Aware Super

ABN 53 226 460 365
Financial Report
For the year ended 30 June 2022

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For a Reporting Entity
Aware Super (ABN: 53 226 460 365)
Report by the RSE Auditor to the Trustee and Members

Opinion

We have audited the financial statements of Aware Super for the year ended 30 June 2022 comprising the Income Statement, Statement of Financial Position, Statement of Changes in Member Benefits, Statement of Changes in Equity/Reserves, Statement of Cash Flows and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Aware Super as at 30 June 2022 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2022.

Basis for Opinion

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, we exercised professional judgement and maintained professional scepticism throughout the audit. We 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 our 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 we identified during our audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Frances Borg

Frances Borg
Partner
Chartered Accountants
Sydney, 21 September 2022

Trustee's Statement for the year ended 30 June 2022

In the opinion of the Directors of Aware Super Pty Ltd ("the Trustee") which is the trustee of Aware Super ("the Fund"):

1. The accompanying financial statements of Aware Super are properly drawn up so as to present fairly the statement of financial position of the Fund as at 30 June 2022, the income statement for the year ended 30 June 2022 and the statements of changes in member benefits, changes in equity/reserves and cash flows for the year ended on that date; and

2. The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Board of Directors of Aware Super Pty Ltd (ABN 11 118 202 672).

Signed at Sydney this 21st day of September 2022.

Director
Aware Super Pty Ltd

Director
Aware Super Pty Ltd

Statement of Financial Position as at 30 June 2022

	Note	2022 $'m	2021 $'m
Assets			
Cash and cash equivalents		**689**	738
Receivables	**6**	**1,262**	1,285
Financial assets	**4**	**147,050**	150,509
Investment in Service Entities	**3(c)**	**23**	342
Plant and equipment	**7**	**129**	134
Intangible asset	**8**	**79**	17
Current tax receivable	**13(b)**	**102**	-
Deferred tax assets	**13(c)**	**1,361**	612
Total assets		**150,695**	153,637
Liabilities			
Benefits payable		**96**	46
Investments and accounts payable	**9**	**1,320**	1,643
Financial liabilities	**4**	**1,484**	710
Income tax payable	**13(b)**	**-**	704
Deferred tax liabilities	**13(c)**	**2,022**	2,508
Total liabilities excluding member benefits		**4,922**	5,611
Net assets available for member benefits		**145,773**	148,026
Defined contribution member liabilities	**15**	**144,070**	145,653
Defined benefit member liabilities	**16**	**981**	1,043
Total member liabilities		**145,051**	146,696
Net assets		**722**	1,330
Equity			
Reserves		**614**	1,235
Defined benefit surplus	**16**	**108**	95
Total equity		**722**	1,330

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

Income Statement for the year ended 30 June 2022

	Note	2022 $'m	2021 $'m
Investment revenue			
Interest		**548**	627
Dividends		**3,198**	1,413
Distributions from unit trusts		**1,937**	1,584
Changes in fair value of investments	**10**	**(11,703)**	16,964
Other income		**78**	89
Total revenue		**(5,942)**	20,677
Investment expenses	**11**	**(469)**	(399)
Administration expenses	**12**	**(339)**	(325)
Total expenses		**(808)**	(724)
Operating result before income tax expense		**(6,750)**	19,953
Income tax benefit/(expense)	**13(a)**	**1,159**	(1,483)
Operating result after income tax expense		**(5,591)**	18,470
Net loss/(benefits) allocated to defined contribution member accounts		**4,928**	(18,176)
Net change in defined benefit member accounts		**36**	(66)
Operating result		**(627)**	228

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

Statement of Changes in Member Benefits for the year ended 30 June 2022

	Defined Contribution Member Benefits $'m	Defined Benefit Member Benefits $'m	Total $'m
Opening balances as at 1 July 2020	121,223	1,076	122,299
Employer contributions	6,075	9	6,084
Member contributions	2,292	5	2,297
Transfer from WA Super (Note 1.2)	4,168	-	4,168
Transfers from other superannuation funds	2,367	-	2,367
Superannuation co-contributions	31	-	31
Income tax on contributions	(874)	(1)	(875)
Net after tax contributions	14,059	13	14,072
Benefit payments to members or beneficiaries	(7,227)	(58)	(7,285)
Insurance premiums charged to members' accounts	(503)	-	(503)
Financial advice fees deducted from members' accounts	(75)	-	(75)
Transfer (to)/from reserves	-	-	-
Net benefits allocated to members	18,176	66	18,242
Net change in member Defined Benefits	-	(54)	(54)
Closing balances as at 30 June 2021	145,653	1,043	146,696
Opening balances as at 1 July 2021	**145,653**	**1,043**	**146,696**
Employer contributions	**6,847**	**6**	**6,853**
Member contributions	**2,688**	**4**	**2,692**
Transfer from VISSF (Note 1.1)	**820**	**26**	**846**
Transfers from other superannuation funds	**3,173**	**-**	**3,173**
Superannuation co-contributions	**29**	**-**	**29**
Income tax on contributions	**(1,019)**	**(1)**	**(1,020)**
Net after tax contributions	**12,538**	**35**	**12,573**
Benefit payments to members or beneficiaries	**(8,480)**	**(62)**	**(8,542)**
Insurance premiums charged to members' accounts	**(669)**	**-**	**(669)**
Financial advice fees deducted from members' accounts	**(44)**	**-**	**(44)**
Transfer (to)/from reserves	**-**	**-**	**-**
Net (loss) allocated to members	**(4,928)**	**(36)**	**(4,964)**
Net change in member Defined Benefits	**-**	**1**	**1**
Closing balances as at 30 June 2022	**144,070**	**981**	**145,051**

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity/Reserves for the year ended 30 June 2022

	Investment Reserve[1] $m	Operational risk financial requirement Reserve[2] $m	Insurance Reserve[3] $m	Administration Reserve[4] $m	Total Reserves $m
Opening balances as at 1 July 2020	327	305	3	357	992
Operating result					
- Operating surplus/(deficit)	-	-	9	31	40
- Investment returns	-	51	-	13	64
- Allocation of tax timing differences	(62)	-	-	-	(62)
- Movement in timing differences	186	-	-	-	186
Transfer from WA Super (Note 1.2)	-	11	-	4	15
Closing balances as at 30 June 2021	451	367	12	405	1,235
Opening balances as at 1 July 2021	**451**	**367**	**12**	**405**	**1,235**
Operating result					
- Operating surplus/(deficit)	**-**	**-**	**-**	**50**	**50**
- Investment returns	**-**	**(6)**	**-**	**(58)**	**(64)**
- Allocation of tax timing differences	**(317)**	**-**	**-**	**-**	**(317)**
- Movement in timing differences	**(296)**	**-**	**-**	**-**	**(296)**
Transfer from VISSF (Note 1.1)		**2**		**4**	**6**
Closing balances as at 30 June 2022	**(162)**	**363**	**12**	**401**	**614**

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

The allocation of tax timing differences represents the elimination of previously recognised timing differences between the Fund's aggregate tax position and the tax accrued through unit pricing. The movement in timing differences represents the current year movement of Investment Reserve timing differences yet to be processed through unit pricing.

Statement of Changes in Equity/Reserves for the year ended 30 June 2022 (continues)

1 The Investment Reserve is an unallocated reserve being the difference between the statutory financial result and the cumulative amount of investment income (net of investment expenses and investment tax timing differences) allocated to members accounts, after any transfers to ORFR Reserve, Insurance Reserve, and Administration Reserve.

2 The Operational Risk Financial Requirement Reserve is an unallocated reserve, held separately to the unitised assets of the Fund to maintain adequate financial resources to address potential losses arising from operational risks. The reserve may be used by the Trustee in accordance with the requirements of Superannuation Prudential Standard 114 Operational Risk Financial Requirement and the Fund's Operational Risk Financial Requirement Reserving Policy. The Trustee has assessed a reserve of approximately 0.25% of funds under management as being appropriate for the Fund.

3 The Insurance Reserve is an unallocated reserve which comprises the receipt of profit share and/or premium adjustment amounts from the Fund's group life insurers less the use of these amounts to reduce premiums for relevant members.

4 The Administration Reserve is an unallocated reserve held separately to the unitised assets of the Fund for use by the Trustee in accordance with the Trust Deed. It is funded by administration fees charged to members and funds the operations of the Trustee office, which may include investment in enhancing member services, expanding the product range or expenditure to achieve operational efficiencies. The reserve may also be used to reinstate the Operational Risk Financial Reserve following a loss or meet any trustee fees charged by Aware Super Pty Limited in its capacity as the trustee of the Fund.

