Annual Financial Report
30 June 2023

Telstra Superannuation Scheme
RSE: R1004441

Contents

Statement of Financial Position
As at 30 June 2023

	Note	2023	2022
		$000	$000
Assets			
Cash and cash equivalents	17	**1,528,435**	1,490,887
Financial assets	9	**24,151,047**	22,303,341
Investment income receivable		**56,811**	52,266
Unsettled investment sales		**218,663**	116,326
Accounts receivable	10	**10,906**	8,259
Property, plant and equipment	11	**6,285**	7,309
Right-of-use lease assets	18	**13,482**	14,994
Current income tax assets	14	**5,464**	10,959
Total assets		**25,991,093**	24,004,341
Liabilities			
Benefits payable		**(6,380)**	(8,590)
Accounts payable	12	**(30,161)**	(30,599)
Unsettled investment purchases and payables		**(489,780)**	(142,676)
Financial liabilities	9	**(227,811)**	(322,233)
Lease liabilities	18	**(16,039)**	(16,925)
Deferred income tax liabilities	14	**(309,756)**	(160,217)
Total liabilities excluding member benefits		**(1,079,927)**	(681,240)
Net assets available for member benefits		**24,911,166**	23,323,101
Member benefits			
Defined contribution member liabilities	3	**(23,237,831)**	(21,621,668)
Defined benefit member liabilities	4	**(1,393,047)**	(1,459,927)
Total member liabilities		**(24,630,878)**	(23,081,595)
Total net assets		**280,288**	241,506
Equity			
Operational risk financial requirement	8	**62,982**	58,980
Insurance reserve	8	**2,000**	2,000
Administration reserve	8	**36,204**	54,861
Unallocated surplus	6	**179,102**	125,665
Total equity		**280,288**	241,506

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

Income Statement
For the year ended 30 June 2023

	Note	**2023**	2022
		$000	$000
Superannuation activities			
Interest		**192,679**	97,218
Dividends and distributions		**583,271**	823,854
Changes in fair value of financial instruments	*13*	**1,357,755**	(1,551,684)
Other investment income/(losses)		**5,674**	9,123
Other operating income		**7,385**	6,080
Total superannuation activities income/(losses)		**2,146,764**	(615,409)
Investment expenses		**(80,625)**	(90,620)
Administration expenses	*15*	**(81,438)**	(83,157)
Interest on lease liability		**(1,059)**	(1,157)
Total expenses		**(163,122)**	(174,934)
Net result from superannuation activities		**1,983,642**	(790,343)
Profit/(loss) from operating activities		**1,983,642**	(790,343)
Net losses/(benefits) allocated to defined contribution member accounts		**(1,862,310)**	452,995
Net change in defined benefit member liabilities		**(8,938)**	(68,809)
Profit/(loss) before income tax		**112,394**	(406,157)
Income tax (expense)/benefit	*14*	**(73,612)**	190,020
Profit/(loss) after income tax		**38,782**	(216,137)

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

Statement of Changes in Member Benefits
For the year ended 30 June 2023

	Defined Contribution Members 2023 $000	**Defined Benefit Members 2023 $000**	**Total 2023 $000**	Defined Contribution Members 2022 $000	Defined Benefit Members 2022 $000	Total 2022 $000
Opening balance as at 1 July	**21,621,668**	**1,459,927**	**23,081,595**	22,311,933	1,492,010	23,803,943
Employer contributions	**552,245**	**24,685**	**576,930**	498,771	23,591	522,362
Member contributions	**390,634**	**1,512**	**392,146**	302,269	1,597	303,866
Government contributions	**1,856**	**0**	**1,856**	1,720	-	1,720
Transfers from other superannuation funds	**310,619**	**791**	**311,410**	336,196	1,764	337,960
Transfers to other superannuation funds	**(411,335)**	**(95,667)**	**(507,002)**	(535,137)	(121,435)	(656,572)
Income tax on contributions	**(82,984)**	**(3,697)**	**(86,681)**	(76,653)	(3,539)	(80,192)
Benefits to members/beneficiaries	**(997,558)**	**(1,868)**	**(999,426)**	(756,363)	(1,497)	(757,860)
Insurance premiums charged to members' accounts	**(34,058)**	**(1,574)**	**(35,632)**	(28,187)	(1,373)	(29,560)
Insurance benefits credited to members' accounts	**24,433**	**-**	**24,433**	20,114	-	20,114
Reserves transferred to/(from) members:						
Insurance reserve	**-**	**-**	**-**	-	-	-
Administration reserve	**-**	**-**	**-**	-	-	-
Operational risk financial requirement	**-**	**-**	**-**	-	-	-
Net benefits allocated to members' accounts:						
Net investment income/(loss)	**1,901,390**	**-**	**1,901,390**	(409,578)	-	(409,578)
Administration fees	**(39,079)**	**-**	**(39,079)**	(43,417)	-	(43,417)
Net change in DB member benefits	**-**	**8,938**	**8,938**	-	68,809	68,809
Closing balance as at 30 June	**23,237,831**	**1,393,047**	**24,630,878**	21,621,668	1,459,927	23,081,595

