

Financial Report for the year ended 30 June 2021

Fund:

Commonwealth Bank Group Super ABN 24 248 426 878
Registrable Superannuation Entity Registration (RSER) R1056877

Trustee:

Commonwealth Bank Officers Superannuation Corporation Pty Limited
ABN 76 074 519 798
Australian Financial Services Licence (AFSL) 246418
Registrable Superannuation Entity Licence (RSEL) L0003087



COMMONWEALTH BANK GROUP SUPER

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
Superannuation activities			
Interest		60,331	114,724
Dividends		104,781	113,935
Distributions from unit trusts		148,420	102,664
Property income		39,409	36,359
Net changes in fair value of investments	3	1,374,232	(246,120)
Total net income		1,727,173	121,562
Investment expenses		(69,854)	(69,015)
Administration expenses		(13,739)	(12,177)
Other operating expenses	6	(7,071)	(5,818)
Total expenses		(90,664)	(87,010)
Operating result before income tax		1,636,509	34,552
Income tax expense/(benefit)	7	134,304	(2,518)
Operating result after income tax		1,502,205	37,070
Net benefits allocated to defined contribution (DC) member accounts		(1,152,640)	(134)
Net change in defined benefit (DB) member benefits		(264,490)	(139,447)
Net operating result after income tax		85,075	(102,511)

COMMONWEALTH BANK GROUP SUPER

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021		2020	
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	14		592,184		373,748
Receivables					
Investment debtors		53,474		19,631	
Interest accrued		13,439		16,832	
Dividends outstanding		15,531		9,461	
Sundry debtors		9,331	91,775	9,566	55,490
Investments					
	4				
Equities - Listed		5,532,732		4,215,604	
Fixed income securities - Government		3,093,321		3,064,583	
Fixed income securities - Corporate		1,816,519		1,994,257	
Unit trusts		1,814,627		1,506,123	
Derivative assets	15 (c)	193,497		451,400	
Equities - Unlisted		647,182		600,459	
Property	8	392,009		406,927	
Pledged investments	15 (c)	15,417	13,505,304	16,153	12,255,506
Total assets			14,189,263		12,684,744
Liabilities					
Payables					
Benefits outstanding		(11,263)		(14,506)	
Investment creditors		(78,275)		(98,505)	
Sundry creditors		(15,492)	(105,030)	(14,236)	(127,247)
Derivative liabilities	15 (c)		(280,902)		(298,688)
Tax liabilities					
Current tax liabilities		(26,826)		7,120	
Deferred tax liabilities	7 (c)	(213,410)	(240,236)	(158,614)	(151,494)
Total liabilities excluding member benefits			(626,168)		(577,429)
Net assets available for member benefits			13,563,095		12,107,315
Member benefits					
Defined contribution member liabilities	13 (b)		(10,092,902)		(8,841,846)
Defined benefit member liabilities	13 (c)		(3,114,646)		(3,006,952)
Total net assets			355,547		258,517
Equity					
Operational risk financial reserve	17		33,537		30,172
Unallocated surplus/(deficiency)	13 (d)		322,010		228,345
Total equity			355,547		258,517

COMMONWEALTH BANK GROUP SUPER

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	DC member benefits \$'000	DB member benefits \$'000	Total \$'000
Opening balance as at 1 July 2020		8,841,846	3,006,952	11,848,798
Employer contributions		429,802	25,480	455,282
Member contributions		62,920	5,445	68,365
Transfers from other superannuation entities		182,401	77	182,478
Transfers to other superannuation entities		(321,801)	(14,142)	(335,943)
Income tax on contributions		(65,672)	(3,822)	(69,494)
Net after tax contributions		287,650	13,038	300,688
Benefits to members		(193,781)	(151,535)	(345,316)
Insurance premiums charged to members' accounts		(33,949)	-	(33,949)
Death and disability benefits credited to members' accounts		32,152	-	32,152
Transfer of funds from DB to DC member benefits		17,234	(17,234)	-
Equity transfers to/(from) members:				
Unallocated surplus		(8,626)	-	(8,626)
Reserve transfers to/(from) members:				
Operational risk financial reserve		(2,264)	(1,065)	(3,329)
Net benefits allocated to DC members, comprising:				
Net investment income		1,201,127	-	1,201,127
Investment fees		(29,302)	-	(29,302)
Administration fees		(19,021)	-	(19,021)
Adviser service fees		(164)	-	(164)
Net change in DB member benefits		-	264,490	264,490
Closing balance as at 30 June 2021	13	10,092,902	3,114,646	13,207,548

COMMONWEALTH BANK GROUP SUPER

**STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	DC member benefits \$'000	DB member benefits \$'000	Total \$'000
Opening balance as at 1 July 2019		8,772,240	3,000,575	11,772,815
Employer contributions		413,575	53,927	467,502
Member contributions		52,132	5,669	57,801
Transfers from other superannuation entities		205,515	302	205,817
Transfers to other superannuation entities		(343,163)	(12,853)	(356,016)
Income tax on contributions		(62,824)	(8,089)	(70,913)
Net after tax contributions		265,235	38,956	304,191
Benefits to members		(203,881)	(148,166)	(352,047)
Insurance premiums charged to members' accounts		(32,135)	-	(32,135)
Death and disability benefits credited to members' accounts		26,465	-	26,465
Transfer of funds from DB to DC member benefits		24,815	(24,815)	-
Equity transfers to/(from) members:				
Unallocated surplus		(10,214)	-	(10,214)
Reserve transfers to/(from) members:				
Operational risk financial reserve		(813)	955	142
Net benefits allocated to DC members, comprising:				
Net investment income		47,680	-	47,680
Investment fees		(27,755)	-	(27,755)
Administration fees		(19,656)	-	(19,656)
Adviser service fees		(135)	-	(135)
Net change in DB member benefits		-	139,447	139,447
Closing balance as at 30 June 2020	13	8,841,846	3,006,952	11,848,798

COMMONWEALTH BANK GROUP SUPER

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Operational risk financial reserve \$'000	Unallocated surplus/ (deficiency) \$'000	Total equity \$'000
Opening balance as at 1 July 2020	30,172	228,345	258,517
Transfer to/(from) DC member accounts	2,264	8,626	10,890
Transfer to/(from) DB member accounts	1,065	-	1,065
Operating result	36	85,039	85,075
Closing balance as at 30 June 2021	33,537	322,010	355,547

	Operational risk financial reserve \$'000	Unallocated surplus/ (deficiency) \$'000	Total equity \$'000
Opening balance as at 1 July 2019	29,993	320,963	350,956
Transfer to/(from) DC member accounts	813	10,214	11,027
Transfer to/(from) DB member accounts	(955)	-	(955)
Operating result	321	(102,832)	(102,511)
Closing balance as at 30 June 2020	30,172	228,345	258,517

COMMONWEALTH BANK GROUP SUPER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Interest received		63,862	120,020
Dividends and distributions from unit trusts		247,114	218,443
Property income		46,054	32,871
Investment expenses		(70,138)	(66,417)
Administration expenses		(13,440)	(12,981)
Other operating expenses		(4,764)	(6,034)
Death and disability insurance benefits		31,223	26,465
Insurance premiums		(34,212)	(32,135)
Income tax paid		(43,137)	(32,911)
Net cash inflows/(outflows) from operating activities	14	222,562	247,321
Cash flows from investing activities			
Proceeds from the sale of investments		16,474,744	18,454,372
Purchases of investments		(16,431,162)	(18,803,565)
Net cash inflows/(outflows) from investing activities		43,582	(349,193)
Cash flows from financing activities			
Employer contributions		455,290	467,654
Member contributions		68,042	57,550
Transfers from other superannuation entities		180,876	205,441
Transfers to other superannuation entities		(335,641)	(353,628)
Benefits paid to members		(348,735)	(350,628)
Tax on contributions paid		(71,919)	(64,408)
Net cash inflows/(outflows) from financing activities		(52,087)	(38,019)
Net increase/(decrease) in cash		214,057	(139,891)
Effects of exchange rate changes on cash		4,379	928
Cash at the beginning of the year		373,748	512,711
Cash at the end of the year		592,184	373,748

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Commonwealth Bank Group Super ("the Fund") is a statutory superannuation fund established under the Commonwealth Banks Act 1959. With effect on and from 19 July 1996, the Fund became governed by a Trust Deed made on 11 July 1996, with all the rights and liabilities of members and beneficiaries of the Fund that existed immediately before 19 July 1996 continuing, subject to the Trust Deed.

The trustee of the Fund is Commonwealth Bank Officers Superannuation Corporation Pty Limited (ABN 76 074 519 798) ("the Trustee"). It is an Australian Financial Services Licensee, holding licence number 246418 and a Registrable Superannuation Entity, holding licence number L0003087.

The Fund is a regulated superannuation fund under the Superannuation Industry (Supervision) Act 1993 ("SIS Act").

The purpose of the Fund is to provide superannuation benefits to its members. The Fund provides both defined benefits and accumulation benefits in accordance with its Trust Deed and Rules. For the purposes of the financial statements the Fund is a for profit entity.