Statement of Cash Flows for the year ended 30 June 2022

	Note	2022 $'m	2021 $'m
Cash flows from operating activities			
Investment income		**5,772**	3,707
Investment expenses		**(479)**	(399)
Administration expenses		**(415)**	(362)
Income tax paid		**(1,668)**	(1,285)
Net inflows from operating activities	**20**	**3,210**	1,661
Cash flows from investing activities			
Purchase of investments		**(76,053)**	(56,491)
Proceeds from sale of investments		**68,591**	49,601
Net outflows from investing activities		**(7,462)**	(6,890)
Cash flows from financing activities			
Contributions received		**12,881**	11,494
Benefits paid		**(8,865)**	(7,586)
Financial advice fees		**(44)**	(75)
Insurance premiums paid		**(635)**	(464)
Transfer from VISSF (Note 1.1)		**866**	-
Transfer from WA Super Fund (Note 1.2)		**-**	1,812
Net inflows from financing activities		**4,203**	5,181
Net (decrease) in cash held		**(49)**	(48)
Cash at the beginning of the financial year		**738**	786
Cash at the end of the financial year		**689**	738

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

Notes to the Financial Statements for the year ended 30 June 2022

1. Description of the Fund

Aware Super (ABN 53 226 460 365) (the Fund) is both a defined contribution and a defined benefit superannuation fund constituted by the Trust Deed dated 19 February 1999 (as amended). Aware Super Pty Ltd (ABN 11 118 202 672) (the Trustee) is the trustee of the Fund. The Fund provides superannuation benefits (including income streams), and insurance benefits (where applicable) to members and their dependants or beneficiaries.

Prior to 15 September 2020, the Fund was formerly known as First State Superannuation Scheme

State Street Australia Limited (State Street) is the Fund's custodian for all investments and related cash.

The Fund is party to a Group Resources Agreements with Aware Super Services Pty Ltd effective from 1 July 2019 and with VicSuper Pty Ltd effective from 1 July 2020. Under the agreements, Aware Super Services Pty Ltd and VicSuper Pty Ltd act as the employing entities for the Aware Super Group and provide personnel to relevant Aware Super Group members to enable those entities to undertake their business activities.

1.1 Successor Fund Transfer with the Victorian Independent Schools Superannuation Fund (VISSF)

On 30 November 2021, the Fund undertook a Successor Fund Transfer (SFT) with the Victorian Independent Schools Superannuation Fund (ABN 37 024 873 660) (VISSF). VISSF defined contribution members were rolled into the equivalent Aware defined contribution products on SFT date. VISSF defined benefit members were retained in defined benefit products and these products transferred to Aware on SFT date.

The change to net member liabilities of **$846 million** is described as **Transfer from VISSF** in the Statement of Changes in Member Benefits. The assets and liabilities transferred were:

Balance Sheet of Victorian Independent Schools Superannuation Fund on 30 November 2021	2022 $'m
Assets	
Cash and cash equivalents	2
Receivables	1
Financial assets	863
Liabilities	
Defined contribution member liabilities	820
Defined benefit member liabilities	26
Net assets	**20**
Reserves	6
Defined benefit surplus	14
Equity	**20**

1. Description of the Fund (continued)

1.2 Successor Fund Transfer – WA Local Government Superannuation Plan

On 3 December 2020, the Fund undertook a Successor Fund Transfer with the WA Local Government Superannuation Plan (ABN 18 159 499 614) (WA Super). WA Super was a defined contribution superannuation domiciled in Australia.

The change to net member liabilities of **$4,168 million** is described as **Transfer from WA Local Government Superannuation Plan** in the Statement of Changes in Member Benefits. The assets and liabilities transferred were:

Balance Sheet of WA Local Government Superannuation Plan on 3 December 2020	2021 $'m
Assets	
Cash and cash equivalents	1,812
Receivables	63
Financial assets	2,352
Liabilities	
Accounts payable	2
Financial liabilities	21
Income tax payable	9
Deferred tax liabilities	12
Defined contribution member liabilities	4,168
Net assets	**15**
Equity	
Reserves	15
Total equity	**15**

1.3 Administrator and Custodian of the Fund

The custody and administration of the Fund were performed by the following entities at 30 June 2022:

Division	Administration of Fund	Custodian
Heritage StatePlus Retirement Fund	First State Super Product Services Trust (Self-administered)	State Street
Heritage VicSuper	Self-administered	State Street
Balance of Aware Super (including former WA Super and VISSF defined contribution members)	Mercer Administration Services (Australia) Pty Limited	State Street
Heritage Victorian Independent Schools Superannuation Defined Benefit fund (VISSF) Defined Benefit funds	Link Group	State Street

The administrators of the Fund are the custodian of the Fund's bank accounts that manage the processing of contributions, maintaining member records, and paying benefits.

2. Basis of Preparation

2.1 Basis of Preparation and Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (Accounting Standards), Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed.

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in the financial statements.

The financial statements were authorised for issue by the Directors on 21 September 2022. For the purpose of preparing the financial statements, the Fund is a profit for members (i.e. not-for-profit) entity.

The financial statements are prepared on the going concern basis.

2.2 Significant Event

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. The economic impacts of the response to the pandemic increased volatility in listed investment markets and increased uncertainty in the underlying assumptions applied in unlisted asset valuations. These changes in market conditions have been reflected in the financial statements according to the valuation policies and methodologies outlined in Note 3. There have been no changes to the Fund's valuation accounting policies.

Operationally, the Fund has had to invoke its business continuity plans and has changed its operating model to ensure the safety of staff and compliance with recommendations and regulatory policy requirements issued by government departments. Where local lockdowns have required office closures, the majority of employees in those locations have worked from home and the operations of the Fund have continued uninterrupted.

The Fund has also contemplated the impact of the rising interest rates, and geopolitical events in Russia and Ukraine and the impacts to assets held in these countries where relevant. The exposure has either been exited at market value or appropriately valued in line with valuation policies.

2.3 Use of Judgements and Estimates

In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about the fair market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Management have continued to monitor the impact of the ongoing COVID-19 pandemic on the fair value of unlisted assets, specifically assessing whether the independent valuer or fund manager appropriately incorporate the impact of the economic conditions as a result of the pandemic.

Valuations are based on the independent valuer's recommendations and fund manager statements, however when a significant disconnect is observed between the current market conditions and the last valuation, trustee has the flexibility under the valuation policy to revalue assets when there is observable information that would indicate a potential change in valuation. This is subject to stringent internal controls and governance oversight, with the objective of ensuring member equity.

The Fund's financial instruments are mostly at quoted market prices. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, these are validated and periodically reviewed by experienced valuers. Refer to note 4 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities, details of which are set out in note 16.

2. Basis of Preparation (continued)

2.4 New Standards and Interpretations adopted during the year

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had significant financial or disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

COVID-19-related rent concessions (AASB 2021-3)

AASB 2021-3 extends the practical expedient introduced by AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 – Related Rent Concessions by a further 12 months – permitting lessees to apply the relief to rent concessions for which reductions in lease payments were originally due on or before 30 June 2022.

The Fund did not receive any COVID-19 related rent concessions, as a lessee.

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

AASB 2020-8 amends AASB 9 *Financial Instruments*, AASB 7 *Financial Instruments: Disclosures*, AASB 4 *Insurance Contracts*, AASB 16 *Leases* and AASB 139 *Financial Instruments: Recognition and Measurement* to introduce practical expedients in relation to accounting for modification of financial contracts and/or leases if a change results directly from interest rate benchmark reform: the transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs). Amendments also allow exemptions from hedge accounting rules and introduce additional disclosures requirements.

The reforms are not expected to have a significant impact on the Fund's accounting policies or disclosures as the Fund does not perform hedge accounting.

Other amendments made to existing standards

Other amendments that were mandatorily effective for the annual reporting period beginning on 1 July 2021 did not result in a material impact on the Fund's consolidated financial statements.

2.5 Accounting Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations which are expected to be relevant to the Fund were in issue but not yet effective for the 30 June 2022 reporting period. The Trustee anticipates the adoption of these Standards will not have a material financial impact on the financial report of the Fund.

New or revised requirement	Title	Effective Date (annual periods beginning on or after)
AASB 2021-7c	**AASB 2021-7c- Amendments to Australian Accounting Standards** *– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *– Deferral of Effective Date* The amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a 'business' under AASB 3 (whether housed in a subsidiary or not). The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The amendments are required to be applied for annual reporting periods beginning on or after 1 July 2025.	**1 July 2025**

2. Basis of Preparation (continued)

2.5 Accounting Standards and Interpretations issued, but not yet effective (continued)

New or revised requirement	Title	Effective Date (annual periods beginning on or after)
AASB 2020-1	**AASB 2020-6 Amendments to Australian Accounting Standards** – *Classification of Liabilities as Current or Non-current.* – *Deferral of Effective Date* Amends AASB 101 *Presentation of Financial Statements* to require a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1, so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.	**1 July 2023**
AASB 2020-3	**AASB 2020-3 Amendments to Australian Accounting Standards** – Annual Improvements 2018-2020 and Other Amendments The Annual Improvements include amendments to four Standards, AASB 1 *First-time Adoption* of IFRS, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, plant, and equipment, AASB16* Leases, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, AA141 *Agriculture.*	**1 July 2022**
AASB 2021-2	**AASB 2021-2 Amendments to Australian Accounting Standards** – *Disclosure of Accounting Policies and Definition of Accounting Estimates* The amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies.	**1 July 2023**
AASB 2021-5	**AASB 2021-5 Amendments to Australian Accounting Standards** **–** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.	**1 July 2023**

The are no standards issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations that are not yet issued in Australia by the Australian Standards Board (AASB).