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

Statement of Changes in Reserves
For the year ended 30 June 2023

	Unallocated surplus $000	Operational risk financial requirement $000	Insurance reserve $000	Administration reserve $000	Total equity $000
Operating balance as at 1 July 2022	**125,665**	**58,980**	**2,000**	**54,861**	**241,506**
Transfer to/(from) DC member accounts	**-**	**-**	**-**	**-**	**-**
Transfer to/(from) DB member accounts	**-**	**-**	**-**	**-**	**-**
Net transfer to/(from) reserves	**20,300**	**(1,643)**	**-**	**(18,657)**	**-**
Net allocations from Income Statement	**33,137**	**5,645**	**-**	**-**	**38,782**
Closing balance as at 30 June 2023	**179,102**	**62,982**	**2,000**	**36,204**	**280,288**

	Unallocated surplus $000	Operational risk financial requirement reserve $000	Insurance reserve $000	Administration reserve $000	Total equity $000
Operating balance as at 1 July 2021	318,646	61,090	2,000	75,907	457,643
Transfer to/(from) DC member accounts	-	-	-	-	-
Transfer to/(from) DB member accounts	-	-	-	-	-
Net transfer to/(from) reserves	21,046	-	-	(21,046)	-
Net allocations to Income Statement	(214,027)	(2,110)	-	-	(216,137)
Closing balance as at 30 June 2022	125,665	58,980	2,000	54,861	241,506

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

Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023	2022
		$000	$000
Cash flows from operating activities			
Interest received		**191,527**	96,992
Dividends and distributions		**579,774**	817,042
Other income		**12,030**	14,603
Investment expenses		**(79,937)**	(96,461)
Administration expenses		**(78,614)**	(82,515)
Short-term/low-value lease expenses		**(51)**	(185)
Interest on lease liability		**(1,059)**	(1,157)
Group life insurance premiums		**(35,632)**	(29,560)
Insurance benefits credited to members' accounts		**24,433**	20,114
Income tax paid by operating activities		**81,423**	(107,501)
Net cash inflows from operating activities	*17*	**693,894**	631,372
Cash flows from investing activities			
Proceeds from sales of financial instruments		**16,325,326**	21,965,155
Purchases of financial instruments		**(16,664,931)**	(21,879,488)
Purchase of property, plant and equipment		**(1,531)**	(4,775)
Net cash outflows from investing activities		**(341,136)**	80,892
Cash flows from financing activities			
Employer contributions received		**575,589**	521,509
Member contributions received		**392,139**	303,864
Government co-contributions received		**1,856**	1,720
Transfers from other superannuation funds received		**311,410**	337,960
Transfers paid to other superannuation funds		**(507,002)**	(656,572)
Benefits paid to members and beneficiaries		**(1,001,635)**	(764,895)
Payment of principal portion of lease liabilities		**(886)**	(1,089)
Income tax paid by financing activities		**(86,681)**	(80,192)
Net cash outflows from financing activities		**(315,210)**	(337,695)
Net increase/(decrease) in cash		**37,548**	374,569
Cash at the beginning of the financial year		**1,490,887**	1,116,318
Cash at the end of the financial year	*17*	**1,528,435**	1,490,887

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

Notes to the Financial Statements
For the year ended 30 June 2023

1. Operation of the Scheme

The Telstra Superannuation Scheme (Scheme) was established by a Trust Deed dated 1 July 1990 to provide benefits for the employees of Telstra Group Limited (Telstra) and its related companies. The Deed has been amended from time to time. The last amendment was on 23 December 2021. The Scheme is a hybrid fund with both defined benefit and defined contribution divisions. The defined benefit divisions are closed to new members. The Scheme is domiciled in Australia and the Scheme's registered office is 130 Lonsdale Street, Melbourne, VIC 3000.