The Fund has thirteen divisions. Twelve divisions provide predominantly defined benefits and are closed to new members. Accumulate Plus and Retirement Access are issued by the Trustee as an interest under Division F of the Fund's Trust Deed. Accumulate Plus provides accumulation benefits and Retirement Access provides account-based pension benefits and transition to retirement benefits. Both are open to new members.

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 27 September 2021. The directors of the Trustee have the power to amend and re-issue these financial statements.

(a) Guaranteed benefits

The Fund's Trust Deed and Rules require that the Commonwealth Bank of Australia ("the Bank"), as Principal Employer of the Fund, contribute amounts to the Fund. The amounts payable are determined by the Bank, on the advice of the actuary, as the amounts necessary to fund pensions and other benefits payable under the Trust Deed.

On and from 19 July 1996, Clause 117(3) of the Commonwealth Banks Act 1959 provides that the Commonwealth of Australia guarantees the due payment of any amount that is payable to or from the Fund, by the Trustee or by the Bank, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the SIS Act and Regulations, and the provisions of the Trust Deed.

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

The financial statements are presented in Australian Dollars, and are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

Where necessary, comparative figures have been restated, reclassified and/or re-positioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial investments

(i) Classification

The Fund's investments and derivative liabilities are classified as at fair value through profit or loss.

(ii) Recognition/derecognition

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

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

(iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the Income Statement.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the Income Statement in the period in which they arise as net changes in fair value of investments.

For further details on how the fair values of financial instruments are determined, refer to Note 4.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the amounts, and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, and short term deposits held with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Pledged cash at bank represents cash held as collateral for derivative transactions. The cash is held by the clearer or counterparty and is only available to meet margin calls or the collateral requirements for unrealised derivative positions.

(d) Revenue recognition

Interest revenue from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

Dividend and trust distribution income is recognised gross of withholding tax during the period in which the Fund's right to receive payment is established.

Rental income from investment properties is accounted for on a straight-line basis over the lease term on an accruals basis. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

Changes in the fair value of investments (including derivatives) are calculated as the differences between the fair value on sale, or at the reporting date, and the fair value at the previous valuation point. These are recognised on the Income Statement.

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (Australian dollars) using the exchange rates on the dates of the transactions. Foreign exchange gains and losses arise from the settlement of such transactions, and from the conversions at year end exchange rates of monetary items denominated in foreign currencies.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at balance sheet date (i.e. 30 June). Conversion differences on assets and liabilities carried at fair value are reported on the Income Statement on a net basis within net changes in fair value of investments.

(f) Receivables and payables

Receivables are carried at the nominal amounts due, which approximate their fair value. Receivables are normally settled within 30 days. Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund and are carried at the nominal amounts which approximate their fair value. They are normally settled within 30 day terms.

Investment debtors and creditors represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered at the reporting date. Trades are recorded on trade date. These amounts are recognised initially at fair value and subsequently measured at fair value.

(g) Benefits outstanding

Benefits outstanding are valued at the amounts due to members at the reporting date. This comprises pensions accrued at reporting date and lump sum benefits of members who are due a benefit but had not been paid at reporting date.

(h) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the Statement of Changes in Member Benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(i) Income Tax

Under the Income Tax Assessment Act 1997, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings, with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate, leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of these investments.

Current tax is the expected tax payable on the estimated taxable income for the current year, based on the applicable tax rate adjusted for instalment payments made to the ATO during the year, and by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

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. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Significant accounting judgements, estimates and assumptions

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments (for example, over-the-counter derivatives or unquoted securities), are valued using valuation techniques to determine their fair value. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to Note 4 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities, details of which are set out in Note 13 (c).

The Fund has entered into commercial property leases on its directly held investment properties. It has been determined that since all the significant risks and rewards of ownership are retained, the leases are to be classified as operating leases.

The Fund holds certain investments which are controlled by it. However, the Fund has determined that it is an investment entity under the definition in AASB 10 Consolidated Financial Statements as it meets the following criteria:

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

The Fund also meets all of the typical characteristics of an investment entity. As a consequence, the Fund does not consolidate these investments, but accounts for them at fair value through the Income Statement.

(k) New and amended standards adopted by the Fund

There are no new accounting standards, interpretations or amendments to existing standards that were effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

(l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(m) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3. NET CHANGES IN FAIR VALUE OF INVESTMENTS

	2021	2020
	\$'000	\$'000
Equities - Listed	1,052,619	(43,740)
Fixed income securities - Government	49,577	133,046
Fixed income securities - Corporate	7,986	(10,869)
Unit trusts	35,708	(74,789)
Derivatives	225,807	(214,542)
Equities - Unlisted	23,343	(18,231)
Property	(3,134)	(47,414)
Changes due to currency fluctuations	(17,674)	30,419
Total	1,374,232	(246,120)

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The Fund measures and recognises financial assets and liabilities at fair value on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period, without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and liabilities held by the Fund is the last traded price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value using valuation techniques with observable inputs (Level 2)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Fixed interest securities are valued at the mean of representative quoted bid and ask prices for the securities or, if such prices are not available, at prices for securities of comparable maturity, quality and type.

Investments in unlisted unit trusts are recorded at the redemption value per unit, as reported by the investment managers of such funds.

The fair value of derivatives that are not exchange traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period, taking into account current market conditions (volatility and appropriate yield curve), and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

(iii) Fair value using valuation techniques with significant unobservable inputs (Level 3)

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. These include certain unlisted unit trusts, unlisted equities, and direct property.

Unlisted equities are valued by independent third parties on either a quarterly or semi-annual basis. The adopted valuation for these investments represents the mid-point of the valuations, determined using the discounted cash flow methodology. Under the discounted cash flow methodology, a discount rate is used to present projected future cash flows in present value terms.

The Trustee generally values units in unit trusts classified as Level 3 instruments using the implied unit price provided by the underlying investment manager unless there is a specific verifiable reason to vary from the unit price provided. The Level 3 unit trusts held by the Fund hold direct property assets. As the underlying Fund's interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The fair value of direct property is determined primarily by reference to independent valuations undertaken by registered valuers, at intervals of not more than one year. Fair value is equal to the most recent independent valuation, adjusted for capital works in progress. Each property valuation typically utilises the discounted cash flow, capitalisation of net income, direct comparison, and residual value methodologies. These are based on unobservable inputs in relation to appropriate discount rates, the rate at which income is capitalised (capitalisation rate), the anticipated value of the property at the end of the holding period (terminal yield), expected vacancy periods, and rental growth rates.

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**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

4. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value hierarchy (continued)

The Trustee oversees the valuation policy applied by the investment administrator and the appointed investment manager for unlisted assets and makes further enquiries, as appropriate, relating to valuation methodology and/or key inputs used to determine valuations. Policies are regularly reviewed by management for appropriateness.

In March 2020, the World Health Organisation declared COVID-19 as a pandemic. The pandemic has had, and continues to have, a significant impact on the general business environment and financial markets. In addition, Governments in Australia and around the world have introduced significant restrictions to business in order to curb the spread of the virus. The Trustee's evaluation of Level 3 investment valuations has included further consideration relating to the economic implications of the COVID-19 pandemic and the measures taken to contain it.

Estimating the valuation implications of COVID-19 for most of the Fund's Level 3 investments has required considerable judgement by the Fund's investment managers, third party valuers and the Trustee. There is more judgement involved in estimating discount rates and future cash flows as the COVID-19 pandemic continues to evolve and there is limited economic data relating to the medium to long term implications for the Fund's Level 3 investments. While the Fund's valuations are based on prevailing market, economic and other conditions as at balance date, it corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty and the factors driving these conditions can change over relatively short periods of time. The Trustee acknowledges that current valuations are subject to higher valuation uncertainty which may change as circumstances and events continue to unfold. The Fund's Level 3 investment valuations will be updated as and when new information becomes available and will be reflected in future periods.

