



Annual financial report 30 June 2021

AustralianSuper
ABN 65 714 394 898

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Financial statements

Statement of financial position

	Notes	2021 \$m	2020 \$m
Assets			
Cash and cash equivalents	2(a)	18,572	32,782
Listed equity securities	2(c)	122,263	79,574
Fixed income securities	2(c)	49,073	34,709
Derivatives	2(c)	1,150	3,055
Unlisted unit trusts	2(c)	50,997	38,945
Unlisted equity securities	2(c)	696	561
Receivables	2(b)(i)	425	270
Receivable for securities sold	2(b)(iii)	1,781	1,515
Total assets		244,957	191,411
Liabilities			
Derivatives	2(c)	2,778	1,186
Payables	2(b)(ii)	197	136
Payable for securities purchased	2(b)(iii)	3,045	4,562
Income tax payable		1,219	78
Deferred tax liabilities	2(f)(iv)	4,956	3,071
Total liabilities excluding members' benefits		12,195	9,033
Net assets available for members' benefits		232,762	182,378
Members' benefits	7	231,870	181,688
Net assets		892	690
Equity - reserves			
Operational risk financial reserve	9	566	460
Other reserves		326	230
Total reserves		892	690

The statement of financial position should be read in conjunction with the accompanying notes.

Income statement

	Notes	2021 \$m	2020 \$m
Revenue			
Interest	3(a)(i)	931	1,151
Dividends and distributions	3(a)(ii)	3,805	3,270
Other investment income	3(a)(iv)	39	59
Net changes in fair value of financial instruments	3(a)(iii)	35,332	(3,703)
Sundry income	3(a)(iv)	88	(8)
Total revenue		40,195	769
Expenses			
Investment expenses	3(c)	(523)	(498)
Trustee service fees		(348)	(356)
Total expenses		(871)	(854)
Operating result before income tax		39,324	(85)
Income tax (expense) / benefit	2(f)(i)	(3,260)	424
Operating result after income tax		36,064	339
Net investment income credited to members		(36,143)	(537)
Administration fees charged to members		281	254
Net operating result		202	56

The income statement should be read in conjunction with the accompanying notes.

Financial statements *(continued)*

Statement of changes in members' benefits

	Notes	2021 \$m	2020 \$m
Opening balance of members' benefits		181,688	166,150
Employer contributions		10,672	9,515
Member contributions		3,438	2,644
Transfers from other superannuation plans		12,489	15,519
Income tax on contributions	2(f)(iii)	(1,606)	(1,413)
After tax contributions		24,993	26,265
Benefit payments to members or beneficiaries		(10,261)	(10,680)
Insurance premiums charged to members		(725)	(666)
Death and disability benefits credited to members		313	336
Net investment income credited to members		36,143	537
Administration fees charged to members		(281)	(254)
Closing balance of members' benefits	7	231,870	181,688

The statement of changes in members' benefits should be read in conjunction with the accompanying notes.

Statement of changes in reserves

	Operational risk financial reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
Balance at 1 July 2020	460	90	74	66	690
Net transfers to/(from) reserve	65	(111)	46	-	-
Operating result	41	111	14	36	202
Balance at 30 June 2021	566	90	134	102	892

	Operational risk financial reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
Balance at 1 July 2019	400	70	55	109	634
Net transfers to/(from) reserve	57	(92)	35	-	-
Operating result	3	112	(16)	(43)	56
Balance at 30 June 2020	460	90	74	66	690

Further information about the Fund's Reserves can be found at Note 9.

The statement of changes in reserves should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	2021 \$m	2020 \$m
Cash flows from operating activities			
Interest income received		931	1,151
Dividend and distribution income received		3,688	3,495
Death and disability claims received		313	336
Other income (paid)/received		88	(8)
Insurance premiums paid		(736)	(670)
Trustee service fee paid		(342)	(344)
Investment expenses paid		(494)	(528)
Income tax (paid)/received		(233)	358
Net cash inflow/(outflow) from operating activities	4(b)	3,215	3,790
Cash flows from investment activities			
Sales of financial instruments		288,812	335,296
Purchase of financial instruments		(320,952)	(328,344)
Net cash inflow/(outflow) from investing activities		(32,140)	6,952
Cash flows from financing activities			
Contributions received and transfers from other superannuation plans		26,600	27,676
Benefits paid to members or beneficiaries		(10,245)	(10,703)
Tax paid on contributions		(1,640)	(1,396)
Net cash inflow/(outflow) from financing activities		14,715	15,577
Net increase/(decrease) in cash and cash equivalents		(14,210)	26,319
Cash and cash equivalents at beginning of year		32,782	6,463
Cash and cash equivalents at end of year	4(a)	18,572	32,782

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 Fund structure and operation

AustralianSuper (the 'Fund') is a defined contribution superannuation fund domiciled in Australia. The Fund is constituted by a Trust Deed dated 13 December 1985, as amended, that established the Fund with effect from 1 August 1985 and provides retirement and insurance benefits to its members and beneficiaries. The Fund has both accumulation members and retirement members. While the Fund exists for the benefit of members, for the purposes of the financial statements the Fund is a for profit entity under accounting standards.

The Trustee of the Fund is AustralianSuper Pty Ltd (the 'Trustee'). The registered office and principal place of business of the Trustee changed effective 1 April 2021 to Level 30, 130 Lonsdale Street, Melbourne, Victoria.

This financial report covers the Fund as an individual entity, and was authorised for issue by the directors of the Trustee on 10 September 2021. The directors of the Trustee have the power to amend and reissue this financial report.

How the numbers are calculated

2 Statement of financial position

(a) Cash and cash equivalents

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Other receivables and payables

(i) Receivables

Receivables includes amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment.

(ii) Payables

Payables includes investment management fees and trustee service fees accrued and members' benefits payable at the end of the reporting period.

(iii) Receivables/payables for securities sold/purchased

Receivables for securities sold and payables for securities purchased represent trades that have been contracted for but not yet delivered at the end of the year. Trades are recorded on trade date and normally settled within three business days.

(c) Investments

The investments, including derivatives, of the Fund are recorded at fair value and changes in the fair value are recognised in the income statement in the year they occur.

Financial assets and liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets and liabilities are recognised from that date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Transaction costs, including brokerage and stamp duty, that are incurred to acquire investment securities are recognised in the income statement as an expense as incurred. Transaction costs associated with direct investments in property and infrastructure, including legal and due diligence fees, are capitalised and recognised as part of the cost of the investment.

(d) Fair value measurement of financial assets and liabilities

(i) Fair value hierarchy

The Fund classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- › Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities and includes market quoted investments. The main investments in this category are listed equity securities whose fair value is determined using the last quoted sale price.
- › Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes fixed income securities and derivative contracts not traded on public exchanges and unlisted unit trusts that hold listed securities. Fixed income securities for which no active market is observable are valued at current market rates using broker quotations and/or independent pricing services.
- › Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) which includes non-market quoted investments. Unlisted investments in infrastructure, private credit, property and private equity are included in this category. Further information regarding unobservable inputs and the measurement of fair value for Level 3 investments is included below.

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

(ii) Fair value in an active market

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. These include investments in equities, fixed income and bonds. For all other financial instruments, the Fund determines fair value using other valuation techniques.

(iii) Fair value in an inactive or unquoted market

The Fund's financial assets and liabilities are a combination of directly held investments and indirectly held investments made via unlisted trusts which in turn invest in a variety of underlying investments. These include investments in infrastructure, private credit, private equity and property that are domiciled in Australia and overseas. The Fund has adopted a valuation standard, the purpose of which is to ensure that the Fund has an appropriate framework to value investment assets in a manner that ensures they are valued on an equitable and consistent basis. The Fund ensures that valuation techniques are consistent and may utilise independent parties to undertake reviews of the investment valuation framework controls and procedures on a periodical and as needs basis.

COVID-19 considerations for the fair value of level 3 investments

The COVID-19 pandemic had a significant impact on the general business environment and financial markets in the comparative year. The Trustee's evaluation of level 3 investment valuations included further consideration relating to the economic implications of the COVID-19 pandemic and the measures taken to contain it.

Although the pandemic continues, there has been improvement in the general business environment and financial markets over the reporting period. However, overall uncertainty and volatility remain as the international vaccination programme builds momentum and new variants of COVID-19 emerge. As a result, the need for consideration of COVID-19 economic implications in the Trustee's evaluation of level 3 investment valuations remains.

