



Annual
financial report
30 June 2022

AustralianSuper
ABN 65 714 394 898

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Financial statements

Statement of financial position

	Notes	2022 \$m	2021 \$m
Assets			
Cash and cash equivalents	2	20,330	18,572
Listed equity securities	3	123,903	122,263
Fixed income securities	3	52,886	49,073
Derivatives	3	2,201	1,150
Unlisted unit trusts	3	66,244	50,997
Unlisted equity securities	3	400	696
Receivables	5(a)	531	425
Receivable for securities sold	5(c)	4,924	1,781
Other - Fund administration assets	15	177	-
Income tax receivable		152	-
Total assets		271,748	244,957
Liabilities			
Derivatives	3	4,723	2,778
Payables	5(b)	80	197
Payable for securities purchased	5(c)	4,598	3,045
Income tax payable		-	1,219
Deferred tax liabilities	6(d)	3,070	4,956
Other - Fund administration liabilities	15	293	-
Total liabilities excluding members' benefits		12,764	12,195
Net assets available for members' benefits		258,984	232,762
Members' benefits	11	258,000	231,870
Net assets		984	892
Equity - reserves			
Operational risk financial reserve	14	670	566
Other reserves		314	326
Total reserves		984	892

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

Income statement

	Notes	2022 \$m	2021 \$m
Revenue			
Interest	7(a)(i)	851	931
Dividends and distributions	7(a)(ii)	9,209	3,805
Other investment income	7(a)(iv)	72	39
Net changes in fair value of financial instruments	7(a)(iii)	(20,568)	35,332
Sundry income	7(a)(iv)	222	88
Total revenue		(10,214)	40,195
Expenses			
Investment expenses	7(c)	(664)	(523)
Administration expenses	16	(320)	-
Trustee service fees		(144)	(348)
Trustee risk reserve fee		(32)	-
Total expenses		(1,160)	(871)
Operating result before income tax		(11,374)	39,324
Income tax (expense)/benefit	6(a)	2,528	(3,260)
Operating result after income tax		(8,846)	36,064
Net investment loss/(income) to members		8,570	(36,143)
Administration fees charged to members		319	281
Net operating result		43	202

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

Financial statements *(continued)*

Statement of changes in members' benefits

	Notes	2022 \$m	2021 \$m
Opening balance of members' benefits		231,870	181,688
Employer contributions		13,251	10,672
Member contributions		5,051	3,438
Transfers from other superannuation plans		19,244	12,489
Transfers in from merged funds		9,951	-
Income tax on contributions	6(c)	(2,028)	(1,606)
After tax contributions		45,469	24,993
Benefit payments to members or beneficiaries		(9,923)	(10,261)
Insurance premiums charged to members		(823)	(725)
Death and disability benefits credited to members		296	313
Net investment (loss)/income to members		(8,570)	36,143
Administration fees charged to members		(319)	(281)
Closing balance of members' benefits	11	258,000	231,870

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 30 June 2021	566	90	134	102	892
Net transfers between reserves	87	(134)	(9)	56	-
Transfers in from merged funds	25	16	8	-	49
Operating result	(8)	(42)	6	87	43
Balance at 30 June 2022	670	(70)	139	245	984

	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 between reserves	65	(111)	46	-	-
Transfers in from merged funds	-	-	-	-	-
Operating result	41	111	14	36	202
Balance at 30 June 2021	566	90	134	102	892

Further information about the Fund's Reserves can be found at note 14.

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

Statement of cash flows

	Notes	2022 \$m	2021 \$m
Cash flows from operating activities			
Interest income received		851	931
Dividend and distribution income received		9,113	3,688
Death and disability claims received		295	313
Other income (paid)/received		222	88
Insurance premiums paid		(832)	(736)
Trustee service fee paid		(119)	(342)
Investment expenses paid		(669)	(494)
Administration expenses paid		(320)	-
Trustee risk reserve fee paid		(32)	-
Income tax paid		(861)	(233)
Net cash inflow/(outflow) from operating activities	8(a)	7,648	3,215
Cash flows from investment activities			
Sales of financial instruments		290,453	288,812
Purchases of financial instruments		(322,195)	(320,952)
Net cash inflow/(outflow) from investing activities		(31,742)	(32,140)
Cash flows from financing activities			
Contributions received and transfers from other superannuation plans		37,546	26,600
Benefits paid to members or beneficiaries		(9,845)	(10,245)
Successor fund transfer to reserves		49	-
Tax paid on contributions		(1,898)	(1,640)
Net cash inflow/(outflow) from financing activities		25,852	14,715
Net increase/(decrease) in cash and cash equivalents		1,758	(14,210)
Cash and cash equivalents at beginning of year		18,572	32,782
Cash and cash equivalents at end of year	2	20,330	18,572

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 is 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 9 September 2022. The directors of the Trustee have the power to amend and reissue this financial report.

(a) Change to administration arrangements

Effective 31 October 2021, the Fund assumed responsibility from AustralianSuper Pty Ltd for incurring and recognising administration and related operating and capital expenditure (other than Trustee director fees and related costs), and the assets and liabilities detailed below were transferred from AustralianSuper Pty Ltd to the Fund at their fair value.

The consideration received by the Fund from AustralianSuper Pty Ltd for the net assets transferred was \$25m.

