



Annual Financial Report

**FOR THE YEAR ENDED
30 JUNE 2023**

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Corporate Directory

CURRENT DIRECTORS

Gregory Mark Armour (Chair)
Professor Peter Dawkins AO
Nicole Gower
Professor Lelia Green
Amy Griffiths
Emeritus Professor Sandra Harding AO
Grahame McCulloch
Sarah Roberts
Nicolette Rubinsztein
Stephen Somogyi
Peter Warne

CHIEF EXECUTIVE OFFICER

Peter Chun

COMPANY SECRETARIES

Tom May
Cynthia Costante

BUSINESS UNIT EXECUTIVE MANAGERS**Chief Member and Advice Officer**

Danielle Mair

Chief Financial Officer

Anastasia Crisafi

Chief Marketing and Growth Officer

Dani Murrrie

Chief Information Officer

Steve McGregor

Chief Investment Officer

John Pearce

Chief People Officer

Julie Watkins

Chief Risk Officer

Andrew Raftis

Strategic Adviser to the CEO

Siva Sivakumaran

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 1
385 Bourke Street
Melbourne VIC 3000

ACTUARY

Travis Dickinson, FIAA
Willis Towers Watson Level 4
Level 32/385 Bourke Street
Melbourne VIC 3000

AUDITOR**PricewaterhouseCoopers (PwC)**

2 Riverside Quay
Southbank VIC 3006

WEBSITE ADDRESS

www.unisuper.com.au

Directors' Report

The Directors present their report on the Group together with the accounts of UniSuper for the year ended 30 June 2023 and the auditor's report thereon.

Directors

The directors of the Company (the Directors) during or since the end of the financial year ended 30 June 2023 and up to the date of this report were:

- Gregory Mark Armour (Chair) (Appointed 1 January 2023)
- Ian Martin AM (Chair) (Ceased 31 December 2022)
- Professor Peter Dawkins, AO
- Nicole Gower
- Professor Lelia Green
- Amy Griffiths
- Emeritus Professor Sandra Harding, AO
- Grahame McCulloch
- Sarah Roberts
- Nicolette Rubinsztein
- Stephen Somogyi
- Peter Warne (Appointed 1 January 2023)

Principal activities

During the financial year the principal continuing activities of the Group consisted of providing superannuation, retirement benefits and financial planning services to employees and former employees of Australian universities and related organisations. The Fund is open to new members outside the higher education and research sector.

Definitions

For the purposes of this Directors' Report and the attached Annual Report including the Financial Report, the identity of the relevant entities is detailed below:

UniSuper is the superannuation fund and is referred to as "UniSuper" or "the Fund".

UniSuper Limited is the corporate trustee of the Fund and is referred to as "UniSuper Limited", "USL" or "the Trustee".

UniSuper Management Pty Ltd is the administrator of the Fund and is referred to as "USM" or "the Administrator". USM is a controlled entity of UniSuper Limited. In addition, USM provides investment management services to UniSuper and financial planning services to UniSuper's members.

The "**Group**" includes: UniSuper, USL and the controlled entities as detailed in Note 22 to the Financial Statements. The directors of UniSuper Limited are referred to as the "**Board**".

Review of operations

WELCOMING AUSTRALIAN CATHOLIC SUPER MEMBERS

On 1 December 2022, we welcomed more than 80,000 members from Australian Catholic Superannuation and Retirement Fund (ACS) to UniSuper. It marked a significant milestone, as this was our first major successor fund transfer (SFT) since UniSuper's inception. Both funds worked closely together to make the transfer as seamless as possible for all members.

The SFT brought in more than \$10 billion being transferred to UniSuper, helping to enhance our scale and competitiveness. With approximately \$125 billion in funds under management and more than 620,000 members*, we are one of the largest super funds in the market.

Our scale will help drive greater cost efficiencies, enable investments that contribute to stronger long-term returns, and provide innovative products and services to all our members.

*As at 30 June 2023

AWARD RECOGNITION

UniSuper was formally recognised in 2022-23 as a leader in delivering great retirement outcomes for members, by Australia's top research and ratings agencies.

- **Chant West** awarded us 2023 Super Fund of the Year for the second year running - and for the fifth time in the last 10 years. We were also nominated as a finalist in six other award categories: 2023 Pension Fund of the Year, 2023 Best Fund: Investments, 2023 Best Fund: Insurance, 2023 Best Fund: Longevity Product (Commercial Rate Indexed Pension), 2023 Best Fund: Advice Services and 2023 Best Fund: Responsible Investment.
- **SuperRatings** awarded us with their highest ratings: 5 Year Platinum Performance (Personal Account) 2018-2023, 15 Year Platinum Performance 2008-2022 (Accumulation 1, 2 and Flexi Pension), SuperRatings Platinum 2023 MyChoice Super and SuperRatings Platinum 2023 Pension.
- **Money magazine** awarded us top spot for Best Pension Fund 2023, Best Shares ESG Super Product 2023, and Best Australian Shares Super Product 2023.
- **Canstar**, Australia's biggest financial comparison site, awarded us 2023 Most Satisfied Customers: Super Fund Award, 2023 Outstanding Value Award - Superannuation, and 2022 Outstanding Value Award - Account Based Pension.

UniSuper continues to hold a AAA rating from Rainmaker's quality assessment in 2023 and received Rainmaker's ESG Leader rating 2022.

It's an honour to be recognised within the industry, and these awards and accolades confirm UniSuper's leadership position in the superannuation sector - and is proof again that we're doing the right thing by our members.

INVESTMENT PERFORMANCE

There was no shortage of bad news over the course of the 2022-23 financial year. War continued in Ukraine, inflation remained stubborn, and central banks kept up the fastest rate hike cycle in decades. We also saw the collapse of a few regional banks in the USA which temporarily sparked fears of another global financial crisis. However, yet again, share markets managed to climb the wall of worry. For the year ending 2023, the ASX200 recorded a 14.8% gain. The S&P500, fuelled by euphoria over the dawn of artificial intelligence (AI) was up an impressive 19.6% in FY23.

Against this background, all our investment options recorded positive returns. Our (default) Balanced Option recorded 10.3% (or 11.8% for zero-tax pension accounts) for the 2022-23 financial year*. This return placed us in the top quartile among our competitors, according to a survey conducted by SuperRatings.

Our top performing investment option was Global Companies in Asia which returned 21.0% for the year. The second best performing option for the year was the International Shares option, returning 16.4%. The Australian Bond option was the worst performing option, returning 0.9% for the year*. Bond yields are ultimately driven by inflation and inflationary expectations.

FEE LEADERSHIP

UniSuper continues to provide great value to members, with fees continuing to be among the lowest offered for super and pension products.

UNISUPER'S COMMITMENT TO ESG PRACTICES

UniSuper continues its commitment to responsible and sustainable practices through responsible investment and by operating as a responsible corporate. This commitment manifests itself in two ways:

- considering environmental, social and governance (ESG) factors across our major investment holdings ("Responsible Investment")
- ensuring that UniSuper adheres to sound ESG principles in its own operations ("Corporate and Social Responsibility").

Our responsible investment reports show how we put our responsible investment policy into action. They also detail how we have used our proxy voting rights to vote on shareholder resolutions at the companies we have invested in. We disclose how our members' super is exposed to the risks and opportunities of climate change in our annual Climate risk and our investments

DIRECTORS' REPORT

report; the next report is expected to be released in September 2023.

If investee companies must adhere to high ESG standards, then we must too. Operating as a responsible corporate is part of our corporate social responsibility to provide great retirement outcomes for our members and a great workplace for our people. This also extends to the communities and environments where our members and people live and work. We are working to create a future worth retiring for by addressing key ESG factors that affect retirement outcomes and our workplace.

STRONG MEMBER EXPERIENCE

UniSuper continues to deliver services to its members that look to enhance their experience and engagement with the fund.

Contact Centre

UniSuper's contact centre is committed to delivering an exceptional customer experience via a variety of communication channels: in-bound and outbound calls, email, live chat on UniSuper's website and Member Online.

During the 2022-23 financial year, there were over 365,000 interactions, an increase of 10% from the previous year.

By delivering ease and a seamless experience we saw our voice channel achieve 8/10 in customer satisfaction and a net promoter score (NPS) average of +32.8 for the year. In addition, our web chat channel achieved 8.5/10 in customer satisfaction and NPS average of +51.4 for the year.

Digital Services

UniSuper continues to invest in digital experiences that make it easier for members to get things done.

In June 2022, UniSuper successfully launched a mobile app. In the 12 months to 30 June 2023, there were more than 115,000 downloads, and the app has received positive reviews on the Apple and Google App stores. We were also pleased to be awarded Silver at the 2023 Melbourne Design Awards in the Digital Finance section.

In June 2023 we seamlessly integrated the app with Member Online, enabling members to conveniently transact on their accounts while on the move.

Financial advice and education

During the 2022-23 financial year, the Advice team engaged in over 57,000 interactions with members. The NPS was +85 across all these interactions.

An updated financial advice and education strategy was approved by the Board in February 2023. This strategy will be implemented over the next few years and is built

on our ambition to reach more members with a proactive digital hybrid advice experience.

MEMBER OUTCOMES ASSESSMENT

All superannuation funds must annually assess their performance based on data from the Australian Prudential Regulation Authority (APRA) as well as other internal and external performance measures.

The Member Outcomes Assessment is an obligation where all funds are required to complete and notify members of the Trustee's assessment. UniSuper's performance was measured across investment performance, fees and costs, and other member benefits.

The results from the latest assessment for 2021-22 confidently confirms that UniSuper members have benefited from both low fees and strong investment returns, outperforming peers across the fund's product range on a range of metrics, as well as enjoying a variety of benefits on offer.

The most recent Member Outcomes Assessment results are published on the [UniSuper website](#). Results for the 2022-23 assessment will be published in early 2024.

ANNUAL MEMBERS' MEETING

UniSuper held its 2021-22 Annual Members' Meeting via livestream on 1 March 2023, with almost one thousand members attending.

UniSuper Chair, Mark Armour, provided a meeting introduction, followed by Chief Executive Officer, Peter Chun, who provided a fund update and overview of our strategic priorities. Danielle Mair, Chief Member and Advice Officer presented an overview of our member services team and financial advice services. Finally, Chief Investment Officer, John Pearce, gave an update on investments for the 2022 calendar year and beyond, before the Chair and leadership team answered questions from members.

The Annual Members' Meeting minutes and recording are available on the [Annual Members' Meeting webpage](#).

CONSULTATIVE COMMITTEE MEETING

The Consultative Committee (CC) meeting was held on Friday, 25 November 2022. 118 CC members attended, either in person or, for those unable to travel to Melbourne, virtually via Zoom.

Ian Martin, Chair of UniSuper's Board at the time, opened the meeting, providing high-level comments on UniSuper's performance and the fund's strategic priorities, before moving to Board and governance matters. Peter Chun, Chief Executive Officer, explained

the evolving super industry landscape as it shifted from an era of default legislation to the Your Future, Your Super (YFYS) legislation; how the future super landscape may look, and how UniSuper will differentiate itself in the industry. John Pearce, Chief Investment Officer, followed providing an investment update, including an overview of the economic/financial market cycle.

UniSuper hosted information sessions the day prior, providing a great opportunity for CC members to hear and provide feedback on our evolving strategies, product and service offerings.

DEFINED BENEFIT DIVISION FUNDING UPDATE

The Defined Benefit Division (DBD) is in a financially strong position. The Trustee uses two key actuarial measures to monitor the financial position of the DBD: the Vested Benefits Index and Accrued Benefits Index. Both measures were maintained at healthy levels during the financial year.

Vested Benefits Index (VBI)

A VBI of greater than 100% means that the value of the assets supporting the DBD are more than sufficient to cover the vested benefit liabilities at that date. The vested benefit liability of the DBD is equal to the value of the total benefits that would be payable by the DBD if all the members voluntarily terminated their service with their employer at that date.

As at 30 June 2023, the provisional VBI was 119.9% (compared to 121.0% as at 30 June 2022). As a result, the DBD assets were more than adequate to cover the vested benefit liabilities at 30 June 2023.

Accrued Benefits Index (ABI)

UniSuper's DBD is a multi-employer defined benefit product for the higher education sector, with low risk of having to pay all members' benefits at any one time. Hence, the ABI is the measure that the Trustee believes is the most relevant in determining the ability of the DBD to pay, over the long term, all defined benefits that have accrued to the date that the measure is calculated.

An ABI of greater than 100% means the assets supporting the DBD are expected to be more than sufficient to meet future payments in respect of benefits accrued up to that date.

As at 30 June 2023, the provisional ABI was 132.9% (compared to 135.7% as at 30 June 2022). As a result, the DBD assets were more than adequate to meet future payments in respect of benefits accrued up to 30 June 2023.

These VBI and ABI figures as at 30 June 2023 are provisional results and are subject to final confirmation within the 30 June 2023 actuarial investigation report.

DIRECTORS' REPORT**Information on Directors****GREGORY MARK ARMOUR BEC (HONS) - CHAIR**

Appointed to the Board as an independent director on 1 July 2017 and elected Chair on 1 January 2023.

Experience and expertise

Mr Armour has considerable experience in global funds management and broader financial services, both globally and in Australia. Mr Armour has gained his experience in the UK, USA and Hong Kong as well as Australia. Some key executive roles included Head of Invesco's European and Middle Eastern business, their global Institutional business and CEO of Australia, as well as CEO of funds management at AXA Australia. Mr Armour has held numerous Board and Chair roles with Invesco, AXA, National Mutual and other groups, most recently Chair of Invesco UK, Director of Invesco Mortgage Capital (NYSE listed) and Director of the Investment Association (UK), the UK's peak investment industry body.

Current directorships

Lab 35 Pty Ltd (Chair) (Appointed 5 November 2020 and Chair from 10 November 2020)

Other position held

Blue Sky IP Ltd (Adviser) (Appointed 24 November 2021)

Special responsibilities

Member, Investment Committee (Chair from 1 October 2017 to 3 February 2023)

Member, People and Remuneration Committee (Appointed 1 January 2023)

Chair, Technology & Projects Committee (Ceased 31 December 2022)

PROFESSOR PETER DAWKINS AO, BSC (HONS) (LOUGH), MSC (LON), PHD (LOUGH), FASSA, FIPAA, FACEL - DIRECTOR

Nominated by the Shareholder Universities and appointed by the Board on 4 November 2015.

Experience and expertise

Professor Dawkins was Vice-Chancellor and President of Victoria University from 2011 until he retired in December 2020. Professor Dawkins has also held senior roles in the Victorian Public Service, Deputy Secretary of the Victorian Department of Treasury and Finance (2005-2006) and Secretary of the Victorian Department of Education and Early Childhood Development (2006-2010). Professor Dawkins was Professor of Economics at Curtin University (1990-1995) and the Ronald Henderson Professor and Director of the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne (1996-2005).

Between 2011 and 2015, Professor Dawkins was a Board Member of the Victorian Education and Research Network (VERNet), an Executive Committee Member of the Australian Higher Education Industrial Association (AHEIA), and the Board of the Business-Higher Education Roundtable (B-HERT), positions he ceased to hold in November 2015 when he joined the UniSuper Board. Until December 2022, Professor Dawkins was also a member of the Western Metropolitan Partnership, an advisory group established by the Victorian Government.