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

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	592,184	-	-	592,184
Receivables	91,775	-	-	91,775
Investments				
Equities - Listed	5,523,495	9,237	-	5,532,732
Fixed income securities - Government	-	3,093,321	-	3,093,321
Fixed income securities - Corporate	-	1,816,519	-	1,816,519
Unit trusts	-	1,460,691	353,936	1,814,627
Equities - Unlisted	-	-	647,182	647,182
Property	-	-	392,009	392,009
Pledged investments	-	15,417	-	15,417
Derivatives				
Futures	19,471	661	-	20,132
Options	613	41,581	-	42,194
Foreign exchange contracts	-	46,926	-	46,926
Swaps	-	84,245	-	84,245
Total financial assets	6,227,538	6,568,598	1,393,127	14,189,263
Financial liabilities				
Payables	(105,030)	-	-	(105,030)
Derivatives				
Futures	(17,563)	-	-	(17,563)
Options	-	(12,353)	-	(12,353)
Foreign exchange contracts	-	(132,951)	-	(132,951)
Swaps	-	(118,035)	-	(118,035)
Total financial liabilities	(122,593)	(263,339)	-	(385,932)
	6,104,945	6,305,259	1,393,127	13,803,331

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NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value hierarchy (continued)

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	373,748	-	-	373,748
Receivables	55,490	-	-	55,490
Investments				
Equities - Listed	4,205,525	10,079	-	4,215,604
Fixed income securities - Government	-	3,064,583	-	3,064,583
Fixed income securities - Corporate	-	1,994,257	-	1,994,257
Unit trusts	-	1,162,129	343,994	1,506,123
Equities - Unlisted	-	-	600,459	600,459
Property	-	-	406,927	406,927
Pledged investments	-	16,153	-	16,153
Derivatives				
Futures	18,473	566	-	19,039
Options	-	41,946	-	41,946
Foreign exchange contracts	-	242,613	-	242,613
Swaps	-	147,802	-	147,802
Total financial assets	4,653,236	6,680,128	1,351,380	12,684,744
Financial liabilities				
Payables	(127,247)	-	-	(127,247)
Derivatives				
Futures	(15,581)	-	-	(15,581)
Options	-	(15,061)	-	(15,061)
Foreign exchange contracts	-	(76,308)	-	(76,308)
Swaps	-	(191,738)	-	(191,738)
Total financial liabilities	(142,828)	(283,107)	-	(425,935)
	4,510,408	6,397,021	1,351,380	12,258,809

(b) Transfers between Levels

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

During the 30 June 2021 reporting period, there was a transfer of an unlisted security from Level 2 to Level 3 to the value of \$3,886,000. The unlisted security was originally a convertible note which converted to an unlisted equity security in June 2021.

There were no transfers between levels for the Fund during the previous reporting period.

COMMONWEALTH BANK GROUP SUPER

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

4. FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the movement in the fair value of Level 3 instruments by class of financial instrument:

2021	Equities Unlisted \$'000	Unit trusts \$'000	Property \$'000	Total \$'000
Opening balance as at 1 July 2020	600,459	343,994	406,927	1,351,380
Transfers into or out of Level 3	3,886	-	-	3,886
Gains and losses recognised in profit or loss	40,576	23,817	(15,658)	48,735
Purchases	5,000	2,067	740	7,807
Sales	(2,739)	(15,942)	-	(18,681)
Closing balance as at 30 June 2021	647,182	353,936	392,009	1,393,127

2020	Equities Unlisted \$'000	Unit trusts \$'000	Property \$'000	Total \$'000
Opening balance as at 1 July 2019	549,548	304,488	452,594	1,306,630
Transfers into or out of Level 3	-	-	-	-
Gains and losses recognised in profit or loss	(15,224)	5,709	(47,111)	(56,626)
Purchases	68,727	33,838	1,444	104,009
Sales	(2,592)	(41)	-	(2,633)
Closing balance as at 30 June 2020	600,459	343,994	406,927	1,351,380

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT (CONTINUED)

(d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements. See 4 (a) (ii) for the valuation techniques adopted.

Description	Fair value at 30 June 2021 \$'000	Unobservable inputs	Range of unobservable inputs (midpoint)	Relationship of unobservable inputs to fair value and sensitivity analysis
Airport operator	305,586	Discount rate ¹	9.25%-10.25% (9.75%)	Increased 0.5% in discount rate will decrease fair value by 8.4%, vice versa.
		Passenger No: ² - Domestic - International	4.9%-116.4% 12.2%-374.0%	Higher/(lower) passenger growth rate will increase/(decrease) the fair value.
		Inflation ³	IMF forecast	Higher/(lower) inflation will increase/(decrease) the fair value.
Freeway	82,920	Discount rate ¹	6.75%-7.75% (7.25%)	Increased 0.5% in discount rate will decrease fair value by 4.0%, vice versa.
		Refinance margin	125bps-175bps (150bps)	Lower/(higher) refinance margin will increase/(decrease) the fair value.
Electricity Transmission Facility	10,078	Discount rate ¹	5.75%-6.75% (6.25%)	Increased 0.5% in discount rate will decrease fair value by 2.0%, vice versa.
		Franking credit utilisation rate ⁴	80%	Higher/(lower) franking credit utilisation rate will increase/(decrease) the fair value.
		Inflation ³	2.50%	Higher/(lower) inflation will increase/(decrease) the fair value.
Storage Facility	56,305	Discount rate ¹	8.10%-9.10% (8.60%) ⁵	Increased 0.5% in discount rate will decrease fair value by 7.5%, vice versa.
		Inflation ³	1.50%-2.50% (2.00%)	Higher/(lower) inflation will increase the fair value.
		CAPEX and maintenance	EUR 0.5 -1.5 (EUR 1.0)	Lower/(higher) CAPEX (compared to the budget) will increase/(decrease) the fair value.
Waste to Energy/ District Heating	59,337	Discount rate ¹	9.45%-10.45% (9.95%)	Increased 0.5% in discount rate will decrease fair value by 7.2%, vice versa.
		Electricity price ⁶	EUR 30-70 (50) per MWH	Higher/(lower) electricity prices will increase/(decrease) the fair value.
		Waste gate fees ⁷	EUR 60-90 (75) per tonne	Higher/(lower) waste gate fees will increase/(decrease) the fair value.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT (CONTINUED)

(d) Valuation inputs and relationships to fair value (continued)

Description	Fair value at 30 June 2021 \$'000	Unobservable inputs	Range of unobservable inputs (midpoint)	Relationship of unobservable inputs to fair value and sensitivity analysis
Energy Generation	60,123	Discount rate ¹	8.25%-9.25% (8.75%)	Increased 0.5% in discount rate will decrease fair value by 1.8%, vice versa.
		Inflation ³	IMF forecast	Higher/(lower) inflation will increase/(decrease) the fair value.
		Capital expenditure	Planned CAPEX	Lower/(higher) CAPEX (compared to the budget) will increase/(decrease) the fair value.
Preschool Centres	68,947	Discount rate ¹	9.35%-10.35% (9.85%)	Increased 0.5% in discount rate will decrease fair value by 9.2%, vice versa.
		Inflation ³	IMF forecast	Higher/(lower) inflation will increase/(decrease) the fair value.
		Acquisition yields	Norway: 5.30% Finland: 5.60%	Higher/(lower) acquisition yield on new properties will increase/(decrease) the fair value.
Property	392,009	Discount rate	7.0%	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease) fair value by \$6.862 million/increase fair value by \$7.025 million.
		Terminal yield	6.25%	Increased/(decreased) terminal yield (+/-25 basis points (bps)) would (decrease) fair value by \$8.443 million/increase fair value by \$9.371 million.
		Capitalisation rate	6.0%	Increased/(decreased) capitalisation rate (+/-50 basis points (bps)) would (decrease) fair value by \$29.650 million/increase fair value by \$34.850 million.
		Expected vacancy period range	12 months	The higher the expected vacancy period, the lower the fair value.
		Rental growth rate range	2.5%	The higher the rental growth rate, the higher the fair value.
		Unit price	Diverse ⁸	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$35,393,600.

¹ Under the discounted cash flow methodology, the discount rate is used to present projected future cash flows in present value terms. All discount rates, with the exception of the freeway, are determined using the Capital Asset Pricing Methodology (CAPM), which is a widely accepted approach by valuation practitioners.

² These are the passenger growth rate numbers from FY22 to FY26. The passenger growth rate ranges listed above are very wide due to a low starting base where air travel is recovering post COVID-19. However, passenger growth rates are expected to stabilise (with a smaller range) once air travel has fully recovered.

³ Typically, short-term inflation is based on the IMF forecast, whilst longer term inflation is based on the target inflation of the specific country/region. However, we note that valuers can adopt their house view on inflation whilst completing the valuation exercise.

⁴ The franking credit utilisation rate represents the proportion of franking credits which are assumed to be utilised by investors.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT (CONTINUED)

(d) Valuation inputs and relationships to fair value (continued)

⁵ A range of discount rates have been adopted for different periods in the valuation. Specifically, the following ranges were adopted: 4.83% - 5.78% up to 31 December 2027, 5.0% - 6.0% between 1 January 2028 and 30 December 2037, and 11.0% - 12.0% from 1 January 2038 onwards.

⁶ Electricity prices normally range from EUR 30-70 per MWh (real 2021 figures). However, prices can be above or below the aforementioned range. Electricity prices make up c. 1/3 of the district heating price build up with the other 2/3 being government tariffs.

⁷ Waste gate fees for "normal waste" (i.e. not hazardous waste) range from EUR 60-90/tonne (real 2021 figures) in the northern part of Norway. However, this depends on different factors such as location, contract size and duration amongst others. The longer duration, the lower the waste gate fee.

