 | 396 |
| expected to settle after 12 months | 531 | 472 |
| Total current | 8,320 | 8,304 |
| Non-current | | |
| Long service leave | 565 | 502 |
| Incentives | 2,226 | 1,539 |
| Provision for on-costs | 99 | 82 |
| Total non-current | 2,890 | 2,123 |
| Total provisions | 11,210 | 10,427 |

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Expected future payments are discounted using interest rates on Commonwealth Government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Liabilities for annual leave expected to be settled wholly within 12 months are recognised as short-term employee benefits and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Liabilities for annual leave not expected to be settled wholly within 12 months are recognised as long-term employee benefits and are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels and experience of benefits taken.

A liability for long service leave is recognised and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service (greater than six years are classified as current liabilities). Any gain or loss following revaluation of the present value of non-current long service leave liability is recognised in the 'net surplus from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as another economic flow.

Incentives are recognised at the end of the performance year and paid once endorsed by the Board. A portion of the incentive is paid subsequent to year end, with the remainder paid equally over the following three years. The cost is recognised in salary and related expenses on a straight-line basis over the period in which service is provided, up until the date of payment (vesting date). A corresponding current liability is recognised where this is expected to be settled wholly within 12 months, with a non-current liability recognised for incentives deferred for more than one year.

Notes to the financial statements

10. Leases

VFMC assesses at contract inception whether a contract is, or contains, a lease. A contract is assessed as a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. VFMC recognises a lease liability for lease payments and a right-of-use asset representing the right to use the underlying asset. VFMC uses professional judgement in determining the lease term where the contract contains options to extend or terminate the lease.

A right-of-use asset is recognised at the commencement date of the lease and measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of a right-of-use asset equals the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. A right-of-use asset is depreciated on a straight-line basis over the lease term. Subsequent to initial measurement, a right-of-use asset will be measured at cost less accumulated depreciation, impairment, and any remeasurement of the lease liability.

At the commencement date of the lease, VFMC recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, VFMC calculates its incremental borrowing rate based on a yield rate adjusted with risk premium margin based on the financial industry rating provided by Treasury Corporation of Victoria (TCV). After the commencement date, the amount of lease liability is increased to reflect the accrued interest and reduced for the lease payments made.

VFMC has a lease contract for its commercial office with 10-year lease term which contains an option to extend the lease at the end of the lease term. The extension option is subject to market rent review and renegotiation of lease payments.

Set out below are the carrying amounts of right-of-use asset and movements during the period:

| | 2024 \$'000 | 2023 \$'000 |
|---------------------------------|----------------|----------------|
| <i>Commercial office lease</i> | | |
| Carrying amount at beginning | 3,211 | 4,087 |
| Depreciation expense | (876) | (876) |
| Total right-of-use asset | 2,335 | 3,211 |

Notes to the financial statements

10. Leases (continued)

The following table shows the carrying amounts of lease liability and movements during the period:

| | 2024 \$'000 | 2023 \$'000 |
|--------------------------------|----------------|----------------|
| <i>Commercial office lease</i> | | |
| Carrying amount at beginning | 4,462 | 5,509 |
| Interest accrued | 87 | 111 |
| Payments | (1,205) | (1,158) |
| Total lease liability | 3,344 | 4,462 |

Maturity analysis of lease liability is as follows:

| | 2024 \$'000 | 2023 \$'000 |
|------------------------------|----------------|----------------|
| <i>Lease liability</i> | | |
| Not longer than 1 year | 1,191 | 1,118 |
| 1 – 5 years | 2,153 | 3,344 |
| Total lease liability | 3,344 | 4,462 |

The following are the amounts recognised in Comprehensive operating statement:

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Depreciation expense of right-of-use asset | 876 | 876 |
| Interest expense on lease liability (included in other operating expenses) | 87 | 111 |
| Total amount recognised in the Comprehensive operating statement | 963 | 987 |

The following amounts are recognised in the Cash flow statement:

| | 2024 \$'000 | 2023 \$'000 |
|--------------------------------------|----------------|----------------|
| Lease interest paid | 87 | 111 |
| Lease principal paid | 1,118 | 1,047 |
| Total cash outflow for leases | 1,205 | 1,158 |

Notes to the financial statements

11. Superannuation information

Names of schemes

VFMC makes contributions to various complying superannuation funds as nominated by employees. VFMC's default superannuation fund is Australian Super. There are no defined benefit plans.