Fair value of directly held assets

In the case of directly held assets, the Fund appoints independent external valuation experts and property appraisers to provide regular investment valuations with most material investments being valued on a quarterly basis. These independent valuers are selected from the Fund's approved list of valuers. The Fund has policies and procedures governing the appointment and rotation of third-party valuers. The expertise, knowledge and familiarity with local market conditions, market transactions and industry trends of the independent valuation experts and property appraisers are important inputs to the valuation process.

Valuations performed by third party valuers are reviewed by the portfolio team within the Fund to confirm that an appropriate valuation methodology has been used and that key inputs, assumptions and judgements made by the valuer are appropriate and continue to include estimates of the impact of COVID-19 on the valuation.

Valuers generally provide a valuation range and it is the Trustee's policy to adopt the mid-point valuation unless there are reasons which indicate it is more appropriate to adopt a different valuation within the range provided by the valuer.

The valuations are reviewed by the valuation committee, separate to the portfolio team, to consider and if required, endorse the adoption of the appropriate point of the valuation range.

During the year, the Fund may review valuations of the level 3 investments more frequently to ensure that the most current valuations are reflected in member balances. This is to improve the responsiveness and accuracy of the current valuation process in both normal and stressed market circumstances.

Where valuations are performed at a date other than balance sheet date, the Fund considers whether the valuation continues to remain appropriate as at the balance sheet date.

Fair value of indirectly held assets

The Fund generally values interests in level 3 investments managed by external investment managers using the valuation provided by the relevant external investment manager. As the underlying Fund's interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The Fund reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations.

How the numbers are calculated *(continued)*

2 Statement of financial position *(continued)*

(d) Fair value measurement of financial assets and liabilities *(continued)*

(iii) Fair value in an inactive or unquoted market (continued)

Valuation techniques

The Fund's directly held investments that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar investment, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The valuation of unquoted investments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

For indirect investments the Fund ensures that the valuation techniques used by fund managers are consistent with the Fund's valuation standard and accepts the value provided by the fund managers unless there is a specific and objectively verifiable reason to vary from the value provided. Fund managers of indirect investments provide valuations on a monthly or quarterly basis.

Valuation models are each sensitive to a number of key assumptions, such as projected future earnings and cash flows, comparator multiples, marketability discounts and discount rates. For most investments the most significant assumptions are the discount rate and the projected future cash flows of the investment.

Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

The discount rate is composed of two elements: a risk-free rate, which is the return that would be expected from a secure, liquid, virtually risk-free investment such as a high-quality government bond; plus a risk premium. The risk premium is estimated from, where observable, implied values of similar publicly traded investment or sales of similar investments. If such information is not available, the risk premium is estimated at a level that compensates for the incremental amount of risk associated with a particular investment. The selected discount rates are chosen to be consistent with the risk inherent in the stream of cash flows to which they are applied.

As level 3 investments are valued using financial models, the resulting valuations are significantly affected by non-observable inputs. The most significant inputs to these financial models are the discount rate and estimated future net cash flows of the investment which in the case of property investments may be estimated using a capitalisation rate.

The following tables summarise the unobservable inputs used in fair value measurement of the Fund's material directly held investments.

2021	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Australian infrastructure	7,751	Discount rate	7.65% - 10.70%	The higher the discount rate, the lower the fair value
International infrastructure	2,590	Discount rate	9.40% - 13.50%	The higher the discount rate, the lower the fair value
International Property	4,626	Capitalisation rate	3.50% - 8.05%	The higher the capitalisation rate, the lower the fair value
		Discount rate	5.50% - 13.50%	The higher the discount rate, the lower the fair value

2020	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Australian infrastructure	6,719	Discount rate	8.05% - 11.00%	The higher the discount rate, the lower the fair value
International infrastructure	-	Discount rate	-	The higher the discount rate, the lower the fair value
International Property	4,287	Capitalisation rate	3.75% - 6.25%	The higher the capitalisation rate, the lower the fair value
		Discount rate	6.00% - 13.50%	The higher the discount rate, the lower the fair value

The number and fair value of investments held by the Fund that have been valued using the type of unobservable inputs discussed above are shown in the tables below.

2021	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value \$m	Number	Fair value \$m	Number	Fair value \$m
Australian infrastructure	10	7,761	4	4,707	14	12,468
International infrastructure	2	3,960	3	7,565	5	11,525
Australian private credit	3	738	-	-	3	738
International private credit	5	4,426	-	-	5	4,426
Australian private equity	34	905	15	562	49	1,467
International private equity	6	36	8	8,106	14	8,142
Australian property	3	198	6	6,182	9	6,380
International property	8	4,626	3	6	11	4,632
Other	37	790	-	-	37	790
	108	23,440	39	27,128	147	50,568

2020	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value \$m	Number	Fair value \$m	Number	Fair value \$m
Australian infrastructure	10	6,900	4	4,335	13	11,235
International infrastructure	-	-	4	6,741	4	6,741
Australian private credit	3	878	-	-	3	878
International private credit	6	1,968	-	-	6	1,968
Australian private equity	30	764	17	328	47	1,092
International private equity	5	32	2	4,617	7	4,649
Australian property	2	190	8	6,087	11	6,277
International property	8	4,287	3	8	11	4,295
Other	44	746	1	10	45	756
	108	15,765	39	22,126	147	37,891

How the numbers are calculated *(continued)*

2 Statement of financial position *(continued)*

(d) Fair value measurement of financial assets and liabilities *(continued)*

(iv) Recognised fair value measurements

The tables below sets out the level of the fair value hierarchy within which the fair value measurements of the Fund are categorised.

2021	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total
Listed equity securities	122,189	54	20	122,263
Fixed income securities	4,762	38,520	5,791	49,073
Unlisted unit trusts	-	6,936	44,061	50,997
Unlisted equity securities	-	-	696	696
Derivative assets	120	1,030	-	1,150
Derivative liabilities	(99)	(2,679)	-	(2,778)
	126,972	43,861	50,568	221,401

2020	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total
Listed equity securities	79,560	1	13	79,574
Fixed income securities	3,338	27,878	3,493	34,709
Unlisted unit trusts	-	5,121	33,824	38,945
Unlisted equity securities	-	-	561	561
Derivative assets	164	2,891	-	3,055
Derivative liabilities	(157)	(1,029)	-	(1,186)
	82,905	34,862	37,891	155,658

The following tables show a reconciliation of the movement in the fair value of financial assets and liabilities categorised within Level 3 between the beginning and the end of the reporting period.

2021	Listed equity securities \$m	Fixed income securities \$m	Unlisted unit trusts \$m	Unlisted equity securities \$m	Total \$m
Opening balance	13	3,493	33,824	561	37,891
Change in fair value*	2	151	4,116	109	4,378
Purchases	55	2,342	6,415	54	8,866
Sales	(69)	(195)	(315)	(28)	(607)
Transfers into level 3	24	-	21	-	45
Transfers out of level 3	(5)	-	-	-	(5)
	20	5,791	44,061	696	50,568
* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	-	164	4,115	85	4,364

2020	Listed equity securities \$m	Fixed income securities \$m	Unlisted unit trusts \$m	Unlisted equity securities \$m	Total \$m
Opening balance	5	2,561	32,663	534	35,763
Change in fair value*	(7)	6	(1,847)	(27)	(1,875)
Purchases	7	1,057	3,653	50	4,767
Sales	(3)	(139)	(645)	0	(787)
Transfers into level 3	11	8	-	4	23
Transfers out of level 3	-	-	-	-	-
	13	3,493	33,824	561	37,891
* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(5)	5	(1,754)	(27)	(1,781)

How the numbers are calculated *(continued)*

2 Statement of financial position *(continued)*

(e) Derivatives

Derivative financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle transactions on a net basis, or realise the asset and settle the liability simultaneously.

The Fund enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. Under such arrangements, derivative financial assets and liabilities could potentially be offset at the counterparty level under certain circumstances such as default. The amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same

currency would be aggregated into a single net amount payable by one party to the other and the relevant arrangements terminated. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position as the Fund does not have a legally enforceable right of set-off.

The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the tables below. Also shown in the table is the amount that could, under netting arrangements, be offset at the counterparty level should circumstances allow the Fund a legally enforceable right of set-off.