The Fund does not intend to adopt any of these pronouncements before their effective dates.

3. Significant Accounting Policies

The Fund's accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2022 and the comparative information presented in these financial statements for the year ended 30 June 2021.

(a) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash and which are subject to insignificant risk of changes in value.

(b) Receivables

Receivables may include amounts for dividends, interest and trust distributions and are measured at fair value. 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.

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

Receivables include prepayment on expenditures incurred to provide future economic benefits, where no intangible asset or other asset is recognised. Prepayment for any software as a service arrangement is recognised as an asset and expensed when services are received over the underlying contract term with the supplier.

(c) Consolidation and Investment in Service Entities

The Fund meets the definition of an investment entity within AASB 10 *Consolidated Financial Statements* and is therefore required to measure controlled investments at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* rather than consolidate them.

Notwithstanding the mandatory exception to the consolidation requirement for an investment entity, where the main purpose and activities of controlled entities are to provide investment-related services or activities that relate to the investment entity's investment activities, then the mandatory exception would not apply to such Service subsidiaries. Investment-related services include but are not limited to investment advisory services, investment management, investment support and administration services.

An investment entity is still required to consolidate its Service subsidiaries and apply the requirements of AASB 3 *Business Combinations* when acquiring control of any such subsidiary.

The Fund consolidates First State Super Holdings Pty Ltd (and its subsidiaries), the First State Super Product Services Trust and FSSSP Pty Ltd (together, the Service entities). A list of all Service entities and other controlled investments is included under Note 22 to the financial statements.

In consideration of the materiality of the wholly owned Service entities, the Fund applies the single-line consolidation approach (equity method), rather than the full consolidation approach as required by AASB 1056 *Superannuation Entities* and AASB 10 *Consolidated Financial Statements*.

The equity method does not in the opinion of the Trustee, impair the fair presentation of the Fund's performance and statement of affairs.

Investment in a service subsidiary is a separate cash generating unit. It is required to be tested for impairment under AASB 136 *Impairment of Assets* (AASB 136) whenever there is an indicator of impairment or at least tested for impairment annually.

3. Significant Accounting Policies (continued)

(d) Financial assets

The Fund's investments are described as Financial assets and are classified as at fair value through profit or loss (FVTPL).

A financial asset is designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract and the entire combined contract (asset or liability) is designated as at FVTPL.

Fair values of financial assets are determined as follows:

- Listed securities, foreign securities quoted on a recognised stock exchange, derivative financial instruments and government and other fixed income securities are stated at market quotations as at the reporting date;
- Unit trust, and managed fund investments are stated at the redemption price quoted by the trust managers as at the reporting date;
- Unlisted securities are stated at a valuation based on the latest available advice of the Fund's investment managers as at the reporting date.
- Direct unlisted investments are stated at a valuation based on half yearly independent valuations. These valuations are primarily prepared using discounted cashflow, income capitalisation or comparable sales methods depending upon the type of asset and asset class.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further, the Trustee's Valuation Policy provides that if a price is not at market value (due to illiquidity, suspension, a material event or otherwise), the Trustee may vary the value of the asset in accordance with the internal governance processes for the adjustment as outlined in the Policy. The objective of this process is to preserve equity across member outcomes, regardless of their choices, by mitigating against the risk that in major disruptions the effect of normal delays in the reporting of unlisted asset valuations may be materially amplified.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement being recognised in the Income Statement.

3. Significant Accounting Policies (continued)

(e) Property, plant and equipment

Property, plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less accumulated depreciation and accumulated impairment costs. The written down value approximates fair value.

Each item of property, plant and equipment is amortised on a straight-line basis over the useful life of the asset of 2-10 years. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements: Lease term
- Fixtures & Fittings: 2 to 10 years
- Office Equipment: 4 to 10 years
- Computer Hardware: 2 to 4 years
- Other assets: 3 to 4 years
- Intangible assets: 5 to 7 years

The depreciation expense is recognised in the 'Administration expenses' in the Income Statement.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset to the lessee or the cost of the right-of-use asset reflects that the Fund expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

(f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses

Software

Costs directly incurred in acquiring and developing certain computer software that will contribute to future financial benefits are capitalised and amortised over the estimated useful life. Expenditure on research activities is recognised in profit or loss as incurred. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Fund has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis, usually over a period of 5 to 7 years. The capitalised software asset is subject to impairment testing on an annual basis. Subsequently, the carrying value of Software asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Costs incurred in the maintenance of software is expensed as incurred and recognised in other operating expenses.

3. Significant Accounting Policies (continued)

(g) Financial liabilities

The Fund's Financial liabilities are classified as at FVTPL.

A financial liability is designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract and the entire combined contract (asset or liability) is designated as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the Income Statement.

(h) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at the reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in the Income Statement in the period in which they arise.

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(j) Benefits paid and payable

The Fund recognises a benefit to be payable when a member's valid withdrawal notice is received, and it has been approved by the Trustee in accordance with the Fund's Trust Deed. Benefits paid and payable are measured at their nominal values as prescribed by the Fund's Trust Deed.

Benefits payable represent amounts which have not been paid where a valid withdrawal notice has been received.

(k) Payables

Accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services and are recognised at their nominal value which is equivalent to fair value.

3. Significant Accounting Policies (continued)

(l) Leases

The Fund as lessee, recognises an asset for the right-to-use the leased item(s) and a corresponding liability to pay rental expenses for the lease contract(s), except for short-term leases under 12 months and leases of low value assets. For these short-term or low-value asset leases, the Fund recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

(m) Reserves

Investment reserve

The Investment Reserve is an unallocated reserve being the difference between the cumulative amount of investment income (net of investment expenses) allocated to members accounts and the cumulative income (net of expenses) earned, after any transfers to ORFR Reserve, Insurance Reserve, and Administration Reserve.

Operational risk financial reserve

The Operational Risk Financial Requirement Reserve is an unallocated reserve, held separately to the unitised assets of the Fund to maintain adequate financial resources to address potential losses arising from operational risks. The reserve may be used by the Trustee in accordance with the requirements of Superannuation Prudential Standard 114 Operational Risk Financial Requirement and the Fund's Operational Risk Financial Requirement Reserving Policy. The

Trustee has assessed a reserve of approximately 0.25% of funds under management as being appropriate for the Fund.

Insurance reserve

The Insurance Reserve is an unallocated reserve which comprises the receipt of profit share and/or premium adjustment amounts from the Fund's group life insurers less the use of these amounts to reduce premiums for relevant members.

Administration reserve

The Administration Reserve is an unallocated reserve held separately to the unitised assets of the Fund for use by the Trustee in accordance with the Trust Deed. It is funded by administration fees charged to members and funds the operations of the Trustee office, which may include investment in enhancing member services, expanding the product range or expenditure to achieve operational efficiencies. The reserve may also be used to reinstate the Operational Risk Financial Reserve following a loss or meet any trustee fees charged by Aware Super Pty Limited in its capacity as the trustee of the Fund.

3. Significant Accounting Policies (continued)

(n) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its tax assets and liabilities when due on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or benefit in the Income Statement.

Some aspects of tax legislation and rulings require interpretation and necessitate reasonable assumptions or allocations to be made in determining the provision for income taxes. There are some tax calculations made during the ordinary course of business which may be uncertain if assumptions or allocations are subsequently challenged. Because of its size and the amount of tax paid, the Fund is subject to regular reviews by the Australian Taxation Office. The fund actively monitors and assesses the impacts of those reviews, including making appropriate tax provisions for potential tax exposures. Where the final outcome of a tax authority review is different from the amounts that were initially recorded, such differences may impact the current and deferred tax provisions in the period in which such determination is made.

3. Significant Accounting Policies (continued)

(o) Revenue recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent to which it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured.

The following recognition criteria relates to the different items of *Investment revenues* the Fund receives:

Interest revenue
Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount. If interest is not received at balance sheet date, the balance is reflected in the Statement of Financial Position as a receivable.

Dividend revenue
Revenue from dividends is recognised on the date the shares are quoted ex-dividend. If the dividend is not received at balance sheet date, the balance is reflected in the Statement of Financial Position as a receivable.

Changes in fair value of investments
Changes in the fair value of investments are recognised as revenue 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).

Changes in fair value of financial liabilities
Changes in the fair value of financial liabilities are recognised as revenue (or expense) and are determined as the difference between the fair value at year end or consideration paid (if settled during the year) and the fair value as at the prior year end or amount originally incurred (if the financial liabilities were incurred during the period).