VFMC, on behalf of its employees, contributed \$2,750,996 (2023: \$2,470,538) in accordance with the *Superannuation Guarantee Charge Act (1992)*. There were no outstanding contributions at year end.

Any contributions made to superannuation funds are charged against the comprehensive operating statement when due and classified as employee benefit expenses.

12. Responsible persons, remuneration of executives and other personnel

(a) Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

The names of each person who held a position of responsible person at any time during the financial year and until the date of this report are as follows:

The Minister

Timothy Pallas, Treasurer

The Directors

| | |
|-----------------------|-------------------------------|
| Lisa Gay | (Chair) |
| James MacKenzie | (Retired: 23 August 2023) |
| Chris Barrett | (Appointed: 12 December 2023) |
| Tom Considine | |
| Lisa Gray | |
| David Martine PSM | |
| Andrew Nicolaou | |
| Fiona Trafford-Walker | |
| Maria Wilton AM | |
| Claire Rogers | (Appointed: 6 August 2024) |

Chief Executive Officer

Kate Galvin

Notes to the financial statements

12. Responsible persons, remuneration of executives and other personnel (continued)

(a) Responsible persons (continued)

The number of responsible persons being the Directors and the Chief Executive Officer (CEO), their base and total remuneration during the reporting period are shown in the table below. Base remuneration is exclusive of short-term and long-term incentives, long-service leave, redundancy, relocation and retirement benefits paid or payable.

| Income Band | Total Remuneration | | Base Remuneration | |
|------------------------|--------------------|------------------|-------------------|------------------|
| | 2024 No. | 2023 No. | 2024 No. | 2023 No. |
| \$Nil to \$9,999 | 2 | 1 | 2 | 1 |
| \$20,000 to \$29,999 | 1 | - | 1 | - |
| \$50,000 to \$59,999 | - | 1 | - | 1 |
| \$60,000 to \$69,999 | 5 | 6 | 5 | 6 |
| \$130,000 to \$139,999 | 1 | - | 1 | - |
| \$140,000 to \$149,999 | - | 1 | - | 1 |
| \$560,000 to \$569,999 | - | - | - | 1 |
| \$660,000 to \$669,999 | - | 1 | - | - |
| \$690,000 to \$699,999 | - | - | 1 | - |
| \$840,000 to \$849,999 | 1 | - | - | - |
| Total numbers | 10 | 10 | 10 | 10 |
| Total amount | 1,339,908 | 1,254,384 | 1,181,579 | 1,146,317 |

The compensation detailed above excludes the salaries and benefits the Treasurer receives. The Treasurer's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the 'Annual Report of the State of Victoria'.

(b) Related party transactions

VFMC is a wholly owned and controlled entity of the State of Victoria. Management fees and performance fees income recognised by VFMC arise as a result of funds managed on behalf of VFMC's clients, which are predominantly Victorian public authorities.

The Key Management Personnel (KMP) of VFMC are a combination of the responsible persons and executive officers. VFMC has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the executive officers, responsible persons and their related parties and the information available to the organisation.

Transactions during the year between VFMC, its clients and service providers have been undertaken on normal commercial terms and conditions.

Conflicts of interest are overcome, where applicable, by directors declaring their interests and abstaining from voting at VFMC's Board meetings, and where appropriate excusing themselves from the meeting.

VFMC may enter into commercial arrangements with parties related to VFMC directors. These arrangements, including investment decisions are conducted in the ordinary course of business and are entered into under normal commercial terms and conditions, independent of VFMC Directors.

Notes to the financial statements

12. Responsible persons, remuneration of executives and other personnel (continued)

(b) Related party transactions (continued)

Chris Barrett is Secretary, Department of Treasury & Finance (DTF) and a Director of TCV. During the year VFMC paid a dividend to DTF of \$4,272,000 (2023: \$8,400,000). On behalf of its clients, VFMC invests funds with TCV periodically, with Fixed Rates Notes of \$307,474,852 held at 30 June 2024 (2023: \$194,538,483). VFMC clients earn interest income at prevailing market rates on normal commercial terms and conditions.