Assets	\$m
Trade and other receivables	125
Property, plant and equipment	3
Intangible assets	20
Right of use assets	120
Total assets	268

Liabilities	\$m
Trade and other payables	76
Provisions	48
Lease liabilities	169
Total liabilities	293
Net assets	(25)

Directors' fees and related costs continue to be recorded by AustralianSuper Pty Ltd, and the Fund continues to reimburse AustralianSuper Pty Ltd for these costs.

How the numbers are calculated

Statement of financial position

2 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.

	2022 \$m	2021 \$m
Cash and cash equivalents	20,330	18,572

3 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.

During the year, financial benchmark rate reform impacted short-term interest rates commonly used across financial markets, also known as interbank offered rates (IBORs). London interbank offered rate (LIBOR) in most currencies and tenors was discontinued from 1 January 2022. The reforms have not had a significant impact on the Fund's accounting policies or disclosures as the Fund does not hedge account.

Fair value measurement of financial assets and liabilities

(a) 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.

(b) 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.

(c) 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.

How the numbers are calculated (cont.)

Statement of financial position (cont.)

3 Investments (cont.)

(c) Fair value in an inactive or unquoted market (cont.)

The Trustee's evaluation of level 3 investment valuations in the current financial year considered, among other matters:

- the economic implications of the COVID-19 pandemic; and
- the impact of ongoing geopolitical tensions in Europe.

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 independent 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 independent valuers are reviewed by the Finance & Operations Valuation 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.

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 to consider, and if required, endorse the adoption of the appropriate point of the valuation range.

The Finance and Audit Committee is provided with regular updates concerning the valuation of the Fund's investment assets as well as information concerning any material disagreements involving members of the Valuation Committee, Valuation Team or Investment Assets Team. Valuation issues not resolved at the Valuation Committee will be referred to the Finance and Audit Committee.

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.

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 investments 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 table summarises the unobservable inputs used in fair value measurement of the Fund's material asset classes of directly held investments.

2022	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
International private credit	4,470	Discount rate	Base rate ¹ + 5.00%-11.75%	The higher the discount rate, the lower the fair value
Australian infrastructure	12,266	Discount rate	7.85% -10.50%	The higher the discount rate, the lower the fair value
International infrastructure	5,457	Discount rate	9.52%-13.50%	The higher the discount rate, the lower the fair value
International property	5,335	Capitalisation rate	3.50%-7.67%	The higher the capitalisation rate, the lower the fair value
		Discount rate	5.50%-11.25%	The higher the discount rate, the lower the fair value
2021	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
International private credit	2,492	Discount rate	Base rate ¹ + 5.00%-12.75%	The higher the discount rate, the lower the 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

¹ The lower end of the range of discount rates used for the valuation of international credit represents a floating base rate + margin. This is distinct from the top end of the range, which represent an absolute (total) rate of 11.75% in 2022 and 12.75% in 2021. These differences correspond to the differing nature of the credit investments (floating or fixed) and the valuer's approach to their respective valuation.

How the numbers are calculated (cont.)

Statement of financial position (cont.)

3 Investments (cont.)

(c) Fair value in an inactive or unquoted market (cont.)

The number and fair value of total direct and indirect investments held by the Fund are shown in the table below:

2022	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value \$m	Number	Fair value \$m	Number	Fair value \$m
Australian infrastructure	5	14,063	8	5,757	13	19,820
International infrastructure	2	7,676	4	7,340	6	15,016
Australian private credit	1	564	2	146	3	710
International private credit	6	5,260	-	-	6	5,260
Australian private equity	18	1,441	16	1,053	34	2,494
International private equity	4	234	15	11,249	19	11,483
Australian property	4	1,167	15	7,131	19	8,298
International property	8	5,335	3	5	11	5,340
Other	51	140	3	558	54	698
	99	35,880	66	33,239	165	69,119

2021	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value \$m	Number	Fair value \$m	Number	Fair value \$m
Australian infrastructure	6	8,244	4	4,707	10	12,951
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	35	307	-	-	35	307
	102	23,440	39	27,128	141	50,568

(d) Recognised fair value measurements

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

2022	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Listed equity securities	123,879	4	20	123,903
Fixed income securities	3,870	41,055	7,961	52,886
Unlisted unit trusts	-	5,506	60,738	66,244
Unlisted equity securities	-	-	400	400
Derivative assets	162	2,039	-	2,201
Derivative liabilities	(278)	(4,445)	-	(4,723)
	127,633	44,159	69,119	240,911

2021	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
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

How the numbers are calculated (cont.)

Statement of financial position (cont.)

3 Investments (cont.)

(d) Recognised fair value measurements (cont.)

The following table shows 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.

2022	Listed equity securities \$m	Fixed income securities \$m	Unlisted unit trusts \$m	Unlisted equity securities \$m	Total \$m
Opening balance	20	5,791	44,061	696	50,568
Change in fair value*	(226)	82	4,501	57	4,414
Purchases	225	3,431	16,153	17	19,826
Sales	(12)	(1,275)	(3,977)	(370)	(5,634)
Transfers into level 3	13	29	-	-	42
Transfers out of level 3	-	(97)	-	-	(97)
	20	7,961	60,738	400	69,119
* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.	(226)	281	4,489	400	4,944

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

4 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 at a transactional level are disclosed in the table 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.