2021	Derivative fair value \$m	Derivative amounts set off \$m	Net amounts presented in statement of financial position \$m	Amounts subject to master netting arrangements \$m	Net amount \$m
Financial assets					
Futures contracts	120	-	120	(120)	-
Swaps contracts	3,287	(3,018)	269	(35)	234
Options contracts	122	-	122	(1)	121
Foreign currency forward contracts	639	-	639	(747)	(108)
	4,168	(3,018)	1,150	(903)	247
Financial liabilities					
Futures contracts	(99)	-	(99)	155	56
Swaps contracts	(3,355)	3,018	(337)	124	(213)
Options contracts	(1)	-	(1)	122	121
Foreign currency forward contracts	(2,341)	-	(2,341)	685	(1,656)
	(5,796)	3,018	(2,778)	1,086	(1,692)
Net financial asset/(liability)	(1,628)	-	(1,628)	183	(1,445)

2020	Derivative fair value \$m	Derivative amounts set off \$m	Net amounts presented in statement of financial position \$m	Amounts subject to master netting arrangements \$m	Net amount \$m
Financial assets					
Futures contracts	164	-	164	(171)	(7)
Swaps contracts	10,253	(9,441)	812	(542)	270
Options contracts	116	-	116	-	116
Foreign currency forward contracts	1,963	-	1,963	(646)	1,317
	12,496	(9,441)	3,055	(1,359)	1,696
Financial liabilities					
Futures contracts	(157)	-	(157)	164	7
Swaps contracts	(9,982)	9,441	(541)	250	(291)
Options contracts	-	-	-	116	116
Foreign currency forward contracts	(488)	-	(488)	684	196
	(10,627)	9,441	(1,186)	1,214	28
Net financial asset/(liability)	1,869	-	1,869	(145)	1,724

(f) Income tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Acts and the Fund's income tax disclosures are prepared in accordance with AASB 1056 *Superannuation Entities* and AASB 112 *Income Taxes*.

Accordingly, the income tax rate for Australian superannuation funds of 15% has been applied to net investment earnings less deductions allowable for expenses relevant to accumulation fund members and transition to retirement members. In the case of retirement income members, investment earnings are tax exempt.

Gains arising from the disposal of investment assets held for less than 12 months are taxed at 15%. For investment assets that are held on capital account for tax purposes for a period of more than 12 months, the Fund is entitled to a one-third capital gains tax discount leading to an effective tax rate of 10% on gains arising from the disposal of such investment assets.

The deferred tax balances are measured at the tax rates enacted at reporting date.

Income tax expense reported in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income for the current year and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the cost base amount of the assets or liabilities used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation of assets or settlement of liabilities.

The tax provision is reduced to reflect the benefit of imputation credits and credits for foreign tax paid, where applicable.

Deferred tax assets are recognised only if it is probable that future taxable amounts will become available to utilise those losses.

How the numbers are calculated *(continued)*

2 Statement of financial position *(continued)*

(f) Income tax *(continued)*

(i) Income tax expense reported in income statement

	2021 \$m	2020 \$m
Current income tax		
Current tax expense/(benefit) on operating result for the year	1,409	(253)
Adjustment for current tax of prior periods	(34)	14
Total current tax expense/(benefit)	1,375	(239)
Deferred income tax		
Increase/(decrease) in deferred tax liabilities	1,885	(185)
Total deferred tax expense/(benefit)	1,885	(185)
Income tax expense/(benefit)	3,260	(424)

(ii) Reconciliation of income tax expense to prima facie tax payable

	2021 \$m	2020 \$m
Operating result before income tax	39,324	(85)
Tax at the Australian rate of 15% (2020: 15%)	5,899	(13)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Impact of movement of tax discount on capital gains	(1,454)	108
Exempt pension income	(601)	(37)
Imputation credits and foreign tax offsets	(552)	(496)
Other	2	-
Adjustments for current tax of prior periods	(34)	14
Income tax expense/(benefit)	3,260	(424)

(iii) Income tax expense recognised in the statement of changes in members' benefits

	2021 \$m	2020 \$m
Contributions and transfers in recognised in the statement of changes in members' benefits	26,599	27,678
Tax at the Australian rate of 15% (2020: 15%)	3,990	4,152
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Non assessable contributions and transfers in	(2,277)	(2,640)
Other	(107)	(99)
Total	1,606	1,413

(iv) Deferred tax balances

The movements in temporary differences during the year were:

At 30 June 2021	Beginning of year \$m	Recognised in income statement \$m	End of year \$m
Deferred tax asset			
Payables	26	(4)	22
Deferred tax liability			
Unrealised gains on financial instruments	(3,097)	(1,881)	(4,978)
Net deferred tax assets/(liabilities)	(3,071)	(1,885)	(4,956)

At 30 June 2020	Beginning of year \$m	Recognised in income statement \$m	End of year \$m
Deferred tax asset			
Payables	31	(5)	26
Deferred tax liability			
Unrealised gains on financial instruments	(3,287)	190	(3,097)
Net deferred tax assets/(liabilities)	(3,256)	185	(3,071)

How the numbers are calculated *(continued)*

3 Income statement

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest

Interest income is recognised in the income statement for all financial instruments that are held at fair value through the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value in the income statement is included in net changes in fair value of financial instruments.

(ii) Dividends and distributions

Dividend and distribution income is recognised on the date the investments are quoted ex-dividend/distribution and if not received at reporting date, is reflected in the statement of financial position as a receivable.

(iii) Net changes in fair value of financial instruments

Net changes in financial assets measured at fair value:

	2021 \$m	2020 \$m
Cash and cash equivalents	121	(284)
Listed equity securities	25,450	(1,343)
Fixed interest securities	(1,150)	496
Derivatives	5,142	(800)
Unlisted unit trusts	5,877	(1,799)
Unlisted equity securities	(108)	27
	35,332	(3,703)

Changes in the fair value of investments are recognised in the income statement and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(iv) Other investment income and sundry income

Other investment income is primarily securities lending income. Sundry income relates to the insurance premiums retained by the Fund to cover the cost of the insurance product and the Premium Adjustment Model as described in note 9(d).

(b) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in net changes in fair value of financial instruments.

(c) Investment expenses

Master custodian and investment management fees and other investment expenses are recognised on an accruals basis and represent costs incurred directly by the Fund in managing the investment portfolio. They do not include fees incurred within underlying investment vehicles. Total investment expenses including direct and indirect expenses are recovered from members by deducting an investment fee from investment returns before they are credited to members' accounts.

(d) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence expenses have been recognised in the income statement net of GST recoverable from the Australian Taxation Office (ATO). Payables are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

4 Statement of cash flows**(a) Cash and cash equivalents**

	2021 \$m	2020 \$m
Cash and cash equivalents	18,572	32,782

(b) Reconciliation of operating result after income tax to net cash inflow (outflow) from operating activities:

	2021 \$m	2020 \$m
Operating result for the period after income tax	202	56
Movements in fair value of financial instruments	(35,332)	3,703
Death and disability benefits received	313	336
Insurance premiums paid	(736)	(670)
Net benefits allocated to members	35,862	283
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(155)	172
Increase/(decrease) in payables	34	(28)
Increase/(decrease) in current tax payable	1,142	123
Increase/(decrease) in deferred tax payable	1,885	(185)
Net cash inflow/(outflow) from operating activities	3,215	3,790

(c) Non-cash financing activities

There were no non-cash financing activities during the year (2020: nil).

How the numbers are calculated *(continued)*

5 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the making of some estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

Estimates are continually evaluated, and any revisions are recognised in the period in which they occur. Estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are described in Note 2(d) Fair value measurement of financial assets and liabilities.

6 Insurance arrangements

The Fund provides income protection, death and disability benefits to its members. The Trustee has group policies in place with its insurer to insure these income protection, death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurer. Insurance premiums are not expenses of the Fund and do not give rise to insurance liabilities. Similarly, insurance claim recoveries are not income of the Fund. Insurance premiums charged to members and insurance claims paid by the insurer through the Fund are recognised in the statement of changes in members' benefits.

7 Members' benefits

Obligations relating to members' benefits are recognised as liabilities. They are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their membership at reporting date, subject to preservation requirements.