⁸ The range of inputs related to the unit price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

Description	Fair value at 30 June 2020 \$'000	Unobservable inputs	Range of unobservable inputs (midpoint)	Relationship of unobservable inputs to fair value and sensitivity analysis
Airport operator	279,194	Discount rate	9.5%-10.25% (9.88%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$23.316 million.
		Franking credit utilisation rate	80%	The higher the franking credit utilisation rate and terminal value growth rate, the higher the fair value.
		Terminal value growth rate	3.0%	
Freeway	81,661	Discount rate	7.0%-7.5% (7.25%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$3.490 million.
		Franking credit utilisation rate	80%	The higher the franking credit utilisation rate, the higher the fair value.
Electricity Transmission Facility	10,443	Discount rate	6.0%-7.0% (6.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$240,750.
		Franking credit utilisation rate	80%	The higher the franking credit utilisation rate, the higher the fair value.
Storage Facility	52,018	Discount rate	6.25%-11.0%	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$3.551 million.
		Terminal value growth rate	2.0%	The higher the terminal value growth rate, the higher the fair value.
Waste to Energy/ District Heating	54,453	Discount rate	9.9%-10.4% (10.15%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$3.469 million.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENT (CONTINUED)

(d) Valuation inputs and relationships to fair value (continued)

Description	Fair value at 30 June 2020 \$'000	Unobservable inputs	Range of unobservable inputs (midpoint)	Relationship of unobservable inputs to fair value and sensitivity analysis
Energy Generation	59,066	Discount rate	8.5%-9.5% (9.0%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$1.387 million.
		Franking credit utilisation rate	80%	The higher the franking credit utilisation rate, the higher the fair value.
Preschool Centres	63,624	Discount rate	9.4%-9.9% (9.65%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by \$6.298 million.
		Terminal value growth rate	2.0%	The higher the terminal value growth rate, the higher the fair value.
Property	406,927	Discount rate	7%-7.75%	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease) fair value by \$7.058 million/increase fair value by \$7.227 million.
		Terminal yield	6.25%-7.25%	Increased/(decreased) terminal yield (+/-25 basis points (bps)) would (decrease) fair value by \$8.736 million/increase fair value by \$9.594 million.
		Capitalisation rate	6.0%-7.0%	Increased/(decreased) capitalisation rate (+/-50 basis points (bps)) would (decrease) fair value by \$30.846 million/increase fair value by \$36.186 million.
		Expected vacancy period range	12 months	The higher the expected vacancy period, the lower the fair value.
		Rental growth rate range	2.47%-2.8%	The higher the rental growth rate, the higher the fair value.
Unlisted property unit trusts	343,994	Unit price	Diverse ¹	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$34,399,400.

¹ The range of inputs related to the unit price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

(e) Valuation Processes

Portfolio reviews are undertaken regularly by the Fund's investment administrator to identify securities that may not be actively traded or have stale security pricing. This process identifies securities which could be regarded as being Level 3 securities. Further analysis, if required, is undertaken to determine the accounting significance of the identification. In the event that the security is not actively traded, and there are no or few other broker quotes to substantiate the quoted market price, an assessment is performed to determine the appropriate valuation to use that is most representative of fair value.

For Level 3 valuations, the relevant investment managers have defined valuation policies in place and the valuation process is regularly reviewed by the Trustee.

As at the reporting date, the Fund did not hold any financial instruments which were not measured at fair value on the Statement of Financial Position.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

5. FUNDING ARRANGEMENTS

The Fund's Trust Deed and Rules require that the Bank, as Principal Employer of the Fund, contribute amounts to the Fund. The amounts payable are determined by the Bank, on the advice of the actuary, as the amounts necessary to fund pensions and other benefits payable under the Trust Deed.

An actuarial investigation of the Fund as at 30 June 2018 was completed in December 2018. In line with the Fund Actuary's advice contained in the actuarial investigation report, the Bank contributes to the Fund on a monthly basis to ensure that the Fund remains in an appropriate financial position. The next actuarial investigation is due with an effective date of 30 June 2021, with the report expected to be completed by 31 December 2021.

6. OTHER OPERATING EXPENSES

	2021 \$'000	2020 \$'000
Auditor's remuneration	395	371
Advertising and sponsorship	-	-
Consultants fees	1,033	960
Project costs	2,453	1,223
Regulator fees	1,047	1,092
Other administration expenses	2,143	2,172
	<u>7,071</u>	<u>5,818</u>

7. INCOME TAX

This note provides an analysis of the Fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

(a) Income tax expense

	2021 \$'000	2020 \$'000
Income Statement		
Current income tax		
Current income tax expense	78,180	20,205
Adjustments for current tax of prior periods	1,328	(4,329)
Deferred income tax		
Relating to origination and reversal of temporary differences	54,796	(18,394)
Adjustments for deferred tax of prior periods	-	-
Income tax expense	<u>134,304</u>	<u>(2,518)</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2021 \$'000	2020 \$'000
Operating result before income tax	<u>1,636,509</u>	<u>34,552</u>
Tax at the rate of 15%	245,476	5,183
Adjustments for current tax of prior periods	1,328	(4,329)
Adjustments for deferred tax of prior periods	-	-
Net imputation and foreign tax credits	(14,868)	(11,802)
Discount on capital gains	(46,998)	24,573
Insurance premium deductions	(5,220)	(4,947)
Exempt pension income	(43,888)	(10,019)
Other assessable/(non-assessable) income	(1,526)	(1,177)
Income tax expense	<u>134,304</u>	<u>(2,518)</u>

In addition to the above, \$69,494,000 (2020: \$70,913,000) is recognised in the Statement of Changes in Member Benefits relating to tax on contributions deducted from member accounts.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

7. INCOME TAX (CONTINUED)

(c) Deferred tax balances

The balance comprises temporary differences attributable to:

	2021 \$'000	2020 \$'000
Investment income receivable	2,420	1,654
Unrealised gains/(losses) in investments	210,664	156,640
Property depreciation and building allowance	326	320
Deferred tax (assets)/liabilities	<u>213,410</u>	<u>158,614</u>

8. PROPERTY

The purpose of the Fund's property investments is to derive rental income and capital growth. The fair value of property investments, by sector, at the reporting date were:

	2021 \$'000	2020 \$'000
Freehold Property		
Retail	392,009	406,927
Total	<u>392,009</u>	<u>406,927</u>

Reconciliation of the fair value of property investments:

Opening balance as at 1 July	406,927	452,594
Additions by acquisition	-	-
Additions by capital expenditure	740	1,444
Disposals	-	-
Net changes in fair value	(15,658)	(47,111)
Closing balance as at 30 June	<u>392,009</u>	<u>406,927</u>

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

9. RELATED PARTIES

(a) Trustee and key management personnel

The trustee of the Fund is Commonwealth Bank Officers Superannuation Corporation Pty Limited ("CBOSC"). All the issued shares in CBOSC are held by the Bank. The Board of Directors of CBOSC is made up of nine non-executive directors, three of whom are Independent Directors, with the remaining comprised of an equal number of representatives of the Bank and members of the Fund. The names of the people who held the position of director at any time during the year are:

S Allen	Independent Director (Commenced 1 January 2021)
J Atkin	Independent Director (Ceased 28 November 2020)
R Vilgan	Independent Director
I Ward-Ambler	Independent Director
C L Botha	Employer Director (Commenced 20 March 2021)
J Linklater	Employer Director
K Macfarlane	Employer Director (Ceased 26 February 2021)
C J Williams	Employer Director
P Fletcher	Member Director
S Halmarick	Member Director
C Loong	Member Director (Ceased 25 March 2021)
M West	Member Director (Commenced 20 June 2021)

In addition to the non-executive directors listed above, the following are also considered to be key management personnel:

R Dias	Chief Investment Officer, Commonwealth Bank Group Super
S Durbin	Chief Executive Officer, Commonwealth Bank Group Super
B Larssen	Executive Manager Finance & Risk Management, Commonwealth Bank Group Super
J Stanley	Executive Manager Member Services, Commonwealth Bank Group Super
A Carey	Board Committee Member (Ceased 31 March 2021)
D Nott	Board Committee Member

Rule A8.2 of the Trust Deed and Rules provides that:

All costs and expenses of, and incidental to, the operation, management, administration and investment of the Fund must, to the extent that full liability therefore is not assumed by the Principal Employer, be paid from the Fund.

CBOSC's sole role is to act as trustee of the Fund. Accordingly, any expenses incurred during the year by CBOSC have been met by the Fund in terms of the rule outlined above.

Directors' interests in the fund

Certain directors are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund.

Compensation of key management personnel

Rule A21.1 of the Trust Deed and Rules provides that:

Except as otherwise agreed between the Trustee and the Principal Employer (Commonwealth Bank of Australia), a director (including any alternate director) of the Trustee is not entitled to remuneration from the Fund for acting in that capacity, but the Trustee may pay from the Fund all reasonable expenses properly incurred by a director (including any alternate director) in the exercise of that person's Powers as a director (or alternate director). Those expenses must be paid by the Principal Employer where the Fund is insufficient.