In 2021, Professor Dawkins was appointed Emeritus Professor of Economics at the Mitchell Institute for Education and Health Policy, Victoria University. At the request of the Federal Minister for Education during 2021 Professor Dawkins co-led a review of university-industry collaboration in teaching and learning. In December 2022, Professor Dawkins took on the role of Interim Director, Jobs and Skills Australia, leading its establishment phase.

Current directorships

Western Bulldogs Forever Foundation
West of Melbourne Economic Development Alliance (WoMEDA) (Chair)

Other positions held

Interim Director: Jobs and Skills Australia (Appointed: December 2022 to 30 September 2023)

Member, Council of the University of Tasmania (on leave of absence from 1 December 2022 to 30 September 2023)

Special responsibilities

Member, Investment Committee (Appointed 24 February 2016)

NICOLE GOWER, BA LLB (HONS) - DIRECTOR

Elected by members of the Consultative Committee representing employers and appointed to the Board on 30 October 2017.

Experience and expertise

Currently Vice-President, Professional Services at Macquarie University having executive responsibility for people strategies and culture, information technology, marketing and communications, global and domestic student recruitment, and the provision of shared services. Previously worked as an employment law specialist in private practice and in HR leadership roles at the University of New South Wales (UNSW). Ms Gower is a member of the Macquarie University Executive Group and is an executive sponsor for several strategic initiatives under the University's Operating Plan. Director of U@MQ Ltd since November 2019. Ms Gower is also an accredited mediator and nationally accredited workplace trainer and assessor.

Current directorships

U@MQ Ltd (Appointed 20 November 2019)

Special responsibilities

Chair, People and Remuneration Committee (Appointed 1 July 2022, Member from 1 January 2021 to 30 June 2022)

PROFESSOR LELIA GREEN, BA (HONS), MA, MA (COMMUNICATIONS), PHD, M.ED, MA (CREATIVE WRITING), GAIST - DIRECTOR

Elected by members of the Consultative Committee representing academic staff and appointed to the Board on 4 November 2015.

Experience and expertise

Professor of Communications at Edith Cowan University, in the School of Arts and Humanities.

Prior to joining Edith Cowan University, Professor Green worked as a researcher, director and producer with British Broadcasting Corporation (BBC) Television in London, UK. As an academic researcher, Professor Green focuses on communications, media, cultural studies, and the construction of communities including communities that are marginalised, disadvantaged or challenged by social factors.

Professor Green has been a Chief Investigator on six Australian Research Council (ARC) Discovery grants, seven Linkage projects, and two Edith Cowan University (ECU) nodes of ARC Centres of Excellence. Her involvement in promoting and mentoring research at ECU has supported high-quality grant successes, building ECU's national and international research profile while delivering increased income.

At ECU, Professor Green served on the Academic Board, the Vice-Chancellor's University Promotions Advisory Committee, and the University Research and Higher Degrees Executive and Committee. In recognition of her work in research supervision and active mentoring of her 27 graduated PhD students, including the Hon Dr Anne Aly MP, Professor Green was awarded a national Office of Learning and Teaching Citation for Outstanding Contribution to Student Learning - for leadership, commitment and success in learning and teaching through PhD supervision.

Among Professor Green's long-term international collaborations, her work on the United Nations biennial review of Asia Pacific from 2003 to 2010 is particularly noteworthy. That supported, in part, her participation in United Nations Educational, Scientific and Cultural Organisation's (UNESCO's) Regional Consultation on 'Policies and initiatives to promote children's safe, effective and responsible use of ICT' [Information and Communication Technologies] (Bangkok, 2015), and her 2019 consultancy contribution to the UNESCO-

supported report Digital Kids Asia Pacific: Regional findings and policy recommendations.

Professor Green was a member of the Consultative Committee from 2000 until September 2020 choosing not to recontest the election and bringing her 20-year tenure on the Consultative Committee to a close. In 2016, Professor Green graduated from the Australian Institute of Superannuation Trustees, having completed the Trustee Director Course.

Current directorships

Nil

Special responsibilities

Member, Insurance Committee (Appointed 16 February 2017)

AMY GRIFFITHS, BA, AAICD - DIRECTOR

Elected by members of the Consultative Committee representing professional staff and appointed to the Board on 11 November 2019.

Experience and expertise

Currently Ms Griffiths is a School Manager in the Faculty of Arts and Social Sciences (FASS) at the University of Sydney.

Prior to joining FASS, Ms Griffiths was Interim Operations Manager for the NSW Space Research Network, and a Project Officer to the Sydney Partnership for Health, Education, Research and Entrepreneurship (SPHERE) - supporting academics at the University of New South Wales (UNSW), Western Sydney University (WSU), and the University of Technology Sydney (UTS). Ms Griffiths brings more than 20 years' experience from across the university sector, having successfully held university positions at school, faculty and central levels. Her experience and expertise encompass higher education management, governance, curriculum, marketing, and policy.

Ms Griffiths was a member of the Consultative Committee from 2016 until the conclusion of her term in April 2020 and was re-appointed to the Board in November 2022.

Current directorships

Nil

Special responsibilities

Member, Technology and Projects Committee (Appointed 1 December 2020)

EMERITUS PROFESSOR SANDRA HARDING AO, BSC (HONS) ANU, MPUBADMIN UQ, PHD NCSU, HON DOC JIU, FACE, FQA, FAICD

Nominated by the Shareholder Universities and appointed to the Board on 25 October 2021.

DIRECTORS' REPORT**Experience and expertise**

Professor Harding was the Vice Chancellor and President of James Cook University Australia, a position held from January 2007 until her retirement in February 2022. As Vice Chancellor, Professor Harding was responsible for the leadership and management of the University across campuses in Cairns, Singapore and Townsville. Professor Harding held recent past directorships with Advance Cairns Limited, Foundation for Australian Literary Studies Limited, Townsville Enterprise Limited, Australian Institute of Marine Science Education Australia Limited, and North Queensland Cowboys Rugby League Football Limited.

Educated at the Australian National University, The University of Queensland and North Carolina State University (USA), Professor Harding has extensive academic and academic leadership experience. An economic sociologist by training areas of enduring academic interest includes work, organisation and markets and how they operate. She also has a keen interest in public policy in the areas of, education policy and the global Tropics, northern Australia and economic development. Professor Harding has also held a wide variety of senior university-aligned roles and was a member and director of a variety of local, national and international Boards and Councils. Professor Harding was appointed a Life Governor on the Foundation for Australian Literary Studies Limited. In 2021, the Australian Bureau of Statistics (ABS) established a Statistical Independent Assurance Panel (SIAP) to provide an independent view on the quality of statistical information arising from the 2021 Census of Population and Housing, Professor Harding chaired this panel in 2021 and previously in 2016 as its inaugural Chair.

Current directorships

Cowboys Community Foundation

Regional Australia Institute (Appointed July 2023)

North Queensland Airport Group (Chair) (Appointed 28 July 2023), comprising:

- North Queensland Airports No. 2 (Mackay) Pty Ltd (Appointed 28 July 2023)
- Cairns Airport Holding Company Pty Ltd (Appointed 28 July 2023)
- Cairns Airport Pty Ltd (Appointed 28 July 2023)
- Mackay Airports Holding Company Pty Ltd (Appointed 28 July 2023)
- Mackay Airport Pty Ltd (Appointed 28 July 2023)
- NQ Airports Finance Pty Ltd (Appointed 28 July 2023)
- MAPL Hotel Holdings Pty Ltd (Appointed 28 July 2023)
- MAPL Hotel Pty Ltd (Appointed 28 July 2023)

Other positions held

Member:

Queensland Community Foundation Board of Governors Chair:

Western Australia University Sector Review Panel (March 2023)

Patron:

Institute for Strategic Leadership (Australia) (April 2023)

Special responsibilities

Member, Insurance Committee (Appointed on 1 January 2022)

Member, Technology & Projects Committee (Appointed 1 January 2023)

GRAHAME MCCULLOCH - DEPUTY CHAIR

Nominated by the national unions and appointed by the Board on 14 February 2013, and appointed Deputy Chair on 1 July 2022.

Experience and expertise

General Secretary of National Tertiary Education Union (1993 -2018), General Secretary of Union of Australian College Academics (1984 - 1993). Australian Council of Trade Unions (ACTU) Executive (1996 - 2018), Education International (EI) Executive Board (2004 - 2015), Commonwealth National Council on Export of Education and Training Services (1989-1993), Commonwealth Trade Development Council (1988 - 1992), Director of Federation of Education Unions (FEU) Ltd (1992 -2018) and independent Director of the Superannuation Scheme for Australian Universities (1987 - 1991).

Current directorships

Nil

Special responsibilities

Member, People and Remuneration Committee (Appointed 1 July 2017, Chair from 26 October 2021 to 30 June 2022)

Member, Audit, Risk and Compliance Committee (Appointed 21 February 2019)

SARAH ROBERTS, BA LLB (HONS), MASTER OF PUBLIC POLICY, GRAD DIP - LABOUR RELATIONS LAW, GAIST, GAICD - DIRECTOR

Nominated by the national unions and appointed by the Board on 18 May 2020.

Experience and expertise

Currently, Secretary of the Victorian Division of the National Tertiary Education Union (NTEU). Ms Roberts sits on the NTEU National Executive and has previously held employment law leadership and advocacy positions at the NTEU and RMIT University. Former roles include Presidency of the University of Melbourne Postgraduate Association and member of the University of Melbourne Council (1999).

Ms Roberts has over 20 years' experience in strategy, governance, higher education policy and industrial

relations, regularly contributes to Australian and international IR publications and is a graduate of the Australian Institute of Company Directors and Australian Institute of Superannuation Trustees.

Current directorships

Federation of Education Unions

Special responsibilities

Chair, Technology & Projects Committee (Appointed 1 January 2023, Member from 1 January 2022 to 31 December 2022)

NICOLETTE RUBINSZTEIN B BUS (HONS), EMBA (AGSM), GAICD, FIAA - DIRECTOR

Appointed to the Board as an independent director on 1 December 2015.

Experience and expertise

Ms Rubinsztein, a highly respected leader and author in the fields of retirement and gender diversity, currently holds non-executive directorships in the finance industry and Greenpeace, a pro bono role on the Conexus Institute Advisory Board. Formerly a senior executive in the wealth management industry, having held three general manager roles at Commonwealth Bank of Australia/Colonial First State over a period of 14 years as well as senior roles at BT as the Vice President and Head of Product Management and a consulting actuary role at Towers Perrin. President of the Actuaries Institute in 2019 and previously on the board of ASFA from 2007 to 2015 and chair of its Super System Design Council. Ms Rubinsztein was recognised for her work in superannuation policy and was awarded ASFA Lifetime Membership, ASFA Distinguished Service Award and the inaugural Financial Services Council Industry Excellence Award. Ms Rubinsztein is also a UNSW Alumni Leader, a member of Macquarie University's Faculty of Business and Economics Industry Advisory Board and author of the book "Not Guilty".

Current directorships

Zurich Group, comprising:

- OnePath General Insurance Pty Ltd (Appointed 1 April 2017)
- Zurich Australia Limited (Appointed 31 May 2019)
- Zurich Financial Services Australia Limited (Appointed 1 January 2020)
- Zurich Investment Management Limited (Appointed 1 January 2020)
- Zurich Australian Insurance Limited (Appointed 1 January 2023)

CBHS Health Fund (Appointed 22 March 2018)
Greenpeace Australia Pacific Limited (Appointed 29 August 2020)

Special responsibilities

Member, Audit, Risk & Compliance Committee (Appointed 24 February 2016)

Chair, Insurance Committee (Appointed Member from 24 February 2016 and Chair from 1 November 2017)

STEPHEN SOMOGYI, MSC (MELBOURNE) SM (MIT), FAICD, FIAA, F FIN - DIRECTOR

Elected by members of the Consultative Committee representing employers and appointed to the Board on 27 October 2014.

Experience and expertise

Mr Somogyi was the Chief Operating Officer at RMIT from July 2006 to July 2016. Mr Somogyi is currently a Commissioner of the Tertiary Education Quality and Standards Agency and was made an Honorary Fellow at Monash University from 1 January 2022.

Mr Somogyi's past roles include Director of the ANZ Wealth companies, Chair of Guild Group companies, Director of Spatial Vision Innovations Pty Ltd, Financial Adviser Standards and Ethics Authority (FASEA), Director of ZeeFi Pty Ltd, Executive Member of the Australian Prudential Regulation Authority (APRA), Chief Executive Officer of CPI Group Ltd, Strategic Advisor at Energy Trade, and member of the Expert Assessment Panel of the Australian Universities Job Protection Framework. Mr Somogyi also held various executive roles at National Mutual, including Chief Manager for New Zealand, Associate Director - Operations and Chief Finance Executive. He was Strategic Adviser to Built Environment Optimisation.

Mr Somogyi is a Fellow of the Institute of Actuaries of Australia, of the Australian Institute of Company Directors and of the Financial Services Institute of Australia.

Current directorships

Chair, CourseLoop Pty Ltd (Appointed 25 October 2018)
N0de Pty Ltd (Appointed August 2022)

Other positions held

Commissioner, Safety, Rehabilitation and Compensation Commission (Appointed May 1999)

Commissioner of the Tertiary Education Quality and Standards Agency (Appointed 1 November 2021)

Special responsibilities

Chair, Audit, Risk & Compliance Committee (Appointed Member from 27 October 2014 and Chair from 1 January 2015)

PETER WARNE, BA (ACTUARIAL STUDIES), FAICD - DIRECTOR

Appointed to the Board as an independent director on 1 January 2023.

DIRECTORS' REPORT

Mr Warne trained as an actuary and has had a distinguished career in financial services spanning over 40 years. He recently retired as Chair of Macquarie Group after 6 years in the role and 15 years as a director. Over the course of his career, he has served on the board of a number of ASX-listed and private companies and Government bodies, including ASX Limited and TCorp; prior to which he had a long and highly successful executive career at Bankers Trust Australia Limited, where he headed the Global Financial Markets Group.

Current directorships

Argo Investments Limited
IPH Limited (Chair)
Allens

Other positions held

Member, NSW Net Zero Emissions and Clean Economy Board
Consultant to the Board of Virgin Australia Airlines Pty Limited (1 January 2023)
Member, Australian Institute of Company Directors Corporate Governance Committee
Chair, St Andrew's Cathedral School Foundation

Special responsibilities

Chair, Investment Committee (3 February 2023; member from 1 January 2023)

IAN MARTIN AM, B.EC (HON); ADV DIPLOMA, AICD; FAICD - CHAIR CEASED 31 DECEMBER 2022

Appointed to the Board as an independent director on 18 April 2013 and elected Chair from 1 July 2017 to 31 December 2022.

A former CEO and CIO of BT Financial Group and Global Head of Investment Management of Bankers Trust Corporation. Former Chair of Argo Investments Ltd, Argo Global Listed Infrastructure Limited; and Vice Chairman, Asia Pacific of Berkshire Capital.

Mr Martin was also a Panel Member of the Superannuation System Review, the Cooper Review and Chairman of the Wayside Chapel Foundation, a position he held from February 2005 until November 2020.

Current Directorships

QIC Limited (Chairman)
QIC Private Capital Ltd (QPC) (Chairman)

Special Responsibilities

Member, Investment Committee
Member, People and Remuneration Committee

Company Secretaries

The Company Secretaries are Tom May and Cynthia Costante.

Mr May was appointed Company Secretary on 21 June 2023.