Kate Galvin is a Board member of the Australian Council of Superannuation Investors (ACSI). VFMC is a member of ACSI. All fees are charged on normal commercial terms and conditions.

Fiona Trafford-Walker is a Director of Perpetual Limited. On behalf of its clients, VFMC held investments in Perpetual ESG Real Return Fund totalling \$121,605,569 at 30 June 2024 (2023: \$191,712,632) and has paid management fees of \$1,407,399 (2023: \$1,287,617).

Lisa Gay was a Member of the Council of Trustees of National Gallery of Victoria (NGV). NGV is a client of VFMC, and at 30 June 2024 had FUM invested of \$154,934,932 (2023: \$131,002,353). All fees are charged on normal commercial terms and conditions.

Maria Wilton is a Non-Executive Director of Dexu Wholesale Property Limited. On behalf of its clients, VFMC held investments in Dexu Wholesale Property Fund totalling \$369,645,924 at 30 June 2024 (2023: \$422,080,448) and has paid management fees of \$2,213,972 (2023: \$2,340,198).

As the investment manager for its clients, VFMC invested in debt securities used in Victorian Public-Private Partnerships. At 30 June 2024, VFMC held investments in Royal Children's Hospital's debt security totalling \$1,046,693,869 (2023: \$1,102,120,876) and Royal Women's Hospital's debt security totalling \$745,750 (2023: \$803,010). These debt securities are valued by an independent third party, income is being received and the transactions were undertaken on normal commercial terms and conditions.

VFMC utilises the insurance services of Victorian Managed Insurance Authority (VMIA), a client and related government entity. VFMC has paid/payable premiums to VMIA of \$1,605,194 (2023: \$2,132,529) and the policies were undertaken on normal commercial terms and conditions.

WorkSafe Victoria (Worksafe) is a client and related government entity to VFMC. VFMC utilise Worksafe as their provider for WorkCover insurance through their appointed agent EML VIC Pty Ltd. VFMC has paid/payable premiums to WorkSafe of \$111,599.42 (2023: \$71,960.37) and the policies were undertaken on normal commercial terms and conditions.

VFMC, as trustee of the VFMC Trusts as listed in Note 13, outsources certain management services and the custodial function to external service providers. All costs associated with the external management services and custodial services are paid for by VFMC and are either charged directly to unitholders or charged back to the VFMC Trusts on normal commercial terms and conditions. Trust receivables as at 30 June 2024 were \$1,219,176 (2023: \$640,907). Management fees are paid on a monthly basis. Total fees earned by VFMC during the year for the management of the VFMC Trusts were \$15,021,414 (2023: \$11,199,931).

Notes to the financial statements

12. Responsible persons, remuneration of executives and other personnel (continued)

(c) Remuneration of executive officers

The number of executive officers being those employed by VFMC on Public Entity Employee Contracts, other than the CEO, and their total remuneration during the reporting period are shown in the following table. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Factors that have impacted the number of executive officers

include the renegotiation of executive contracts and the transition of senior investment professionals to Public Entity Employee Contracts, therefore increasing the number of people classified as executives at VFMC.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include salaries, incentives and movements in annual leave provisions.

Other long-term benefits include long service leave provisions.

| Remuneration of executive officers | Total Remuneration | |
|--|--------------------|------------------|
| | 2024 \$ | 2023 \$ |
| Short-term employee benefits | 8,079,080 | 5,524,350 |
| Other long-term benefits | (57,101) | 98,042 |
| Total remuneration | 8,021,979 | 5,622,392 |
| Total number of executives | 15 | 14 |
| Total annualised employee equivalents | 12.88 | 10.81 |

Notes to the financial statements

13. Assets and liabilities of VFMC trusts for which VFMC is trustee

In the course of its fund management activities, VFMC establishes investment trusts that comprise investments of various kinds, tailored to meet investors' requirements. These trusts meet the definition of structured entities as their purpose is to hold assets on behalf of beneficiaries. The Corporation's interest in VFMC's Trusts is generally restricted to a management fee, the value of which is based on the funds under management within the Trusts and recovery of certain costs. VFMC's financial statements do not include the assets and liabilities of the VFMC Trusts which are used as investment products for clients.