	2021 \$m	2020 \$m
Members' account balances		
Accumulation	200,325	157,472
Retirement	31,545	24,216
	231,870	181,688

Risk management

8 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Trustee has overall responsibility for the establishment and oversight of the Fund's Risk Management Framework (including the Risk Appetite Statement), which includes the financial risks of the Fund. The financial risks, and in particular the risks associated with investments, are managed by the Trustee through approving the investment objectives and strategic asset allocation investment ranges for each investment plan. The Trustee ensures effective structures, policies, processes and systems are in place to facilitate the monitoring and management of risks to which the Fund is exposed.

The Board has delegated certain powers to the Investment Committee. The Investment Committee oversees the Fund's investment program including setting ranges for the management of the portfolio mix for each investment option, approving asset class strategies, monitoring the key risk exposures within the portfolio and reviewing the performance of each investment option.

The Investment Committee is responsible for overseeing the investment governance framework, including policies, procedures, systems and methodologies. In carrying out these responsibilities the Investment Committee receives reporting from management and external advisers.

(b) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices are reflected in earnings credited to members. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

(i) Currency risk

The Fund is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than the functional currency (Australian dollars) of the Fund.

Derivatives and currency overlays are utilised to actively manage the level of currency exposure in line with the Fund's strategic asset allocation for each investment option which specifies the range for currency exposure. This is reviewed on a regular basis and reported to the Investment Committee.

The Fund monitors the exposure of all foreign currency denominated assets and liabilities and hedges according to the currency exposure range specified for each investment option.

Risk management *(continued)*

8 Financial risk management *(continued)*

(b) Market risk *(continued)*

(i) Currency risk (continued)

The Fund's exposure to foreign currencies after derivative impact at the reporting date is summarised in the tables below.

2021	USD A\$m	Euro A\$m	GBP A\$m	Other currencies A\$m	Total A\$m
Cash and cash equivalents	4,232	437	167	404	5,240
Listed equity securities	45,004	9,693	2,494	11,298	68,489
Fixed income securities	14,475	4,089	3,087	2,566	24,217
Unlisted unit trusts	2,632	-	4,262	383	7,277
Receivables for securities sold	735	102	841	91	1,769
Payables for securities purchased	(2,024)	(149)	(709)	(7)	(2,889)
Increase/(decrease) from derivative contracts	(47,832)	(14,016)	(9,194)	(6,647)	(77,689)
Net exposure to foreign exchange risk	17,222	156	948	8,088	26,414

2020	USD A\$m	Euro A\$m	GBP A\$m	Other currencies A\$m	Total A\$m
Cash and cash equivalents	2,586	567	212	1,240	4,605
Listed equity securities	30,552	6,333	2,725	8,012	47,622
Fixed income securities	12,283	3,281	1,450	2,389	19,403
Unlisted unit trusts	1,860	-	2,303	216	4,379
Receivables for securities sold	1,406	19	8	42	1,475
Payables for securities purchased	(3,780)	(6)	(6)	(3)	(3,795)
Increase/(decrease) from derivative contracts	(29,811)	(8,411)	(5,780)	(3,041)	(47,043)
Net exposure to foreign exchange risk	15,096	1,783	912	8,855	26,646

Of the remaining Other currencies exposure 49.4% (2020: 61.5%) was attributable to investments denominated in Japanese Yen, Swiss Francs and Hong Kong Dollars (2020: Japanese Yen, Swiss Francs and Hong Kong Dollars).

The table on page 25 summarises the sensitivity of the Fund's financial assets and liabilities to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's investments in bonds, fixed interest securities, debt securities and cash are subject to interest rate risk.

Interest rate risk is managed by holding a diversified portfolio of instruments, including holding a mixture of fixed and floating rate securities. Where appropriate the Fund uses interest rate derivatives to change the exposure to fixed or floating interest rates.

The Fund's interest rate risk is monitored and managed on a regular basis by the Income Assets team and the investment managers awarded mandates in these asset classes in accordance with the investment guidelines set for them.

The Fund's exposure to interest rate risk at the reporting date is summarised in the tables below.

2021	Fixed interest rate \$m	Floating interest rate \$m	Total \$m
Cash and cash equivalents	-	18,572	18,572
Fixed income securities	23,818	25,255	49,073
Increase/(decrease) from derivative contracts	(450)	449	(1)
Net exposure to interest rate risk	23,368	44,276	67,644

2020	Fixed interest rate \$m	Floating interest rate \$m	Total \$m
Cash and cash equivalents	-	32,782	32,782
Fixed income securities	22,247	12,462	34,709
Increase/(decrease) from derivative contracts	(655)	612	(43)
Net exposure to interest rate risk	21,592	45,856	67,448

The table on page 25 summarises the sensitivity of the Fund's assets to interest rate risk.

(iii) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Where non-monetary financial instruments are denominated in currencies other than the Australian dollar the price in the future will also fluctuate because of changes in foreign exchange rates.

The Fund manages price risk through diversification and careful selection of securities within the strategic asset allocation for each investment option.

Price risk is further managed by undertaking a thorough due diligence process and careful selection of investments and investment managers that receive a mandate to manage a portfolio of the Fund's assets. On an ongoing basis, investments and the investment managers are monitored by the different asset class teams. The results of the monitoring are reported to the Investment Committee.

Risk management *(continued)*

8 Financial risk management *(continued)*

(b) Market risk *(continued)*

(iii) Price risk (continued)

As at 30 June the fair value of financial assets exposed to price risk were as follows:

	2021 \$m	2020 \$m
Equity securities	122,263	79,574
Unlisted unit trusts	50,997	38,945
Unlisted equity securities	696	561
Net exposure to price risk	173,956	119,080

The Fund seeks to allocate members' funds in the investment portfolio to sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The table below is a summary of the sector concentrations within the listed equities portfolio.

	2021 Fund's equity portfolio (%)	2020 Fund's equity portfolio (%)
Communication services	6.4	7.7
Consumer discretionary	15.3	15.6
Consumer staples	6.5	9.2
Energy	1.5	2.6
Financials	21.0	15.4
Health care	12.6	13.5
Industrials	8.7	9.3
Information technology	13.8	13.7
Materials	11.4	11.0
Real estate	1.7	1.6
Utilities	1.1	0.4
	100	100

Summarised sensitivity analysis

The following tables summarise the sensitivity of the Fund's operating result and net assets available for members' benefits to currency risk, interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historical variations in risk variables should not be used to predict future variations in the risk variables.

Currency risk	2021 \$m -10%	2021 \$m +10%	2020 \$m -10%	2020 \$m +10%
USD	(1,722)	1,722	(1,510)	1,510
Euro	(16)	16	(178)	178
GBP	(95)	95	(91)	91
Other currencies	(809)	809	(886)	886
	(2,642)	2,642	(2,665)	2,665

Interest rate risk	2021 \$m -100 bps	2021 \$m +100 bps	2020 \$m -100 bps	2020 \$m +300 bps
	(676)	676	(674)	2,023

Price risk	2021 \$m -10%	2021 \$m +10%	2020 \$m -10%	2020 \$m +10%
	(17,396)	17,396	(11,908)	11,908

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due causing a financial loss to the Fund. The Fund is exposed to counterparty credit risk on certain investments including debt securities, derivative financial instruments, cash and other receivables.

Credit risk arising from investments is managed by extensive due diligence undertaken by the Fund prior to the appointment of investment managers or the selection of investments via internal management, as well as ongoing monitoring of the investment portfolio by the investment team.

In addition, for cash and derivative investments, the Fund manages credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained.

The Fund's maximum credit risk exposure to derivative instruments as at the reporting date is as shown in note 2(e) under the heading net amount.

Credit risk associated with receivables is considered low as this is mainly comprised of dividends, distributions and interest receivable on investments.

Risk management *(continued)*

8 Financial risk management *(continued)*

(c) Credit risk *(continued)*

Debt securities

The Fund invests in fixed income securities, some of which are rated by external ratings agencies. For unrated assets the Trustee assesses credit risk using an approach similar to that used by external ratings agencies. An analysis of debt securities by rating is set out in the following table:

	2021 \$m	2020 \$m
Rating		
Long term A and above or short term equivalent	27,036	20,581
Long term B and above to below A or short term equivalent	13,409	6,691
Long term below B or short term equivalent	2,387	489
Not rated	6,241	6,948
	49,073	34,709

Debt securities included in the 'not rated' category are securities that do not have a third-party credit rating at the security level and primarily relate to debt securities with various corporations. In recent years the Fund has increased its internal capabilities to lend money directly to corporates of appropriate credit quality. Non rated loans are valued on a regular basis by independent valuers.