2022	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	162	-	162	(162)	-
Options contracts	22	-	22	-	22
Swaps contracts	17,378	(16,396)	982	(14)	968
Foreign currency forward contracts	1,035	-	1,035	(1,341)	(306)
	18,597	(16,396)	2,201	(1,517)	684
Financial liabilities					
Futures contracts	(278)	-	(278)	162	(116)
Options contracts	(2)	-	(2)	-	(2)
Swaps contracts	(17,542)	16,396	(1,146)	14	(1,132)
Foreign currency forward contracts	(3,297)	-	(3,297)	1,341	(1,956)
	(21,119)	16,396	(4,723)	1,517	(3,206)
Net financial asset/(liability)	(2,522)	-	(2,522)	-	(2,522)

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)	-
Options contracts	122	-	122	(1)	121
Swaps contracts	3,287	(3,018)	269	(35)	234
Foreign currency forward contracts	639	-	639	(747)	(108)
	4,168	(3,018)	1,150	(903)	247
Financial liabilities					
Futures contracts	(99)	-	(99)	155	56
Options contracts	(1)	-	(1)	122	121
Swaps contracts	(3,355)	3,018	(337)	124	(213)
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)

How the numbers are calculated (cont.)

Statement of financial position (cont.)

5 Other receivables and payables

(a) 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.

(b) Payables

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

(c) 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.

6 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.

(a) Income tax expense reported in income statement

	2022 \$m	2021 \$m
Current income tax		
Current tax expense/(benefit) on operating result for the year	(495)	1,409
Adjustment for current tax of prior periods	(1)	(34)
Total current tax expense/(benefit)	(496)	1,375
Deferred income tax		
Increase/(decrease) in deferred tax liabilities	(2,032)	1,885
Total deferred tax expense/(benefit)	(2,032)	1,885
Income tax expense/(benefit)	(2,528)	3,260

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

	2022 \$m	2021 \$m
Operating result before income tax	(11,374)	39,324
Tax at the Australian rate of 15% (2020: 15%)	(1,706)	5,899
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Impact of movement of tax discount on capital gains	716	(1,454)
Exempt pension income	55	(601)
Imputation credits and foreign tax offsets	(1,576)	(552)
Other	(16)	2
Adjustments for current tax of prior periods	(1)	(34)
Income tax expense/(benefit)	(2,528)	3,260

How the numbers are calculated (cont.)

Statement of financial position (cont.)

6 Income tax (cont.)

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

	2022 \$m	2021 \$m
Contributions and transfers in recognised in the statement of changes in members' benefits	47,497	26,599
Tax at the Australian rate of 15% (2021: 15%)	7,125	3,990
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Non-assessable contributions and transfers in	(4,976)	(2,277)
Other	(121)	(107)
Total	2,028	1,606

(d) Deferred tax balances

The movements in temporary differences during the year were:

At 30 June 2022	Beginning of year \$m	Transfers from merged funds \$m	Recognised in income statement \$m	End of year \$m
Deferred tax asset				
Payables	22		43	65
Deferred tax liability				
Unrealised gains on financial instruments	(4,978)	(146)	1,989	(3,135)
Net deferred tax assets/(liabilities)	(4,956)	(146)	2,032	(3,070)

At 30 June 2021	Beginning of year \$m	Transfers from merged funds \$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)

7 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:

	2022 \$m	2021 \$m
Cash and cash equivalents	98	121
Listed equity securities	(18,598)	25,450
Fixed interest securities	(1,987)	(1,150)
Derivatives	(4,341)	5,142
Unlisted unit trusts	4,320	5,877
Unlisted equity securities	(60)	(108)
	(20,568)	35,332

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 14(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.

How the numbers are calculated (cont.)

Statement of financial position (cont.)

8 Statement of cash flows

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

	2022 \$m	2021 \$m
Operating result for the period after income tax	43	202
Movements in fair value of financial instruments	20,568	(35,332)
Death and disability benefits received	295	313
Insurance premiums paid	(832)	(736)
Net benefits allocated to members	(8,889)	35,862
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(125)	(155)
Increase/(decrease) in payables	(155)	34
Increase/(decrease) in current tax payable	(1,371)	1,142
Increase/(decrease) in deferred tax payable	(1,886)	1,885
Net cash inflow/(outflow) from operating activities	7,648	3,215

(b) Non-cash financing activities

Member liabilities of \$9,951m (2021: nil) were transferred into the Fund due to mergers with other funds. The liabilities were transferred in from LUCRF (\$6,808m) and Club Plus Super (\$3,143m). There were no other non-cash financing activities during the year (2021: nil).

9 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 3 Fair value measurement of financial assets and liabilities.

10 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.

11 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.

	2022 \$m	2021 \$m
Members' account balances		
Accumulation	222,069	200,325
Retirement	35,931	31,545
	258,000	231,870

Risk management

12 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.

The Fund's exposure to foreign currencies after derivative impact at the reporting date is summarised in the table on page 23.