During the year ended 30 June 2024, fees earned were \$15,021,414 (2023: \$11,199,931) and unpaid fees were \$4,403,070 (2023: \$2,954,954). The Corporation has no other risk exposure to the Trusts.

Financial support provided or to be provided to unconsolidated structured entities

The Corporation has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to unconsolidated structured entities in the future. The net assets of the Trusts are not directly available to meet any liabilities incurred by VFMC acting in its own right. VFMC will generally only be liable for the liabilities of the Trusts if it has committed a breach of its fiduciary duties.

The following is a list of Trusts for which VFMC acts as trustee as at 30 June 2024.

Board of Directors as trustees:

| | |
|-------------------------------------|---------------------------------------|
| VFMC Balanced Fund | VFMC International Equity Trust 2 |
| VFMC Cash Trust | VFMC International Fixed Income Trust |
| VFM Emerging Markets Trust | VFMC Investment Trust II |
| VFMC Australian Credit Trust | VFMC Investment Trust IV |
| VFMC ESSS Private Equity Trust 2007 | VFMC Opportunistic Strategies Trust |
| VFMC Emerging Markets Debt Trust 1 | VFMC Property Trust 1 |
| VFMC Emerging Markets Debt Trust 2 | VFMC Property Trust 2 |
| VFMC Enhanced Income Trust | VFMC Low Volatility Equity Trust 1 |
| VFMC Equity Trust 1 | VFMC Low Volatility Equity Trust 2 |
| VFMC Equity Trust 2 | VFMC Australian Loan Trust |
| VFMC Fixed Income Trust | VFMC Conservative Fund |
| VFMC Growth Fund | VFMC Infrastructure Master Trust |
| VFMC Inflation Linked Bond Trust | VFMC Investment Fund |
| VFMC Insurance Strategies Trust | VFMC Infrastructure Feeder Trust 1 |
| VFMC International Equity Trust 1 | VFMC Infrastructure Feeder Trust 2 |

No insurance premiums are paid for out of the assets of the Trusts in regards to insurance cover provided to either the officers of VFMC or the auditors of the Trusts. So long as the officers of VFMC act in accordance with the Trusts' Constitutions and the applicable Law, the officers remain indemnified out of the assets of the Trusts against losses incurred while acting on behalf of the Trusts. The auditors of the Trusts are in no way indemnified out of the assets of the Trusts.

Notes to the financial statements

14. Notes to the cash flow statement

(a) Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Cash at bank | 60,995 | 51,691 |
| Total cash and cash equivalents | 60,995 | 51,691 |

(b) Reconciliation of net surplus from operations after income tax to net cash flows from operating activities

| | 2024 \$'000 | 2023 \$'000 |
|---|----------------|----------------|
| Net surplus from operations after income tax | 9,249 | 7,245 |
| Adjustments for non-cash income and expense items: | | |
| Depreciation of property, plant & equipment | 691 | 625 |
| Depreciation of right-of-use asset | 876 | 876 |
| Amortisation of intangible assets | 1,926 | 988 |
| Changes in assets and liabilities: | | |
| Increase / (Decrease) in receivables and other debtors | (15,907) | 9,793 |
| (Increase) / Decrease in payables and other provisions | 19,955 | (3,119) |
| Net cash flows from operating activities | 16,790 | 16,408 |

Cash and cash equivalents include cash on hand, cash at bank and short-term fixed interest investments of VFMC. These items represent cash and cash equivalents used in the day-to-day management of VFMC's cash position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the financial statements

15. Funds under management

Funds managed by VFMC in either a trust or a discrete capacity are not included in investments in the balance sheet, but amount to \$86.8bn as at 30 June 2024 (2023: \$73.7bn). These funds are managed on behalf of the following clients:

- Agriculture Victoria
- Australian Health Practitioner Regulation Agency
- Ballarat General Cemeteries
- Grampians Health
- Banyule City Council
- CenITex
- Consumer Affairs Victoria
- Corangamite Shire Council
- ESS Super
- Holmesglen Institute
- Latrobe Regional Health
- Library Board of Victoria
- Melbourne Recital Centre
- Melton City Council
- Monash Health
- National Gallery of Victoria
- Peninsula Health
- Portable Long Service Leave Authority
- Queen Elizabeth Centre
- Royal Melbourne Hospital
- Royal Women's Hospital
- Shrine of Remembrance
- The Royal Victorian Eye and Ear Hospital
- Transport Accident Commission
- Victorian Arts Centre Trust
- Victorian Government¹
- Victoria Managed Insurance Authority
- Victorian Social Housing
- Western Health
- William Angliss Institute
- Worksafe Victoria
- Zoological Parks and Gardens Victoria

¹ *Victorian Future Fund*

Notes to the financial statements

16. Auditor remuneration

| | 2024 \$'000 | 2023 \$'000 |
|--|----------------|----------------|
| Fees paid or payable to Victorian Auditor-General's Office (VAGO) for the audit of VFMC | 98,800 | 165,450 |
| Total audit fees | 98,800 | 165,450 |

VAGO did not provide any other services other than the audit of the financial statements.

17. Capital management

VFMC's objective is to provide investment and fund management services to participating bodies and the Victorian state government in a commercially effective, efficient and competitive manner. In undertaking these activities, VFMC is adequately capitalised to meet core operational requirements, support reinvestment in the business, meet possible operational losses and meet the Government's dividend requirements.

VFMC's capital consists of shareholders' contributed equity and retained earnings with no external debt.

In accordance with the *State Owned Enterprises Act 1992*, VFMC is required to pay the Victorian State Government a dividend out of retained profits as determined by the Treasurer in consultation with the Board of VFMC. The distribution policy set by the Treasurer is approximately 50% of after-tax surpluses. During 2023-2024 VFMC paid a \$4,272,000 dividend to the Department of Treasury & Finance (2023: \$8,400,000).

VFMC does not have any externally imposed capital requirements.

Notes to the financial statements

18. Financial risk management objectives and policies

VFMC's principal financial instruments comprise cash, receivables and payables. The main risks arising from VFMC's financial instruments are credit risk, liquidity risk and market price risk (currency risk and interest rate risk).

(a) Operational risk

Operational risk is the risk of indirect or direct loss to VFMC resulting from inadequate or failed internal processes (including any outsourced processes), people and systems or from external events. This includes legal risk but excludes strategic and reputational risks.

Operational risk is monitored with incidents documented in a risk and breach register. Significant operational risk incidents are required to be reported to the Board and the Department of Treasury and Finance.

VFMC's risk management framework continues to be applied across its business. VFMC continues to monitor the ongoing impact global events on its risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff and service providers have been identified, assessed, managed and governed through timely application of VFMC's risk management framework.

(b) Credit risk

Credit risk arises from the financial assets of VFMC, which comprise cash and cash equivalents, trade and other receivables. The exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to VFMC.

Credit risk associated with VFMC's receivables is minimal because receivables are either with other government entities or with the Trusts, which are managed by VFMC. As such no expected credit loss has been recognised for these receivables. Credit risk in relation to receivables is also monitored by reviewing the ageing of receivables on a monthly basis. All receivables are non-interest bearing and standard business terms apply.

In relation to VFMC's investments, VFMC trades only with recognised creditworthy third parties. Cash balances are maintained with Westpac Banking Corporation, which has an AA or better credit rating. Hence, no expected credit loss has been recognised for these cash balances.

The carrying amount of financial assets recorded in this financial report represents VFMC's maximum exposure to credit risk at the reporting date. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. Of the receivables balance, \$3,572 is past due (2023: \$420,109).

(c) Liquidity risk

Liquidity risk is the risk that VFMC will have insufficient liquidity to meet its obligations as they fall due. This risk is managed by regularly monitoring liquid reserves and obligations falling due and through holding of cash and only short-term deposits.

VFMC's financial liabilities comprises non-interest bearing payables which are all contracted to be settled within 30 days after balance date (2023: 30 days) and lease liability (further details are provided in Note 10).