Derivatives

The Fund permits (within the limitations prescribed in the respective investment mandates) that internal and external investment managers may utilise derivatives such as futures contracts, interest rate and currency swaps and forward foreign exchange contracts to gain access to, and allow flexibility in, the financial markets in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy.

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in note 2(e).

Securities lending

Under securities lending arrangements, the legal title to certain assets of the Fund have been transferred to other entities notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund. The risks and rewards of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk. As the Fund retains the risks and benefits of ownership, assets that have been loaned have not been derecognised.

The Fund participates in securities lending programs through agency arrangements with JP Morgan Chase Bank NA and directly with approved third-party borrowers.

The financial assets transferred to other entities under securities lending arrangements include Australian and International equities and fixed interest securities. The fair value of financial assets on loan at reporting date was \$14,303 million (2020: \$6,681 million).

The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by Securities Lending Agreements that require the borrower to provide the lender with collateral to the value equal to or greater than the loaned securities.

The collateral held at reporting date as security consisted of cash, equity and fixed interest securities with a fair value of \$15,704 million (2020: \$7,205 million). No collateral has been sold or repledged during the year.

In some transactions, JP Morgan Chase Bank NA, as lending agent, indemnifies the Fund for replacement of loaned securities due to a borrower default on a security loan.

(d) Liquidity risk

Liquidity risk is the risk the Fund may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can only do so on terms that are materially disadvantageous. The Fund's Trust Deed and Product Disclosure Statement provide for the daily withdrawal of benefits and switching of members' funds. The Fund is therefore exposed to the liquidity risk of meeting members' withdrawals at any time and switching of members' balances to a different investment choice option.

The Fund's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. If required, the Fund may not be able to quickly liquidate some of these investments at an amount close to fair value (defined as the exit price agreed by a willing buyer and seller in an orderly market).

The Fund's listed securities are considered to be readily realisable as they are all listed on recognised stock exchanges in various jurisdictions globally.

The Fund's liquidity risk is managed on a daily basis in accordance with the Fund's Liquidity Management Plan and Investment Strategy. Stress testing and scenario analysis are completed on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's overall liquidity risks are monitored by the Fund's Investment Committee.

The Liquidity Steering Committee regularly monitors the Fund's liquidity position and reviews liquidity forecasts across a number of different scenarios. These scenarios model the impact on the liquidity of the investment portfolio, and any consequential impact on asset allocations, for a range of stressed market events taking into account potential adverse impacts on cash flows resulting from factors such as investment switching by members and applications for early access to superannuation.

The Fund has sufficient liquidity to be able to pay benefits to members in the normal course of events as was required under the Government's Early Release Initiative for members who were suffering hardship resulting from the COVID-19 pandemic that may have wished to gain access to some of their balance.

Risk management *(continued)*

8 Financial risk management *(continued)*

(d) Liquidity risk *(continued)*

The contractual maturity of financial liabilities is set out below.

2021	Carrying amount \$m	Contractual cash flows \$m	Less than 1 month \$m	1 to 3 months \$m	3 months to 1 year \$m	Greater than 1 year \$m
Members' benefits	231,870	231,870	231,870	-	-	-
Payables	197	197	197	-	-	-
Payable for securities purchased	3,045	3,045	3,045	-	-	-
Derivative liabilities	2,778	2,778	597	1,588	475	118
	237,890	237,890	235,709	1,588	475	118

2020	Carrying amount \$m	Contractual cash flows \$m	Less than 1 month \$m	1 to 3 months \$m	3 months to 1 year \$m	Greater than 1 year \$m
Members' benefits	181,688	181,688	181,688	-	-	-
Payables	136	136	136	-	-	-
Payable for securities purchased	4,562	4,562	4,562	-	-	-
Derivative liabilities	1,186	1,186	271	395	215	305
	187,572	187,572	186,657	395	215	305

Members' benefits have been included in the 'Less than 1 month' column above as this is the amount that members could call upon as at year end.

(e) Environmental, Social and Governance factors

Given the importance of Environmental, Social and Governance ('ESG') factors in managing risk and maximising long-term returns for members, consideration of ESG and Stewardship issues are integral to the Fund's investment processes.

Oversight of the Fund's ESG and Stewardship Policy is the responsibility of the Investment Committee, and the Investment Department is responsible for its implementation.

The objective of the Fund's ESG and Stewardship programme is to ensure that ESG risks and opportunities are integrated into the investment processes and to guide the Fund's stewardship activities so as to promote long-term value for our members.

It is envisaged that adherence to the guiding principles will lead to improved risk management and investment returns over the long term. The key focus areas currently include board effectiveness, executive remuneration, climate change, maintaining a sustainable work force and gender diversity and inclusion.

Other information

9 Reserves

(a) Operational Risk Financial Reserve

The reserve is operated in accordance with an Operational Risk Financial Reserve Policy that is reviewed annually. The purpose of the reserve is to provide funding for incidents where losses may arise from operational risks (as opposed to investment risks).

The level of the reserve is determined by the Board annually based on assessment of the risks faced by the Fund and the requirements of the APRA Superannuation Prudential Standards SPS 114. The Board has assessed an Operational Risk Financial Reserve of 0.25% of net assets as appropriate for the Fund.

(b) Investment reserve

The reserve is used to accumulate investment income prior to it being allocated to members' accounts. The investment reserve comprises the difference between the cumulative amount of investment income earned (net of expenses and tax) and the cumulative amount of investment income allocated to members' accounts. During the financial year, the reserve funded the variable administration fee and increases in the Operational Risk Financial Reserve.

(c) Administration reserve

The purpose of the reserve is to fund the operations of the Trustee office and enhance member services, extend the product range of the Fund and fund changes to achieve operational efficiencies. Administration fees charged to members and the Investment reserve fund the reserve.

(d) Insurance reserve

The reserve is operated in accordance with the Insurance Reserve Policy. The purpose of the reserve is to cover timing differences between the charging of insurance premiums to members' accounts and premiums becoming due to the insurer under insurance contracts, noting that premiums due to the insurer may be adjusted upwards or downwards under the Fund's Premium Adjustment Model (incorporated in the Fund's insurance contract) depending upon claims experience.

10 Directors and key management personnel

(a) Directors

Key management personnel include persons who were Directors of the Trustee at any time during the financial year and up to the date of this report as follows:

Member nominated	Employer nominated	Independent
J Angrisano	G Coyne	J Craig
B Daley	L Di Bartolomeo	D Russell
D Oliver	J Dixon	
G Thompson	C Keating	
D Walton	I Willox	

Other information *(continued)*

10 Directors and key management personnel *(continued)*

(a) Directors *(continued)*

The following persons were Alternate Directors of the Trustee during the financial year and up to the date of this report:

Member nominated

N Apple
 P Cozens
 B Crofts
 B Davison (appointed 28 October 2020,
 ceased 16 August 2021)
 J Mitchell (ceased 22 September 2020)
 C Pace (ceased 28 October 2020)
 J Schofield

Employer nominated

P Burn (ceased 9 December 2020)
 A Flanagan (ceased 14 February 2021)
 S Kay
 H Ridout
 G Stamas

(b) Other key management personnel

Members of the Committees of the Board who are not Directors or Alternate Directors of the Trustee are considered key management personnel. Committee members during the financial year and up to the date of this report were:

P Downes (commenced 12 February 2021)	C Rosenberg
R Maddox	D Taylor (commenced 9 December 2020)

Other key management personnel were:

I Silk	Chief Executive Officer
M Delaney	Deputy Chief Executive Officer and Chief Investment Officer
S Adams	Group Executive Strategy, Reputation and Corporate Affairs
S Blackmore	Group Executive Member Experience
P Curtis	Group Executive Finance and Operations
M Glover	Group Executive, People and Culture
R Kerlin	Group Executive Membership and Brand
P Schroder	Chief Risk Officer
F Trewin	Group Executive Technology Services

(c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

	2021 \$'000	2020 \$'000
Short-term benefits	9,028	9,089
Post employment benefits	403	404
Long-term benefits	584	556
	10,015	10,049

Short-term benefits include cash salary, annual leave, lump sum payments, and other non-monetary benefits. Post-employment benefits relate to superannuation benefits. Other long-term benefits relate to long service leave entitlements and deferred Investment Performance Payment Plan payments.