2022	USD A\$m	Euro A\$m	HKD A\$m	GBP A\$m	Other currencies A\$m	Total A\$m
Cash and cash equivalents	3,618	680	28	118	416	4,860
Listed equity securities	43,228	10,162	2,162	2,753	10,088	68,393
Fixed income securities	12,212	2,862	-	1,398	2,537	19,009
Unlisted unit trusts	3,968	-	-	6,330	570	10,868
Receivables for securities sold	2,895	122	28	28	142	3,215
Payables for securities purchased	(3,017)	(14)	(5)	(3)	(98)	(3,137)
Increase/(decrease) from derivative contracts	(45,280)	(11,280)	(8)	(9,781)	(5,433)	(71,782)
Net exposure to foreign exchange risk	17,624	2,532	2,205	843	8,222	31,426

2021	USD A\$m	Euro A\$m	HKD A\$m	GBP A\$m	Other currencies A\$m	Total A\$m
Cash and cash equivalents	4,232	437	34	167	370	5,240
Listed equity securities	45,004	9,693	1,781	2,494	9,517	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	14	841	77	1,769
Payables for securities purchased	(2,024)	(149)	(6)	(709)	(1)	(2,889)
Increase/(decrease) from derivative contracts	(47,832)	(14,016)	4	(9,194)	(6,651)	(77,689)
Net exposure to foreign exchange risk	17,222	156	1,827	948	6,261	26,414

The table on page 26 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.

Risk management (cont.)

12 Financial risk management (cont.)

(b) Market risk (cont.)

(ii) Interest rate risk (cont.)

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

2022	Fixed interest rate \$m	Floating interest rate \$m	Total \$m
Cash and cash equivalents	-	20,330	20,330
Fixed income securities	28,013	24,873	52,886
Increase/(decrease) from derivative contracts	(130)	(6)	(136)
Net exposure to interest rate risk	27,883	45,197	73,080

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

The table on page 26 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.

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

	2022 \$m	2021 \$m
Listed equity securities	123,903	122,263
Unlisted unit trusts	66,244	50,997
Unlisted equity securities	400	696
Net exposure to price risk	190,547	173,956

The Fund seeks to allocate members' funds in the investment portfolio to sectors where the Trustee believes 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.

	2022 Fund's equity portfolio (%)	2021 Fund's equity portfolio (%)
Communication services	5.5	6.4
Consumer discretionary	12.5	15.3
Consumer staples	7.5	6.5
Energy	3.7	1.5
Financials	20.5	21.0
Health care	12.7	12.6
Industrials	6.8	8.7
Information technology	12.4	13.8
Materials	11.8	11.4
Real estate	4.2	1.7
Utilities	2.4	1.1
	100	100

Risk management (cont.)

12 Financial risk management (cont.)

(b) Market risk (cont.)

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	2022 \$m -10%	2022 \$m +10%	2021 \$m -10%	2021 \$m +10%
USD	(1,762)	1,762	(1,722)	1,722
EUR	(253)	253	(16)	16
HKD	(221)	221	(183)	183
GBP	(84)	84	(95)	95
Other currencies	(822)	822	(626)	626
	(3,142)	3,142	(2,642)	2,642

Interest rate risk	2022 \$m -100 bps	2022 \$m +300 bps	2021 \$m -100 bps	2021 \$m +100 bps
	(731)	2,192	(676)	676

Price risk	2022 \$m -10%	2022 \$m +10%	2021 \$m -10%	2021 \$m +10%
	(19,055)	19,055	(17,396)	17,396

(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 4 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.

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:

	2022 \$m	2021 \$m
Rating		
Long-term A and above or short-term equivalent	35,098	27,036
Long-term B and above to below A or short-term equivalent	10,489	13,409
Long-term below B or short-term equivalent	269	2,387
Not rated	7,030	6,241
	52,886	49,073

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. Not 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 4.

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 \$21,215 million (2021: \$14,303 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, equities and fixed interest securities with a fair value of \$22,558 million (2021: \$15,704 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.

Risk management (cont.)

12 Financial risk management (cont.)

(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 contractual maturity of financial liabilities is set out below.

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.

2022	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	258,000	258,000	258,000	-	-	-
Payables	80	80	80	-	-	-
Payable for securities purchased	4,598	4,598	4,598	-	-	-
Derivative liabilities	4,723	4,723	1,417	1,821	964	521
	267,401	267,401	264,095	1,821	964	521

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

13 Environmental, Social and Governance management

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 (refer below), maintaining a sustainable work force and gender diversity and inclusion.

Climate Risk

Governance

As climate change has the potential to impact long-term asset valuations and investment performance, climate change risk is managed as an investment risk alongside more traditional market factors such as economic growth, interest rates and inflation.

The Investment Governance framework defines the roles and responsibilities of AustralianSuper's Board, Investment Committee and investment department. The Board has approved an investment delegation framework that promotes timely decision-making, transparency and accountability.

As with any other material investment issue, responsibility for the management of climate change falls within this delegation framework.

AustralianSuper's Board has identified climate change as a material issue for the investment portfolio. The management of climate change within the investment portfolio is specifically identified in the Investment Committee's terms of reference. The Chief Investment Officer (CIO), via delegation from the Investment Committee, ensures climate change is appropriately embedded within the investment strategy and executed by the relevant teams within the investment department.

Specific teams focusing on the management of climate change risks include:

- The ESG and Stewardship team, which is responsible for implementing AustralianSuper's ESG and Stewardship policy and for contributing to the management of climate change within the portfolio as directed by the CIO. The team regularly reports to the Board and Investment Committee on its climate change activities. The ESG and Stewardship team works closely with the asset class teams, who are responsible for taking into account ESG considerations, including climate change risks, when making investment decisions.
- A cross-functional Climate Change Committee comprising representatives from the Investment, Risk, Policy and Corporate Affairs teams. The Committee is responsible for developing and overseeing the Fund's climate change strategy from an investment and organisational perspective
- Two working groups within the Investments' department that are managing the net zero implementation within the portfolio.