Benefits of members in the defined benefit divisions are calculated by way of formulae as defined in the Trust Deed. Benefits of members in the defined contribution divisions are equal to the member account balance, which is credited or debited each year with contributions, net investment income, insurance premiums, expenses and income taxes.

The Trustee of the Scheme is Telstra Super Pty Ltd and it is the holder of a Registrable Superannuation Entity Licence (Licence No. L0001311). The Scheme is a Regulated Fund in accordance with the *Superannuation Industry Supervision Act 1993* (SIS Act) and is a Registrable Superannuation Entity (registration No. R1004441).

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the SIS Act and regulations and the provisions of the Trust Deed. The financial statements are presented in Australian Dollars and all values are rounded to the nearest $'000 except where otherwise indicated.

The financial statements were approved by the Board of Directors of the trustee, Telstra Super Pty Ltd on 17 August 2023.

(b) New accounting standards and interpretations

The Scheme applies for the first time certain standards and amendments, which are effective for annual period beginning on or after 1 July 2022. The Scheme has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* defines an onerous contract as one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable cost is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it.

AASB 137 does not specify which costs to include in determining the cost of fulfilling a contract. Consequently, AASB 137 was amended to clarify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises all costs that relate directly to the contract, which includes both the:
- Incremental costs of fulfilling that contract
- An allocation of other costs that relate directly to fulfilling contracts.

The amendment had no impact on the Scheme's financial statements as it did not have an onerous contract during the financial year.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Scheme for the annual reporting period ended 30 June 2023.

The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are outlined in the table below. Standards and Interpretations that are not expected to have any impact on the Scheme have not been included.

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Accounting standard	Nature	Application date of standard	Application date for the Scheme
AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The amendments to AASB 112 clarify that the exception of deferred tax consequences for certain transactions would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The impact of the adoption of AASB 2021-5 is not expected to result in any significant changes to the presentation of the Scheme's financial statements.	1 January 2023	1 July 2023
AASB 2021-2 *Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies*	The amendments to AASB 101 *Presentation of Financial Statements* require disclosure of material accounting policy information, instead of significant accounting policies. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. The impact of the adoption of AASB 2021-2 is not expected to result in any significant changes to the presentation of the Scheme's financial statements.	1 January 2023	1 July 2023
AASB 2021-2 *Amendments to AASB 108 – Definition of Accounting Estimates*	The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. The impact of the adoption of AASB 2021-2 is not expected to result in any significant changes to the presentation of the Scheme's financial statements.	1 January 2023	1 July 2023

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(c) Reclassification of financial information

Where necessary, comparative information has been reclassified to achieve consistency in both presentation and disclosures of the financial report.

(d) Consolidation

The Scheme is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are measured at fair value through profit or loss. Refer to Note 21 for further details.

(e) Financial assets and liabilities

i. Classification

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

(i) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
(ii) It is not held within a business model whose objective is to hold financial assets to collect contractual cash flows, or to both collect contractual cash flows and sell financial assets; or
(iii) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Scheme includes all investment assets in this category.

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Scheme includes derivative contracts in a liability position in this category since they are classified as held for trading.

ii. Recognition

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Scheme commits to purchase or sell the asset.

iii. Derecognition

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

iv. Initial measurement

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

v. Subsequent measurement

After initial measurement, the Scheme measures financial instruments at fair value through profit or loss. Subsequent changes in the fair value of those financial instruments are recorded as 'changes in fair value of financial instruments' in the income statement. Interest and dividend earned are recognised separately in 'interest revenue' and 'dividend revenue' in the income statement.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Scheme.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to Note 9 for further details.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank, custodially-held cash, margin accounts and short term deposits with an original maturity of three months or less, which are subject to an insignificant risk of change in fair value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

(h) Receivables

Receivables are carried at nominal amounts which approximate fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(j) Benefits payable

Benefits payable are valued in accordance with AASB 1056 *Superannuation Entities* and comprise the entitlements of members who have claimed a benefit prior to the end of the financial year and the entitlement had not been paid at reporting date. Benefit entitlements rolled over within the Scheme are not included as benefits payable. Benefits payable are generally settled within 30 days.