COMMONWEALTH BANK GROUP SUPER

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

9. RELATED PARTIES (CONTINUED)

(a) Trustee and key management personnel (continued)

Compensation of key management personnel (continued)

During the year, the following key management personnel have received remuneration from the Fund or the Principal Employer (Commonwealth Bank of Australia), in relation to work performed for the Trustee as a Registrable Superannuation Entity:

S Allen	Independent Director (Commenced 1 January 2021)
J Atkin	Independent Director (Ceased 28 November 2020)
R Vilgan	Independent Director
I Ward-Ambler	Independent Director
J Linklater	Employer Director (appointed, but not employed by the Bank)
K Macfarlane	Employer Director (Ceased 26 February 2021)
R Dias	Chief Investment Officer, Commonwealth Bank Group Super
S Durbin	Chief Executive Officer, Commonwealth Bank Group Super
B Larssen	Executive Manager Finance & Risk Management, Commonwealth Bank Group Super
J Stanley	Executive Manager Member Services, Commonwealth Bank Group Super

During the year, the following compensation was paid by the Principal Employer or the Fund to key management personnel for services in connection with the management of the Fund:

	2021	2020
	\$	\$
Short-term benefits (salaries, director fees)	1,586,649	1,573,714
Post-employment benefits (superannuation)	113,225	107,466
Other long-term benefits	66,902	121,245
Share-based payments	89,627	72,465
Total compensation	<u>1,856,403</u>	<u>1,874,890</u>

Remuneration has not been paid to or disclosed for any other key management personnel by the Trustee, Fund, the Bank, or for any other related entities in relation to work performed for the Trustee as a Registrable Superannuation Entity.

Protection and indemnification of CBOSC

Rule A5.1 of the Trust Deed and Rules provides that:

The Trustee and each director of the Trustee is exempted from liability, and is to be indemnified out of the Fund, in respect of any cost, loss, damage, claim or liability caused or incurred in any manner (including without limitation negligence), in connection with the Powers of the Trustee or a director, as the case may be, to the maximum extent (but only to the maximum extent) permissible under the Relevant Law and, without limiting the preceding words, the Trustee may:

- (a) effect insurance in respect of a potential cost or liability of the Trustee or a director including without limitation a liability under an indemnity granted by the Trustee to such director; and
- (b) pay from the Fund premiums and other outgoings in respect of insurance effected by the Trustee or a director of the Trustee in respect of a potential cost or liability of the Trustee or that director.

To the extent that the assets of the Fund are insufficient to indemnify the directors of the Trustee under this Rule A5.1, the directors must be indemnified by the Principal Employer. For the purposes of Rule A5.1, "director" includes an alternate director.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. RELATED PARTIES (CONTINUED)

(b) Related party transactions

As the principal employer sponsor of the Fund, the Bank has certain powers in relation to the operation of the Fund provided to it under the Fund's Trust Deed and Rules. The main power being that the Principal Employer may from time to time, amend, add to, revoke or replace all or any of the provisions of the Fund's Trust Deed as the Principal Employer sees fit. The exercise of this provision is subject to restrictions under relevant legislation (primarily the SIS Act). The SIS Act imposes conditions concerning the amendment of the governing rules of superannuation schemes, which must be observed when making amendments. In addition, certain prescribed amendments may only be made with the consent of the Trustee. The SIS Act also prevents the making of a Rule change that would have the effect of reducing benefits accrued or payable to members.

The Bank provides services to the Trustee to assist it to carry out the operation, management, administration and investment functions of the Fund under material outsourcing arrangements. Agreements entered into between the Trustee and the Bank and/or related entities providing services are in writing, and are subject to terms and conditions negotiated at arm's length.

When entering into material outsourcing arrangements with related parties, the Trustee ensures that related party service providers are subject to the same rigour and conditions as those imposed on outsourcing arrangements with external service providers.

The Bank and Associated Employers are required to make contributions to the Fund and to fund member benefits in accordance with Part A9 of the Fund's Rules (refer to Note 5 for further information).

Other related entities are appointed as investment managers to manage a portion of the Fund's investments, provide member administration services, provide group life and salary continuance insurance to members of the Fund, and pay insurance benefits to members of the Fund. The Fund pays fees and premiums for the services provided.

Investments in and transactions with those related entities were:

	2021 \$'000	2020 \$'000
Investments:		
Fair value of cash and investments	1,019,957	1,276,414
Notional principal amount of derivatives held with related counterparties	35,982	55,100
Fair value amount of derivatives held with related counterparties	2,970	(438)
Income, (expenses) and other transactions:		
Investment income received	111,939	73,577
Net changes in fair value of investments	27,320	(83,257)
Property income received	594	658
Insurance benefits received	-	7,377
Insurance premiums expense	-	(10,469)
Investment management and investment administration expense	(3,708)	(3,672)
Member administration fees expense	(11,806)	(10,680)
Legal fees, project expenses and other charges	(3,364)	(1,534)
Paid on behalf of related parties	-	-
Owing to the Fund at year end	14	105
Owing by the Fund at year end	(3,558)	(2,820)

On 2 August 2019, the Commonwealth Bank of Australia Group ("CBA") completed the sale of Colonial First State Global Asset Management ("CFSGAM") and Realindex Investments Pty Ltd ("Realindex"). CFSGAM and Realindex are investment managers of the Fund and were related parties during a part of the prior reporting period. From the date of the sale, CFSGAM (now known as First Sentier Investors (Australia) IM Ltd) and Realindex (now known as First Sentier Investors Realindex Pty Ltd) are no longer related parties of the Fund.

On 1 November 2019, the CBA entered into a joint co-operation agreement with AIA Australia Ltd ("AIA"), under which CBA transferred its economic interest in, and direct management and oversight of The Colonial Mutual Life Assurance Society Ltd ("CMLA") to AIA. From the date of this agreement, CMLA is no longer a related party of the Fund.

There is currently a project in place to transition the administration services provided under an agreement with Colonial First State Investments to another provider during 2022. The rechargeable cost of this transition project is still being agreed. This amount is not considered material to the financial statements.

COMMONWEALTH BANK GROUP SUPER

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

9. RELATED PARTIES (CONTINUED)

(c) Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables.

(d) Interests in associates and controlled entities

The Fund holds multiple investments of which it has significant influence or control. As a result, these investments are classified as associates or controlled entities respectively.

The nature of the activities of the associates and controlled entities is to invest in direct infrastructure assets within Australia and overseas. The purpose of these investments is to generate capital appreciation and/or investment income for the Fund.

The Fund's maximum exposure to loss from its interests in associates and controlled entities is equal to their fair value plus any capital commitments.

The table below lists details of the Fund's interests in associates and controlled entities held during the year:

Name of entity	Place of business	Ownership interest		Fair value		Investment income	
		2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Rowville Transmission Facility Pty Ltd	Australia	45	45	10,078	10,443	576	503
Nest Cooperatief U.A.	Netherlands	50	50	56,305	52,018	4,287	7,995
- Vopak Terminal Eemshaven BV	Netherlands	45	45				
OSF Southern Way Unit Trust*	Australia	100	100	82,920	81,661	4,902	3,474
- Southern Way Holdings Trust	Australia	31.3	31.3				
- Southern Way Holdings Pty Ltd	Australia	31.3	31.3				
Sustainable Energy Infrastructure Holdings Trust*	Australia	50	50	60,123	59,066	4,057	(2,407)
Amarok Holding AS	Norway	75	75	59,337	54,453	6,924	(4,841)
- Nanook Invest AS	Norway	75	75				
- Kvitebjørn Varme AS	Norway	36.8	36.8				

* The Fund also controlled the entity which acted as the trustee of this Trust which had a carrying value of \$2 or less (2020: \$2 or less).

Kvitebjørn Varme AS is bound by covenant restrictions in the form of interest coverage and leverage ratios before it can distribute cash to the Fund.

There were no outstanding capital commitments in respect of the associates and controlled entities above (2020: \$0).

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**NOTES TO THE FINANCIAL REPORT
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10. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investments

The following expenditure commitments had been contracted for as at the reporting date but are not recognised as liabilities in the accounts.

	2021	2020
	\$'000	\$'000
Period to expected date of settlement:		
Within 12 months	51,023	10,302
After 12 months and before 5 years	39,193	-
After 5 years	-	-
Total	<u>90,216</u>	<u>10,302</u>

(b) Contingent liabilities

The Trustee is not engaged in any litigation or claim which is likely to have a materially adverse effect on the Fund's financial position.

11. INSURANCE

The Fund provides death and disability benefits to its members. These benefits are generally greater than the members' vested benefits.

Defined benefit members

The death and permanent disability benefits for defined benefit members are self-insured, as part of the overall funding of defined benefits. Salary continuance insurance is provided for defined benefit members of Divisions CH, CK, CM and CO (Part A) under an insurance policy with AIA Australia ("AIA") (formerly with CMLA).

Defined contribution members

The death and disability benefits for the members of Division F are covered by an insurance policy with AIA. Salary continuance insurance is provided to members of Division F on a voluntary take up basis. The benefits of this insurance is covered under an insurance policy with AIA (formerly with CMLA).

Other insurance

The Trustee purchases catastrophe insurance cover, from an external insurer, to reduce the risk of the financial position of the Fund being materially affected should a catastrophic event occur that affects certain members in a defined benefit division.

Payment of premiums

Refer to the Statement of Changes in Member Benefits for the premiums charged to member accounts and paid to the insurer as well as the benefits received from the insurer during the periods.

12. REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia ("PwC") as the auditor of the Fund and by PwC's related network firms:

	2021	2020
	\$'000	\$'000
<i>Auditors of the Fund - PwC and related network firms</i>		
Audit of the financial report of the Fund	324	302
Other assurance services		
Audit of compliance and other regulatory returns	71	69
Other services		
Tax compliance services	69	65
Other assurance services	15	154
Total remuneration for other services	<u>84</u>	<u>219</u>
	<u>479</u>	<u>590</u>

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

13. MEMBER LIABILITIES**(a) Recognition and measurement of member liabilities**

The entitlements of members to benefit payments are recognised as liabilities. They are measured as the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of their membership, up to the end of the reporting period.

(i) Defined contribution (Division F) member liabilities

Defined contribution member account balances (liabilities) are measured using unit prices based on the value of the underlying investment option(s) selected by members.

(ii) Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value at the reporting date to meet accrued member benefits on the date they are expected to fall due.

(b) Defined contribution member liabilities

Members in Division F (defined contribution members) bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each business day for movements in investment values. Refer to Note 15 for the Fund's management of the investment risks.

As at 30 June 2021, all net assets attributable to defined contribution members have been allocated to those members (2020: nil unallocated).

(c) Defined benefit member liabilities

Measurement of defined benefits member liabilities are undertaken by a qualified actuary appointed by the Trustee (the Fund Actuary). The valuation of defined benefit member liabilities reflects the actuarial assessment of accrued benefits as at the reporting date, and payable to members on retirement, resignation, death or disability.

The Fund manages its obligation to pay defined benefit member liabilities on an expected maturity basis, which is based on estimates of when such funds will be drawn down by members.

The key assumptions used to determine the value of accrued benefits for the Fund as at 30 June 2021 are set out below and have been determined by the Fund Actuary.

The change in financial assumptions from 30 June 2020 to 30 June 2021 resulted in an increase in the defined benefit member liabilities of approximately \$127 million (2020: +\$56 million).

(i) Discount rate

The assumed discount rate has been determined by reference to the investment returns expected of the defined benefit assets which are based on the Fund Actuary's actuarial model and the Fund's asset allocation. In order to reduce the mismatch between defined benefit assets and liabilities, the Trustee separately manages growth and defensive portfolios, with the pension liabilities substantially covered by the defensive portfolio. As a result of this investment approach, the Fund Actuary believes it is appropriate to use the long term expected investment returns on the growth assets to value the liabilities of members in the pre-retirement phase, and the long-term expected investment return on the assets of the partially matched portfolio to value the pensioner liabilities. A combination of the two rates is used for active members in respect of benefits expected to be paid to them in post-retirement in the form of a pension.

The discount rates used to determine the value of accrued benefits are set out below.

Assumption	Applies to	30 June 2021	30 June 2020
Discount rate (after tax)	Active members (pre-retirement)	5.50%	5.10%
Discount rate (before tax)	Active members (post-retirement)	4.10%	3.70%
Discount rate (before tax)	Pensioners (active)	2.20%	1.80%

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NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

13. MEMBER LIABILITIES (CONTINUED)

(c) Defined benefit member liabilities (continued)

(ii) Salary increases

The Fund Actuary's salary increase assumption is the best estimate rate of general inflationary increases, plus a combined productivity and promotional salary increase assumption. The assumed combined productivity and promotional salary increase is 0.8% p.a. across all ages (0.8% p.a. in 2020).

The salary increase assumptions used to determine the value of accrued benefits are set out below.

Assumption	Applies to	30 June 2021	30 June 2020
Salary increases (incl. promotional scale)	Active members (pre-retirement)	2.90%	2.10%

(iii) Pension increases

This is the best estimate rate of inflationary pension increases, developed with reference to the market implied price inflation over a duration matching that of the Fund's defined benefit liabilities.

The pension increase rates used to determine the value of accrued benefits are set out below.

Assumption	30 June 2021	30 June 2020
CPI indexation	2.10%	1.30%

(iv) Pensioner mortality rates

Assumed pensioner mortality rates were developed as part of the actuarial investigation as at 30 June 2018 and uses a variable proportion of the Australian Life Tables 2010-12 (ALT 2010-12) issued by the Australian Government Actuary for both male and female pensioners. The table is 50% of ALT 2010-12, with this scaling increasing by 1.5% per annum from age 65 for both males and females (subject to a maximum of 100% of ALT 2010-12).

In addition, an allowance for mortality improvement has been made as follows: a 2.0% p.a. reduction to these rates for each year from 30 June 2011, with these improvements reducing by 0.05% p.a. for each year over age 65 (no change from 2020).

Sensitivity

The Trustee uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The following are sensitivity calculations for the key assumptions for which reasonably possible changes would be expected to have a material effect on the Fund:

Key assumption	Reasonable Possible Change	Increase/(decrease) in member liabilities	
		30 June 2021	30 June 2020
Discount rate	+0.25%	-3.00%	-3.00%
	-0.25%	3.30%	3.10%
Salary increases	+0.25%	0.20%	0.20%
	-0.25%	-0.20%	-0.20%
Pension increases	+0.25%	2.80%	2.60%
	-0.25%	-2.50%	-2.50%
Pensioner mortality rates	+1 year longevity	4.80%	4.70%

As at 30 June 2021, 100% of defined benefit member liabilities have vested (2020: 100%).

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**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

13. MEMBER LIABILITIES (CONTINUED)

(d) Unallocated surplus/(deficiency)

	2021	2020
	\$'000	\$'000
Commonwealth Bank Group Super	322,010	228,345

As at 30 June 2021, the Fund remains in surplus. The Principal Employer continues to contribute to the Fund on a monthly basis, in line with the Fund Actuary's recommendation, following the last full actuarial investigation conducted as at 30 June 2018. Some contributions to member accounts are funded through the Fund's surplus account, which based on current actuarial assessment, will result in a gradual reduction of the surplus. This is subject to review as part of each actuarial investigation. The next actuarial investigation is due with an effective date of 30 June 2021, with the report expected to be finalised by 31 December 2021.

14. STATEMENT OF CASH FLOW RECONCILIATION

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021	2020
	\$'000	\$'000
Cash at bank	336,154	106,983
Short term deposits	67,858	103,680
Pledged cash at bank ¹	188,172	163,085
	<u>592,184</u>	<u>373,748</u>

¹ The Fund has pledged cash as collateral to cover unrealised exposures on certain derivatives. This cash is restricted for this purpose (refer to Note 15(c) for further information).

	2021	2020
	\$'000	\$'000
Reconciliation of net cash from operating activities to net operating result after income tax		
Net operating result after income tax	85,075	(102,511)
Adjustments for:		
Net changes in fair value of investments	(1,374,232)	246,120
Net benefits allocated to defined contribution members	1,152,640	134
Net change in defined benefit member benefits	264,490	139,447
Net change in current tax liabilities	33,946	(10,531)
Net change in contribution tax payable	2,425	(6,505)
Net change in deferred tax liabilities	54,796	(18,394)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	4,149	2,939
Increase/(decrease) in payables	2,262	2,292
Death and disability proceeds received from insurer	31,223	26,465
Insurance premiums paid	(34,212)	(32,135)
Net cash inflows/(outflows) from operating activities	<u>222,562</u>	<u>247,321</u>

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT

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

The Fund has an Investment Governance Framework ("IGF") established by the Trustee. The IGF sets out the Trustee's policies and procedures for the selection, management and monitoring of investments for the Fund. Appropriate governance arrangements are in place for the management team to discharge the Trustee's obligations as referenced in the IGF. For each member investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Risks are managed in accordance with the IGF and the Fund's Risk Management Framework.

(a) Market risk

(i) Price risk

Market price risk represents the risk that the values of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to individual instruments or their issuers, or factors affecting all instruments in the market.

Market risk is primarily managed through diversification across and within asset classes. The Trustee has appointed specialist investment managers within each asset class. There are controls in place to ensure that all investment activities are undertaken in accordance with agreed investment strategies.

Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 15 (a) (ii) sets out how this component of price risk is measured and managed. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The table in Note 15 (b) summarises the impact of an increase/decrease in market prices on the Fund's net assets as at 30 June 2021. The analysis is based on the assumption that the relevant index increased/decreased by the percentages specified with all other variables held constant and that the fair value of the relevant asset classes moved according to the historical correlation with the index.

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NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. However, the Trustee actively monitors the overall exposure of all foreign currency denominated assets and liabilities.

The Fund has exposure to overseas investments. All listed and direct overseas investments, other than the international equities portfolio and multi asset portfolio, are managed against a (100%) currency-hedged benchmark. The Trustee engages a specialist currency manager to monitor and manage the foreign currency exposure of the Trustee's international equities portfolio in accordance with the Trustee's hedging policy to passively hedge 25% of the international equities developed market currency exposure, leaving the emerging market currency exposure unhedged. The specialist currency manager also manages the foreign currency exposure of the Fund's real asset and alternatives portfolios. The currency hedging for the multi asset portfolio is at the discretion of the outsourced investment manager of the portfolio.