(d) Transactions with key management personnel

The following key management personnel were members of the Fund during the reporting period and up to the date of the financial report:

S Adams	L Di Bartolomeo	C Rosenberg
J Angrisano	P Downes	J Schofield
N Apple	A Flanagan	P Schroder
S Blackmore	S Kay	I Silk
P Burn	R Kerlin	G Stamas
G Coyne	M Glover	D Taylor
B Crofts	J Mitchell	G Thompson
B Davison	D Oliver	F Trewin
B Daley	C Pace	D Walton
J Dixon	H Ridout	I Willox
M Delaney		

Their membership terms and conditions were the same as those applied to other members of the Fund.

During the reporting period the Trustee changed from paying employees fortnightly in advance to fortnightly in arrears. To minimise cash flow issues the Trustee paid all eligible employees a once off taxable bridging payment that will be recovered upon termination of the employees' employment.

The key management personnel who received the bridging payment were:

S Adams	M Glover	I Silk
S Blackmore	R Kerlin	F Trewin
M Delaney	P Schroder	

The aggregate bridging payment made to key management personnel and outstanding at year end was \$125,000.

Other information (continued)

11 Related parties

(a) Transactions with Trustee

The Trustee is owned by the Australian Industry Group and ACTU Super Shareholding Pty Ltd. ACTU Super Shareholding Pty Ltd holds the shares on behalf of the Australian Council of Trade Unions and participating unions.

The Trustee paid the Australian Industry Group ('Ai Group') \$215,000 (2020: \$211,000) and the Australian Council of Trade Unions ('ACTU') \$215,000 (2020: \$211,000) for advertising related opportunities and general marketing for AustralianSuper. The Trustee also paid Ai Group \$122,000 (2020: \$132,000) and ACTU \$nil (2020: \$14,000) for directors' fees for AustralianSuper directors and alternate directors who were employed by Ai Group and ACTU.

Under the terms of the Trust Deed, the Trustee is entitled to receive trustee services fees, calculated by reference to the costs incurred by the Trustee in running the Fund.

Fees paid and payable	2021 \$'000	2020 \$'000
Trustee services fee paid and payable by the Fund to the Trustee*	624,264	554,692
Amount payable by the Fund to the Trustee at the end of the reporting period	42,309	26,470
Expenses prepaid by the Fund	46,118	62,554
Accrued expenses payable to the Trustee	126,792	60,009

* The portion of the Trustee services fee that relates to investment activities is recognised in investment expenses on the income statement.

(b) Transactions with other entities

The Trustee paid the following amounts to the organisations that employ either a Director or Alternate Director of the Trustee. Directors' remuneration is set with reference to rates paid by comparable businesses in the financial services industry. Other payments include advertising, marketing and education services for AustralianSuper and are made on normal commercial terms.

2021 Organisation	Directors' payments \$'000	Other payments \$'000	Total payments \$'000
Australian Manufacturing Workers' Union	138	185	323
Australian Workers' Union	108	190	298
Finance Sector Union	59	30	89
United Workers' Union	21	-	21
Total	326	405	731

2020 Organisation	Directors' payments \$'000	Other payments \$'000	Total payments \$'000
Australian Manufacturing Workers' Union	79	204	283
Australian Workers' Union	90	208	298
Finance Sector Union	52	30	82
United Voice	-	22	22
United Workers' Union	-	8	8
Total	221	472	693

(c) Related party investments and transactions

Details of the Fund's related party investments and transactions are listed below.

(i) Industry Super Holdings Pty Ltd (ISH)

The Fund held a 19.95% (2020: 19.95%) shareholding in ISH valued at \$242,489,000 (2020: \$197,939,000). ISH has a number of subsidiary companies, one of which manages investments on behalf of the Fund. IFM Investors Pty Ltd (IFM) manages a selection of infrastructure, Australian listed equities, private equity, fixed interest and cash portfolios on behalf of the Fund.

IFM managed portfolios totalling \$49,182,018,000 (2020: \$52,570,977,000) on behalf of the Fund and received \$60,333,000 (2020: \$64,974,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to IFM of \$40,456,000 (2020: \$39,288,000). The income earned on the portfolios managed by IFM was \$3,308,063,000 (2020: (\$2,823,892,000)).

ISH has various other subsidiaries with which the Fund transacts. These non-investment transactions are summarised in the following table.

Company	Nature of transaction	2021 \$	2020 \$
Industry Funds Services Limited	Financial planning, arrears collection and other member services	1,766,000	2,203,000
Industry Super Australia Pty Ltd	Marketing services	5,070,000	5,070,000
IFS Insurance Solutions Pty Ltd	Insurance services	270,000	245,000

P Burn and I Silk are directors of Industry Super Australia Pty Ltd which is a subsidiary of ISH.

B Crofts and G Thompson were Directors of The New Daily Pty Ltd, a wholly owned subsidiary of ISH. During the year ended 30 June 2021, the Trustee paid B Crofts \$24,000 (2020: \$5,300) for being AustralianSuper's nominee on the Board of The New Daily. Subsequent to 30 June 2021, The New Daily Pty Ltd reimbursed the Trustee \$184,000 (excl GST), being the amounts paid, plus an interest adjustment, by the Trustee to its nominee directors on the Board of The New Daily since 2013.

(ii) Members Equity Bank Limited (ME)

The Fund held a 20.4% (2020: 20.4%) shareholding in ME valued at \$264,864,000 (2020: \$235,450,000). ME holds cash and short-term deposits on behalf of the Fund and other institutional clients and provides low-cost home loans and banking products to industry fund members. ME offers the Fund and other institutional investors the opportunity to invest in its fixed interest vehicle, Super Loans Trust.

ME managed a portfolio on behalf of the Fund and received \$25,000 (2020: \$33,000) in fees for the management of the portfolio. These fees included fees paid to an underlying investment manager and management fees paid directly to ME of \$13,000 (2020: \$7,000). The portfolio carry value was \$nil at 30 June 2021 (2020: \$9,560,000) and the income earned was \$277,000 (2020: \$1,191,000). Additionally, the Fund had \$786,090,000 (2020: \$807,706,000) invested in cash and short-term deposits with ME at year end. The income earned on this portfolio was \$6,582,000 (2020: \$9,212,000).

During the financial year the Trustee entered into an agreement with the Bank of Queensland for the sale of the Fund's interest in ME. The shares transferred on completion of the sale in July 2021.

Other information *(continued)*

11 Related parties *(continued)*

(c) Related party investments and transactions *(continued)*

(iii) ISPT Pty Ltd (ISPT)

The Fund held a 16.0% (2020: 16.0%) shareholding in ISPT valued at \$nil (2020: \$nil). ISPT manages a range of unlisted property funds on behalf of the Fund and other institutional clients. ISPT in its capacity as trustee managed portfolios totalling \$4,732,516,000 (2020: \$4,671,525,000) on behalf of the Fund and received \$14,262,000 (2020: \$16,082,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to ISPT of \$13,010,000 (2020: \$12,131,000). The income earned on this portfolio was \$61,943,000 (2020: \$38,656,000).

The Fund held a 28.6% (2020: 28.6%) interest in ISPT Operations Trust valued at \$2,325,000 (2020: \$734,000). ISPT Operations Pty Ltd, which is wholly owned by ISPT Operations Trust, provides management services to ISPT.

B Daley was a director of ISPT Pty Ltd and ISPT Operations Pty Ltd during the year ended 30 June 2021.

(iv) Frontier Advisors Pty Ltd (Frontier)

The Fund held a 31.0% (2020: 31.0%) shareholding of ordinary shares valued at \$1,571,000 (2020: \$1,571,000) in Frontier. Frontier provides investment consulting services to the Fund and other institutional clients. Frontier received fees from AustralianSuper for investment consulting services. These fees were \$1,599,000 (2020: \$1,647,000).

J Dixon was a director of Frontier Advisors Pty Ltd in the year ended 30 June 2021.

(v) AustralianSuper (UK) Limited

AustralianSuper (UK) Limited, a wholly owned subsidiary of the Fund domiciled in the UK, was incorporated to provide investment management services to the Fund. AustralianSuper (UK) Limited is entitled to receive service fees, calculated by reference to the costs it incurs. Fees paid and payable by the Trustee and the Fund to AustralianSuper (UK) Limited during the year totalled \$17,616,000 (2020: \$14,186,000). The Trustee has a net amount payable of \$601,000 (2020: \$1,722,000 payable) to AustralianSuper (UK) Limited at year end.