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for VFMC comprises two types of risk: market interest rates (interest rate risk) and foreign exchange rates (currency risk).

Notes to the financial statements

18. Financial risk management objectives and policies (continued)

(e) Interest rate risk

Interest rate risk is the risk that the market value of VFMC's financial position will be adversely affected by fluctuations in interest rates. VFMC's exposure to interest rate risk arises from cash and cash equivalent holdings of \$60,995,000 (2023: \$51,691,000), trade and other receivables of \$51,895,000 (2023: \$47,325,000) and trade and other payables of \$43,330,000 (2023: \$35,415,000). The weighted average interest rate for cash during the reporting period was 4.25% (2023: 3.07%).

Interest rate risk is managed by maintaining conservative levels of cash and cash equivalent holdings and by monitoring aged receivables and payables.

(f) Interest rate sensitivity

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period.

At reporting date management have determined, if interest rates had been 25 basis points higher or lower during the period and all other variables were held constant, VFMC's (pre-tax) operating surplus would have been impacted as follows:

- 25 basis points higher: increase in surplus of \$152,000 (2023: \$129,250 increase)
- 25 basis points lower: decrease in surplus of \$152,000 (2023: \$129,250 decrease)

These movements are attributable to VFMC's exposure to variable interest rates on its cash holdings.

(g) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of changes in foreign exchange rates. VFMC operates within Australia, however, VFMC does engage offshore fund managers to manage clients' funds as well as a number of off-shore service providers, and the fees payable to these suppliers are charged in local currencies.

At reporting date management have determined, if the AUD/USD rate had appreciated or depreciated during the period and all other variables were held constant, VFMC's (pre-tax) operating surplus would have been impacted as follows:

- AUD/USD 10% higher: increase in surplus of \$1,280,000 (2023: \$610,000 increase)
- AUD/USD 10% lower: decrease in surplus of \$1,047,000 (2023: \$745,000 decrease)

The AUD equivalent of fund manager fees is on-charged to clients, therefore VFMC bears no foreign currency risk on these fees and only on expenditure borne by VFMC.

(h) Fair values

Management have assessed that the carrying amounts of cash and cash equivalents, trade and other payables, trade and other debtors which are carried at amortised cost, approximate their reasonable fair value due to the short-term nature of these instruments.

19. Subsequent events to balance date

No significant events have occurred since the end of the reporting period which would impact on the financial position of VFMC disclosed in the balance sheet as at 30 June 2024 or on the results and cash flows of the VFMC for the year ended on that date.

Statement by the Chair and Management

We hereby certify that:

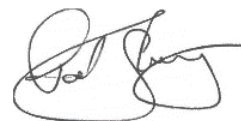
- the accompanying financial statements have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable financial reporting directions, Australian Accounting Standards, including interpretations and other mandatory professional reporting requirements;
- the accompanying Comprehensive operating statement, Balance sheet, Statement of changes in equity, Cash flow statement and accompanying notes present fairly the financial transactions for the financial year ended 30 June 2024 and the financial position as at 30 June 2024;
- as at the date of signing these financial statements, we are not aware of any circumstances that would render any particulars included in the statements misleading or inaccurate; and
- the Directors authorised the attached financial statements for issue on 20 September 2024.



LISA GAY
Chair



KATE GALVIN
Chief Executive Officer



PAUL SHANLEY
Chief Finance and Risk Officer

Dated: 20 September 2024

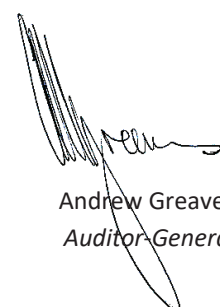
Independent Auditor's Report

To the Directors of the Victorian Funds Management Corporation

| | |
|---|--|
| Opinion | <p>I have audited the financial report of the Victorian Funds Management Corporation (the Corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2024 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including material accounting policy information • statement by the Chair and Management. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| The Director's responsibilities for the financial report | <p>The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

| | |
|---|--|
| Auditor's responsibilities for the audit of the financial report | <p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors. • conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p> |
|---|--|

MELBOURNE
7 October 2024



Andrew Greaves
Auditor-General



Victoria's investment specialist

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