Tom May (BA, LLB, MBA, TFASFA, MAICD, FGIA) is joint Company Secretary and oversees the company's corporate secretarial and corporate governance functions. He has over 30 years of legal and company secretarial experience in Australia, the UK and Japan.

Ms Costante was appointed Company Secretary on 6 September 2021.

Cynthia Costante (FGIA FCG) is a holder of the Graduate Diploma of Applied Corporate Governance, a Chartered Governance Professional, and a Fellow member of the Governance Institute of Australia and The Chartered Governance Institute with extensive experience in the governance, risk and compliance of the superannuation and financial services industry.

Meetings of directors

The number of meetings of the Board of directors and of each Board Committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	MEETINGS OF COMMITTEES											
	Full meetings of directors		Investment		Audit, Risk & Compliance		People & Remuneration		Insurance		Technology & Projects	
	A	B	A	B	A	B	A	B	A	B	A	B
Gregory Mark Armour	12	12	7	6			2	2			3	3
Peter Dawkins AO	12	12	7	5								
Nicole Gower	12	12					4	4				
Lelia Green	12	10							7	7		
Amy Griffiths	12	12									6	6
Emeritus Sandra Harding AO	12	12							7	7	3	3
Grahame McCulloch	12	12			7	7	4	4				
Sarah Roberts	12	12									6	5
Nicolette Rubinsztein	12	12			7	7			7	7		
Stephen Somogyi	12	12			7	7						
Peter Warne	7	5	3	3								
Ian Martin AM	5	5	4	4			2	2				

A = Total number of scheduled meetings held during the time the director held office or was a member of the Committee during the year.
B = Number of meetings attended.

Insurance of directors and officers

During the financial year, UniSuper Limited maintained insurance policies to insure itself, the directors and officers of UniSuper Limited, the Fund and entities wholly owned by UniSuper Limited within the Fund (together the "Insured Entities"). The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of the Insured Entities, and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Insured Entities.

Significant changes in the state of affairs

No significant changes in the Group's state of affairs occurred during the financial year. Apart from what has been reported in the Financial Statements (refer note 24: Events occurring after the balance date), there has not arisen between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

There are no likely developments to report except as may be stated elsewhere in this report or in the financial statements. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in the Directors' Report because the Board believes it would be likely to result in unreasonable prejudice to the Group.

Non-audit services

There is currently segregation between external audit, internal audit and the taxation advice service providers. IT system services have traditionally been provided from non-audit providers although the internal auditor undertakes reviews of systems as part of the ongoing internal audit program. The external auditor (PwC) provided non-audit services during the current financial year in relation to Board training review, Stamp Duty assessments and SFTP takeon review. In selecting PwC to perform this work, there was no perceived or actual conflict and the Board is satisfied that the services provided did not impair the auditor's independence.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 16

This report is made in accordance with a resolution of Directors.



Chair,
Melbourne, 21 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of UniSuper Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Nicole Osborne'.

Nicole Osborne
Partner
PricewaterhouseCoopers

Melbourne
21 September 2023

Corporate Governance Statement

Corporate Governance is "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations"*. The corporate governance of an organisation can influence how objectives are set and achieved, how risk is monitored and assessed, and how performance is optimised.

The corporate governance model adopted by UniSuper includes compliance with UniSuper Limited's and UniSuper Management Pty Ltd's respective Constitutions, the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993* and additional components to address the fiduciary duties unique to a superannuation trustee.

The corporate governance model operates to enable UniSuper Limited's and UniSuper Management Pty Ltd's Boards to deliver outcomes in the best interests of the members of the Fund.

The Statement of Governance Practice is found on the Fund's website at unisuper.com.au and provides an overview of UniSuper's governance practices.

The website contains a range of information which also relates to UniSuper's corporate governance model such as:

- the current members of each of the Boards' Committees
- the Report to the Workplace Gender Equality Agency
- the Report on the AIST Governance Code
- UniSuper's Tax Transparency Report
- UniSuper's Climate Risk Report
- UniSuper's Modern Slavery Statement, and
- the remuneration of Key Management Personnel

* Justice Owen - HIH Royal Commission

Financial Report

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Statement of financial position

AS AT 30 JUNE 2023

ASSETS	NOTES	2023 \$'M	2022 \$'M ¹
Cash and receivables			
Cash and cash equivalents	10	17,789	14,080
Sundry debtors and prepayments		4	10
Unsettled trades - receivable		554	458
Income tax receivable		-	200
Total cash and receivables		18,347	14,748
Investments – financial assets			
Equities - local	8	39,840	35,946
Equities - overseas	8	30,394	24,736
Interest bearing securities - local	8	16,032	9,305
Interest bearing securities - overseas	8	2,805	2,387
Short term deposits	8	1,258	2,107
Derivative assets	8	268	130
Total investments – financial assets		90,597	74,611
Non-financial assets			
Direct property	8	7,240	6,209
Infrastructure	8	11,232	7,853
Total non-financial assets		18,472	14,062
Total assets		127,416	103,421
LIABILITIES			
Benefits payable		16	15
Sundry creditors		102	114
Unsettled trades - payable		164	253
Derivative liabilities	8	253	455
Income tax payable		164	-
Deferred tax liabilities	13	2,062	1,515
Total liabilities excluding member benefits		2,761	2,352
Net assets available to pay benefits		124,655	101,069
Member benefits			
Defined contribution member liabilities	4	92,229	70,142
Defined benefit member liabilities	4	23,578	22,110
Total member liabilities	4	115,807	92,252
Total net assets		8,848	8,817
EQUITY			
Reserves	9	760	618
Unallocated surplus	4	8,088	8,199
Total equity		8,848	8,817

¹ Comparative information has been revised to reflect the changes in the presentation as detailed in Note 2B(v)(a).

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 25 to 63.

Income statement

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 \$'M	2022 \$'M
Investment revenue			
Interest		1,005	285
Dividends and distributions		2,795	2,894
Other income		57	57
Net changes in fair value of financial instruments	7	6,047	(6,649)
Total investment revenue/(loss)		9,904	(3,413)
Expenses			
Investment expense		428	419
Administration expenses	17	97	80
Total expenditure		525	499
Net operating result before income tax expense		9,379	(3,912)
Less Income tax expense/(benefit)	12	354	(1,020)
Net operating result after income tax expense		9,025	(2,892)
Net (benefits)/losses allocated to defined contribution member accounts		(7,735)	4,240
Net change in defined benefit member benefits		(1,521)	(756)
Net (loss)/profit after income tax expense		(231)	592

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 25 to 63.

Statement of changes in member benefits

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	DEFINED CONTRIBUTION \$'M	DEFINED BENEFITS \$'M	TOTAL \$'M
Opening Balance 1 July 2022		70,142	22,110	92,252
Employer contributions		3,427	1,458	4,885
Member contributions		1,264	199	1,463
Rollovers/transfers in		3,203	-	3,203
SFT of member benefits of ACS transferred in	23	10,340	-	10,340
Rollovers/transfers out		(1,119)	(22)	(1,141)
Income tax on contributions		(526)	(207)	(733)
Net after tax on contributions		16,589	1,428	18,017
Benefits paid		(2,815)	(570)	(3,385)
Transfers from defined benefit to defined contribution		854	(854)	-
Death/disability benefits credited		23	-	23
Insurance premiums charged to members net tax		(94)	-	(94)
Reserve transfers to/(from) members:				
Reserve transfers to/(from) members:		(126)	(57)	(183)
Transfer from ACS	23	(79)	-	(79)
Net benefits allocated to members' accounts, comprising:				
Net investment income		7,735	-	7,735
Net change in Defined Benefit members liabilities		-	1,521	1,521
Balance at 30 June 2023		92,229	23,578	115,807

The statement of changes in member benefits is to be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 63.

Statement of changes in member benefits

FOR THE YEAR ENDED 30 JUNE 2022

	NOTES	DEFINED CONTRIBUTION \$'M	DEFINED BENEFITS \$'M	TOTAL \$'M ¹
Opening Balance 1 July 2021		69,587	21,485	91,072
Employer contributions		2,502	1,538	4,040
Member contributions		1,110	221	1,331
Rollovers/transfers in		3,475	-	3,475
Rollovers/transfers out		(863)	(38)	(901)
Income tax on contributions		(374)	(226)	(600)
Net after tax on contributions		5,850	1,495	7,345
Benefits paid		(2,021)	(533)	(2,554)
Transfers from defined benefit to defined contribution		1,060	(1,060)	-
Death/disability benefits credited		23	-	23
Insurance premiums charged to members net tax		(66)	-	(66)
Reserve transfers to/(from) members:				
Reserve transfers to/(from) members:		(51)	(33)	(84)
Net benefits allocated to members' accounts, comprising:				
Net investment income		(4,240)	-	(4,240)
Net change in Defined Benefit members liabilities		-	756	756
Balance at 30 June 2022		70,142	22,110	92,252

¹ Comparative information has been revised to reflect the changes in the presentation as detailed in Note 2B(v)(c)

The statement of changes in member benefits is to be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 63.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2023

	OR ¹ \$'M	ADMIN ² \$'M	RESERVES		EX INS ⁴ \$'M	SELF INS ⁵ \$'M	UNALLOCATED SURPLUS \$'M	TOTAL EQUITY \$'M
			INV ³ \$'M					
Opening Balance at 1 July 2022	288	253	50		24	3	8,199	8,817
Net transfers (to)/from DC member accounts	8	47	65		6	-	-	126
Net transfers (to)/from DB member accounts	-	57	-		-	-	-	57
Net transfers between reserves	-	-	-		-	-	-	-
SFT of reserves of ACS	26	53	-		-	-	-	79
Operating Result	4	(60)	(64)		(1)	1	(111)	(231)
Closing Balance at 30 June 2023	326	350	51		29	4	8,088	8,848
Opening Balance at 1 July 2021	267	231	-		19	3	7,621	8,141
Net transfers (to)/from DC member accounts	6	41	-		4	-	-	51
Net transfers (to)/from DB member accounts	1	32	-		-	-	-	33
Net transfers between reserves	-	-	-		-	-	-	-
Operating Result	14	(51)	50		1	-	578	592
Closing Balance at 30 June 2022	288	253	50		24	3	8,199	8,817

¹ Operational Risk reserve

² Administration reserve

³ Investment fee reserve

⁴ External Insurance reserve

⁵ Self-Insurance reserve

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 25 to 63.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 \$'M	2022 \$'M
<i>Cash flows from operating activities</i>			
Dividend income received		2,795	2,894
Interest income received		1,005	285
Other income revenue		64	50
Investment expenses		(440)	(379)
Administration expenses		(97)	(80)
Group life insurance premiums ¹		(111)	(78)
Income taxes benefit / (paid) ²		107	(349)
Net cash (outflow) inflow from operating activities	11	3,323	2,343
<i>Cash flows from investing activities</i>			
Sales of financial investments		860	12,874
Purchases of financial investments		(15,596)	(6,294)
Net cash (outflow) inflow from investing activities		(14,736)	6,580
<i>Cash flows from financing activities</i>			
Employer contributions		4,885	4,034
Member contributions		1,463	1,337
Transfers from other superannuation plans		3,203	3,475
Transfers to other superannuation plans		(1,141)	(901)
SFT of cash from ACS	23	10,340	-
Insurance benefit		23	23
Benefit payments		(3,384)	(2,541)
Net Contribution tax paid ²		(267)	(547)
Net cash (outflow) inflow from financing activities		15,122	4,880
Net (decrease)/increase in cash and cash equivalents		3,709	13,803
Cash and cash equivalents at the beginning of the financial year		14,080	277
Cash and cash equivalents at 30 June 2023	10	17,789	14,080

¹ Comparative information has been revised to reflect the changes in the presentation as detailed in Note 2B(v)(b)

² The cashflow presents the net refund received from the ATO which is a result of the tax positions detailed in Note 12. Comparative information has been restated accordingly.

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 25 to 63.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

1 Operation of the Fund

UniSuper (the Fund) has operated in accordance with the provisions of the Trust Deed dated 24 December 1982 and in compliance with the requirements of the *Superannuation Industry (Supervision) Act 1993* during the year ended 30 June 2023.

The Fund consists of a defined benefit division and a defined contribution plan. The defined benefit division remains open to new members. Previously an industry super fund open only to those working in the higher education and research sector, the Fund opened its doors to all Australians in July 2021.

Superannuation benefits of members in the defined benefit division are calculated by way of a formula as defined in the Trust Deed, whereas benefits of members in the defined contribution section are equal to the members' account balance, consisting of contributions and their proportionate share of the net investment income, expenses and income tax expense of the Fund.

The Fund also provides three pension products to members: flexi pensions and two indexed pension products being, Commercial Rate Indexed Pensions (CRIPs) and Defined Benefit Indexed Pensions (closed to new members). Flexi pensions enable members to drawdown on their account balance until the balance reaches zero. CRIPs and Defined Benefit Indexed Pensions provide members with monthly payments for the rest of their life, and certain reversionary benefits depending on the type of pension acquired.

Australian Catholic Superannuation and Retirement Fund ('ACS') transferred its members and investments into the Fund on 1 December 2022, under a Successor Fund Transfer ('SFT') deed.

The Trustee of ACS was SCS Super Pty Ltd (ABN: 74 064 712 607) (SCS); its registered office is now Level 1, 385 Bourke Street, Melbourne.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A STATEMENT OF COMPLIANCE

These general purpose financial statements have been prepared in accordance with Australian Accounting Standard AASB 1056 *Superannuation Entities*, other applicable Accounting Standards, the provisions of the Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993*. The Fund is an industry super fund that does not pay profits to shareholders for the purposes of preparing the financial report.

These general purpose financial statements were authorised for issue by the directors of the Trustee on 21 September 2023.

B BASIS OF PREPARATION

i. AASB 1056 Superannuation Entities (AASB 1056)

The financial statements have been prepared in accordance with AASB 1056 *Superannuation Entities*, which provides specific measurement requirements for assets and liabilities.

ii. Rounding of amounts

Consistent with Class Order 2016/191, issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the financial statements have been rounded off to the nearest million dollars unless otherwise stated.

iii. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

iv. Consolidation

For the purposes of accounting standards, the Fund controls an entity when the Fund is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

In accordance with AASB 10 *Consolidated Financial Statements* (AASB 10), the Fund has determined that it meets the definition of an investment entity.

The Fund is only required to consolidate controlled entities which provide services to the Fund; that is, UniSuper Management Pty Ltd (USM), the Fund's Administrator. The impact of consolidating USM has been deemed immaterial and therefore consolidated accounts have not been prepared. Refer to Note 8E

for details of the determination of the fair values of Investments.

All other controlled entities are accounted for at fair value through the income statement. Refer to note 22 for a list of controlled entities.

v. Changes to comparative presentation

During the year, the fund made a number of reclassifications. These changes have no impact to the net profit but resulted in changes to the presentation of the Statement of financial position, Statement of cash flow and associated notes along with, statement of changes in member benefits. These presentational changes have been applied retrospectively.

a. Statement of financial position

Cash held in custody has been reclassified to cash as cash and cash equivalent from investment in financial assets and non-financial assets. Unsettled receivables and payables have been reclassified from investment in financial assets and non-financial assets and presented separately.

b. Statement of cash flows

Cash held in custody has been reclassified to cash as cash and cash equivalent from investment in financial assets and non-financial assets. Group life insurance premiums has been reclassified from financing activities to operating activities on the Statement of cash flows.

c. Statement of changes in member benefits

Super Guarantee charges were reclassified from member contributions to employer contribution based on the Australian Tax Office guidance.