(vi) AustralianSuper (USA) LLC

AustralianSuper (USA) LLC, a wholly owned subsidiary of the Fund domiciled in the USA, was incorporated to provide investment management services to the Fund. During the reporting period the Trustee incurred expenses on behalf of AustralianSuper (USA) LLC of \$4,401,000 (2020: \$nil) and has a net amount receivable of that amount (2020: \$nil) from AustralianSuper (USA) LLC at year end.

(vii) SuperFriend - Industry Funds Mental Health Initiative (SuperFriend)

SuperFriend advocates for, equips and empowers profit-to-member superannuation funds and insurers to achieve mentally healthy workplaces for their staff and members. During the year the Fund paid \$6,900 (2020: \$27,000) to SuperFriend.

R Kerlin was an unpaid director of SuperFriend during the year ended 30 June 2021.

(viii) Other significant investments

The Fund has the following significant investments.

Investment	Equity holding	
	2021 %	2020 %
Ala Moana	25.00	25.00
Ausgrid	25.20	25.20
Hermes CMK ⁽ⁱ⁾	50.00	50.00
NSW Ports	20.00	20.00
WestConnex	20.50	20.50

(i) Included in controlled entities note (Hermes CMK included in AS Property No 1 LLC).

These investments are included in the relevant investment categories in the statement of financial position. There have been no transactions with these entities other than normal investment activities and distributions.

All transactions with the related parties listed above were made on normal commercial terms, under normal conditions and at market rates.

(d) Controlled entities

The Fund invests in controlled entities that make up part of the total of the Level 3 securities disclosed at fair value in note 2(d).

The Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

- › the Fund has obtained funds from members for the purpose of providing them with investment management services;
- › the Fund's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation and investment income; and
- › the performance of investments made by the Fund are measured and evaluated on a fair value basis.

Consequently, the Fund does not consolidate these investments, but accounts for them at fair value.

The entities controlled by the Fund have been set up for the purpose of holding investments that generate capital appreciation and investment income. The investment strategies of the underlying entities may include the use of leverage. The Fund purchases shares, units or bonds from the controlled entity which enables the controlled entities to invest in the underlying entities. These underlying entities hold investments in infrastructure, private equity and property both internationally and within Australia.

The Fund's maximum exposure to loss from its interests in controlled entities is equal to the fair value of its investments in these entities plus any capital commitment made by a controlled entity to an underlying entity. Once the Fund has disposed of its interest in the controlled entity it ceases to be exposed to any risk from the controlled entity.

Other information *(continued)*

11 Related parties *(continued)*

(d) Controlled entities *(continued)*

The Fund's exposure to the current fair value of investments held in the controlled entities and commitments to these entities are shown below:

2021 Asset class	Number of controlled entities	Fair value of controlled entities \$'000	Commitments to controlled entities \$'000
International fixed income	1	473,449	-
Australian infrastructure	9	7,560,291	48,390
International infrastructure	4	5,631,134	1,308,013
International private credit	3	1,512,122	110,645
Australian private equity	3	297,062	25,032
International private equity	3	7,008,381	3,160,709
Australian property	2	195,952	156,144
International property	9	4,627,941	330,255
Total	34	27,306,332	5,139,188

2020 Asset class	Number of controlled entities	Fair value of controlled entities \$'000	Commitments to controlled entities \$'000
International fixed income	1	405,658	-
Australian infrastructure	9	6,718,702	94,790
International infrastructure	4	1,642,285	1,119,629
International private credit	4	830,405	312,612
Australian private equity	3	235,885	27,055
International private equity	4	4,618,310	3,845,029
Australian property	1	188,796	103,847
International property	9	4,290,653	485,259
Total	35	18,930,694	5,988,221

The fair values of these investments are included in the statement of financial position in the unlisted unit trust category.

Further details of the Fund's controlled entities are shown in the table below.

Name of entity	Equity holding	
	2021 %	2020 %
AustralianSuper Investment Fund	100	100
AustralianSuper Investment Fund No 2	100	100
AustralianSuper Investment Fund No 3	100	100
AustralianSuper Investment Fund No 4	100	100
AustralianSuper Investment Fund No 5	100	100
AustralianSuper Private Equity Trust	100	100
AS Private Equity Co-Invest LLC	100	100
AS Direct Australian Equities Trust	100	100
AustralianSuper Research Pty Ltd	100	100
AustralianSuper (UK) Limited	100	100
AustralianSuper (US) LLC	100	100
AS Infrastructure No 1 (Operating) Pty Ltd	100	100
AS Infrastructure No 1 (Holding) Trust	100	100
AS Infrastructure No 2 (Operating) Trust	100	100
AS Infrastructure No 2 (Holding) Trust	100	100
AS Infrastructure No 3 (Operating) Trust	100	100
AS Infrastructure No 3 (Holding) Trust	100	100
AS Infrastructure WestConnex Operating Trust	100	100
AS Infrastructure WestConnex Holding Trust	100	100
Mindarie Investment Trust	100	100
AS Property No 1 LLC	100	100
AS Property No 2 LLC	100	100
AS Property No 2 Trust	100	100
AS Property No 2 LP Trust	100	100
AS Property No 3 LLC	100	100
Kings Cross Central GP	67.5	67.5
AS Residential Property Trust	100	100
AS NZ Property (Wiri)	100	100
AustralianSuper International Credit Trust	100	100
AustralianSuper RAAD Trust	100	100
AS RAAD Hybrid Debt Trust	100	100
AS International Fixed Income Trust	100	100
AS Infra PP Trust	100	100
AS Property MLP Trust (formerly AS RAAD Infrastructure Trust)	100	100
AS International Private Equity Trust	100	-
AS Infra Fibre Trust	100	-
AS Direct Australian Equities (VA) Trust	100	-

Other information *(continued)*

11 Related parties *(continued)*

(d) Controlled entities *(continued)*

The above entities are domiciled in Australia except for AS Property No 1 LLC, AS Property No 2 LLC, AS Property No 3 LLC, AS Private Equity Co-Invest LLC and AustralianSuper (US) LLC which are all domiciled in the USA, and AustralianSuper (UK) Limited and Kings Cross Central GP which are domiciled in the UK. In addition to the above, the Fund also controlled 25 (2020: 23) entities as at the reporting date which acted as the trustee for the above entities. Each entity had a carrying value of \$2 or less (2020: \$2 or less). There were no transactions during the financial year between the trustees for the controlled entities and the Fund or AustralianSuper Pty Ltd.

12 Auditor's remuneration

Auditors' remuneration is paid by the Trustee and forms part of Trustee fees charged to the Fund. Fees disclosed include all fees paid by the Trustee on behalf of all entities in the AustralianSuper group as set out in note 11(d).

	2021 \$'000	2020 \$'000
Amounts paid and payable to PwC and related network firms:		
Audit-related services	1,495	1,464
Audit of compliance and other regulatory returns	226	204
Other non-audit services	435	282
Total	2,156	1,950

13 Commitments

The commitments of the Fund at the reporting date that have not been recognised as liabilities are detailed below.

	2021 \$m	2020 \$m
Committed to:		
Unlisted unit trusts	7,391	8,202
Total	7,391	8,202

The above commitments are at call with 3 months' notice normally required.

The Fund's commitments to controlled entities shown at Note 11(d) are included above.

14 Significant changes in the state of affairs

In May 2021, AustralianSuper and Club Plus Super signed a Memorandum of Understanding in relation to a potential merger of the two funds. At the date of this report, the two funds are continuing to work towards a merger.

There have been no other significant changes to the state of affairs.

15 Events occurring after the reporting period

In July 2021, AustralianSuper and LUCRF Super signed a Memorandum of Understanding to merge subject to due diligence.

In July 2021, the Board of Directors announced Chief Executive Ian Silk had advised his intention to step down after 15 years leading the Fund. The Board also announced that Chief Risk Officer Paul Schroder will be appointed Chief Executive once Mr Silk's term ends later in 2021.

No other significant events have occurred since the end of the reporting period that would impact upon the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

16 Other accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) ('SIS') Act 1993 and Regulations and the provisions of the Trust Deed. The financial statements are presented in the Australian currency.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial investments, derivative liabilities and net assets available for member benefits.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. Where applicable, comparatives have been reclassified to reflect current year disclosures.