Distributions from unit trusts
Distribution income is recognised on a receivable basis on the date the unit value is quoted ex-distribution. Where the distribution is not received at reporting date, the balance is reflected in the Statement of Financial Position.

(p) Superannuation contributions (surcharge) tax

The Trustee recognises amounts paid or payable in respect of the surcharge tax as an expense of the Fund. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Fund. All amounts paid are allocated back against the member accounts to which the surcharge relates.

4. Financial Instruments

(a) Financial instruments management

The investments of the Fund are predominantly managed by specialist sector fund managers who are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement. The appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. Some of the investments of the Fund are managed by the internal investment staff.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset are disclosed in Note 3 to the financial statements.

(b) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

30 June 2022	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Cash investments	**1,871**	**-**	**-**	**1,871**
Discounted securities	**7,524**	**5,617**	**-**	**13,141**
Fixed income	**10,409**	**8,343**	**229**	**18,981**
Private market credit securities	**-**	**1,666**	**-**	**1,666**
Equities	**68,955**	**204**	**1,818**	**70,977**
Unit trusts	**3,277**	**9,179**	**27,692**	**40,148**
Derivatives	**64**	**202**	**-**	**266**
Total Financial Assets	**92,100**	**25,211**	**29,739**	**147,050**
Financial liabilities				
Derivatives	**25**	**1,459**	**-**	**1,484**
Total Financial Liabilities	**25**	**1,459**	**-**	**1,484**

There were no transfers during the financial year ended 30 June 2022 between level 1, level 2, and level 3 of the fair value hierarchy.

4. Financial Instruments (continued)

30 June 2021	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Cash investments	4,060	-	-	4,060
Discounted securities	7,041	10,495	-	17,536
Fixed income	12,238	10,442	255	22,935
Private market credit securities	-	1,152	-	1,152
Equities	64,986	66	1,737	66,789
Unit trusts	5,338	10,488	22,046	37,872
Derivatives	94	71	-	165
Total Financial Assets	93,757	32,714	24,038	150,509
Financial liabilities				
Derivatives	15	695	-	710
Total Financial Liabilities	15	695	-	710

(c) Derivatives recognised in the statement of financial position

The following table provides an analysis of derivatives held as at reporting date.

30 June 2022	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Derivative Assets				
Futures	**6**	**-**	**-**	**6**
Forward/Spot	**-**	**186**	**-**	**186**
Options	**-**	**13**	**-**	**13**
Swap	**-**	**2**	**-**	**2**
Warrant	**58**	**1**	**-**	**59**
Total Derivative assets	**64**	**202**	**-**	**266**
Derivative Liabilities				
Futures	**25**	**-**	**-**	**25**
Forward/Spot	**-**	**1,457**	**-**	**1,457**
Swap	**-**	**2**	**-**	**2**
Total Derivative liabilities	**25**	**1,459**	**-**	**1,484**

4. Financial Instruments (continued)

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets /Financial liabilities	Fair value as at 30 June 2022 $'m	Fair value as at 30 June 2021 $'m	Fair Value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equities	**70,977**	**66,789**	1,2,3	Level 1 - Quoted bid prices in an active market, 97% of total equities Level 2 – Derived from inputs other than quoted prices Level 3 – Valuation based on independent valuers as at the reporting date.	Level 3 generally based on economic and business assumptions in the valuation models
Unit trusts	**40,148**	**37,872**	1,2,3	Level 1 - Quoted bid prices in an active market Level 2 – Derived from inputs such as unit prices other than quoted prices Level 3 – Valuation based on unit prices and other relevant information advised by the Fund's investment managers as at the reporting date or independent valuers for directly and semi-directly held assets.	Level 3 generally based on economic and business assumptions in the valuation models
Fixed income	**18,981**	**22,935**	1,2,3	Level 1 - Quoted bid prices in an active market. Where not available, valuation models used. Level 2 – Derived from inputs other than quoted prices	Level 3 generally based on economic and business assumptions in the valuation models
Private market credit securities	**1,666**	**1,152**	2	Level 2 – Derived from inputs other than quoted prices	N/A
Discounted securities	**13,141**	**17,536**	1,2	Level 1 - Quoted bid prices in an active market. Level 2 – Derived from inputs other than quoted prices	N/A
Futures and options (net)	**(6)**	**72**	1,2	Exchange traded futures or options are stated at the last quoted bid or sale price relevant to close out the contract as at the reporting date less any transactional costs, over-the-counter options are stated using the quotations of an independent broker or where unavailable by the responsible entity using an option pricing model using independent market data less any transactional costs.	N/A
Foreign exchange (net)	**(1,271)**	**(643)**	2	Foreign exchange contracts are stated at the exchange rate current at reporting date less any transaction costs	N/A

4. Financial Instruments (continued)

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets /Financial liabilities	Fair value as at 30 June 2022 $'m	Fair value as at 30 June 2021 $'m	Fair Value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Swaps & warrants (net)	**59**	**26**	2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties.	N/A

4. Financial Instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

Level 3 Fair Value Reconciliation	Fixed Income $'m	Equities $'m	Unit Trusts $'m	Total $'m
Balance at 1 July 2020	409	1,370	17,462	19,241
Purchases	2	218	3,965	4,185
Redemptions/disposals	(163)	(2)	(3,407)	(3,572)
Transfers into Level 3[1]	-	-	2,476	2,476
Transfer out of Level 3	-	-	-	-
Total gains/(losses) in Income Statement	7	151	1,550	1,708
Balance at 30 June 2021	255	1,737	22,046	24,038
Balance at 1 July 2021	**255**	**1,737**	**22,046**	**24,038**
Purchases	**-**	**12**	**5,255**	**5,267**
Redemptions/disposals	**(15)**	**(4)**	**(2,924)**	**(2,943)**
Transfers into Level 3[2]	**-**	**-**	**-**	**-**
Transfer out of Level 3[2]	**-**	**-**	**-**	**-**
Total gains/(losses) in Income Statement	**(11)**	**73**	**3,315**	**3,377**
Balance at 30 June 2022	**229**	**1,818**	**27,692**	**29,739**

[1] The transfer of unit trust assets into level 3 relates to legacy VicSuper assets that were reclassified from level 2 assets at the beginning of the reporting period.

[2] There were no transfers between level 1, level 2 and level 3 financial instruments during the financial year June 2022.

The following table shows the sensitivity of the fair values of the Level 3 assets. The expected volatility forecasts are derived primarily from the last several years of realised values with adjustments based on management's assessment.

Level 3 Asset Sensitivity	Volatility of investment sector returns %		Effect on changes in net assets and net assets available to pay benefits	
	2022	2021	2022 $'m	2021 $'m
Fixed income	**7.6%**	5.7%	**17**	15
Unlisted Equities[3]	**9.0%**	14.8%	**164**	257
Unit Trusts	**10.3%**	8.9%	**2,852**	1,962

[3] Management has modelled and assessed volatility specifically for Unlisted Equities which primarily consist of Unlisted Infrastructure (FY 2021: Overall Equities volatility applied).

5. Financial Risk Management

Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk, price risk and climate risk), credit risk and liquidity risk. The Fund's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

An enterprise-wide Risk Management Framework (RMF) is in place to manage material risks and ensure appropriate levels of oversight are in place.

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee certifies to the Australian Prudential Regulatory Authority (APRA) that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and the Trustee has satisfied itself as to compliance with the RMF.

The Fund has an Investment Governance Framework (IGF) established by the Trustee. The IGF sets out the Trustee's policies for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed. These risks have been assessed in the light of known information about the COVID-19 pandemic at the date of this report.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk: foreign exchange (currency risk), market interest rates (interest rate risk), market prices (price risk) and climate risk. The Fund's policies and procedures put in place to mitigate the Fund's exposure to market risk are detailed in the Fund's investment policies and the RMF.

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund undertakes certain investment transactions denominated in foreign currencies, hence it is exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. This exchange rate exposure is managed in line with the Fund's investment policies. The Fund's overall policy in foreign currency risk management remains unchanged from the previous reporting period.

The Fund's total exposure (in Australian dollars) to fluctuations in foreign currency exchange at the reporting date was as follows:

Year ended 30 June 2022	USD $'m	EUR $'m	HKD $'m	JPY $'m	Others $'m
Assets	36,263	7,118	1,656	2,051	9,471
Liabilities	(1,305)	(96)	(10)	(5)	(108)
	34,958	7,022	1,646	2,046	9,363
Forward exchange contracts	(20,957)	(3,837)	(150)	(1,124)	(4,720)
Net exposure	14,001	3,185	1,496	922	4,643

5. Financial Risk Management (continued)

(a) Market risk (continued)

Year ended 30 June 2021	USD $'m	EUR $'m	HKD $'m	JPY $'m	Others $'m
Assets	35,677	7,624	1,644	2,142	9,763
Liabilities	(1,056)	(187)	(6)	(40)	(140)
	34,621	7,437	1,638	2,102	9,623
Forward exchange contracts	(20,624)	(4,502)	(199)	(1,271)	(5,363)
Net exposure	13,997	2,935	1,439	831	4,260

Foreign currency sensitivity

The following table details the Fund's sensitivity to a 10% (2021: 10%) increase or decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate that represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10% (2021: 10%) change in foreign currency rates. The analysis assumes all currencies fluctuate in the same direction at the same time. The number is positive when the Australian dollar weakens against the respective currency, causing assets available to pay benefits to increase. Conversely the number is negative when the Australian dollar strengthens causing assets in foreign currencies to fall in value.