Risk management (cont.)

13 Environmental, social and governance management (cont.)

Strategy

AustralianSuper has made a commitment to achieve net zero carbon emissions in the investment portfolio by 2050. This commitment builds on the actions already being taken to manage climate related risks and opportunities in the portfolio and is consistent with the objective of helping members achieve their best financial position in retirement.

The Fund's emissions target aligns to the international scientific consensus of reductions required to meet the goals of the Paris Agreement as outlined by the Intergovernmental Panel on Climate Change. The Fund believes that meeting the Paris Agreement goals will result in the lowest economic cost climate change outcome, thereby supporting AustralianSuper's investment objective.

AustralianSuper is implementing a comprehensive net zero transition program across its investment, stewardship, measurement and reporting, and collaboration and advocacy activities to reduce emissions in the portfolio.

Risk management

AustralianSuper integrates consideration of climate change risks and opportunities at significant points in our investment process including due diligence prior to ownership and then once the Fund owns an asset.

AustralianSuper is undertaking extensive analysis to understand the emissions profile in the Fund's investment portfolios and their expected trajectory to net zero 2050. The Fund's carbon footprint of the listed equities' portfolio has been measured since 2013, and that of the fixed interest portfolio since 2018. The Fund has identified the largest emissions contributors in the portfolios and is focusing its actions on these companies to have greater influence on climate change outcomes.

AustralianSuper undertakes targeted and comprehensive direct company engagement to actively manage the risks and opportunities of climate change. The Fund engages individually and also as part of Climate Action 100+ (CA100+) in which AustralianSuper is a co-founder. When the Fund engages with companies, it seeks an articulation of net zero business strategies and actionable progress on emissions reduction trajectories.

An assessment is performed for companies/assets against specific benchmarking criteria, which includes:

- Carbon emission reductions consistent with the Paris Agreement (including setting of science-based targets) and net zero 2050 targets;
- Effective governance on the management of climate change risks and opportunities; and
- Climate change disclosures such as Taskforce on Climate-related Financial Disclosures (TCFD) reporting.

Other information

14 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% (2021: 0.25%) of net assets as appropriate for the Fund.

Movements in the reserve for the current financial year include transfers in from merged superannuation funds of \$25m.

(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.

15 Fund administration assets and liabilities

The following assets and liabilities have been recognised by the Fund following the change to Administration arrangements set out in Note 1a:

	2022 \$m	2021 \$m
Assets		
Trade and other receivables	18	-
Property, plant and equipment	6	-
Intangible assets	35	-
Right of use assets	118	-
Total administration assets	177	-
Liabilities		
Trade and other payables	(92)	-
Provisions	(39)	-
Lease liabilities	(162)	-
Total administration liabilities	(293)	-

Other information (cont.)

16 Fund administration expenses

Administration expenses have been recognised by the Fund in the current financial year following the change to Administration arrangements set out in Note 1a, including the following:

	2022 \$m	2021 \$m
Staff costs	188	-
Sponsorship fees and advertising expenses	26	-

17 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

J. Angrisano
M. O'Neil (appointed 10 Sep 21)
J. Schofield (appointed 9 Sep 22)
G. Thompson
D. Walton
B. Daley (ceased 9 Sep 22)
D. Oliver (ceased 9 Sep 21)

Employer nominated

G. Coyne
J. Dixon
C. Keating
J. van Reyk (appointed 1 Apr 22)
I. Willox
L. Di Bartolomeo (ceased 31 Mar 22)

Independent

P. Kelly (appointed 5 Nov 21)
D. Russell
J. Craig (ceased 5 Nov 21)

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 (ceased 5 Apr 22)
P. Cozens (ceased 14 Sep 21)
B. Crofts (ceased 31 Dec 21)
B. Davison (ceased 16 Aug 21)
J. Schofield (ceased 9 Sep 22)

Employer nominated

H. Ridout
G. Stamas
S. Kay (ceased 31 Oct 21)

(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
R. Maddox

C. Rosenberg (ceased 10 Sep 21)
D. Taylor (ceased 10 Sep 21)

Other key management personnel were:

P. Schroder	Chief Executive (appointed 1 Oct 2021) Chief Risk Officer (ceased 30 Sep 2021)
I. Silk	Chief Executive (ceased 30 Sep 2021)
M. Delaney	Deputy Chief Executive and Chief Investment Officer
S. Adams	Group Executive Strategy, Reputation and Corporate Affairs
S. Blackmore	Group Executive Member Experience
P. Curtis	Chief Operating Officer (appointed 4 Apr 2022) Group Executive Finance and Operations (ceased 1 Apr 2022)
M. Glover	Group Executive, People and Culture
R. Kerlin	Group Executive Membership and Brand
A. Mantello	Chief Risk Officer (appointed 1 Oct 2021)
F. Trewin	Group Executive Technology Services (ceased 1 Dec 2021)

(c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

	2022 \$'000	2021 \$'000
Short-term benefits	10,620	9,028
Post-employment benefits	436	403
Long-term benefits	1,040	584
	12,096	10,015

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.

Separate to the disclosures above, the Fund reimbursed the Chief Executive \$23,000 for salary sacrifice amounts incorrectly deducted from his salary in a previous financial period.