C REVENUE RECOGNITION

i. Interest revenue

Revenue on money market and fixed interest securities is recognised on an accruals basis and if not received at balance date, is reflected in the statement of financial position.

ii. Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at balance date, is reflected in the statement of financial position.

iii. Changes in fair values

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

iv. Distributions

Distributions from managed investment schemes and infrastructure assets are recognised as at the date the unit value is quoted ex-distribution.

D GOODS AND SERVICES TAX

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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the assets or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

E INVESTMENT ASSETS

i. Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

Financial assets and liabilities held for trading:

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by AASB 9. Consequently hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through profit or loss upon initial recognition:

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes short term receivables in this category .

Other financial liabilities:

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days

FINANCIAL STATEMENTS – UNISUPER AND CONTROLLED ENTITIES

of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

ii. Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

iii. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

iv. Initial recognition

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Loans and receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

v. Subsequent measurement

After initial measurement, the Fund measures investments and derivatives at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement.

vi. Fair value measurement

Investment assets are included in the statement of financial position at fair value as at the reporting date and movements in the fair value of assets are recognised in the income statement in the periods in which they occur.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Estimated costs of disposal are not taken into account in the determination of fair value.

Refer to note 8 for details of the determination of fair values of investments.

F DERIVATIVES

The Fund uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from investment activities, to adjust exposures to asset classes and sectors as part of the Fund's investment strategy and for equitisation purposes. The Fund does not hold or issue derivative financial instruments for leveraging purposes. Derivatives are recorded at fair value using quoted prices or option valuation formula. Movements in the fair value of derivatives are recognised in the income statement in the periods in which they occur.

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

G CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, cash held with BNP Paribas as the custodian of the fund and deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H INCOME TAX

Income tax expense for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of

deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

For UniSuper, income tax has been provided in the current year at the rate of 15% (2022: 15%) as it is the expectation of the Trustee that UniSuper will be treated as a complying superannuation fund. If UniSuper is subsequently deemed to be a non-complying fund for the current year, then income tax would be payable at a rate of 45% (2022: 45%) on UniSuper's taxable income.

Assessable contributions received during the year to 30 June 2023 are subject to 15% contributions tax. Where the member has not quoted their tax file number (TFN) to the Fund, a further amount of no-TFN contributions tax of 32.0% (2022: 32.0%) may apply in respect to the contributions received.

I CONTRIBUTIONS

Contributions from employers and members and rollovers/transfers in are recognised on receipt by the Fund.

J SUNDRY CREDITORS

i. Unsettled trades

Outstanding settlements at year end on investment purchases are recorded as a liability.

ii. Other

Payables are carried at nominal amounts which approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

K BENEFITS PAYABLE

Benefits payable are accrued in the financial statements based on members who have lodged a benefit payment request with the Fund prior to balance date and remain

unpaid as at balance date. Benefit payables are normally settled within 30 days.

L FOREIGN CURRENCY

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates applicable at the dates the fair value was determined.

M RESERVES

The Trustee maintains an operational risk reserve, administration reserve, investment fee reserve, self-insurance reserve and an external insurance reserve to provide the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event. All reserves are operated in accordance with the Fund's Reserve Policy and are held at a Fund level. Refer to note 9 for further details on the Fund's reserves.

N MEMBER LIABILITIES

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount 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 the date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

Refer to note 4 for further details on Member liabilities.

O SEGMENT REPORTING

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses. The only information that is regularly reported internally in relation to operating segments is at a liability level relative to the member benefit components. These are disclosed in note 5 at an accrued and vested benefit level. Information in relation to segment revenue, expenses and assets is not reported

for internal management purposes due to the pooled nature of the Fund's investment process.

P INSURANCE ARRANGEMENTS

The Fund provides members with inbuilt death, disablement and temporary incapacity benefits as part of its Defined Benefit product offering. In addition, access to death, total and permanent disablement and income protection benefits is provided to eligible accumulation members through a group insurance policy held with a third-party insurance company. Note that the insurance products covered by the Self-insurance reserve relate to Accumulation 2 members and were outsourced to an external insurer from 3 January 2015.

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

Q COMPARATIVES

Where applicable, comparatives have been reclassified to reflect current year disclosures.

R NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS AND FUTURE DEVELOPMENTS

There were no new or amended accounting standards or interpretations adopted during the period that had a material impact to the Fund. There are no new accounting standards or amendments to existing standards that are not yet effective, which are expected to have a material impact to the Fund.

3 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A LIABILITY FOR ACCRUED AND VESTED BENEFITS

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

Refer to note 6 for details.

B UNALLOCATED SURPLUS

Unallocated surplus' represents the surplus on defined benefit member liabilities. To a lesser extent timing differences resulting from unallocated member transactions are also included.

C VALUATION OF INVESTMENTS

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model (DCF model). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of these investments.

D DETERMINATION THAT THE FUND IS AN INVESTMENT ENTITY

As detailed in note 2(b)(iv), it has been determined that the Fund meets the definition of an investment entity. This determination is a key judgement as it impacts the accounting treatment of the Fund's controlled entities.

E RUSSIA-UKRAINE WAR

In preparing these financial statements, the resulting impacts of the Russia-Ukraine war have been considered. Under the terms of the Successor Fund Transfer (SFT), a small number of Russian securities were transferred from the Australian Catholic Superannuation Fund into UniSuper's reserves following the issuance of a permit by the Assistant Minister for Foreign Affairs under the Autonomous Sanctions Regulations 2011. These securities are valued at Nil as at 30 June 2023.

Member benefits

4 Member liabilities

Accrued benefits for each defined benefit member are the present value of expected future payments of benefits to the member which arise from membership of the Fund up to the reporting date. This is determined using the Fund's Actuary current expectations of earnings on the Fund's assets, future inflation and salary levels and other relevant assumptions. Accrued benefits are calculated using best estimate assumptions.

Vested benefits for defined benefit members are benefits which are not conditional upon continued membership (or any factor other than leaving the service of a participating institution), which members were entitled to receive, had their Fund membership been voluntarily terminated as at the reporting date. Vested benefits are calculated using funding assumptions.

Accrued and vested benefits for defined contribution members are the members' account balances at the reporting date.

30 JUNE 2023	ACCRUED BENEFITS \$M	VESTED BENEFITS \$M
Member liabilities – defined contribution accounts:		
Accumulation accounts	70,994	70,994
Allocated pension	21,235	21,235
Total member liabilities – defined contribution accounts	92,229	92,229
Member liabilities – defined benefit accounts:		
Defined benefits	16,652	18,633
Pension benefits	6,926	7,495
Total member liabilities – defined benefit accounts:	23,578	26,128
Total member liabilities	115,807	118,357
Net assets available for member benefits (including reserves)	124,655	124,655
Less reserves	(760)	(760)
Net assets for member benefits	123,895	123,895
Less defined contribution accounts (member liabilities)	(92,229)	(92,229)
Net assets for defined benefit member benefits	31,666	31,666
Less defined benefit accounts (member liabilities)	(23,578)	(26,128)
Unallocated Surplus¹	8,088	5,538

¹ In accordance with Australian accounting standards, the surplus has been calculated with reference to assets at fair value rather than net market value. Refer to note 6 for a re-calculation of the defined benefit surplus using net market value, in accordance with actuarial professional standards.

30 JUNE 2022	ACCRUED BENEFITS \$M	VESTED BENEFITS \$M
<i>Member liabilities – defined contribution accounts:</i>		
Accumulation accounts	53,963	53,963
Allocated pension	16,179	16,179
Total member liabilities – defined contribution accounts	70,142	70,142
<i>Member liabilities – defined benefit accounts:</i>		
Defined benefits	15,458	17,483
Pension benefits	6,652	7,308
Total member liabilities – defined benefit accounts:	22,110	24,791
Total member liabilities	92,252	94,933
Net assets available for member benefits (including reserves)	101,069	101,069
Less reserves	(618)	(618)
Net assets for member benefits	100,451	100,451
Less defined contribution accounts (member liabilities)	(70,142)	(70,142)
Net assets for defined benefit member benefits	30,309	30,309
Less defined benefit accounts (member liabilities)	(22,110)	(24,791)
Unallocated Surplus	8,199	5,518

The difference between the defined benefit assets and defined benefit member liabilities has arisen as a consequence of:

- The fixed employer and member contributions being more than adequate to provide for the members accruing benefits. This in part reflects that UniSuper assesses the ongoing adequacy of its fixed contribution rates on a more conservative “funding” basis – which is appropriate noting the fixed nature of the employer contributions. These funding assumptions are generally more conservative than the best estimate assumptions used to measure defined benefit member liabilities for recognition in the financial statements under AASB 1056; and
- The actual investment and membership experience over time differing to the expected experience.

To the extent a surplus or deficit may arise in relation to the defined benefit member liabilities determined on the more conservative funding basis, UniSuper’s Trust Deed and Regulations contain provisions that enable benefits to be adjusted or a surplus to be distributed to members if certain conditions are met. Employers are not entitled to a share of surplus distribution.

To the best of the Trustee’s knowledge, no guarantees have been made in respect of any part of the liability for benefits, by either participating institutions or any other party.

5 Defined contribution member liabilities

Defined contribution member account balances are determined by crediting rates based on the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and crediting rates used to measure the member liabilities. Crediting rates are updated on a daily basis. Refer to note 8 for the Fund's management of the investment risks.

6 Defined benefit member liabilities

I. FUNDING ARRANGEMENTS

The Defined Benefit Division (DBD) provides lump sum and pension benefits to members, on the basis of factors such as salary close to retirement and the period of membership. The assets supporting Commercial Rate Indexed Pensions (which can be purchased by members of all Divisions) are also pooled within the DBD. To the best of the Trustee's knowledge, no guarantees have been made in respect of any part of the liability for benefits, by either participating institutions or any other party.

The participating institutions' contribution rates are fixed under the Trust Deed. Members also contribute to UniSuper but are entitled to exercise 'contribution flexibility' in order to pay lower contributions than would normally be required. Where members exercise contribution flexibility, their benefits are reduced commensurately. Contributions to the defined benefit division are consistent with actuarial recommendations.

The Trustee adopts a funding policy ("Monitoring and Managing the Financial Health of the Defined Benefit Division") to manage the fund with the objective of

enabling the Trustee, out of the assets of the fund, to meet the liability of the fund as they become due.

The Trust Deed requires an actuarial investigation of the Fund at least once every three years. Under relevant legislation, an actuarial investigation is required annually. As part of such investigations, the Actuary assesses the coverage of vested benefits (Vested Benefits Index, VBI) and the value of accrued benefits (Accrued Benefits Index, ABI) against the assets of the Fund. The Actuary also considers whether the DBD assets, together with future contributions by members and participating institutions, are expected to be sufficient to meet the cost of Defined Benefits under the Fund as they fall due. In making the assessment, the Actuary considers expected long term trends in such factors as salary and inflation levels, earnings on the Fund's assets and relevant demographic experience.

Clause 34 of the Trust Deed provides a mechanism for reducing defined benefits if required. Under Clause 34, if the Actuary's report to the Board following the actuarial investigation indicates that the ABI is less than 100%, the VBI is less than 95% or the Actuary expects the ABI or VBI to decline to below these levels, the Trustee must advise members and employers and a four year monitoring period is commenced. If the Actuary advises in the report of the first actuarial investigation carried out after the expiration of four years that the ABI is less than 100%, the VBI is less than 95% or the Actuary expects the ABI or VBI to decline to below these levels, the Board must consider, within a period of six months from the receipt of the report, whether it is in the interests of DBD members as a whole to reduce benefits payable.

In addition to providing figures for financial reporting purposes as at 30 June 2023, the Fund's Actuary carry out an annual review of the the Fund as at 30 June 2023. In performing the actuarial review, the Actuary has applied the following financial assumptions.

BEST ESTIMATE ASSUMPTION	BEST ESTIMATE ASSUMPTIONS (% P.A.)		FUNDING ASSUMPTIONS (% P.A.)	
	2023	2022	2023	2022
Investment returns for active members and pensioners:				
- Net of Tax	6.6	6.5	5.8	5.6
- Gross	7.6	7.4	6.7	6.4
- Commercial rated indexed pensioners	3.8	3.1	3.8	3.1
Salary inflation	4.25 for 2 years, 3.5 thereafter	2.75 for 2 years, 3.25 thereafter	4.25 for 2 years, 3.5 thereafter	2.75 for 2 years, 3.25 thereafter
Price inflation (CPI)	5.0 for year 1, 3.5 for year 2, then 2.5 thereafter	4.0 for 2 years, 2.5 thereafter	5.0 for year 1, 3.5 for year 2, then 2.5 thereafter	4.0 for 2 years, 2.5 thereafter

The demographic assumptions have been reviewed as part of the 2023 actuarial investigation, and, where the Actuary deemed appropriate, were updated.

At the time of completion of the financial report, the preliminary estimates of the VBI and the ABI for the DBD of the Fund as at 30 June 2023 were 119.9% (FY22 121.0%) and 132.9% (FY21 135.7%) respectively.

The most recently completed actuarial investigation of the Fund was undertaken as at 30 June 2023 by Travis Dickson and Andrew West, Fellow of the Institute of Actuaries of Australia and employees of Willis Towers Watson.

The Trustee continues to monitor the DBD's financial position at least quarterly.

II. NET CHANGE IN DEFINED BENEFIT MEMBER LIABILITIES

The net change in defined benefit member liabilities resulted from the following:

	2023 \$'M	2022 \$'M
Interest cost ¹	1,455	1,226
Impact of changes in financial assumptions	(190)	(461)
Impact of the difference between contributions received and service cost ²	(479)	(510)
Impact of changes in demographic assumptions	3	-
Other	732	501
Total net change in defined benefit member liabilities	1,521	756

¹ Interest cost is the increase in the defined benefit liabilities from the start of the financial year to the end of the financial year resulting from having one less year of discounting in the present value calculation.

² Service cost is the expected cost of one year's benefit accrual for the current membership, based on the adopted assumptions - effectively it represents the value of the increase in members' benefits for one year

The largest contributor to the net change in defined benefit member liabilities was the interest cost component. Based on the best estimate investment returns at the start of the period, the interest cost associated with the liability for defined benefit members amounted to \$1,455 million.

Changes in financial assumptions from 30 June 2022 to 30 June 2023 were made in-line with changes in the economic conditions during the period. The difference or the "gap" between the expected return and long-term salary and price inflation, resulted in a \$190 million decrease in defined benefit member liabilities.

Service cost was \$501 million lower than contributions received during the year. Differences are expected to arise between the service cost each year and the contributions in that year due to the membership and liability profile of the DBD, compared to the long term employer contribution rate.

The Other amount of \$730 million includes the effect of various items resulting from:

- changes in the membership compared to that assumed;
- differences between actual experience over the past year and that assumed at 30 June 2022 (such as actual salary increases, pension increases, pension take-up and the number/size of disability claims); and
- other second order effects such as data corrections/adjustments and timing differences between assumed and actual cash flows.

For this year, actual salary and pension increases have been higher than assumed at 30 June 2022 and we estimate that this accounted for around \$580 million of the Other amount shown in the previous table.

III. SENSITIVITY ANALYSIS

The following are sensitivity calculations on a univariate basis for the investment return, rate of salary and price inflation adjustment, and pension take-up assumptions used at 30 June 2023.