Currency Risk	% change in A$ 2022	% change in A$ 2021	Effect on net assets and net assets available to pay benefits 2022 $'m	Effect on net assets and net assets available to pay benefits 2021 $'m
Currency Risk	**10%**	10%	**2,479**	2,393

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management

The Fund's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate instruments expose the Fund to fair value interest rate risk. Exposures to interest rate risk are monitored.

Year ended 30 June 2022	Floating interest rate $'m	Fixed interest rate $'m	Non-interest bearing $'m	Total $'m
Assets				
Cash and cash equivalents	2,553	-	7	2,560
Receivables	-	-	1,262	1,262
Current tax receivable	-	-	102	102
Unit trusts	-	-	40,148	40,148
Fixed income	6,423	12,558	-	18,981
Private market credit securities	1,576	90	-	1,666
Equities	-	-	70,977	70,977
Discounted securities	1,530	11,611	-	13,141
Derivative financial instruments	-	-	266	266
Total assets	**12,082**	**24,259**	**112,762**	**149,103**
Liabilities				
Benefits Payable	-	-	96	96
Payables	-	-	1,320	1,320
Derivative financial instruments	-	7	1,477	1,484
Total liabilities	**-**	**7**	**2,893**	**2,900**
Net exposure interest rate risk	**12,082**	**24,252**	**109,869**	**146,203**

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management (continued)

Year ended 30 June 2021	Floating interest rate $'m	Fixed interest rate $'m	Non-interest bearing $'m	Total $'m
Assets				
Cash and cash equivalents	4,797	-	-	4,797
Receivables	-	-	1,285	1,285
Unit trusts	-	-	37,872	37,872
Fixed income	7,315	15,621	-	22,935
Private market credit securities	1,095	57	-	1,152
Equities	-	-	66,789	66,789
Discounted securities	1,227	16,309	-	17,536
Derivative financial instruments	1	8	156	165
Total assets	14,435	31,994	106,102	152,531
Liabilities				
Benefits Payable	-	-	46	46
Payables	-	-	1,643	1,643
Current tax liabilities	-	-	704	704
Derivative financial instruments	2	-	708	710
Total liabilities	2	-	3,101	3,103
Net exposure interest rate risk	14,433	31,994	103,001	149,428

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. It is assumed that the basis point change occurs as at the reporting date. The interest rate risk sensitivity analysis calculates the impact on the market value of the fixed interest portfolio of a 100 basis points term structure increase in every market in which the fund holds fixed interest securities, based on the duration of the Fund's fixed interest portfolio as at the reporting date. The possible increase or decrease in fixed interest rates of 100 basis points (2021: 100 basis points) are estimated to result in the following impact on the fixed interest portfolio's contribution to the consolidated operating result as illustrated in the following table:

Interest Rate Risk	Change in variable		Effect on change in net assets and net assets available to pay benefits	
	2022 bps	2021 bps	2022 $'m	2021 $'m
Interest rate risk	**+100**	+100	**(1,411)**	**(2,238)**
	-100	-100	**1,411**	**2,238**

Market Price risks -

Market price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in unit trusts which expose it to price risk. In addition, the Fund holds equity instruments which expose it to equity price risk.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by constructing a diversified portfolio of instruments traded on various markets in accordance with the Fund's investment strategy.

The following table summarises the sensitivity of the Fund's net assets available for member benefits to price risk. The reasonably possible movements in the risk variables have been based on management's assessment, having regard to a number of factors, including historical levels of changes in market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables. The Fund has reviewed the assumptions used to determine its sensitivity to these risks compared to the comparative period as a result of changes in market volatility in the period.

5. Financial Risk Management (continued)

(a) Market risk (continued)

Market Price risks (continued)

Market Price Risk	Volatility of investment sector returns %		Impact on change in net assets and net assets available to pay benefits	
	2022	2021	2022 $'m	2021 $'m
Discounted securities[1]	**1.3%**	5.7%	**171**	1,000
Fixed income[2]	**3.0%**	5.7%	**569**	1,307
Private market credit securities [2]	**7.0%**	5.7%	**117**	66
Listed equities	**16.3%**	14.8%	**11,273**	9,628
Unlisted equities[3]	**9.0%**	14.8%	**164**	257
Unit trusts	**8.8%**	8.9%	**3,533**	3,371

[1] Management has assessed that Discounted Securities are exposed to market pricing risk of the cash volatility at reporting date (FY 2021: fixed income volatility)

[2] Comparatives show a blended rate for private market credit securities and fixed income instruments.

[3] Management has modelled and assessed volatility specifically for Unlisted Equities which primarily consist of Unlisted Infrastructure (FY 2021: Overall Equities volatility applied).

Climate risk

Climate change represents a significant long-term risk to the Fund's investment portfolio. The transition of the economy from current carbon-based energy to a lower, and ultimately net-zero economy, presents economic climate transition risks to companies around the globe, and therefore potentially Aware Super's investments. The range of possible climate transition pathways require detailed consideration and assessment to minimise potentially negative financial impacts on the Fund's investment portfolio as some carbon-intensive assets devalue or even become stranded, while other lower-carbon assets may increase in value.

The Fund launched a Climate Change Portfolio Transition Plan (Transition Plan) in 2020 to address the large systemic and structural changes that limiting the causes and impacts of climate change will require. The Transition Plan is a framework of recommendations and targets focused on short, medium and long-term initiatives to achieve net zero emissions by 2050, with the intention of reducing the risk of climate change on the investment portfolio. Key initiatives under the plan include:

- implementing a de-carbonisation pathway for the investment portfolio
- addressing the risk of physical climate change on assets within our investment portfolio, adapting where possible;
- proactively investing in lower emissions investments; and
- assessing the climate change transition risks on the portfolio, including lowering risk through actively managing and engaging with portfolio investments on their climate change transition pathway.

5. Financial Risk Management (continued)

(b) Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has counterparty credit procedures in place and the exposure to credit risk is monitored on an ongoing basis in accordance with the Statement of Investment Objectives and Policy.

Substantially all of the cash held by the Fund is held by State Street and Commonwealth Bank of Australia (CBA). The Fund monitors its credit risk by monitoring the credit quality and financial positions of the banks through regular analysis of their financial reports.

Unsettled investment sales are transactions with investment managers that are awaiting settlement and are included in receivables. The credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The ageing of unsettled trades is monitored.

State Street is the custodian of all the Fund's investment assets and associated liquid assets. State Street provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions. Mercer is the custodian for some of the Fund's Commonwealth Bank of Australia (CBA) accounts and performs transactional and accounting services. Mercer is also the Fund's administrator of member services. The credit quality and financial positions of the custodians is monitored through regular analysis of their financial reports.

The Fund participates in securities lending via the agency securities lending programme of its custodian, State Street, whereby the Fund has a principal relationship with the borrower. All loans of securities are subject to collateral backing. The market value of securities on loan at 30 June 2022 was $14,258m (2021: $14,272m).

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Except for security lending arrangements and OTC derivatives, the Fund holds no collateral security and has no credit enhancement arrangements for any financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

The Fund's maximum aggregate exposure to credit risk is as follows:

Aggregate Credit Risk Exposure	2022 $'m	2021 $'m
Cash and cash equivalents	**2,560**	4,797
Discounted securities	**13,141**	17,536
Fixed income securities	**18,981**	22,935
Private market credit securities	**1,666**	1,152
Derivatives	**266**	165
Receivables	**1,262**	1,285
	37,876	47,870

5. Financial Risk Management (continued)

(b) Liquidity risk

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits in accordance with the appropriate requirements and it is therefore exposed to the liquidity risk of meeting members' legitimate withdrawal requests at any time. The majority of the Fund's listed securities and unit trust investments are considered to be readily realisable. The Fund's financial instruments include investments in unlisted investments and private equity which are not traded in an organised market and that generally may be illiquid. As a result, in extraordinary circumstances, there is a risk that the Fund may not be able to liquidate all of these investments at their net market value in order to meet all of its liquidity requirements.

The Fund's framework for managing liquidity risk considers the following key elements:

1. understanding the drivers behind liquidity needs;
2. setting liquidity parameters;
3. implementing effective investment structures;
4. monitoring liquidity;
5. regularly conducting liquidity stress testing; and
6. maintaining a Liquidity Management Plan.

The strategic asset allocation of each investment option is the main determinant of its overall risk and return characteristics, including its liquidity profile. Hence, Aware Super explicitly considers the liquidity characteristics of each asset class before setting the strategic asset allocations and ranges for the individual investment options offered to members. In setting the liquidity classification for each asset class, Aware Super tailors the liquidity classification to the characteristics of the underlying assets themselves, rather than applying a standardised approach.