(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	J Schofield
J. Angrisano	P. Downes	P. Schroder
N. Apple	S. Kay	I. Silk
S. Blackmore	R. Kerlin	G. Stamas
G. Coyne	M. Glover	D. Taylor
B. Crofts	D. Oliver	G Thompson
B. Daley	M. O'Neil	F. Trewin
M. Delaney	J. van Reyk	D. Walton
J. Dixon	H. Ridout	I. Willox

Other information (cont.)

17 Key management personnel (cont.)

(d) Transactions with key management personnel (cont.)

The following key management personnel ceased as members of the Fund during the reporting period:

B. Davison
C. Rosenberg

The membership terms and conditions of all key management personnel were the same as those applied to other members of the Fund.

During the 2021 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	A. Mantello

The aggregate bridging payment made to key management personnel in 2021 and outstanding at 30 June 2021 was \$125,000. The amounts outstanding from I. Silk and F. Trewin were recovered during the year on the cessation of their employment. The amount outstanding from key management personnel at 30 June 2022 was \$95,000.

18 Related parties

(a) Transactions with Trustee

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

Prior to the change in administration arrangements detailed in note 1(a), the Trustee paid the Ai Group and the ACTU for advertising related opportunities and general marketing for AustralianSuper. After the change in administration arrangements, these payments were made by the Fund. The amounts paid were \$220,000 to Ai Group (2021: \$215,000) and \$220,000 to the ACTU (2021: \$215,000). The Trustee also paid Ai Group \$182,000 (2021: \$122,000) for AustralianSuper Directors, Alternate Directors and Committee members and the ACTU \$50,000 (2021: \$0) for AustralianSuper Directors and Alternate Directors who were employed by Ai Group and the ACTU.

Under the terms of the Trust Deed, the Trustee is entitled to receive trustee service fees to compensate it for costs it incurs in running the Fund. Following the changes to the administration arrangements of the Fund detailed in note 1(a), these costs are limited to directors' fees and related costs.

The Trustee is also entitled to receive a trustee risk reserve fee, to be calculated in accordance with the Trust Deed.

Fees paid and payable	2022 \$'000	2021 \$'000
Trustee services fee paid and payable to the Trustee*	200,573	624,264
Trustee risk reserve fee paid and payable to the Trustee	31,740	-
Amount payable to the Trustee at the end of the reporting period	997	42,309
Expenses prepaid by the Fund	1,830	46,118
Accrued expenses payable to the Trustee	-	126,792

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

	Directors' payments \$'000	Other payments \$'000	Total payments \$'000
2022			
Australian Manufacturing Workers' Union	170	95	265
Australian Workers' Union	173	195	368
Finance Sector Union	94	30	124
United Workers Union	29	-	29
Total	466	320	786
2021			
Australian Manufacturing Workers' Union	157	185	342
Australian Workers' Union	129	190	319
Finance Sector Union	59	30	89
United Workers Union	21	-	21
Total	366	405	771

(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% (2021: 19.95%) shareholding in ISH valued at \$292,951,000 (2021: \$242,489,000).

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 \$55,264,707,000 (2021: \$49,182,018,000) on behalf of the Fund and received \$73,795,000 (2021: \$60,333,000) 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 \$43,981,000 (2021: \$40,456,000). The income earned on the portfolios managed by IFM, inclusive of fair value movements, was \$660,587,000 (2021: \$3,308,063,000).

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

Company	Nature of transaction	2022 \$	2021 \$
Industry Fund Services Limited	Financial planning, arrears collection and other member services	1,787,000	1,766,000
Industry Super Australia Pty Ltd	Marketing services	5,172,000	5,070,000
IFS Insurance Solutions Pty Ltd	Insurance services	338,000	270,000

Other information (cont.)

18 Related parties (cont.)

(c) Related party investments and transactions (cont.)

(i) *Industry Super Holdings Pty Ltd ('ISH') (cont.)*

During I. Silk's tenure at AustralianSuper he was a director 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 ('The New Daily'), a wholly owned subsidiary of ISH. During the year ended 30 June 2022, the Trustee paid B. Crofts \$Nil (2021: \$24,000) for being AustralianSuper's nominee on the Board of The New Daily. During the year, The New Daily 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) *ISPT Pty Ltd ('ISPT')*

The Fund held a 20% (2021: 16.0%) shareholding in ISPT valued at \$nil (2021: \$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 \$5,371,337,000 (2021: \$4,732,516,000) on behalf of the Fund and received \$16,075,000 (2021: \$14,262,000) 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 \$14,931,000 (2021: \$13,010,000). The income earned on this portfolio was \$366,327,000 (2021: \$61,943,000).

The Fund held a 28.8% (2021: 28.6%) interest in ISPT Operations Trust valued at \$2,959,000 (2021: \$2,325,000). 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 2022.

(iii) *Frontier Advisors Pty Ltd ('Frontier')*

The Fund held a 31.0% (2021: 31.0%) shareholding of ordinary shares valued at \$2,054,000 (2021: \$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 \$1,705,000 (2021: \$1,599,000).

J. Dixon was a director of Frontier Advisors Pty Ltd during the year ended 30 June 2022.

(iv) *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 \$32,432,000 (2021: \$17,616,000). The Fund has a net amount payable of \$3,978,000 (2021: \$601,000 payable by the Trustee) to AustralianSuper (UK) Limited at year end.