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES

BEST ESTIMATE ASSUMPTION	ASSUMED RATE AT REPORTING DATE	REASONABLY POSSIBLE CHANGE		AMOUNT OF INCREASE/ (DECREASE) IN MEMBER ACCRUED BENEFIT LIABILITIES
	%	%		\$M
Investment returns for active members and pensioners:				
- Net of tax / Gross of tax	6.6/7.6	+	1	(1,688)
		-	1	1,961
Salary Inflation:				
- Short term (2 yrs) / Long term (after 2 yrs)	4.25/3.5	+	0.5	269
		-	0.5	(255)
Pension take-up	65	+	10	32
		-	10	(31)

IV. ACCRUED BENEFIT INDEX AND VESTED BENEFIT INDEX

The ratio of net market value of assets to accrued benefits is called the Accrued Benefit Index (ABI). The ratio of net market value of assets to vested benefits is called the Vested Benefits Index (VBI).

	ACCRUED BENEFITS	VESTED BENEFITS
	\$M	\$M
30 JUNE 2023		
Net assets for defined benefit member benefits (Note 4)	31,666	31,666
Less disposal costs	(332)	(332)
Net assets for defined benefit member benefits (Net Market Value) ¹	31,334	31,334
Less defined benefit accounts	(23,578)	(26,128)
Defined benefit surplus	7,756	5,206
Benefit index	132.9%	119.9%
30 JUNE 2022		
Net assets for defined benefit member benefits (Note 4)	30,309	30,309
Less disposal costs	(304)	(304)
Net assets for defined benefit member benefits (Net Market Value)	30,005	30,005
Less defined benefit accounts	(22,110)	(24,791)
Unallocated Surplus	7,895	5,214
Benefit index	135.7%	121.0%

¹ Consistent with the method used by the Fund's actuary to calculate the ABI and VBI (mandated by actuarial professional standards), the net market value of assets available for defined benefit member benefits has been used in the calculation. Net market value is determined by deducting estimated disposal costs from the assets' fair value.

Investments

7 Movement in fair value of assets

	2023 \$'M	2022 \$'M
(A) MOVEMENTS IN NET MARKET VALUE OF INVESTMENTS		
<i>Unrealised gains/(losses)</i>		
Equities - local	1,623	(2,530)
Equities - overseas	3,593	(3,585)
Interest bearing securities - local	3	(1,080)
Interest bearing securities - overseas	84	(241)
Short term deposits	9	1
Total unrealised gains/(losses)	5,312	(7,435)
<i>Realised gains/(losses)</i>		
Equities - local	250	(219)
Equities - overseas	342	(1,350)
Interest bearing securities - local	46	(67)
Interest bearing securities - overseas	(57)	38
Short term deposits	-	1
Total realised gains/(losses)	581	(1,597)
Total	5,893	(9,032)
(B) MOVEMENTS IN NET MARKET VALUE OF OTHER ASSETS		
<i>Unrealised gains/(losses)</i>		
Property investments	(242)	452
Infrastructure investments	444	505
Total unrealised gains/(losses)	202	957
<i>Realised gains/(losses)</i>		
Property investments	(11)	2
Infrastructure investments	(39)	1,420
Total realised gains/(losses)	(50)	1,422
Total	152	2,379
(C) MOVEMENTS IN NET MARKET VALUE OF CASH AND CASH EQUIVALENTS		
<i>Unrealised gains/(losses)</i>		
Cash and Cash Equivalents	2	4
Total	2	4
Grand Total	6,047	(6,649)

8 Financial risk management

A OBJECTIVES, STRATEGIES, POLICIES AND PROCESSES

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

The Trustee's overall risk management program focuses on ensuring compliance with the Trustee's Investment Policy Statement (the Policy) and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by USM under policies approved by the Board.

The Trustee appoints internal and external investment managers to manage a portfolio of investments within a specific asset sector, subject to an agreed mandate. The Trustee also invests directly in various entities. The Trustee diversifies its investments to minimise the impact of any single capital loss and limits its exposure to high risk assets through both strategic asset allocation and diversification within each asset sector. Appropriate diversification limits at an individual portfolio/investment level are stipulated in Investment Management Agreements executed between the Trustee and its appointed investment managers.

The Trustee uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

Financial risk management is carried out by the Board through the Investment Committee, with advice from external investment advisers and internal Management.

As part of its risk management strategy, the Trustee uses derivatives and other instruments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

B MARKET RISK

i. Price Risk

Equity price risk exposure arises from the Fund's investment portfolio. The investments are recognised in the statement of financial position at fair value.

The Trustee mitigates this price risk through diversification to avoid an undue concentration of risk and selection of mandates with investment managers and direct investments within specified limits set by the Board.

The Fund's overall market position is monitored on a daily basis by Management and is reviewed on a quarterly basis by the Board via the Investment Committee.

Net assets available to pay benefits include investments in debt and equity securities and related derivatives.

Sensitivity analysis

Following analysis of historical data and investment rate movements during the 2023 financial year, Management considers the following movements in price risk are reasonably possible for the 2023/24 reporting period:

	2023	2022
Listed equities	27.0%	24.0%
Private equity	40.0%	35.0%
Interest bearing securities	7.0%	6.0%
Direct property	13.5%	12.0%
Infrastructure	11.0%	10.0%

The above sensitivity percentages reflect the view that markets are still experiencing heightened levels of volatility. The increase/(decrease) in the market price against the investments in the Fund at 30 June would have increased/(decreased) the Net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and foreign exchange rates, remain constant and are uncorrelated. The analysis is performed on the same basis as for 2022 and is illustrative of the Fund's exposure to price risks.

		CARRYING AMOUNT ¹	NET ASSETS AVAILABLE TO PAY BENEFITS	
			INCREASE	DECREASE
30 JUNE 2023	%	\$'M	\$'M	\$'M
Listed equities	27.0	68,878	18,597	(18,597)
Private equity	40.0	1,378	551	(551)
Interest bearing securities	7.0	18,844	1,319	(1,319)
Direct property	13.5	7,240	977	(977)
Infrastructure	11.0	11,217	1,234	(1,234)
Total		107,557	22,678	(22,678)
30 JUNE 2022				
Listed equities	24.0	62,351	14,964	(14,964)
Private equity	35.0	409	143	(143)
Interest bearing securities	6.0	17,548	1,053	(1,053)
Direct property	12.0	6,296	756	(756)
Infrastructure	10.0	7,929	793	(793)
Total		94,533	17,709	(17,709)

¹ Carrying amount is inclusive of derivative values.

ii. Foreign exchange risk

The Fund holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

In accordance with the Policy, Management, via its currency overlay managers, monitors the Fund's currency position on a daily basis, and the Investment Committee reviews it on a quarterly basis.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the foreign exchange exposure disclosed below may not represent the true foreign exchange risk profile of the Fund, where the Fund has significant investments in feeder trusts which also have exposure to foreign markets.

The table to the right summarises UniSuper's exposure to foreign exchange risk (net of foreign exchange hedges) at reporting date:

ASSETS	2023 \$'M	2022 \$'M
US Dollar	13,907	10,533
Euro	917	1,464
Swiss Franc	449	463
British Pounds	779	611
Hong Kong Dollar	658	600
Chinese Yuan ¹	575	504
Indian Rupee	564	24
Japanese Yen	1,181	915
Other currencies	1,310	1,591
Total	20,340	16,705

¹ Assets in Chinese Yuan has been reclassified from other currencies and comparative period information is presented accordingly.

This represents 16.23% of total assets as at 30 June 2023 (2022: 16.39%).

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES**Sensitivity analysis**

Following analysis of historical data and currency rate fluctuations during the 2023 financial year, Management expects a 19% (2022: 19%) movement in the Australian dollar is reasonably possible for the 2023/24 reporting period. The Australian dollar volatility has been extreme over recent years and is expected to remain volatile over the coming 12 months. This analysis assumes

that all other variables, remain constant. The analysis is performed on the same basis as for 2022 and is not guaranteed.

A 19% (2022: 19%) weakening/strengthening of the AUD against the following currencies at 30 June 2023 would have increased/(decreased) the net assets available to pay benefits by the amounts shown below:

30 JUNE 2023	CARRYING AMOUNT \$/M	NET ASSETS AVAILABLE TO PAY BENEFITS	
		19% \$/M	-19% \$/M
US Dollar	13,907	2,643	(2,643)
Euro	917	174	(174)
Swiss Franc	449	85	(85)
British Pounds	779	148	(148)
Hong Kong Dollar	658	125	(125)
Chinese Yuan ¹	575	109	(109)
Indian Rupee	564	107	(107)
Japanese Yen	1,181	225	(225)
Other currencies	1,310	249	(249)
Total	20,340	3,865	(3,865)

¹ Assets in Chinese Yuan has been reclassified from other currencies and comparative period information is presented accordingly.

30 JUNE 2022	CARRYING AMOUNT \$/M	NET ASSETS AVAILABLE TO PAY BENEFITS	
		19% \$/M	-19% \$/M
US Dollar	10,533	2,001	(2,001)
Euro	1,464	278	(278)
Swiss Franc	463	88	(88)
British Pounds	611	116	(116)
Hong Kong Dollar	600	114	(114)
Chinese Yuan	504	96	(96)
Indian Rupee	24	5	(5)
Japanese Yen	915	174	(174)
Other currencies	1,591	302	(302)
Total	16,705	3,174	(3,174)

iii. Interest rate risk

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Trustee has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Trustee may use derivatives to hedge against unexpected increases in interest rates. The risk is measured using sensitivity analysis.

The Trustee controls its interest rate exposure by using managers for these types of investments who diversify investments across assets with various interest rate sensitivities and impose duration limits within fixed interest mandates with these investment managers.

In accordance with the Policy, Management and the Investment Committee monitor the Fund's overall interest rate sensitivity on a regular basis and the Board reviews it on a quarterly basis.

The table below summarises UniSuper's exposure to interest rate risk at reporting date:

FINANCIAL ASSETS	2023 \$'M	2022 \$'M
Cash and cash equivalents	17,789	14,080
Total	17,789	14,080

	CARRYING AMOUNT	IMPACT ON INTEREST INCOME	
		+300BPS	-300BPS
30 JUNE 2023	\$'M	\$'M	\$'M
Cash and cash equivalents	17,789	534	(534)
Total	17,789	534	(534)

	CARRYING AMOUNT	IMPACT ON INTEREST INCOME	
		+300BPS	-300BPS
30 JUNE 2022	\$'M	\$'M	\$'M
Cash assets	14,080	422	(422)
Total	14,080	422	(422)

Sensitivity analysis

The potential impact of changes in interest rates on the fair value of interest bearing securities is disclosed above in section B(i) 'price risk'. The analysis below considers the potential impact of changes in interest rates on interest income earned on cash and cash equivalents.

Following analysis of historical data and interest rate movements during the 2023 financial year, 300 basis points movement has been used for interest rate sensitivity analysis. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2022.

An increase/(decrease) of 300 basis points (2022: 300 basis points) in interest rates at the reporting date would have increased/(decreased) interest income by the amounts shown below:

FINANCIAL STATEMENTS – UNISUPER AND CONTROLLED ENTITIES**iv. Climate risk**

While UniSuper's operations do not generate material greenhouse gas emissions and are not directly exposed to physical climate change risk, climate risk is a relevant consideration for many of the entities it invests in (both listed and unlisted). The performance of these companies is vital to UniSuper and its members from an investment return perspective, to the broader economy and in contributing to the wellbeing of the wider community in which UniSuper operates. UniSuper expects its investee companies to be well managed and profitable. On this basis, UniSuper, as a responsible investor, believes it is critical that the companies it invests in embrace and adopt a robust and rigorous approach to:

- mitigating and managing climate change risks,
- identifying and maximising climate change generated opportunities, and
- reporting on how they are managing in a timely manner the physical and transitional risks associated with climate change and a de-carbonising economy.

UniSuper publishes a Climate Risk report on its website which has been prepared in accordance with the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations. This report details UniSuper's investment governance, strategy, risk management and options for members with respect to climate change risk. Across the fund, UniSuper does not have a broad policy of divesting or negatively screening sectors or companies other than the fund wide exclusion for tobacco manufacturers and companies whose revenue from thermal coal exploration and production exceeds 10%. Additional exclusions apply within dedicated options that provide for member choice. The Climate Risk report set out analysis which found that the Fund's portfolios have low exposure to direct climate change risks.

UniSuper participates in industry groups, including the Investor Group on Climate Change, Climate Action 100+ and the Australian Council of Superannuation Investors. These organisations seek to influence companies and policy as well as educating members on climate change risk disclosure standards and risk management approaches.

v. Market risk and members

Contributions from and for defined contribution members are credited to members' accounts on receipt of the contributions by the Fund, thus exposing those members to the market risk of the Fund. Defined benefit members are less exposed to market risk due to the formula based nature of their benefits. Refer also to note 6 regarding the funding arrangements for defined benefit member liabilities and the operation of Clause 34 of the Trust Deed.

C CREDIT RISK

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is generally limited to those with positive fair values.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

In accordance with the Policy, Management monitors the Fund's credit position on a regular basis, and the Investment Committee reviews it on a quarterly basis.

Credit quality per class of instrument

The credit quality of financial assets is managed by the Trustee using various rating agencies and their rating categories, including Standard & Poor, Moody's and Fitch, in accordance with the investment mandates of the Fund. The Fund's exposure in each grade is monitored on a regular basis. This review process allows Management to assess the potential loss as a result of risks and take corrective action.

The fair value of financial assets included in the statement of financial position represents the Fund's exposure to credit risk in relation to those assets. An analysis of debt securities by rating as at reporting date is set out in the table below:

CREDIT GRADE	2023 \$'M	2022 \$'M
AAA/aaa	3,085	3,459
AA/aa	4,450	3,266
A/a	1,354	1,865
BBB/bbb	7,044	1,702
Not rated	4,019	3,999
Total	19,952	14,291

D LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In

addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Trustee limits its allocation to illiquid assets and ensures that the allocation is consistent with the intended term of investment.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

In accordance with the Policy, Management monitors the Fund's liquidity position on a daily basis, and the Investment Committee reviews it on a quarterly basis. Compliance with the policy is reported to the Investment Committee on a quarterly basis.

Maturity analysis for financial liabilities

The table below analyses the Fund's derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted gross contractual cash flows.

	CARRYING AMOUNT	CONTRACT CASH FLOWS	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	OVER 12 MONTHS
AS AT 30 JUNE 2023	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
<i>Derivatives</i>						
- Inflow	268	24,683	9,386	15,048	69	180
- Outflow	253	24,682	9,447	15,004	24	207
Total	15	1	(61)	44	45	(27)
AS AT 30 JUNE 2022						
<i>Derivatives</i>						
- Inflow	130	18,536	7,518	10,946	24	48
- Outflow	455	18,800	7,758	11,023	5	14
Total	(325)	(264)	(240)	(77)	19	34

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	CARRYING AMOUNT	TOTAL CASH FLOWS	MATURITY		
			LESS THAN 1 MONTH	1 TO 3 MONTHS	GREATER THAN 3 MONTHS
AS AT 30 JUNE 2023	\$'M	\$'M	\$'M	\$'M	\$'M
Benefits payable	16	16	16	-	-
Income tax payable	164	164	51	-	113
Sundry creditors	102	102	68	34	-
Unsettled trades - payable	164	164	164	-	-
Defined contribution liabilities	92,229	92,229	92,229	-	-
Defined benefit liabilities	23,578	26,128	26,128	-	-
Total	116,253	118,803	118,656	34	113
AS AT 30 JUNE 2022					
Benefits payable	15	15	15	-	-
Income tax payable	-	-	-	-	-
Sundry creditors	114	114	74	40	-
Unsettled trades - payable	253	253	253	-	-
Defined contribution liabilities	70,142	70,142	70,142	-	-
Defined benefit liabilities	22,110	24,791	24,791	-	-
Total	92,634	95,315	95,275	40	-

The carrying amount of member liabilities is members' accrued benefits. However, the contractual cash flows disclosed are members' vested benefits as these are the benefits members could call upon as at reporting date. The vested benefits balance has been included as payable in 'less than 1 month' as this is the earliest period in which the Fund can be required to pay members' vested benefits. However, members may not necessarily call upon amounts vested to them during this time.