It is expected that each investment option would be able to meet its cashflow requirements on a stand-alone basis. Hence, the proportion of illiquid assets held at an investment option level is a key parameter considered in relation to liquidity risk; an increasing proportion of illiquid assets will, by definition, reduce the overall level of liquidity. Overall, the following principles apply:

- a majority of assets are held in highly liquid securities, many exchange-traded, which can be fully liquidated at short notice if necessary;
- all investment options have a strategic allocation to cash, which is highly liquid, and could be drawn upon to manage cash flow requirements; and
- unlisted securities are regularly reviewed for valuation accuracy.

5. Financial Risk Management (continued)

(c) Liquidity risk (continued)

The Fund has capital commitments in relation to property, private equity and infrastructure investment activities. Note 18 sets out the commitments contracted for at the reporting date but not recognised as liabilities in the tables below.

The following tables summarise the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

Year ended 30 June 2022	Less than one month $'m	One to twelve months $'m	Over one year $'m	Total $'m
Liability Defined contribution member liabilities[1]	**144,070**	**-**	**-**	**144,070**
Liability Defined benefit member liabilities[1]	**981**	**-**	**-**	**981**
Benefits payable	**96**	**-**	**-**	**96**
Accounts payable	**1,012**	**176**	**132**	**1,320**
Derivative liabilities	**783**	**700**	**1**	**1,484**
Total Financial Liabilities	**146,942**	**876**	**133**	**147,951**

[1]Amount is considered less than one month as it is based on the earliest period when a beneficiary may claim their benefit.

Year ended 30 June 2021	Less than one month $'m	One to twelve months $'m	Over one year $'m	Total $'m
Liability Defined contribution member liabilities[1]	145,653	-	-	145,653
Liability Defined benefit member liabilities[1]	1,043	-	-	1,043
Benefits payable	46	-	-	46
Accounts payable	1,330	193	120	1,643
Derivative liabilities	140	568	2	710
Current tax liabilities	-	704	-	704
Total Financial Liabilities	148,212	1,465	122	149,799

[1]Amount is considered less than one month as it is based on the earliest period when a beneficiary may claim their benefit.

5. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Capital risk management

The Operating Risk Financial Requirement Reserve has been established in accordance with SPS 114 Operational Risk Financial Requirement - refer Statement of Changes in Equity/Reserves. The purpose of this operational risk reserve is to provide funding for incidents where material losses may arise from operational risk (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund.

6. Receivables

	2022 $'m	2021 $'m
Receivables at reporting date comprises:		
Investment receivables (unsettled investments)	**1,198**	1,239
Prepayment	**20**	8
Other receivables	**44**	38
Total Receivables	**1,262**	1,285

7. Property, Plant, Equipment

The following tables sets out the plant, property, and equipment of the Fund:

	Right-of-use Buildings & Offices $'m	Right-of-use IT Services $'m	Other Assets & $'m	Total $'m
Balance 30 June 2020	**38**	**1**	7	46
Additions	109	-	2	111
Depreciation & impairment	(15)	(1)	(2)	(18)
Other adjustments	(5)	-	-	(5)
Balance 30 June 2021	**127**	**-**	**7**	**134**

7. Property, Plant, Equipment (continued)

	Right-of-use Buildings & Offices $'m	Right-of-use IT Services $'m	Other Assets & $'m	Total $'m
Balance 30 June 2021	**127**	**-**	**7**	**134**
Additions	**17**	**-**	**2**	**19**
Depreciation & impairment	**(20)**	**-**	**(4)**	**(24)**
Other adjustments	**-**	**-**	**-**	**-**
Balance 30 June 2022	**124**	**-**	**5**	**129**

The Fund reclassified certain work-in-progress assets to intangibles and prepayments during the financial year to 30 June 2022, and the comparative figures were reclassified to conform to the changes in presentation made in the financial statements.

8. Intangible assets

As at 30 June 2022, the Fund recognised $71m (2021: $13m) as intangible software assets in respect of customisation costs incurred for the development of software. The amortisation period for development costs incurred on the Fund's member administration platform is 7 years, commencing when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

	Software development costs (work in progress) $'m	Other intangible assets $'m	Total $'m
Balance 30 June 2020	**-**	**5**	**5**
Additions	13	2	15
Depreciation & impairment	-	(3)	(3)
Balance 30 June 2021	**13**	**4**	**17**
Balance 30 June 2021	**13**	**4**	**17**
Additions	**58**	**6**	**64**
Depreciation & impairment	**-**	**(2)**	**(2)**
Balance 30 June 2022	**71**	**8**	**79**

9. Investments & Accounts Payable

	2022 $'m	2021 $'m
Accounts Payable at reporting date comprises:		
Lease liabilities	**134**	133
Investment payables (unsettled investments)	**984**	1,327
Other payables	**202**	183
Total Payables	**1,320**	1,643

10. Changes in Fair Value of Investments

	2022 $'m	2021 $'m
Investments held at reporting date:		
Cash investments	**-**	48
Discounted securities	**-**	(3)
Fixed income	**(1,763)**	(568)
Private market credit securities	**(21)**	17
Equities	**(9,313)**	11,456
Unit trusts	**2,770**	3,005
Derivatives	**(702)**	(1,745)
Total unrealised changes in fair value	**(9,029)**	12,210
Investments realised during the reporting period:		
Cash investments	**(72)**	(156)
Discounted securities	**-**	19
Fixed income	**(103)**	(33)
Private market credit securities	**(1)**	3
Equities	**(1,628)**	1,866
Unit trusts	**(46)**	(56)
Derivatives	**(824)**	3,111
Total realised changes in fair value	**(2,674)**	4,754
Total changes in fair value of Investments	**(11,703)**	16,964

11. Investment expenses

	2022 $'m	2021 $'m
Investment expenses at reporting date comprises:		
Investment Management base fees	**(186)**	(185)
Withholding tax expense	**(111)**	(71)
Investment performance fees	**(11)**	(19)
Other investment related expenses	**(161)**	(124)
Total investment expenses	**(469)**	(399)

Withholding tax expense represents withholding tax on foreign distribution income, with the increase year on year driven by the increase in foreign dividend income over the same period.

12. Administration Expenses

	2022 $'m	2021 $'m
Administration expenses at reporting date comprises:		
Depreciation – right-of-use assets	**(20)**	(15)
Interest expense – lease liability	**(4)**	(4)
Other administration expenses	**(315)**	(306)
Total administration expenses	**(339)**	(325)

13. Income Tax

Income tax recognised in profit or loss	2022 $'m	2021 $'m
Tax expense comprises:		
Current income tax benefit/ (expense)	**110**	(891)
Under provision in previous financial years	**(53)**	(21)
Deferred tax benefit/ (expense) relating to temporary differences	**1,102**	(571)
Total tax benefit / (expense)	**1,159**	(1,483)

The prime facie income tax benefit/(expense) on pre-tax changes in net assets reconciles to the income tax benefit/(expense) in the financial statements as follows:

(a) Income Tax Expense Reconciliation	2022 $'m	2021 $'m
Operating result before income tax	**(6,750)**	19,953
Income tax benefit/(expense) calculated at 15% (2021: 15%)	**1,012**	(2,993)
Non-assessable investment income	**(339)**	690
Non-deductible expenses	**(208)**	(118)
Exempt pension income	**47**	691
Franking credits and foreign income tax offsets	**651**	249
Other	**49**	19
Under provision in prior year	**(53)**	(21)
Total tax benefit / (expense)	**1,159**	(1,483)

The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian taxation law.

(b) Current Tax Assets / Liabilities	2022 $'m	2021 $'m
Current tax liabilities are attributable to the following:		
Current tax (receivable)/payable – income tax payable	**(102)**	704

13. Income Tax (continued)

(c) Deferred tax balances Recognised deferred tax assets and liabilities	2020 $'m	Charged to income $'m	Transferred in $'m	2021 $'m	Charged to income $'m	Transferred in $'m	2022 $'m
Deferred tax assets and liabilities are attributable to the following:							
Deferred tax assets							
Unrealised capital losses	405	83	-	**488**	474	-	**962**
Unrealised forward foreign exchange and other losses	6	70	-	**76**	252	-	**328**
Administration expenses accrued but not incurred	8	18	-	**26**	13	-	**39**
Realised capital losses	-	-	-	**-**	-	-	**-**
Accrued franking credits	11	11	-	**22**	10	-	**32**
Total Deferred Tax Assets	430	182	-	**612**	749	-	**1,361**
Deferred tax liabilities							
Unrealised capital gains	1,557	913	12	**2,482**	(483)	-	**1,999**
Unrealised forward foreign exchange gains and other gains	196	(186)	-	**10**	(10)	-	**-**
Accrued income	37	(21)	-	**16**	7	-	**23**
Total Deferred Tax Liabilities	1,790	706	12	**2,508**	(486)	-	**2,022**

13. Income Tax (continued)

Potential impact of Australian Taxation Office (ATO) audit

Aware Super has regular interactions with the Australian Taxation Office (ATO) and from time to time, there are various matters under ATO review or audit. In July 2022, the ATO commenced an audit on certain matters. As of the reporting date, the audit is in its early stages and the ATO has not provided Aware Super with a position paper indicating that further tax may be payable or any amended tax assessments. The taxation issues covered by the audit are complex and dependent on their facts. Aware Super believes it has acted in accordance with tax legislation and independent advice obtained, and believes the positions in respect of the matters subject to audit are reasonable.

14. Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with third-party insurance companies to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurers. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the Fund and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts are recognised in the statement of changes in members benefits.

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim;
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

15. Defined contribution member liabilities

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on daily basis for movements in investment markets. The Fund's management of the investment market risks is as disclosed within note 5.

Defined contribution members' liabilities are fully vested as at 30 June 2022 and 30 June 2021.

16. Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Aware Super has recognised two defined benefit sub funds being the Health Super DB Fund and the Victorian Independent Schools Superannuation Fund (VISSF) DB Fund (together as, the "DB Funds").

The Fund engages qualified actuaries annually and also when a Triennial review is scheduled to measure defined benefit member liabilities in each of its two defined benefit funds. The appointed actuaries report to the Trustee on the status of the defined benefit sub funds. Where a sub fund is in, or likely to enter, an unsatisfactory financial position, the report will set out any remedial action and agreed rectification programs.

16. Defined benefit member liabilities (continued)

The Trustee manages liquidity risk by having sufficient liquid funds to meet member pension payments and redemptions within the time frames established by the Trustee and communicated to members. The net assets of the DB Funds exceed the vested benefits as at 30 June 2022 and therefore both DB Funds are in a satisfactory financial position as at the reporting date.

Mercer Consulting (Australia) Pty Ltd is the Independent Actuary for both Health Super and VISSF. The Independent Actuary has reviewed and considered the rate of contributions for active defined benefit members and expects the DB Fund to maintain a satisfactory financial position over the next three years. The employers are contributing at the amount recommended by the actuary.

(a) Health Super Defined Benefit Fund

The Fund has no information that would lead it to adjust the factors or assumptions used by the actuary for discount rate, salary adjustment rate, resignations and mortality, which are all unchanged from previous reporting period.

The summary financial position of the Health Super DB Fund, a sub-fund of the Aware Super, is per the table below:

Accrued Benefits	2022 $'m	2021 $'m
Net assets available to pay defined benefits as at 30 June	**1,057**	1,138
Accrued benefits – Defined benefits as at 30 June	**959**	1,043
Defined benefits surplus	**98**	95

Vested Benefits	2022 $'m	2021 $'m
Net assets available to pay defined benefits as at 30 June	**1,057**	1,138
Vested benefits – Defined benefits as at 30 June	**965**	1,044
Surplus of net assets over vested benefits	**92**	94
Vested Benefits Index at 30 June	**109.5%**	109.0%

(b) VISSF Defined Benefit Funds

As part of the Success Funds Transfer with VISSF, 13 defined benefit sub-plans were transferred to Aware Super. The plan assets as at 30 June 2022 amounted to $32m ($40m at 30 November 2021) with member liabilities of $22m ($26m as at 30 November 2021) and defined benefits surplus of $10m ($14m as at 30 November 2021).

17. Leases (Fund as lessee)

The Fund leases several assets including buildings, car parking spaces, IT equipment and motor vehicles. Leases relating to IT equipment and motor vehicles are of low value or short term.

The total cash outflow for leases during the financial year ended 30 June 2022 amounted to $19.56 million (2021: $14.37 million).

Lease liabilities maturity analysis	2022 $'m	2021 $'m
Payable not later than one year	**21**	17
Payable later than one year but not later than five years	**80**	86
Payable later than five years	**50**	49
	151	152

The Fund has no liquidity risk with regard to its lease liabilities.

18. Commitments for Expenditure

The Fund has capital commitments in relation to investment commitments and other commitments as below. Commitments contracted for at the reporting date but not recognised as liabilities are as follows:

Expenditure Commitments	2021 $'m	2021 $'m
Investment commitments		
Property, private equity and infrastructure	**3,664**	3,195
Other commitments		
Administration Platform System	**7**	13
	3,671	3,208

The Fund has entered into contractual commitments to support the development of a new member administration platform system for the Fund. The commitment attributable to Aware Super was $7 million at 30 June 2022 (2021: $12.5m).

The Fund has a lease commitment for its office location at 555 Collins Street, Melbourne (the Building), which is due to commence on 1 November 2023 for a lease term period of 10 years, with option to extend. The total amount of commitment over the lease term is $69m.

19. Contingent Liabilities

The Fund has contingent liabilities under subscription agreements with controlled entities as follows:

Contingent Liabilities	2022 $'m	2021 $'m
Property, private equity and infrastructure	**467**	713

The agreements are only activated in the event a controlled entity is unable to repay its borrowings and allows the controlled entity to compel the Fund to subscribe for sufficient equity to repay its borrowings.

As at 30 June 2022, the undrawn loan available was $467m (2021: $713m), based on total facility of $3,506m (2021: $3,749m)

Trustee Fee

Under the Trust Deed, the Trustee may determine and charge a fee, to be retained for the Trustee's own purposes, for any of the duties or services that the Trustee performs in its capacity as trustee of the Fund. The use of this fee power is governed by a Trustee Fee Policy which determines that a fee may only be charged where the Trustee has incurred a relevant cost that it hasn't otherwise received compensation for. This fee is expected to be funded by from the administration reserve of the Fund. The maximum fees that may be charged in a financial year is reviewed annually and was capped at $21 million (exclusive of GST) for the financial year ended 30 June 2022. For the year-ended 30 June 2022, no trustee fees were charged by the Trustee to the Fund.

20. Notes to the Cash Flow Statement

Reconciliation of net inflows from operating activities to operating results after income tax.

	2022 $'m	2021 $'m
Operating results after income tax	**(5,591)**	18,470
Changes in fair value of investments	**11,703**	(16,964)
Other investment income	**-**	(4)
(Increase) in receivables	**(21)**	(30)
(Increase) in plant and equipment and intangibles	**(50)**	(109)
(Increase) in deferred tax asset	**(749)**	(184)
Increase in accounts payable	**9**	114
(Decrease)/Increase in provision for deferred tax	**(486)**	719
(Decrease) in provision for tax	**(1,605)**	(351)
Net inflows of cash from operating activities	**3,210**	1,661

21. Related Parties

The Trustee of the Aware Super is Aware Super Pty Ltd (ABN 11 118 202 672).

Key Management Personnel

The following were key management personnel of the Fund. No Executive is a Director of the Trustee.

Non-Executive Directors of the Trustee	
Mr N Cochrane	Independent Director & Chairman of the Board
Mr T Bates	Member representative, Community and Public Sector Union (resigned 30 June 2022)
Ms G Bell	Employer representative, Victorian Public Sector Commission (resigned 30 June 2022)
Mr G Bunney	Employer representative, Leading Age Services Australia (resigned 30 June 2022)
Ms P Carew	Member representative, Australian Nursing and Midwifery Federation (VIC branch)
Mr J Dixon	Member representative, Unions NSW
Ms P Faulkner AO	Employer representative, Department of Education and Training Victoria
Ms J Furlan	Employer representative[1]
Ms A Masiero	Member representative, Australian Education Union (VIC branch)
Mr P Moffitt	Employer representative[1]
Mr M Morey	Member representative, Unions NSW
Ms A Nigro	Member representative, Unions NSW (appointed on 1 July 2021)
Ms R Ramwell	Employer representative[1]
Ms N Steer	Member representative, Unions NSW (resigned 30 June 2022)
Mr T Symondson	Employer representative, Victorian Healthcare Association
1. Jointly appointed by the Secretary, NSW Department of Premier and Cabinet and the Secretary of the Treasury, NSW.	

Executives	
Ms D Stewart	Chief Executive Officer
Ms J Brennan	Chief Operating Officer
Mr P Chun	Group Executive, Member Growth (resigned 19 August 2021)
Ms J Couchman	Chief Risk Officer
Mr R Elliott	Group Executive, Finance Strategy & Transformation
Ms S Forman	Group Executive, Advice
Mr D Graham	Chief Investment Officer
Mr S Hill	Group Executive, People and Workplace Environment
Ms D Mika	Chief of Staff (Acting Group Executive, Member Growth until 11 October 2021, retired 15 July 2022)
Mr I Pendleton	Group Executive, Legal & Company Secretary
Mr S Travis	Group Executive Member Growth (appointed 11 October 2021)

21. Related Parties (continued)

The key management personnel compensation in relation to services to the Fund is as follows:

KMP Compensation	2022 $	2021 $
Short term employee benefits, non-executive Directors' and Executives' Salaries	**8,098,842**	7,869,159
Post-employment benefits, superannuation contributions made on behalf of non-executive Directors and Executives	**371,159**	363,915
Other long-term employee benefits, long service leave expenses for Executives	**831,651**	736,418
Termination benefits	**33,695**	600,922
Total Compensation	**9,335,347**	9,570,414

Total compensation for the financial year ended 30 June 2022 has decreased as compared to the prior financial year reflecting the full year impact of the decrease in the number of key management personnel following the operational integration and consolidation as a service entity of Aware Super Financial Services Australia Limited into Aware Super in the prior financial year.