The table below summarises the Fund's financial assets and liabilities which are denominated in foreign currencies:

2021	USA A\$'000	UK A\$'000	Japan A\$'000	Europe A\$'000	Other A\$'000	Total A\$'000
Cash and cash equivalents	148,709	30,173	3,824	25,693	17,420	225,819
Due from brokers - receivable for securities sold	6,647	14,659	4,165	-	1,608	27,079
Investments	3,024,748	639,407	278,268	916,170	690,828	5,549,421
Due to brokers - payable for securities purchased	(11,997)	(13,447)	(4,173)	(1,985)	(1,113)	(32,715)
Derivative liabilities	(29,618)	(4,104)	(420)	(3,397)	(7,236)	(44,775)
	3,138,489	666,688	281,664	936,481	701,507	5,724,829
Net increase/(decrease) in exposure from foreign currency contracts	(1,990,294)	(505,679)	(189,185)	(674,956)	(77,591)	(3,437,705)
Foreign currency risk exposure	1,148,195	161,009	92,479	261,525	623,916	2,287,124
2020	USA A\$'000	UK A\$'000	Japan A\$'000	Europe A\$'000	Other A\$'000	Total A\$'000
Cash and cash equivalents	(22,260)	42,837	3,241	(628)	27,067	50,257
Due from brokers - receivable for securities sold	5,471	89	7,782	2,714	953	17,009
Investments	2,008,543	377,422	202,083	762,420	538,611	3,889,079
Due to brokers - payable for securities purchased	(3,504)	(1,945)	(7,488)	(3,066)	(1,080)	(17,083)
Derivative liabilities	(25,528)	(6,717)	(2,273)	(11,694)	(904)	(47,116)
	1,962,722	411,686	203,345	749,746	564,647	3,892,146
Net increase/(decrease) in exposure from foreign currency contracts	(967,747)	(296,500)	(139,649)	(420,434)	(210,162)	(2,034,492)
Foreign currency risk exposure	994,975	115,186	63,696	329,312	354,485	1,857,654

The table in Note 15 (b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar strengthened/weakened by 10% (10% in 2020) against each of the other currencies to which the Fund is exposed.

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NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk represents the risk that the values of financial instruments will fluctuate because of changes in market interest rates. The Fund's exposure to such risk relates primarily to its fixed interest securities. The Fund's policy is to manage the risk by appointing skilled investment managers who have clear mandates to manage risk.

The table below summarises the Fund's exposure to interest rate risk:

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2021				
Assets				
Cash and cash equivalents	592,184	-	-	592,184
Receivables	-	-	38,323	38,323
Due from brokers - receivable for securities sold	-	-	53,452	53,452
Investments	186,491	4,830,004	8,488,809	13,505,304
Liabilities				
Payables	-	-	(30,850)	(30,850)
Due to brokers - payable for securities purchased	-	-	(74,180)	(74,180)
Derivative liabilities	(20,881)	(107,901)	(152,120)	(280,902)
	757,794	4,722,103	8,323,434	13,803,331
Net increase/(decrease) in exposure from interest rate swaps (notional principal)	(16,463)	16,463		
Net exposure	741,331	4,738,566	8,323,434	13,803,331
2020				
Assets				
Cash and cash equivalents	373,748	-	-	373,748
Receivables	-	-	36,020	36,020
Due from brokers - receivable for securities sold	-	-	19,470	19,470
Investments	273,527	4,962,334	7,019,645	12,255,506
Liabilities				
Payables	-	-	(32,326)	(32,326)
Due to brokers - payable for securities purchased	-	-	(94,921)	(94,921)
Derivative liabilities	(2,386)	(199,428)	(96,874)	(298,688)
	644,889	4,762,906	6,851,014	12,258,809
Net increase/(decrease) in exposure from interest rate swaps (notional principal)	(453,466)	453,466		
Net exposure	191,423	5,216,372	6,851,014	12,258,809

The table in Note 15 (b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates increased/decreased by 130 basis points (100 basis points in 2020) from the year end rates, with all other variables held constant.

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NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets to interest rate risk, foreign exchange risk and other price risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate and comprise of annualised numbers, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

2021	Impact on operating profit/Net assets of the Fund (after tax)			
	- %	\$'000	+ %	\$'000
Price risk				
Australian equities	-20	(413,384)	20	413,384
International equities (unhedged)	-17	(354,625)	17	354,625
International equities (hedged)	-17	(358,822)	17	358,822
Australian direct property	-12	(39,318)	12	39,318
Australian property trusts	-16	(90,789)	16	90,789
Foreign exchange risk	-10	(19,598)	10	19,598
Interest rate risk	-1.3	212,415	1.3	(212,415)

2020	Impact on operating profit/Net assets of the Fund (after tax)			
	- %	\$'000	+ %	\$'000
Price risk				
Australian equities	-21	(441,799)	21	441,799
International equities (unhedged)	-18	(256,131)	18	256,131
International equities (hedged)	-18	(260,448)	18	260,448
Australian direct property	-13	(44,620)	13	44,620
Australian property trusts	-18	(80,035)	18	80,035
Foreign exchange risk	-10	(4,785)	10	4,785
Interest rate risk	-1	230,849	1	(230,849)

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk represents the risk that the issuers of financial instruments will fail to discharge obligations and cause the Fund to incur financial losses. With respect to the financial assets of the Fund, other than derivatives, the Fund's maximum exposure to credit risk is equal to the fair value of the investments as reported in the Statement of Financial Position.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contracts or arrangements. Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over The Counter (OTC) derivatives. The Fund's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

Where possible the Fund uses exchange traded and OTC-cleared derivative contracts to manage/minimise the Fund's exposure to bilateral counterparty risk as the Fund's counterparty is a clearing house. The clearing house is responsible for managing the risk associated with the process on behalf of its members and ensuring it has adequate resources to fulfil its obligations when they become due. Members are required to provide initial margins in accordance with the exchange rules in the form of cash or securities, and provide daily variation margins in cash to cover changes in market values. Further, all members are generally required to contribute to (and guarantee) the compensation or reserve fund which may be used in the event of default and shortfall of a member.

For OTC derivatives that are settled through bilateral contracts, the Fund restricts its exposure to credit losses by entering into master netting arrangements with counterparties with whom it undertakes a significant volume of transactions. The credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to Note 16 for further analysis of the Fund's master netting arrangements.

There are additional risk management processes in place to manage credit risk relating to OTC derivatives. Examples of these processes include minimum credit ratings for counterparties, and diversification of exposure across a number of counterparties.

The Fund has entered into a credit support agreement with various counterparties which allow the Fund to pledge cash and securities as collateral to cover unrealised exposures on certain derivatives. Under this agreement, the Fund can provide securities in the form of Commonwealth Government bonds or United States Treasury bills to a counterparty as collateral on terms which permit the counterparty to repledge or resell these securities to others. The counterparties have an obligation to return the securities or equivalent credit support (i.e. securities of the same type, nominal value, description and amount) to the Fund. The risks and benefits of ownership of the securities remain with the Fund, therefore the securities have not been derecognised (i.e. treated as having been sold), although they have been separately classified in the Statement of Financial Position as Pledged Investments. Cash pledged as collateral has been separately disclosed as Pledged Cash at Bank.

As at 30 June 2021, the Fund pledged \$188.172 million of cash (2020: \$163.085 million), and \$15.417 million of fixed income government securities (2020: \$16.153 million) as collateral.

Under the same agreement, the Fund may also receive cash and securities as collateral from the counterparties which are not recorded in the Statement of Financial Position. The Fund is permitted to repledge or resell the securities to others however the risks and benefits of ownership remain with the counterparty. The Fund has an obligation to return the securities or equivalent credit support to the counterparty. As at 30 June 2021, the Fund held \$34.712 million of cash (2020: \$137.932 million) as collateral on such terms. The Fund has not sold or repledged this collateral (2020: \$0).

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**NOTES TO THE FINANCIAL REPORT
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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The notional principal amounts and fair value of the derivatives held by the Fund (on an individual transaction basis) were:

	Notional Principal Amounts		Fair Value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Futures				
Assets	1,225,444	1,084,014	20,132	19,039
Liabilities	(1,200,896)	(1,116,403)	(17,563)	(15,581)
	<u>24,548</u>	<u>(32,389)</u>	<u>2,569</u>	<u>3,458</u>
Options				
Assets	42,246	41,972	42,194	41,946
Liabilities	(12,353)	(15,060)	(12,353)	(15,061)
	<u>29,893</u>	<u>26,912</u>	<u>29,841</u>	<u>26,885</u>
Foreign Exchange Contracts				
Assets	5,427,195	4,389,246	46,926	242,613
Liabilities	(5,513,107)	(4,222,608)	(132,951)	(76,308)
	<u>(85,912)</u>	<u>166,638</u>	<u>(86,025)</u>	<u>166,305</u>
Swaps				
Assets	5,673,053	4,399,362	84,245	147,802
Liabilities	(5,673,053)	(4,399,362)	(118,035)	(191,738)
	<u>-</u>	<u>-</u>	<u>(33,790)</u>	<u>(43,936)</u>
Summary				
Assets	12,367,938	9,914,594	193,497	451,400
Liabilities	(12,399,409)	(9,753,433)	(280,902)	(298,688)
	<u>(31,471)</u>	<u>161,161</u>	<u>(87,405)</u>	<u>152,712</u>

The maximum exposure to credit risk before any credit enhancements at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

The majority of derivative assets and liabilities are expected to be recovered or settled within twelve months of the reporting date.