(k) Other payables

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

(l) Unsettled investment purchases/payables and sales/receivables

Unsettled investment purchases/payables and unsettled investment sales/receivables represent payables for securities purchases and receivables for securities sold that have been contracted for but not yet delivered by year end. The balances are measured at amortised cost which approximates fair value of the consideration payable/receivable by the Scheme.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, regardless of when the payment is received. The specific recognition criteria described below for the major revenue must also be met before it is recognised:

i. Changes in fair value of financial instruments

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

ii. Interest

   Interest revenue on cash and interest-bearing financial assets measured at fair value is recorded according to the terms of the contract and is recognised in the income statement.

iii. Dividends and distributions income

   Dividend and distribution income are recognised when the Scheme's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the income statement.

(n) Income tax

The Scheme is a complying superannuation fund for the purposes of the provisions of the *Income Tax Assessment Act 1997*. Accordingly, the concessional tax rate of 15% has been applied to the Scheme's taxable income.

Income tax benefit/expense for the year comprises current and deferred tax and is recognised in the income statement.

Current income tax liability is the expected tax payable on the taxable income for the year less any instalment payments that have been paid as at reporting date.

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(n) Income tax (continued)

Deferred tax assets and liabilities are provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Scheme is currently in a net deferred tax liability position.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at reporting date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

(o) Goods and services tax (GST)

Where applicable, GST incurred by the Scheme that is not recoverable from the Australian Taxation Office (ATO), has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in the value. The amount of any GST recoverable from, or payable to, the ATO is included as a receivable or payable in the statement of financial position.

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

(p) Administration expenses

The Scheme is a self-administered fund, and all administration expenses are paid directly by the Scheme. These administration expenses include the trustee capital fee paid by the Scheme to its trustee company, Telstra Super Pty Ltd, for trustee services.

Administration expenses are recognised in the period in which the expenditure is incurred.

(q) Foreign currency

The functional and presentation currency of the Scheme is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Scheme's performance is evaluated and its liquidity is managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the income statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(r) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

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

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

(s) Leases

The Scheme assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Scheme applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Scheme recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Scheme recognises right-of-use assets at the lease commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office buildings — 12 years
- Computer hardware — 4 years

If ownership of the leased asset transfers to the Scheme at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii. Lease Liabilities

At the lease commencement date, the Scheme recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Scheme uses its lease discount rate as described in Note 2(u)(iv) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification or a change in the lease payments.

iii. Short-term leases and leases of low-value assets

The Scheme applies the short-term lease recognition exemption to its short-term leases of computer hardware. It also applies the lease of low-value assets recognition exemption to leases of computer hardware that is considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense when they are incurred.

Notes to the Financial Statements
For the year ended 30 June 2023

(t) Employee entitlements

i. Salaries, annual leave and sick leave

Liabilities for salaries (including non-monetary benefits) and annual leave are recognised in the provisions for employee entitlements and are represented by the amount that the Scheme has a present obligation to pay at the reporting date. The provisions have been calculated based on remuneration rates that the Scheme expects to pay when the employee entitlement is settled. Related on-costs are included. No liability for sick leave has been recognised as it is non-vesting and no additional cost is incurred by staff absence. Sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave is recognised in the provision for employee entitlements and is measured as the present value of the estimated future cash outflows to be made by the Scheme at reporting date. Liabilities for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attached to corporate bond securities at reporting date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in salary rates, the Scheme's experience with staff departures, and the probability that employees as a group will achieve an unconditional qualifying period of service. Related on-costs have also been included in the liability.

iii. Superannuation scheme

The employees of the Scheme are eligible to be members of the Scheme, and contributions are made on their behalf. The majority of staff are defined contribution members, and contributions for these staff are charged as expenses when the contributions are paid or become payable. Contributions for staff, who are defined benefit members, are also charged as expenses when due and payable. The Trustee has no obligation or entitlement to any deficit or surplus and therefore AASB 119 *Employee Benefits* has not been applied. Refer to Note 22(b) for details of the defined benefit surplus/(deficit).

iv. Funding arrangements

Funding requirements for the defined contribution divisions of the Scheme are determined by Government legislation and the Trust Deed, whilst funding requirements for the defined benefit divisions of the Scheme are impacted by various financial and demographic factors including investment earnings, salary inflation, and benefit claims experience.