E FAIR VALUES OF INVESTMENTS

The Fund's investments included in the Statement of financial position are carried at fair value. The major methods used in determining fair value of investments are disclosed below.

The table below analyses financial instruments carried at fair value according to the inputs used in their valuation. The different levels have been presented as follows:

- Level 1: This category includes assets for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.
- Level 2: This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- Level 3: This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL ¹
AS AT 30 JUNE 2023	\$'M	\$'M	\$'M	\$'M
Equities	67,337	-	2,897	70,234
Interest bearing securities	2,564	15,403	870	18,837
Others, including short term deposits	-	1,258	-	1,258
Property investments	-	-	7,240	7,240
Infrastructure investments	-	-	11,232	11,232
Derivative financial assets	-	268	-	268
Sub-total	69,901	16,929	22,239	109,069
Derivative financial liabilities	-	(253)	-	(253)
Total	69,901	16,676	22,239	108,816
AS AT 30 JUNE 2022				
Equities	59,106	1,129	447	60,682
Interest bearing securities	1,538	9,837	317	11,692
Others, including short term deposits	-	2,107	-	2,107
Property investments	-	-	6,209	6,209
Infrastructure investments	-	-	7,853	7,853
Derivative financial assets	-	130	-	130
Sub-total	60,644	13,203	14,826	88,673
Derivative financial liabilities	-	(455)	-	(455)
Total	60,644	12,748	14,826	88,218

¹ The values in this table exclude cash balances and income and capital not yet distributed.

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES**Level 3 reconciliation**

The following table shows a reconciliation of the movement in fair value of financial instruments categorised within Level 3 between the beginning and

the end of the reporting period. The Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

	2023 \$'M	2022 \$'M
Opening balance 1 July	14,824	9,654
Total realised gains/(losses)	(177)	539
Total unrealised gains/(losses)	386	861
Sales	(809)	(1,933)
Purchases	6,359	5,384
Transfers in/(out) of level 3 ¹	1,656	319
Closing balance 30 June	22,239	14,824

¹ Transfer in from Level 2 to Level 3 in FY23 relates to Equities and Interest bearing securities. Prior year relates to infrastructure and property.

Valuation techniques and inputs**Market quoted investments**

The fair value of an investment for which there is a readily available market quotation is determined as the last quoted sale price as at the close of business on reporting date.

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques and models.

Equities

Investments for which market quotations are not readily available are valued at the fair value determined by the Trustee as follows:

- Delisted equity securities are valued based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind up.
- Equity securities subject to takeover offer are valued as the consideration offered under the takeover offer.
- Private equity managers adopt a 'Fair Value' (or mark to model) approach in determining the value of their portfolio companies. The valuation approach adopted by private equity managers to determine fair value may include the use of recent investment prices, multiples, net assets, discounted cash flows or earnings, industry valuation benchmarks and/ or the opinion of a third party expert. These valuations are prepared in accordance with Valuation Guidelines, issued by the relevant governing bodies for the managers, which set out a best practice framework for the estimation of fair value.
- The assets reported under level 3 equities include the Fund's investment in USM. USM is valued on a monthly basis based on the net assets of the company. The net assets of USM and consolidation value of USM are not materially different and therefore USM is valued on a net asset basis through the investments holdings of the Fund. The net assets

are audited on an annual basis. Any change in fair value measurement of this investment would not have a significant impact on the overall financial position of the Fund.

Interest bearing securities

UniSuper's custodian is responsible for aggregating third party pricing for interest bearing securities and utilising these in the compilation of valuations for investment reports. Vendors that provide prices for interest bearing securities to the custodian include Interactive Data, Bloomberg and Standard & Poors. All prices undergo tolerance testing and are then published in the custodian's reporting systems.

Property investments

Property investments comprise of directly held investments in land and buildings and unlisted pooled property funds managed by external managers. All directly held unlisted property investments are classified as level 3. UniSuper's appointed portfolio manager's have obtained independent appraisal valuations for each directly held asset at least six monthly, with increases to the frequency of independent valuations to quarterly scheduled to occur from 31 December 2023. This is in accordance with generally accepted accounting principles and valuation methodologies used for the valuation of such assets. These valuations are reviewed for reasonableness and consistency by an independent valuer.

In deriving their valuation opinions, the valuation methodology typically adopted by the valuers includes discounted cash flow methodologies, the capitalisation approach and direct comparison, which draw on comparable sales and leasing evidence, where this exists. The valuer may rely on one or more of the above approaches in determining their opinion of value.

Infrastructure investments

All directly held unlisted infrastructure investments are classified as level 3. UniSuper or its appointed asset manager obtains independent appraisal valuations for each asset at least annually on a fair value basis, generally using discounted cashflow methodology, and more frequently when the Trustee deems that there have been significant movements in value.

Derivative assets and liabilities

Derivatives are recorded at fair value using quoted prices or option valuation formulae. The Fund uses widely recognised valuation models for over the counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swaps models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own risk, foreign exchange spot and forward rates, and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within level 2.

Inputs used in fair value measurement

Depending on the methodology used and the nature of the asset being valued, significant inputs may include:

- Forecast cash flows, including growth rate assumptions
- Discount rates, including risk-free rates, market risk premiums and specific investment risk premiums ("alpha")
- Weighted average cost of capital
- Forecast foreign exchange rates
- Gearing levels
- Forecast inflation rates
- Earnings or revenue multiples

A significant change in any of these inputs may result in a significantly lower or higher fair value measurement for individual assets, but would be unlikely to have a significant impact on the overall financial position of the Fund.

The current use of non-financial assets does not differ materially from the highest and best use of the assets.

Sensitivity analysis for level 3 investments

	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE)	
			2023	2022
Property	Discounted cashflows	Capitalisation rate	4.3 - 6.1% (5%)	3.9% - 5.5% (4.7%)
		Discount rate	5.8 - 7.0% (6.3%)	5.5% - 6.3% (5.9%)
		Gearing	0 - 39.3% (13.8%)	0% - 40.1% (12.1%)
Infrastructure	Discounted cashflows	Discount rate	7.00% - 10.70% (9.44%)	6.50% - 9.40% (8.75%)
		Gearing	6.00% - 85.00% (46.7%)	0% - 85% (50%)
		Alpha	0.00% - 2.50% (0.77%)	0% - 0.50% (0.25%)

Based on the sensitivity to unobservable inputs, the valuation of infrastructure investments could reasonably vary by plus or minus \$715 million. Any sensitivity for the property investments is not expected to have a significant impact on the financial statements.

Reserves information

9 Reserves

	2023 \$'M	2022 \$'M
Operational risk reserve	326	288
Administration reserve	350	253
Investment fee reserve	51	50
External insurance reserve	29	24
Self-insurance reserve	4	3
Total reserves	760	618

A NATURE AND PURPOSE OF RESERVES

i. Operational risk reserve

Consists of funding in relation to the defined benefit division members, fees deducted from accumulation and pension members, earnings on the reserve's funds and \$26m SFT of ACS reserves. The reserve is to cover the Fund against losses associated with operational risks and is operated in accordance with APRA Prudential Standards. On 30 June 2023, the reserve balance was 0.26% of funds under management, which was above the Fund's Operational Risk Financial Requirement of 0.25%, but within the Fund's target range of 0.20% to 0.30%.

ii. Administration reserve

Comprises administration fees collected from members but not yet spent on administration activities and \$53m SFT of ACS reserves. The assets backing the reserve include an investment in property that is leased to USM and investment in the Fund's administrator, USM.

iii. Investment fee reserve

The reserve is funded by investment fees, investment fee rebates, and any other fees the Trustee may determine appropriate giving regard to the proper legislative and regulatory considerations.

iv. External insurance reserve

Relates to a small loading charged to members on the external insurer's premium. This reserve is used to fund improvements in the external insurance offering.

v. Self-insurance reserve

Consists of insurance premiums collected from Accumulation 2 members (defined benefit members who have elected to move into accumulation) to meet Fund death and disability insurance payments. The insurance products covered by this reserve were outsourced to an external insurer from 3 January 2015. As a result, the reserve is now in 'run-off' mode.

Cash flow information

10 Cash and cash equivalents

	2023 \$'M	2022 \$'M
Cash	542	183
Cash held in Custody	17,247	13,897
Total cash and cash equivalents	17,789	14,080

11 Reconciliation of profit after income tax to net cash inflow from operating activities

	2023 \$'M	2022 \$'M
Net (loss)/profit after income tax expense	(231)	592
Allocation to members accounts	9,256	(3,484)
Movement in net market value of investments	(6,047)	6,649
Change in operating assets and liabilities	-	-
Decrease/(increase) in sundry debtors & prepayments	6	(7)
(Decrease)/increase in sundry creditors	(12)	40
Increase/(decrease) in income tax payable	(85)	(581)
(Decrease)/increase in deferred tax liabilities	547	(788)
(Decrease) in other provisions ¹	(111)	(78)
Net cash inflow from operating activities	3,323	2,343

¹ Group life insurance premiums have been reclassified from financing activities to operating activities. Comparatives have been restated accordingly.

Tax information

12 Income tax expense

	2023 \$'M	2022 \$'M
A INCOME TAX EXPENSE		
Current tax	(143)	(161)
Deferred tax	547	(788)
Under/(over) provision in prior years	(50)	(71)
Total income tax expense/(benefit)	354	(1,020)
<i>Income tax expense/(benefit) is attributable to:</i>		
Tax on profit/(loss) from continuing operations	354	(1,020)
<i>Deferred income tax (revenue)/expense included in income tax expense comprises:</i>		
Increase/(decrease) in deferred tax liabilities (note 13)	547	(788)
B NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Net operating result before income tax expense	9,379	(3,912)
Tax at the Australian tax rate of 15% (2022:15%)	1,407	(587)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Differences between tax and accounting gains	(291)	644
Exempt pension income	(208)	(244)
Imputation credits and other tax credits ¹	(491)	(751)
Sundry items	(13)	(11)
Other	-	-
Total tax effect of amounts which are not deductible/(taxable) in calculating taxable income	404	(949)
Under/(over) provision in prior years	(50)	(71)
Income tax expense/(benefit)	354	(1,020)

¹ FY23 Imputation credits and other tax credits includes \$52.5m of Foreign income tax credits (FY22 \$51.6m)

13 Deferred tax liabilities

	2023 \$'M	2022 \$'M
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Unrealised investment income	2,062	1,515
Net deferred tax liabilities	2,062	1,515
<i>Movements:</i>		
Opening balance at 1 July	1,515	2,303
Charged/(credited) to the statement of changes in net assets (Note 11)	547	(788)
Closing balance at 30 June	2,062	1,515
Deferred tax liabilities to be settled within 12 months	-	-
Deferred tax liabilities to be settled after more than 12 months	2,062	1,515
Total deferred tax liabilities	2,062	1,515

Remuneration

14 Key management personnel disclosures

A DIRECTORS AND CONSULTANTS COMPENSATION (PAID BY UNISUPER)

UNISUPER	2023 \$'000	2022 \$'000
Short-term employee benefits	1,536	1,439
Post-employment benefits	124	112
Total ¹	1,660	1,552

¹ The above figures include amounts paid or payable to Directors and Consultants pertaining to their duties for UniSuper Limited, the Trustee of UniSuper, and USM. Comparatives have been restated to add Consultants with voting rights not included in FY22.

B VESTED BENEFITS OF DIRECTORS AND CONSULTANTS

UNISUPER	2023 \$'000	2022 \$'000
Vested benefits ¹	8,705	8,035

¹ The above figures include amounts payable to Directors and Consultants. Comparatives have been restated to add Consultants with voting rights not included in FY22.

C EXECUTIVES COMPENSATION (PAID BY UNISUPER MANAGEMENT PTY LTD)

UNISUPER MANAGEMENT PTY LTD	2023 \$'000	2022 \$'000
Short-term employee benefits	6,304	4,850
Post-employment benefits	575	575
Long term employment benefits	89	54
Termination benefits	-	1,200
Total	6,969	6,679

D VESTED BENEFITS OF EXECUTIVES

UNISUPER MANAGEMENT PTY LTD	2023 \$'000	2022 \$'000
Vested benefits	9,872	14,032

E REMUNERATION REPORT

UniSuper seeks to attract and retain highly experienced and capable employees so that we can deliver on our purpose of providing greater retirement outcomes for our members.

How a person goes about performing their work is paramount as it underpins UniSuper's culture and way of doing things.

Providing fair, equitable and competitive remuneration for UniSuper's Directors, Executives and employees is central to supporting our purpose. The information contained in this remuneration report provides an overview of UniSuper's non-Executive Director and Executive remuneration practices.

The remuneration report is set out under the following main headings:

1. Governance and oversight of UniSuper's remuneration practices
2. Directors' remuneration
3. Executives' remuneration

1 Governance and oversight of UniSuper's remuneration practices

The Boards of UniSuper Limited (USL) and UniSuper Management Pty Ltd (USM) have established Remuneration Committees ('the People and Remuneration Committee') which assist the Boards to discharge their corporate governance responsibilities.

The People and Remuneration Committee maintains oversight of and seeks to ensure that UniSuper has

FINANCIAL STATEMENTS – UNISUPER AND CONTROLLED ENTITIES

robust and coherent remuneration policies and practices in place. At all times, UniSuper seeks to fairly and responsibly attract, retain, motivate and reward high calibre employees who display and model UniSuper's values and culture.

The People and Remuneration Committee is responsible for making recommendations to the Board regarding matters such as:

- UniSuper's total rewards program including formulation of the USM Remuneration Policy
- The fees to be paid to Directors and non-Director committee members
- Remuneration of the CEO and the Executive Leadership Team

From time to time the People and Remuneration Committee engages remuneration consultants to provide specialist independent advice to ensure that:

- UniSuper's remuneration is in line with industry standards
- UniSuper continues to attract and retain high quality employees to serve its members

2 Directors' remuneration

In setting the Directors' remuneration, the USL Board (with guidance from the People and Remuneration Committee) seeks the advice of independent remuneration consultants to ensure the Directors' fees are appropriate and in line with the broader financial services market.

Specifically, a full external review is conducted every three years. In the interim, adjustments may be made where appropriate (and within already approved limits), and having considered remuneration benchmarking and other relevant data. The key objective is to ensure that Directors are remunerated fairly, having regard to their skills, experience and responsibility.

The Directors' fees are determined within an aggregate Director fee pool limit which is periodically approved by shareholders at the Annual General Meeting (AGM) and subject to annual indexation. The fee pool is \$1,390,000 for the 2023 financial year. A decision was made to increase Directors' fees by 4.00% in 2023.