The fees or salaries provided to Directors include superannuation fund contributions and fees received for acting as a Director or a member of a committee.

The membership terms and conditions for those Directors and Executives who are members of the Fund are the same as those available to other members of the Fund.

Where any of the Trustee's Directors are directors, consultants or executive officers of, or otherwise related to, an entity with which the Fund transacts, those transactions are conducted on an arms-length basis, under normal commercial terms and conditions. The Trustee regularly updates its Conflicts Registers and ensures any conflicting interest is appropriately managed by, for example, the conflicted Director declaring their interest to the meeting, the Director being requested not to participate in the discussion, or the Director absenting himself or herself from the discussion.

The Trustee is reimbursed by the Fund, on a cost recovery basis, for the remuneration paid to Directors. Details of transactions between the Fund and its Trustee are set out below:

Aware Super Pty Ltd	2022 $'000	2021 $'000
Reimbursement to the Trustee for the remuneration paid to Directors	**1,731**	1,722
Amounts owed to the Trustee	**(85)**	(56)

Aware Super Pty Ltd is the trustee of the Fund, a related party, which is not part of the Fund.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the current or prior periods for bad or doubtful debts owed by related parties.

Balances and transactions between the Fund and its controlled Service entities, which are related parties, have been eliminated on consolidation on net basis through profit and loss, rather than a line-by-line basis of elimination and are not disclosed in this note for financial year end 30 June 2022 and for the periods subsequent to that date.

22. Controlled Entities

The Fund is an investment entity so does not consolidate these controlled entities which are carried at fair value. The exceptions are Service subsidiaries[1] which are consolidated using the equity method.

		Equity holding		Commitments for expenditure	
Name	Country of incorporation	2022 %	2021 %	2022 $'m	2021 $'m
Altis Real Estate Trust	Australia	**100**	**100**	**-**	-
ALTRAC Light Rail Holdings 2 Pty Ltd	Australia	**100**	**100**	**-**	-
Aware Financial Services Australia Ltd [1]	Australia	**100**	**100**	**-**	-
Aware Super ELG Finco Pty Ltd	Australia	**100**	**100**	**-**	-
Aware Super Legal Pty Ltd [1]	Australia	**100**	**100**	**-**	-
Aware Super Services Pty Limited [1]	Australia	**100**	**100**	**-**	-
Aware Super Social Infrastructure Investment Company Pty Ltd	Australia	**100**	**100**	**-**	-
Aware Super Private Equity SRI Trust	Australia	**100**	**100**	**-**	-
Blackbird Aware Super Co-investment trust	Australia	**100**	**100**	**15**	-
Darby Servtec Energia LP	United States of America	**100**	**100**	**-**	**10**
Exemplar Health (SCUH) Holdings 3 Pty Ltd	Australia	**100**	**100**	**-**	-
Exemplar Health (SCUH) Holdings 4 Pty Ltd	Australia	**100**	**100**	**-**	-
First State Super Private Equity Trust	Australia	**100**	**100**	**-**	-
First State Super Financial Services Pty Ltd [1, 2]	Australia	**100**	**100**	**-**	-
First State Super Product and Administration Services Pty Ltd [1]	Australia	**100**	**100**	**-**	-
First State Super Holdings Pty Ltd [1]	Australia	**100**	**100**	**-**	-
FSS Agriculture 1 Pty Ltd	Australia	**100**	**100**	**-**	-

[1] Service subsidiary

[2] First State Super Financial Services Pty Ltd was wound up on 17 November 2021

22. Controlled Entities (continued)

The Fund is an investment entity so does not consolidate these controlled entities which are carried at fair value. The exceptions are Service subsidiaries[1] which are consolidated using the equity method.

		Equity holding		Commitments for expenditure	
Name	Country of incorporation	2022 %	2021 %	2022 $'m	2021 $'m
FSS BAC Airports 1 Pty Ltd	Australia	**100**	**100**	**-**	-
FSS Darling Square Trust	Australia	**100**	**100**	**-**	-
FSS Energy Credit Trust	Australia	**100**	**100**	**-**	-
FSS Infrastructure Trust	Australia	**100**	**100**	**-**	-
FSS Liberty Trust	Australia	**100**	**100**	**-**	-
FSS Multi Family Residential Trust	Australia	**100**	**100**	**-**	-
FSS NSW Almond Orchards Trust	Australia	**100**	**100**	**-**	-
FSS Product Services Trust [1, 2]	Australia	**100**	**100**	**-**	-
FSS Real Estate Trust	Australia	**100**	**100**	**-**	-
FSS Retirement Villages Trust	Australia	**100**	**100**	**-**	-
FSS SA Almond Orchards Trust	Australia	**100**	**100**	**-**	-
FSS Two Melbourne Quarter Trust	Australia	**100**	**100**	**-**	-
FSS Vic Almond Orchards Trust	Australia	**100**	**100**	**-**	-
FSSSP Financial Services Pty Limited [1]	Australia	**100**	**100**	**-**	-
Golden NA Co-Invest Blocker 1 LLC	United States of America	**100**	**100**	**-**	-
LGS Investment Trust	Australia	**100**	**100**	**-**	-

[1] Service subsidiary

[2] Parent entity of Aware Financial Services Australia Limited

22. Controlled Entities (continued)

The Fund is an investment entity so does not consolidate these controlled entities which are carried at fair value. The exceptions are Service subsidiaries[1] which are consolidated using the equity method.

		Equity holding		Commitments for expenditure	
Name	Country of incorporation	2022 %	2021 %	2022 $'m	2021 $'m
VicSuper Pty Limited [1]	Australia	100	100	-	-
VicSuper Future Farming Landscapes Trust	Australia	100	100	-	-
VicSuper Future Farming Landscapes Land Holdings Trust	Australia	100	100	-	-
VicSuper International Private Equity Trust	Australia	100	100	-	-
VicSuper Ecosystem Services Pty Ltd[2]	Australia	100	100	-	-
WA Local Financial Services Pty Ltd [1]	Australia	100	100	-	-
Western Property Trust No. 2	Australia	100	100	-	-
WA Local Government Superannuation Plan Pty Ltd	Australia	100	100	-	-
Oak Tree Debt Trust	Australia	100	100	-	-
Aware Super Custodial Services Pty Ltd	Australia	100	100	-	-
Aware Real Estate Management	Australia	99.9	-	-	-
Aware Super Clean Energy Trust	Australia	100	-	-	-
Aware Super Private Equity Trust (ASPET)	Australia	100	-	-	-
Aware Super Property Holdings II Australia Pty Ltd	Australia	100	-	-	-
Aware Super Intermodal Terminal Company Pty Ltd (formerly Aware Super Fibre Networks 2 Pty Ltd)	Australia	100	100	-	

[1] Service subsidiary

In addition to the above, the Fund also has 14 controlled entities as at the reporting date which acted as the trustee for the above entities. Each entity had nominal carrying value. There were no transactions during the financial year between the trustees for the controlled entities and the Fund or Aware Super Pty Limited.

23. Remuneration of External Auditors

External Auditor's Remuneration	2022 $	2021 $
External audit report in relation to Financial Statements and Compliance:		
Aware Super Pty Ltd	**16,000**	11,000
Aware Super	**750,500**	694,783
	766,500	705,783
Other services:		
Risk and regulatory related services	**226,116**	107,751
Information technology services	**133,783**	-
Digital transformation services	**122,943**	115,286
Tax consulting services	**67,556**	70,905
Other consulting services	**22,000**	-
Total external auditor's remuneration	**1,338,899**	999,725

Audit services for the years ended 30 June 2022 and 30 June 2021 were provided by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu has confirmed that it is compliant with its independence requirements in respect of both the quantum and nature of the fees for Other services.

24. Subsequent Events

On 1 July 2022, the Aware Super consortium, comprising Aware Super (50%), Australian Retirement Trust (25%) and Macquarie Asset Management (25%), was awarded the 40 year concession to operate, in joint venture with the Victorian State Government, the registration and licensing, and custom plates business of the Victorian State Department of Transport. The consortium was offered 81% of the joint venture, with the Victorian State Government retaining the reminder 19%. The transaction completed in August 2022. Aware Super's equity contribution is expected to be more than $2 billion.

Apart from the matters noted above, no significant events have occurred since the end of the reporting period which would impact on the net assets of the Fund as at 30 June 2022 or the Statement of Changes in Net Assets of the Fund for the year ended on that date.

End of audited financial report