There are no significant concentrations of credit risk within the Fund. The Fund's assets are invested directly by the Trustee or by selected investment managers and are held by the Trustee directly or by the Fund's custodians, Citigroup Pty Limited (for domestic custody arrangements) and Citibank N.A. (for global custody arrangements). The Fund also has bank accounts held by the Trustee which are used for administration purposes.

The Fund invests in fixed income securities most of which have an investment grade as rated by credit rating agencies. An analysis of debt securities by rating is set out in the table below:

	2021 \$'000	2020 \$'000
Rating		
Investment Grade		
AAA	2,636,508	4,221,058
AA+ to BBB-	2,126,241	709,512
Non-Investment Grade		
BB+ to D	61,028	62,745
Not Rated	101,480	81,678
Total	<u>4,925,257</u>	<u>5,074,993</u>

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**NOTES TO THE FINANCIAL REPORT
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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on financial instruments will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund maintains significant cash balances and invests mainly in financial instruments, which under normal market conditions, are readily convertible to cash.

Liquidity risk is generally managed by regular monitoring of the liquidity position, annual stress testing of the liquidity profile of the Fund, and incorporating liquidity considerations into the investment mandate with managers. The liquidity position of the Fund is conditional on a number of external factors, including the liquidity of the investment markets in which the Fund invests, member transactions such as switches and redemptions, and the relevant legislative requirements governing members' access to their superannuation benefits.

The Fund's significant financial liabilities are benefits payable to members. In relation to vested superannuation benefits, these would be considered on demand, which comprise the entire accumulation benefit component and vested portion of the defined benefit component. These vested benefits amount to \$10,871 million (2020: \$9,636 million), and could be considered to have a maturity of less than 1 month. The Fund manages its obligations to pay benefits on expected maturity, based on management's estimates and actuarial assumptions of when such funds will be drawn down by members. The Fund considers it highly unlikely that all members will request to withdraw or roll over their superannuation fund account at the same time.

The value of vested benefits relating to non-commutable pensions amounts to \$2,279 million (2020: \$2,184 million) with an average estimated annual payment of \$140 million and an average duration of around 12 years.

The Fund considers all non-derivative financial liabilities to be due in 1 month or less.

The table below analyses the Fund's derivative financial instruments into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the table are the contractual undiscounted cash flows (on an individual transaction basis).

	1 month or Less \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 3 Years \$'000	Over 3 Years \$'000	Total \$'000
2021						
Net settled derivatives						
Futures	391	(1,180)	3,358	-	-	2,569
Swaps	1	1,190	3,886	13,900	37,102	56,079
Gross settled derivatives						
Foreign exchange contracts						
Inflows	2,482,476	1,703,928	1,240,791	-	-	5,427,195
(Outflows)	(2,503,910)	(1,745,096)	(1,264,101)	-	-	(5,513,107)
Swaps						
Inflows	10	1,154	3,493	8,901	13,782	27,340
(Outflows)	-	(47)	(140)	(372)	(373)	(932)
	1 month or Less \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 3 Years \$'000	Over 3 Years \$'000	Total \$'000
2020						
Net settled derivatives						
Futures	29	1,074	1,495	860	-	3,458
Swaps	689	3,478	5,073	11,140	39,962	60,342
Gross settled derivatives						
Foreign Exchange Contracts						
Inflows	2,345,869	1,180,424	862,953	-	-	4,389,246
(Outflows)	(2,282,687)	(1,117,114)	(822,807)	-	-	(4,222,608)
Swaps						
Inflows	-	382	1,145	2,809	2,131	6,467
(Outflows)	-	(25)	-	-	-	(25)

(e) Fair value estimation

The methods adopted in determining the fair value of the Fund's assets are explained in Note 4. The Fund's investments are listed in the Statement of Financial Position on page 2.

COMMONWEALTH BANK GROUP SUPER

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the tables below.

Financial Assets	Effects of offsetting on the Statement of Financial Position			Related amounts not offset			Net amount \$'000
	Gross amounts of financial assets \$'000	Gross amounts set off \$'000	Net amount of financial assets presented \$'000	Amounts subject to master netting arrangements \$'000	Financial instrument collateral \$'000	Cash collateral \$'000	
2021							
Derivatives (a)	193,497	-	193,497	(82,105)	-	(6,810)	104,582
Total	193,497	-	193,497	(82,105)	-	(6,810)	104,582
2020							
Derivatives (a)	451,400	-	451,400	(114,319)	-	(48,607)	288,474
Total	451,400	-	451,400	(114,319)	-	(48,607)	288,474

Financial Liabilities	Effects of offsetting on the Statement of Financial Position			Related amounts not offset			Net amount \$'000
	Gross amounts of financial liabilities \$'000	Gross amounts set off \$'000	Net amount of financial liabilities presented \$'000	Amounts subject to master netting arrangements \$'000	Financial instrument collateral \$'000	Cash collateral \$'000	
2021							
Derivatives (a)	280,902	-	280,902	(82,105)	(15,417)	(38,035)	145,345
Total	280,902	-	280,902	(82,105)	(15,417)	(38,035)	145,345
2020							
Derivatives (a)	298,688	-	298,688	(114,319)	(16,153)	(60,483)	107,733
Total	298,688	-	298,688	(114,319)	(16,153)	(60,483)	107,733

(a) Master netting arrangement - not currently enforceable

The Fund presents the fair value of its derivative financial assets and liabilities on a gross basis. Certain derivative financial instruments are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting agreement. In certain circumstances, for example, when a credit event (such as a default) occurs, all outstanding transactions under the ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of Financial Position, but have been presented separately in the above table.

COMMONWEALTH BANK GROUP SUPER

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

17. OPERATIONAL RISK FINANCIAL RESERVE

	2021	2020
	\$'000	\$'000
Opening balance	30,172	29,993
Transfers to/(from) reserve	3,329	(142)
Earnings on reserve	36	321
Transfers from reserve	-	-
Losses on reserve	-	-
Closing balance	<u>33,537</u>	<u>30,172</u>

Superannuation Prudential Standard 114 "Operational Risk Financial Requirement" ("SPS 114") which became effective 1 July 2013, requires Registered Superannuation Entity ("RSE") licensees to maintain adequate financial resources to address losses arising from operational risks that may affect such entities within their business operations. The Fund's Operational Risk Financial Reserve ("ORFR") has been established for this purpose.

As a minimum, the Fund aims to hold an ORFR Target Amount equal to 25 basis points of funds under management (at a specified point in time), subject to a predetermined tolerance limit. The tolerance limit is set by the Trustee to reduce the need for small transfers to or from the ORFR for immaterial fluctuations in the ORFR's value.

The ORFR may only be used to make a payment to address an operational risk event as defined by SPS 114.

If the balance of the ORFR were to fall below the tolerance limit, additional funds would be transferred into the ORFR. Any transfers to the ORFR must be approved by the Trustee.

18. STRUCTURED ENTITIES

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exception available under AASB 10 and therefore does not consolidate its controlled entities. In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are titled "Unit trusts" and are outlined in Note 4. The total size of the structured entities that the Fund has exposure to is \$58,844.862 million (2020: \$128,643.473 million), which is determined based on the combined net asset value of all unlisted trusts in which the Fund held units.

The Fund has exposures to unconsolidated structured entities through its investments. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of its investments and its maximum exposure to loss is restricted to the carrying value of the investment.

19. EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2021 or on the results of the Fund for the year ended on that date.

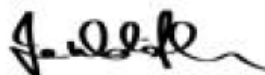
COMMONWEALTH BANK GROUP SUPER

**STATEMENT BY TRUSTEE
FOR THE YEAR ENDED 30 JUNE 2021**

In the opinion of the Directors of Commonwealth Bank Officers Superannuation Corporation Pty Limited, being the trustee of Commonwealth Bank Group Super:

- (a) The Financial Report for the year ended 30 June 2021 presents fairly the net assets of the Fund as at that date and the results of its operations for the year then ended in accordance with applicable Australian Accounting Standards and other mandatory reporting requirements; and
- (b) The Financial Report has been prepared in accordance with the requirements of the Fund's Trust Deed and Rules, the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines.

Signed in accordance with a resolution of the Board of Directors, for and on behalf of the Trustee, by:



Director

Director

Dated at Sydney this 27th day of September 2021.



Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE which is a reporting entity

Report by the RSE Auditor to the trustee and members of Commonwealth Bank Group Super ABN 24 248 426 878

Opinion

I have audited the financial statements of Commonwealth Bank Group Super for the year ended 30 June 2021 comprising the Income Statement, Statement of Financial Position, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Report.

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

Basis for Opinion

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

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

Responsibilities of the trustee for the Financial Statements

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

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

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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.
- 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.

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A handwritten signature in black ink, appearing to read 'SJ Smith', written over a light blue horizontal line.

SJ Smith
Partner

Sydney
27 September 2021