UniSuper has both independently appointed Directors and representative Directors. Accordingly, the remuneration of Directors differs between these two categories, as follows:

- Independently appointed Directors – the fees are based on comparable positions in other superannuation funds and the financial services sector more broadly; and
- Representative Directors – the fees are compared to representative Directors of other profit-for-members superannuation funds.

The fees payable to individual Directors may be delivered as a combination of cash and superannuation at the Director's discretion (subject to minimum superannuation guarantee requirements).

Directors' remuneration fees payable for the 2023 and 2022 financial years:

	2023	2022
	\$	\$
Board		
Chair	263,953	250,193
Deputy Chair ¹	13,856	-
Other independently appointed Directors	131,976	125,096
Representative Directors	65,988	62,548
Committee chairs		
Investment	45,501	43,130
Audit Risk & Compliance, Insurance, Technology & Projects	34,129	32,350
People and Remuneration	21,155	20,052
Committee members		
Investment, Audit Risk & Compliance, Insurance, Technology & Projects	21,616	20,489
People and Remuneration	13,423	12,724

¹ Deputy Chair was a new role established from 1 July 2022

The Board Chair fee is all inclusive. Fees for other Directors are the sum of the Board fee plus additional fees aligned to the roles played in the individual Board Committees. The fee for the Deputy Chair is the sum of the Board fee plus additional fees aligned to the role as Deputy Chair and roles played in the individual Board Committees.

Directors do not receive performance related incentives, long service leave, retirement or termination benefits.

Directors are appointed or elected for a term of three years but are eligible for further terms subject to being reappointed or re-elected.

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES

Aggregate Directors' remuneration information for the 2023 and 2022 financial years:

DIRECTORS <i>Role & appointment details</i>	YEAR	SHORT TERM	POST EMPLOYMENT	TOTAL (\$)
		<i>Cash salary</i> (\$)	<i>Super</i> (\$)	
Mark Armour Independent Director & Chair (from 01/01/2023) ¹	2023	233,035	24,469	257,504
	2022	182,342	18,234	200,576
Grahame McCulloch National Union Nominated Director & Deputy Chair ²	2023	103,968	10,875	114,843
	2022	91,497	9,150	100,647
Professor Peter Dawkins Employer Nominated Director	2023	86,379	-	86,379
	2022	82,660	-	82,660
Nicole Gower Employer Nominated Director ³	2023	83,038	3,450	86,488
	2022	85,128	-	85,128
Professor Lelia Green Member Nominated Director	2023	79,280	8,324	87,604
	2022	75,488	7,549	83,037
Amy Griffiths Member Nominated Director	2023	79,280	8,324	87,604
	2022	75,488	7,549	83,037
Professor Sandra Harding Employer Nominated Director ⁴	2023	95,260	-	95,260
	2022	44,381	-	44,381
Sarah Roberts National Union Nominated Director ⁵	2023	92,549	-	92,549
	2022	72,462	-	72,462
Nicolette Rubinsztein Independent Director	2023	169,884	17,838	187,722
	2022	161,760	16,176	177,936
Peter Warne Independent Director (from 01/01/2023) ⁶	2023	78,138	8,204	86,342
	2022	-	-	-
Stephen Somogyi Employer Nominated Director	2023	90,604	9,513	100,117
	2022	86,271	8,627	94,898
Dr Jane den Hollander Independent Director (to 25 October 2021)	2023	-	-	-
	2022	29,728	2,973	32,701
Ian Martin Independent Director & Chair (to 31/12/2022)	2023	119,436	12,541	131,977
	2022	227,448	22,745	250,193
TOTAL	2023	1,310,851	103,538	1,414,389
	2022	1,214,653	93,003	1,307,656

¹ Mark Armour was appointed as a member of the People and Remuneration Committee effective 1 January 2023.

² Grahame McCulloch was appointed as Deputy Chair of the Board effective 1 January 2022.

³ Remuneration for Nicole Gower was paid to her employer - Macquarie University until 31 January 2023. Remuneration from 01 Feb 2023 paid directly to Nicole Gower.

⁴ Sandra Harding was appointed as a member of the Technology and Projects Committee effective 1 January 2023.

⁵ Remuneration for Sarah Roberts is paid to her employer - National Tertiary Education Union. Additional appointment as Chair of the Technology and Projects Committee effective 1 January 2023.

⁶ Peter Warne was appointed as a Chair of the Investment Committee effective 1 January 2023.

Consultants who have voting rights and qualify as KMP per the definition in AASB124:

CONSULTANTS	YEAR	SHORT TERM	POST EMPLOYMENT	TOTAL (\$)
		Cash salary (\$)	Super (\$)	
<i>Role & appointment details</i>				
Christopher Cuffe Investment Committee member	2023	55,068	5,782	60,850
	2022	54,795	5,479	60,274
Anthony Fitzgerald Investment Committee member	2023	55,068	5,782	60,850
	2022	54,795	5,479	60,274
Felicity Gates Investment Committee member	2023	55,068	5,782	60,850
	2022	54,795	5,479	60,274
Dr Susan Gould Insurance Committee member	2023	30,288	3,180	33,468
	2022	30,137	3,014	33,151
Jennifer Lang Insurance Committee member ¹	2023	30,000	-	30,000
	2022	30,000	-	30,000
TOTAL	2023	225,492	20,526	246,018
	2022	224,522	19,451	243,973

¹ Consultant fees for Jennifer Lang are paid to an incorporated entity.

3 Executives' remuneration

3.1 Overview

All Executives are employed and paid by USM (the fund administrator) which is an Investment within Unisuper and Controlled Entities Group (Fund).

USM has a formal remuneration policy (The Remuneration Policy) in place. The Remuneration Policy is designed to be robust and transparent and to support the business strategy and goals. At all times there is a focus on aligning Executive remuneration outcomes with ensuring great retirement outcomes for our members. The Remuneration Policy also articulates clear governance gateway consequences and risk expectations of every Executive member.

Executives do not receive any equity based remuneration.

3.2 UniSuper's guiding remuneration principles

The Remuneration Policy details the remuneration philosophy, structures and objectives designed to achieve UniSuper's purpose - "to provide greater retirement outcomes for members" and support the achievement of our vision to be the "best value superannuation fund in Australia".

USM's remuneration philosophy is to provide fair, flexible and competitive remuneration, reflective of market practice.

The Remuneration Policy aims to achieve the following objectives:

- Encourage behaviours that support UniSuper's culture, risk appetite and values

- Appropriately reward UniSuper employees for their performance outcomes
- Reward performance that contributes to Fund strategy and success
- Assure gender pay equity
- Attract, motivate and retain high calibre employees

At all times, there is an overarching focus on ensuring that Executives (and their teams) meet the governance gateway behavioural expectations and live UniSuper's values in performing their work and delivering great retirement outcomes for our members.

3.3 Remuneration components

There are two components that make up an individual's total remuneration package:

- a. Fixed remuneration; and
- b. Variable remuneration

3.4 Fixed remuneration

Fixed remuneration is made up of base salary and employer superannuation contributions. Fixed remuneration is reviewed annually; however, annual fixed remuneration increases are not guaranteed (and are assessed on a case by case basis).

3.5 Variable remuneration

At the discretion of the USM Board, Executives may be eligible to receive an annual incentive (sometimes referred to as performance-based remuneration) in recognition of their performance.

The incentive is comprised of two components:

- a. UniSuper corporate performance; and
- b. Individual (and team) performance.

FINANCIAL STATEMENTS – UNISUPER AND CONTROLLED ENTITIES

The incentive forms part of the annual performance management cycle (described in more detail below).

Variable remuneration is calculated on an annual cycle (with approval by the USM People and Remuneration Committee and Board post 30 June) and is payable in September. A portion of the CEO's variable remuneration is deferred at a rate of 10% for one year and 10% for two years, subject to a number of pre-conditions. The USM People and Remuneration Committee and Board exercises its sole discretion to pay the Deferred Component at time of vesting. All incentives are paid in cash with no access to any share-based payments.

3.6 UniSuper corporate performance component

The UniSuper corporate performance component focuses on the overall performance of UniSuper as an organisation, aligned with strategic priorities and goals. It is linked to key result areas (KRAs) including:

1. Strong investment performance;
2. Great value and low fees
3. Excellent service,
4. Fund growth
5. Member retention, and
6. Employee engagement and turnover

a. Individual (and team) component

First and foremost, the individual (and team) component at all times requires the mandatory attainment of clear expectations in relation to individual governance requirements and workplace behaviours (i.e. a governance and behavioural gateway).

It is also directly linked to achieving outcomes specific to the area of the Executive's operation and control (and such outcomes will vary from year to year depending on the business plan). As such, the annual performance management cycle underpins the individual component of the annual incentive.

The annual performance management cycle (for all employees, including Executives) incorporates three phases:

1. Planning of agreed targets for the year ahead, for both the Fund and the individual;
2. Tracking and providing feedback on performance during the year; and
3. Review and assessment of performance against agreed targets and behaviours at the end of the year.

In order to utilise their strengths and provide new skills and knowledge, Executives are also provided with targeted learning and development opportunities.

Accordingly, the individual component of the annual incentive is linked to performance against targets (which are developed and agreed annually as part of the above performance management cycle) and includes rigorous assessment and scrutiny by the People and Remuneration Committee and Board.

3.7 Variable remuneration is at risk

The award of an incentive to an Executive is never guaranteed and is always at the full discretion of the Board (with advice from the People and Remuneration Committee). Any decisions to award an incentive are based on market relativities and the level of direct impact each individual can have on the results of the Fund.

Importantly, good governance underpins everything we do at UniSuper and all employees are expected to adhere to a set of core governance standards and behavioural expectations. This sets a threshold that must be met before any incentives are awarded (i.e. a governance and behavioural gateway).

3.8 Individual USM Executive remuneration

USM is committed to the highest levels of transparency and disclosure regarding each Executive.

The aggregate level of remuneration (i.e. fixed plus variable remuneration) for each Executive (for the 2022/2023 financial year) is provided below.

EXECUTIVES ¹	YEAR	SHORT TERM			POST	TERMINATION / OTHER		TOTAL (\$)
		Cash salary (\$) ³	Cash incentive (\$) ⁴	Deferred incentive (\$) ⁵	EMPLOYMENT Super (\$)	LONG TERM	PAYMENTS (\$) ²	
Role & appointment details						Long service (\$) ⁶		
Peter Chun Chief Executive Officer ⁷	2023	752,525	292,262	73,066	127,929	6,259	-	1,252,041
	2022	595,385	311,688	77,922	118,351	750	-	1,104,096
Kevin O'Sullivan Chief Executive Officer (to 10 September 2021)	2023	-	-	-	-	-	-	-
	2022	110,947	-	-	67,899	-	466,495	645,341
Anastasia Crisafi Chief Financial Officer	2023	361,217	124,660	-	38,783	2,207	-	526,867
	2022	92,045	-	-	15,648	112	-	107,805
Danielle Mair Chief Member & Advice Officer	2023	384,696	137,976	-	40,401	2,458	-	565,531
	2022	124,475	-	-	12,448	154	-	137,077
Steven McGregor Chief Delivery & Information Officer	2023	420,860	137,671	-	44,199	7,398	-	610,128
	2022	409,091	145,913	-	40,909	2,763	-	598,676
Danielle Murrie Chief Marketing & Growth Officer	2023	399,201	168,307	-	67,864	2,760	-	638,132
	2022	178,994	67,086	-	30,429	224	-	276,733
John Pearce Chief Investment Officer ⁸	2023	652,628	947,813	-	97,372	33,640	-	1,731,453
	2022	641,329	824,674	-	109,026	30,573	-	1,605,602
Andrew Raftis Chief Risk Officer	2023	372,008	120,017	-	63,241	5,251	-	560,517
	2022	316,502	111,555	-	53,805	4,950	-	486,812
Julie Watkins Chief People Officer	2023	356,532	140,800	-	60,610	19,723	-	577,665
	2022	324,970	128,155	-	55,245	14,123	-	522,493
Siva Sivakumaran Strategic Adviser to CEO (from 1 July 2022)	2023	330,468	131,546	-	34,705	9,756	-	506,475
	2022	-	-	-	-	-	-	-
Lee Scales Chief Customer Officer (to 30 November 2021)	2023	-	-	-	-	-	-	-
	2022	146,046	43,460	-	34,105	-	547,400	771,011
Anand Thomas Chief Strategy & Marketing Officer (to 30 November 2021)	2023	-	-	-	-	-	-	-
	2022	140,861	58,645	-	37,359	-	186,087	422,952
TOTAL	2023	4,030,135	2,201,052	73,066	575,104	89,453	-	6,968,810
	2022	3,080,645	1,691,176	77,922	575,224	53,649	1,199,982	6,678,598

¹ The above table includes permanent appointments only.

² This relates to contractual obligations paid to Executives in certain circumstances on departure.

³ Cash salary includes the total cost of salary including annual leave accrual and any salary sacrificed benefits.

⁴ The Cash STI incentive applicable to each financial year is reviewed by the USM People and Remuneration Committee and approved by the USM Board post 30 June and paid in September, subsequent to the end of the financial year.

⁵ 50% will vest in Y2 and remainder will vest in Y3 based on successful completion of agreed performance targets.

⁶ This includes the net of long service leave entitlements accrued/paid during the year calculated under the relevant accounting standard and in some cases entitlements have not yet vested with the Executive.

⁷ Cash incentive amount for CEO in FY22 was reclassified to exclude deferred component.

⁸ This Executive is entitled to an additional two weeks annual leave.

FINANCIAL STATEMENTS - UNISUPER AND CONTROLLED ENTITIES

Summary of Executives annual incentive payments:

EXECUTIVES	YEAR ¹	INCENTIVE POTENTIAL (ON TARGET) (%)	INCENTIVE POTENTIAL (MAXIMUM) (%)	FIXED REM (\$)	INCENTIVE (\$)	DEFERRED INCENTIVE (\$)
Peter Chun	2023	35	50	880,308	292,262	73,066
	2022	35	50	842,400	311,688	77,922
Anastasia Crisafi	2023	25	40	400,000	124,660	-
	2022	-	-	-	-	-
Danielle Mair	2023	25	40	425,000	137,976	-
	2022	-	-	-	-	-
Steven McGregor	2023	25	40	465,000	137,671	-
	2022	25	40	450,000	145,913	-
Danielle Murrle	2023	25	40	467,000	168,307	-
	2022	25	40	450,000	67,086	-
John Pearce	2023	-	150	750,000	947,813	-
	2022	-	150	750,000	824,674	-
Andrew Raftis	2023	25	40	435,000	120,017	-
	2022	25	40	370,000	111,555	-
Julie Watkins	2023	25	40	417,000	140,800	-
	2022	25	40	380,000	128,155	-
Siva Sivakumaran	2023	25	40	365,000	131,546	-
	2022	-	-	-	-	-

¹ The incentives applicable to the 2023 financial year were reviewed by the People and Remuneration Committee and approved by the USM Board post 30 June and paid in September, subsequent to the end of the financial year.

15 Remuneration of auditors

	2023 \$'000	2022 \$'000
PricewaterhouseCoopers - Audit and assurance services (FY22: Ernst & Young)		
Audit and review work of financial statements	426	254
Other assurance services, including audit of regulatory returns	180	134
Total remuneration for assurance services¹	606	388
PricewaterhouseCoopers - Non-audit services (FY22: Ernst & Young)		
CPS234 Tripartite review	-	110
Best Financial Interest Duty Framework	-	53
SFTP review - non audit services	67	-
Board awareness training	33	-
Stamp Duty Services	14	-
Total remuneration for non-audit services²	114	163

¹ Balances include audit and assurance fees for the Fund, the Trustee and investment subsidiaries. As the Fund cannot recover 100% of the GST credits, the amounts disclosed are inclusive of GST.