(b) New and amended accounting standards

Amendments made to AASB 9 *Financial Instruments*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 7 *Financial Instruments: Disclosures* become mandatory for periods commencing 1 January 2021. The amendments address issues arising from interest rate benchmark reform (IBOR). The reforms are not expected to have a significant impact on the Fund's accounting policies or disclosures as the Fund does not hedge account.

(c) Rounding

All values in the financial report are rounded to the nearest million dollars except where otherwise indicated.

Trustee's declaration

In the opinion of the Trustee of AustralianSuper:

- (a) the accompanying financial statements and notes set out on pages 3 to 39 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements and
 - (ii) give a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on the date, and
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001* and *Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2021, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of AustralianSuper Pty Ltd as Trustee for AustralianSuper.



Dr D Russell
Director



C Keating
Director

Melbourne
10 September 2021

Independent auditor's report



Independent Auditor's report on financial statements

Independent Auditor's report approved form for a Registrable Superannuation Entity (RSE) that is a reporting entity

*Report by the RSE Auditor to the trustee and members of AustralianSuper
(ABN: 65 714 394 898)*

Opinion

I have audited the financial statements of AustralianSuper for the year ended 30 June 2021 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Members' Benefits, Statement of Changes in Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of AustralianSuper as at 30 June 2021 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2021.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Materiality

For the purpose of our audit, I used approximately 1% of AustralianSuper's net assets available for members' benefits to set our overall materiality.

I applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

I chose net assets available for members' benefits because, in my view, it is the metric against which the performance of AustralianSuper is most commonly measured and is a generally accepted benchmark in the Superannuation industry.

I utilised 1% as the threshold based on my professional judgement, noting it is within the range of commonly acceptable thresholds.

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Independent auditor's report *(continued)*



Audit Scope

My audit of the financial statements focused on where AustralianSuper made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

My audit approach reflects the nature of AustralianSuper's investment operations and administration of member balances, with consideration to the work undertaken by AustralianSuper's third-party service organisations, external investment managers and external valuation experts.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of level 3 directly held assets *Refer to note 2 (d) Fair value measurement of financial assets and liabilities*

At 30 June 2021, AustralianSuper's directly held assets included investments in Australian and international infrastructure and international property, amongst others.

Note 2 (d) of the financial statements describes the valuation methodology used by AustralianSuper to measure the fair value of the directly held assets under Australian Accounting Standards. AustralianSuper's valuation standard requires that most material directly held assets are valued on a quarterly basis by external valuation experts.

The following assumptions are used in the valuation of directly held assets, amongst others:

- Infrastructure:
 - discount rate
 - projected future cash flows
- Property:
 - capitalisation rate
 - discount rate
 - projected future cash flows

I considered this a key audit matter because of the:

- financial significance of the directly held asset balance
- the level of judgement involved in the underlying assumptions used in the valuation models
- the sensitivity of fair value to changes in key data and assumptions used in the models

I assessed the design and tested the operating effectiveness of certain controls supporting AustralianSuper's directly held asset valuation process, including controls relating to the review and approval of valuations adopted.

I performed risk assessment procedures over the portfolio of level 3 directly held assets, taking into consideration the asset classes, geographies and characteristics of individual directly held assets.

Based on the risk assessment procedures performed, for a sample of external valuations, I assessed the objectivity, competency and capability of the external valuers and evaluated whether the valuations were performed in accordance with AustralianSuper's valuation standard.

For certain material international property assets, I performed the following procedures, amongst others:

- together with assistance from PwC real estate valuation experts, assessed the appropriateness of the valuation method and appropriateness of key assumptions used in the valuations by reference to market evidence, where relevant.
- on a sample basis, compared the key data (eg. rent, lease terms and property information) provided to the external valuer to the underlying leases.
- compared the fair value reported by the external valuer to AustralianSuper's accounting records.



For certain material Australian and international infrastructure assets, I performed the following procedures, amongst others:

- together with assistance from PwC valuation experts, assessed the appropriateness of the valuation method and appropriateness of key assumptions and data used in the valuations by reference to market evidence, where relevant.
- compared the fair value reported by the external valuer to AustralianSuper's accounting records.

I assessed the reasonableness of AustralianSuper's disclosures in the financial statements in light of the requirements of Australian Accounting Standards. In particular, I considered the adequacy of the disclosures made in note 2 (d) to the financial statements, which explains that overall uncertainty and volatility remains, and the need for consideration of COVID-19 economic implications in AustralianSuper's evaluation of level 3 asset valuations remains.

Valuation of level 3 indirectly held assets
Refer to note 2 (d) Fair value measurement of financial assets and liabilities

At 30 June 2021, AustralianSuper's indirectly held assets included Australian and international infrastructure investment funds, Australian property investment funds, and international private equity investment funds, amongst others.

Note 2 (d) of the financial statements describes the valuation methodology and assumptions used by AustralianSuper to measure the fair value of the indirectly held assets under Australian Accounting Standards. AustralianSuper's indirectly held assets are valued using the valuation provided by the relevant external investment manager responsible for each investment fund, in most cases.

I considered this a key audit matter because of the:

- financial significance of the indirectly held assets balance
- the level of judgement involved in the assumptions used in determining fair value
- the sensitivity of fair value to any changes in key data and assumptions

I assessed the design and tested the operating effectiveness of certain controls supporting AustralianSuper's indirectly held assets valuation process, including controls relating to the oversight and review of the valuation policies and methodology adopted by AustralianSuper's external investment managers.

I performed risk assessment procedures, taking into consideration the characteristics of the indirectly held assets, as well as the nature and type of underlying assets held by the investment funds.

Based on the risk assessment procedures performed, I performed the following procedures amongst others for a sample of investments:

- obtained a confirmation from the external investment manager of the investment funds and compared the confirmed balance to the accounting records
 - obtained valuation statements provided by external investment managers of the investment funds and compared the valuation quoted by the external investment manager to AustralianSuper's accounting records
 - assessed the reliability of the valuation statements provided by external investment managers.
-

Independent auditor's report *(continued)*



I assessed the reasonableness of AustralianSuper's disclosures in the financial statements in light of the requirements of Australian Accounting Standards. In particular, I considered the adequacy of the disclosures made in note 2 (d) to the financial statements, which explains that overall uncertainty and volatility remains, and the need for consideration of COVID-19 economic implications in AustralianSuper's evaluation of level 3 asset valuations remains.

Valuation of level 1 and 2 financial assets and liabilities

Refer to note 2 (d) Fair value measurement of financial assets and liabilities

At 30 June 2021, AustralianSuper's level 1 and 2 financial assets and liabilities includes investments in listed equity securities, fixed income securities and derivative assets and liabilities, amongst others.

Note 2 (d) of the financial statements describes the valuation methodology used by AustralianSuper to measure the fair value of the level 1 and 2 financial assets and liabilities under Australian Accounting Standards.

Valuation of level 1 and 2 financial assets and liabilities was a key audit matter because of the financial significance of the balances in AustralianSuper's statement of financial position. A discrepancy in the valuation of level 1 and 2 financial assets and liabilities could cause the net assets available for members' benefits to be materially misstated.

I assessed the design and operating effectiveness of relevant controls operated by the third-party service organisations of administration and custody services. I performed the following procedures, amongst others:

- inspected the most recent reports provided to AustralianSuper by the service providers setting out the controls in place at that service provider, and that included an independent audit opinion over the design and operating effectiveness of those controls.
- developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the valuation of AustralianSuper's level 1 and 2 financial assets and liabilities.

I obtained and assessed the reliability of an independent audit report from the third-party service organisation's auditors on the valuation of AustralianSuper's level 1 and 2 financial assets and liabilities as at balance sheet date. I compared the number and value of the financial assets and liabilities at 30 June 2021 as recorded in AustralianSuper's financial report and underlying accounting records to this report.

For level 2 derivative assets and liabilities and certain fixed income securities which are not included in the scope of the independent audit report obtained, together with assistance from PwC valuation experts I assessed the appropriateness of the valuation methodology and assumptions and recalculated a sample of the valuations.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation*



Industry (Supervision) Act 1993 (SIS Act) and the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained an understanding of internal controls 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee'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 RSE'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 statements or, if such disclosures are inadequate, to modify my audit 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 RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report *(continued)*



- Communicated with the trustee 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 identified during my audit.

From the matters communicated with the trustee, I determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my report unless law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers

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

CJ Cummins
Partner

Melbourne
10 September 2021