(v) *AustralianSuper (US) LLC*

AustralianSuper (US) LLC, a wholly owned subsidiary of the Fund domiciled in the USA, was incorporated to provide investment management services to the Fund. AustralianSuper (US) LLC is entitled to receive service fees, calculated by reference to the costs it incurs. Fees paid and payable by the Company and the Fund to or on behalf of AustralianSuper (US) LLC during the year totalled \$10,918,000 (2021: \$4,401,000). The Fund has a net amount payable of \$1,203,000 to AustralianSuper (US) LLC at year end (2021: \$4,401,000 receivable to the Trustee).

(vi) *AustralianSuper Research Pty Ltd*

AustralianSuper Research Pty Ltd, a wholly owned subsidiary of the Fund domiciled in Australia, was incorporated to provide investment management services to the Fund, specifically to support the Fund's investment operations in China. During the reporting period the Trustee and Fund incurred expenses on behalf of AustralianSuper Research Pty Ltd of \$807,573 (2021: \$617,717) and the Fund has a net amount receivable of \$69,365 (2021: \$69,236 receivable to the Trustee) from AustralianSuper Research Pty Ltd at year end.

(vii) Other significant investments

The Fund has the following significant investments:

Investment	Equity holding	
	2022 %	2021 %
Ala Moana	25.00	25.00
Ausgrid	8.40	25.20
Canada Water	50.00	-
Generate Capital	25.70	26.20
Hermes CMK	50.00	50.00
Moorebank Logistics Park	40.00	-
NSW Ports	20.00	20.00
Peel Ports	32.48	25.00
Transurban Chesapeake	25.00	25.00
Transurban Queensland	25.00	25.00
Washington Portfolio	49.90	49.90
WestConnex	20.50	10.46

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.

(viii) Members Equity Bank Limited ('ME')

As at 30 June 2021, the Fund held a 20.4% shareholding in ME valued at \$264,864,000. During the year ended 30 June 2021, 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 on 1 July 2021.

During the year ended 30 June 2021, ME held cash and short-term deposits on behalf of the Fund and other institutional clients and provided low-cost home loans and banking products to industry fund members. ME offered 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 in fees for the management of the portfolio in the year ended 30 June 2021 (\$nil in 2022). These 2021 fees included fees paid to an underlying investment manager and management fees paid directly to ME of \$13,000. The portfolio carrying value was \$nil at 30 June 2022 and 2021 and the income earned during 2021 was \$277,000 (\$nil in 2022). Additionally, as at 30 June 2021 the Fund had \$786,090,000 invested in cash and short-term deposits with ME. The income earned on this portfolio in the year ended 30 June 2021 was \$6,582,000.

(ix) Employer sponsors

The Fund has many employer sponsors, a number of which it has investments in as part of the normal investing activities of the Fund. Employer contributions received by the Fund from its employer sponsors are disclosed in the Statement of Changes in Members' Benefits.

(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 3.

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.

Other information (cont.)

18 Related parties (cont.)

(d) Controlled entities (cont.)

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.

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

2022 Asset class	Number of controlled entities	Fair value of controlled entities \$'000	Commitments to controlled entities \$'000
International fixed income	1	621,270	-
Australian infrastructure	11	11,813,837	35,162
International infrastructure	4	7,722,616	1,274,876
International private credit	4	3,505,222	25,182
Australian private equity	3	789,370	3,322,805
International private equity	3	8,842,618	697,373
Australian property	3	1,163,962	1,005,564
International property	9	4,798,575	8,368
Total	38	39,257,470	6,369,330

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	4	1,512,179	110,645
Australian private equity	3	297,062	25,032
International private equity	3	7,008,381	3,160,709
Australian property	1	195,895	156,144
International property	8	4,627,941	330,255
Total	33	27,306,332	5,139,188

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 directly held controlled entities are shown in the table below.

Name of entity	Equity holding	
	2022 %	2021 %
AS Airports Trust	100	-
AS Co-Underwrite (NM) Pty Ltd (formerly AS Direct Australian Equities (VA) Trust)	100	100
AS Direct Australian Equities Trust	100	100
AS Industrial Property (LS) Trust	100	-
AS Infra Europe Trust (formerly AS Infra Fibre Trust)	100	100
AS Infra Luz HoldCo UL Ltd	100	-
AS Infra Luz MidCo UL Ltd	100	-
AS Infra Luz Trust	100	-
AS Infra PP Trust	100	100
AS Infra Shelf 1 Trust	100	-
AS Infra Shelf 2 Trust	100	-
AS Infra Tower Trust	100	-
AS Infra UK Ltd	100	-
AS Infrastructure No 1 (Holding) Trust	100	100
AS Infrastructure No 1 (Operating) Pty Ltd	100	100
AS Infrastructure No 2 (Holding) Trust	100	100
AS Infrastructure No 2 (Operating) Trust	100	100
AS Infrastructure No 3 (Holding) Trust	100	100
AS Infrastructure No 3 (Operating) Trust	100	100
AS Infrastructure WestConnex Holding Trust	100	100
AS Infrastructure WestConnex Operating Trust	100	100
AS International Fixed Income Trust	100	100
AS International PE Trust	100	100
AS NZ Property (Wiri) Trust	100	100
AS PE Shelf 1 Trust	100	-
AS PE Shelf 2 Trust	100	-
AS Private Credit Direct Lending Trust	100	-
AS Private Credit Investment Trust	100	-
AS Private Credit Shelf 1 Trust	100	-
AS Private Credit Shelf 2 Trust	100	-

Other information (cont.)