² As the Fund cannot recover 100% of the GST credits, the amounts disclosed are inclusive of GST.

16 Remuneration of actuaries

	2023 \$'000	2022 \$'000
<i>Willis Towers Watson</i>		
Actuarial investigation (FY23 Triennial, FY22 Annual)	179	127
Mid-Year Assumption Review	49	-
Provision of updated CRIP Factors	7	-
Investments stress testing	68	-
Total remuneration for actuarial services¹	303	127

¹ As the Fund cannot recover 100% of the GST credits, the amounts disclosed are inclusive of GST.

Other notes to the Financial Statements

17 Administration expenses

	2023 \$'M	2022 \$'M
<i>Net operating profit before income tax includes the following specific expenses:</i>		
UniSuper Management administration fees	75	53
APRA fees	4	4
Governance	4	3
Other expenses	14	20
Total administration expenses	97	80

18 Related party transactions

A PARENT ENTITIES

The ultimate parent of the Fund is USL. As set out in note 2(B)iv, consolidated accounts have not been prepared.

B CONTROLLED ENTITIES

Interests in controlled entities are set out in note 22.

C KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 14.

D OTHER RELATED PARTY TRANSACTIONS

(i) QIC Limited (QIC) QIC Limited is the trustee of multiple unlisted direct investment property trusts. The Fund held a 19.8% (2022: 19.8%) interest in QIC Australia Core Plus Fund. All transactions were made on normal commercial terms, under normal conditions and at market rates.

Mr I Martin was a director (Chair) of QIC Limited and QIC Private Capital Ltd. Mr I Martin ceased to be a director of UniSuper 31 December 2022.

(ii) UniSuper Limited, as trustee of the Fund has appointed representatives from UniSuper Management Pty Ltd, in addition to independent representatives to serve as Directors on the Board and/or Investment Committee Advisors of the Fund's significant investments and controlled entities. Based on these appointments any entity where the requirements of control or significant influence is met has been included in the Fund's significant entities listing or in note 22 controlled entities.

E TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

The Fund pays USM Administration and Investment management fees for rendering superannuation administration services. In accordance with the agreement between the Fund and USM, the administration fees are collected from the members and 72.5% of the fees collected are paid to USM for rendering of administrative services. In addition Investment fees are paid by the Fund to USM for carrying out investment activities.

	2023 \$'000	2022 \$'000
Purchase/provision of services		
Administration services fees (paid) by UniSuper to controlled entities (USM)	(75,231)	(53,333)
Investment management fees (paid) by UniSuper to controlled entities (USM)	(290,300)	(206,526)
Trustee fee (paid) by UniSuper to UniSuper Ltd (the Trustee) ¹	(2,386)	(15,932)
Rental agreement (received) by UniSuper from controlled entities (USM)	470	-
Other Income (payable) by UniSuper to controlled entities (USM)	(1,717)	-
Financial advice services rendered by USM	(8,662)	(8,437)
Dividend and distribution revenue and other significant transactions²		
Controlled entities	76,567	116,571

¹ The Trustee fee disclosed excludes GST. The Consultative Committee (which comprises representative members of the Fund and employer-sponsors) approved and voted in favour of a trustee fee payment from the Fund to the Company totalling \$21.5m (exclusive of GST). The amount has been settled with the Trustee and no further amount is payable at this stage.

² Transactions relating to dividends and distributions were on normal commercial terms and conditions.

F OTHER SIGNIFICANT INVESTMENTS

The table below lists details of other significant investments held by the Fund. The maximum exposure or loss is equal to the fair values of investments in these entities plus any capital commitments made by a related party to an underlying entity. Once the Fund has disposed of its interest it ceases to be exposed to any risk from these entities. The Fund's capital commitments are set out in note 21.

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

All transactions were made on normal commercial terms, under normal conditions and at market rates.

INVESTMENT	EQUITY HOLDING 2023 %	EQUITY HOLDING 2022 %
	Leichhardt Coal Pty Ltd	49.00
Sydney Airport	15.01	15.01
Taumata Plantations Limited	27.88	27.88
Hancock Victorian Plantations Pty Ltd	16.66	16.66

G OTHERS

Superannuation contributions of Directors and employees of USM are under standard commercial arrangements.

All other transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

19 Segment information

The Group operates solely within the financial services industry in Australia to provide retirement benefits for its members. The investments of the Group consist of both domestic and foreign assets.

20 Contingencies

UniSuper had no contingent assets or contingent liabilities at 30 June 2023 (2022 \$Nil).

21 Commitments

	2023 \$'M	2022 \$'M
<i>Investment commitments</i>		
Payable:		
Within one year	871	301

22 Controlled entities

The Fund's controlled entities are listed below. UniSuper Limited, as Trustee of the Fund, beneficially holds the interests in these entities on behalf of the Fund. The controlled entities are not consolidated in accordance with the accounting policy described in note 2 (B)(iv):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING OF UNISUPER LIMITED	
			2023 %	2022 %
UniSuper Management Pty Ltd	Australia	Ordinary	100	100
Highlander Investments No. 1 Pty Ltd	Australia	Ordinary	100	100
Highlander Investments No. 2 Pty Ltd	Australia	Ordinary	100	100
Highlander Investments Trust	Australia	Trust Units	100	100
Highlander Retail Holdings Pty Ltd	Australia	Ordinary	100	100
UniSuper KSC Intermediate Trust	Australia	Trust Units	100	100
KSC Trust	Australia	Trust Units	100	100
KSC Residential Trust	Australia	Trust Units	100	100
M Property Trust	Australia	Trust Units	100	100
Parkville Holdings Nominees Pty Ltd	Australia	Ordinary	100	100
Parkville Trust	Australia	Trust Units	100	100
TESS Property Holdings Pty Ltd	Australia	Ordinary	100	100
UniSuper Forestry Investments Limited	New Zealand	Ordinary	100	100
UniSuper Forestry Trust No. 1	Australia	Trust Units	100	100
UniSuper International Investments Trust	Australia	Trust Units	100	100
Water Investments Trust	Australia	Trust Units	100	100
Wattletree Trust	Australia	Trust Units	100	100
TESS UniSuper International Credit Trust	Australia	Trust Units	100	100
TESS UniSuper Infrastructure Trust	Australia	Trust Units	100	100
TESS UniSuper Uniseed Trust	Australia	Trust Units	100	100
UniSuper Infrastructure USA Inc	United States	Ordinary	100	100
TESS UniSuper Private Capital Trust	Australia	Trust Units	100	-
TESS UniSuper International Credit Trust II	Australia	Trust Units	100	-
TESS UniSuper Oak Trust	Australia	Trust Units	100	-
TESS UniSuper Private Credit Co-Investment Trust	Australia	Trust Units	100	-
Cawley Road Industrial Trust	Australia	Trust Units	100	-
Deer Park Industrial Trust	Australia	Trust Units	100	-
Australian Core Retail Trust	Australia	Trust Units	100	-
Adelaide Airport Limited	Australia	Ordinary	51	49
Prospect Water Trust	Australia	Trust Units	100	100

23 Successor fund transfer

On 1 December 2022, the Fund undertook a Successor Fund Transfer of Australian Catholic Superannuation and Retirement Fund (ACS).

As a result, all of the ACS assets and members were successor fund transferred into the Fund and recorded as a transfer in the 'Statement of changes in member benefits' effective 1 December 2022.

As part of the successor fund transfer, all investments were valued in line with UniSuper's valuation policy.

	TRANSFERRED TO UNISUPER ON 01 DECEMBER 2022
INVESTMENT ASSETS	
Australian Shares	2,726
International Shares	2,415
Private Equity	501
Property	1,023
Infrastructure	1,548
Fixed Income	1,307
Cash	759
Total Investments	10,279
OTHER ASSETS	
Cash and cash equivalents	32
Total other assets	32
Total assets before subsequent SFT transfers	10,311
Subsequent SFT Transfers	29
Total assets	10,340
LIABILITIES	
Net assets available for member benefits	10,340
MEMBER LIABILITIES	
Defined contribution member liabilities	10,261
Defined benefit member liabilities	-
Total member liabilities	10,261
Total net assets	79
EQUITY	
Administration reserve	53
Operational risk reserve	26
Defined benefits surplus	-
Total equity	79

24 Events occurring after the balance date

No significant events have occurred since the end of the reporting period which would impact on the financial position of The Fund as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

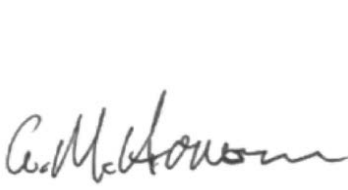
Trustee's declaration to the members of UniSuper

In the opinion of the directors of the Trustee of UniSuper:

- a. the financial report set out on pages 18 to 63 is drawn up so as to present fairly the financial position of the Fund as at 30 June 2023 and the results of its operations and cash flow for the year then ended; and
- b. the operation of UniSuper was governed by the UniSuper Trust Deed dated 24 December 1982 as amended from time to time, and UniSuper was a complying superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act 1993* during the year ended 30 June 2023; and
- c. the financial statements have been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and the provisions of the Trust Deed dated 24 December 1982 as amended from time to time.

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

Signed for and on behalf of the Trustee



Chair
21 September 2023



Director



Chief Executive



Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE¹ that is a reporting entity²

Report by the RSE Auditor³ to the trustee of UniSuper (ABN: 91 385 943 850)

Opinion

I have audited the financial statements of UniSuper for the year ended 30 June 2023 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of UniSuper as at 30 June 2023 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2023.

Basis for Opinion

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

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

¹ Registrable superannuation entity (RSE) as defined in Section 10 of the SIS Act.

² APRA-regulated RSEs aside from Small APRA Funds (SAFs), as per Australian Accounting Standard AASB 1056 Superannuation Entities Preface and paragraph BC 35

³ RSE Auditor as defined in Section 10 of the SIS Act.



Key Audit Matters

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

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Valuation of level 3 assets</i> <i>Refer to Note 8 - Financial risk management</i></p> <p>As at 30 June 2023, UniSuper's level 3 assets included investments in infrastructure, property and unlisted investment funds, amongst others.</p> <p>Note 8 of the financial statements describes the valuation techniques and inputs used by UniSuper to measure the fair value of the assets under Australian Accounting Standards. UniSuper's level 3 assets are valued using the valuation provided by the relevant independent valuers.</p> <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none"> • financial significance of the level 3 asset balance; • the level of judgement involved estimating underlying assumptions used in the valuation models, including discount rate, capitalisation rate and gearing levels; and • the sensitivity of fair value to changes in key data and assumptions used in the valuation models. 	<p>I assessed the design and tested the operating effectiveness of certain controls supporting UniSuper's level 3 asset valuation process, including controls relating to the review and approval of valuations adopted.</p> <p>I performed risk assessment procedures over the portfolio of level 3 assets, taking into consideration the asset classes, valuation techniques and inputs used, market sentiment and characteristics of individual directly held assets and indirectly held assets.</p> <p>Based on the risk assessment procedures performed, for a sample of external valuations, I assessed the objectivity, competency and capability of the external valuers and evaluated whether the valuations were performed in accordance with Australian Accounting Standards.</p> <p>For certain material property assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • together with assistance from PwC real estate valuation experts, assessed the appropriateness of the valuation method and significant assumptions used in the valuations by reference to market evidence, where relevant; • on a sample basis, compared the key data (eg. market rent, lease terms and property information) provided to the external valuer by the property managers, to the underlying leases; and • compared the fair value reported by the external valuer to UniSuper's accounting records. <p>For certain material infrastructure assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • together with assistance from PwC valuation experts, assessed the appropriateness of the valuation method and significant assumptions and data used in the valuations by reference to market evidence, where relevant; • on a sample basis, compared the key data (eg. risk free rate, company risk premium and terminal value) determined by the external valuer to market evidence, where relevant; and • compared the fair value reported by the valuer/investment manager to UniSuper's accounting records

For certain material unlisted investment funds, I performed the following procedures, amongst others:

- obtained audited financial statements and direct confirmation of the value from the relevant investment manager;
- performed back-testing against net assets value used as the basis of fair value by comparing the net assets value of the unlisted investment funds to the audited financial statements obtained from the relevant investment manager; and
- compared the fair value reported by the investment manager to UniSuper's accounting records

I assessed the reasonableness of UniSuper's disclosures in the financial statements in light of the requirements of Australian Accounting Standards. In particular, I considered the reasonableness of the disclosures made in Note 8 to the financial statements.

Valuation of level 1 and 2 financial assets and liabilities

Refer to Note 8 - Financial risk management

As at 30 June 2023, UniSuper's level 1 and 2 financial assets and liabilities includes equities, Interest bearing securities, others, including short term deposits and derivative assets and liabilities, amongst others.

Note 8 of the financial statements describes the valuation methodology used by UniSuper to measure the fair value of the level 1 and 2 financial assets and liabilities under Australian Accounting Standards.

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

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

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

I tested the fair value of UniSuper's level 1 and 2 financial assets and liabilities as at balance sheet date by comparing the pricing used by the service provider to external pricing sources.

For certain material level 2 derivative assets and liabilities, I compared the fair value of the derivative valuations to the results generated from derivative valuation models using the most available market data received from brokers, inter-dealer brokers and banks.



Valuation of Defined benefit member liabilities

As at 30 June 2023, UniSuper's member liabilities includes defined benefit member liabilities.

Note 4 and 6 of the financial statements describes the actuarial valuation techniques and assumptions used by UniSuper to measure the accrued value of the defined benefit member liabilities as required by the Australian Accounting Standards. The accrued liabilities for defined benefit members are determined by UniSuper's actuary each year.

I considered this a key audit matter because of the:

- financial significance of the accrued liabilities for defined benefit members;
- judgement is involved in estimating key actuarial assumptions used in the valuation of the liabilities, including investment returns for active members and pensioners, salary inflation and price inflation; and
- the sensitivity of the defined benefit member liabilities to changes in key data and significant assumptions used in the actuarial models.

I assessed the objectivity, competency and capability of UniSuper's actuary and evaluated whether the actuarial valuation was performed in accordance with Australian Accounting Standards.

In relation to the defined benefit member accrued liabilities, I performed the following procedures, amongst others:

- together with assistance from PwC actuarial experts, assessed the appropriateness of the valuation method and significant assumptions used in the actuarial valuation by reference to market evidence, where relevant;
- on a sample basis, compared the key data (eg. salary inflation and price inflation) provided to UniSuper's actuary to member data in UniSuper's administration system; and
- compared the defined benefit member liabilities reported by UniSuper's actuary to UniSuper's accounting records.

I assessed the reasonableness of UniSuper's disclosures in the financial statements in light of the requirements of Australian Accounting Standards. In particular, I considered the reasonableness of the disclosures made in Note 4 and 6 to the financial statements

Other information

The directors are responsible for the other information. The other information comprises the information included in the Financial Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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 Standards⁴ and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so⁵.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal 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.

⁴ The Australian Accounting Standards issued by the Australian Accounting Standards Board.

⁵ Auditing Standard ASA 570 *Going Concern*, paragraph 2



- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

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

PricewaterhouseCoopers.

PricewaterhouseCoopers

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

Nicole Osborne
Partner

Melbourne
21 September 2023

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