18 Related parties (cont.)

(d) Controlled entities (cont.)

Name of entity	Equity holding	
	2022 %	2021 %
AS Private Credit Trust	100	-
AS Private Equity Co-Invest LLC	100	100
AS Property CW 2 Trust	100	-
AS Property CW LLC	100	-
AS Property MLP Trust	100	100
AS Property No 1 LLC	100	100
AS Property No 2 LLC	100	100
AS Property No 2 LP Trust	100	100
AS Property No 2 Trust	100	100
AS Property No 3 LLC	100	100
AS Property Shelf 1 Trust	100	-
AS Property Shelf 2 Trust	100	-
AS RAAD Hybrid Debt Trust	100	100
AS Residential Property Trust	100	100
AustralianSuper (UK) Limited	100	100
AustralianSuper (US) LLC	100	100
AustralianSuper International Credit Trust	100	100
AustralianSuper Investments Fund	100	100
AustralianSuper Investments Fund No 2	100	100
AustralianSuper Investments Fund No 3	100	100
AustralianSuper Investments Fund No 4	100	100
AustralianSuper Investments Fund No 5	100	100
AustralianSuper Private Equity Trust	100	100
AustralianSuper RAAD Trust	100	100
AustralianSuper Research Pty Ltd	100	100
Kings Cross Central General Partner	70.0	67.5
Mindarie Investment Trust	100	100

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 43 (2021: 25) entities as at the reporting date which acted as the trustee for the above entities. Each entity had a carrying value of \$2 (2021: \$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.

19 Auditor's remuneration

Auditors' remuneration includes fees in relation to all entities in the AustralianSuper group.

	2022 \$'000	2021 \$'000
Amounts paid and payable to PwC and related network firms:		
Audit-related services	1,298	1,495
Audit of compliance and other regulatory returns	288	226
Other non-audit services	717	435
Total	2,303	2,156

20 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	11,316	7,391
Total	11,316	7,391

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

The Fund's commitments to controlled entities shown at note 18(d) are included above.

Other information (cont.)

21 Significant changes in the state of affairs

During the year, the Trustee changed the administration arrangements pertaining to the Fund (refer to note 1(a) for details).

AustralianSuper completed two mergers with other superannuation funds during the year. Effective 1 December 2021, AustralianSuper and Club Plus Super merged. On 3 June 2022, AustralianSuper merged with LUCRF.

At AustralianSuper's request, the Trust Deed was changed by the Supreme Court of South Australia on 24 December 2021 to include a right for the Trustee to be paid a limited 'Trustee Risk Reserve Fee'. The fee enables the Company to build a limited financial risk reserve to manage financial risks of the Trustee, or its directors, that are incurred in connection with their AustralianSuper roles. The Trustee Risk Reserve cannot be used by the Trustee or its directors, to conduct other businesses or pay any dividends or profits to the Trustee's shareholders. The fee is to be calculated in accordance with the Trust Deed.

On 30 September 2021, Ian Silk stepped down as Chief Executive of the Fund and was replaced by Paul Schroder.

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

22 Events occurring after the reporting period

No 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 2022 or on the results and cash flows of the Fund for the year ended on that date.

23 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) 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* became mandatory for the current financial year. The amendments address issues arising from interest rate benchmark reform (IBOR). The reforms have not had a significant impact on the Fund's accounting policies or disclosures as the Fund does not hedge account.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 financial year and have not been early adopted by the Fund. These standards and interpretations are not expected to have a material impact on the Fund.

(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 4 to 42 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 2022 and of its performance for the financial year ended on that 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 2022, 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
9 September 2022

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 2022 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 2022 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2022.

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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Audit Scope

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. I communicated the key audit matters to the Finance and Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of level 3 directly held assets <i>Refer to note 3 Investments</i></p> <p>At 30 June 2022, AustralianSuper's directly held assets included investments in Australian and international infrastructure and property, amongst others.</p> <p>Note 3 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.</p> <p>The following key assumptions are used in the valuation of directly held assets, amongst others:</p> <ul style="list-style-type: none"> ● Infrastructure: <ul style="list-style-type: none"> ○ discount rate ○ projected future cash flows ● Property: <ul style="list-style-type: none"> ○ capitalisation rate ○ discount rate ○ projected future cash flows <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none"> ● financial significance of the directly held asset balance ● the level of judgement involved in the underlying assumptions used in the financial models ("the models") ● the sensitivity of fair value to changes in key data and assumptions used in the models 	<p>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.</p> <p>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.</p> <p>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.</p> <p>For certain material Australian and international property assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> ● 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. <p>For certain material Australian and international infrastructure assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> ● together with assistance from PwC valuation

Independent auditor's report (cont.)



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 3 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 3 Investments

At 30 June 2022, 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 3 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 AustralianSuper's 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.

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 3 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 3 Investments

At 30 June 2022, AustralianSuper's level 1 and 2 financial assets and liabilities included investments in listed equity securities, fixed income securities and derivative assets and liabilities, amongst others.

Note 3 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 2022 as recorded in AustralianSuper's financial statements and underlying accounting records to this report.

For level 2 derivative assets and liabilities and certain fixed income securities which were 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.

Independent auditor's report (cont.)



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.
- 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
9 September 2022