The funding policy adopted in respect of the defined benefit divisions is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. An actuarial investigation is carried out every three years. As at 30 June 2021, the Actuary for the Scheme, Mr. M. Burgess FIAA, completed an actuarial investigation of the defined benefit divisions of the Scheme and reported that the Scheme was in a satisfactory funding position. Under the SIS Act, a fund is in a "Satisfactory Financial Position" when the market value of assets (excluding any amount held to meet the Operational Risk Financial Reserve) exceeds its vested benefits. The next triennial actuarial investigation as at 30 June 2024 will be carried out in the 2025 financial year

As per the recommendations contained in the Actuary's report as at 30 June 2021, Telstra Group Limited (Telstra) and certain associated employer sponsors have continued to make employer contributions to the Scheme in respect of defined benefit and defined contribution divisions at required rates.

The Trustee and Telstra monitor and report each month on the Vested Benefit Index (VBI) - the ratio of fund assets to members' vested benefits of the Scheme’s defined benefit divisions. The Actuary provides an opinion as to the reasonableness of the then current employer contribution rate in actuarial investigations.

The VBI for the defined benefits divisions at 30 June 2023 was 107.01% (2022: 106.27%).

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies

(u) Significant accounting judgements, estimates and assumptions

The preparation of the Scheme's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures.

i. Fair value of financial assets and financial liabilities

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs in these valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of the financial assets and financial liabilities.

Refer to Note 9(a) for further details in relation to the Scheme's valuation techniques.

ii. Assessment as investment entity

Entities that meet the definition of an investment entity within AASB 10 *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Scheme's product disclosure statement details its objective of providing services to members which includes investing in equities, fixed income securities and private equity for the purpose of returns in the form of investment income and capital appreciation.

The Scheme reports to its members via an annual report, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by AASB 1056 *Superannuation Entities* in the Scheme's annual report. The Scheme has a clearly documented exit strategy for all of its investments.

The Trustee has therefore concluded that the Scheme and its unconsolidated subsidiaries, other than Telstra Super Financial Planning Pty Ltd ("TSFP"), meet the definition of an investment entity. The Scheme's interest in TSFP is treated as an investment entity on the basis of materiality.

The Trustee has therefore concluded that the Scheme and its unconsolidated subsidiaries meet the definition of an investment entity. These conclusions are reassessed on an annual basis for any changes in criteria or characteristics.

Notes to the Financial Statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

iii. Valuation of defined benefits member liabilities

The amount of defined benefits member liabilities has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions are discount rate, inflationary salary increases, promotional salary increases, rates of demographic movements and rate of retrenchment. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

iv. Leases – estimating the lease discount rate

As the Scheme is not a borrower, it cannot readily determine the interest rate implicit in the lease. Therefore, it estimates a lease discount rate to measure lease liabilities. The lease discount rate is the rate of interest that the Scheme would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate of 4.89% p.a. therefore reflects what the Scheme 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

3. Defined contribution member liabilities

Defined contribution member account balances are determined by both the unit prices and the number of units as at the reporting date. The unit prices are determined based on the underlying investment asset values.

Defined contribution members bear the investment risk relating to the underlying assets. Daily unit prices are used to measure the member liabilities.

As at 30 June 2023, Defined contribution member liabilities were $23,237,830,444 (2022: $21,621,668,174).

As at 30 June 2023, $927,754 (2022: $3,477,940) have not been allocated to member accounts at the reporting date. This amount consists of contributions received by the Scheme that has not been able to be allocated to members at the r date. This amount is recognised within Accounts payable in the Statement of Financial Postion.

Refer to Note 23 for the Scheme's management of investment risk.

4. Defined benefit member liabilities

The Scheme engages a qualified actuary on an annual basis to measure the defined benefits member liabilities.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. This annual assessment may result in an employer being required to make additional contributions to the divisions. The defined benefit divisions are quarantined from the other assets of the Scheme.

The key assumptions used to determine the values of accrued benefits were:

- The discount rate (net of investment taxes and fees): 4.60% p.a. (2022: 3.50% p.a.)
- The inflationary salary increases: 3.50% p.a. (2022: 3.00% p.a.).

These assumptions have been prepared based on information available at 30 June 2023.

The defined benefit members' liabilities have changed in the current financial year as a result of salary increases and additional service accrual.

Notes to the Financial Statements
For the year ended 30 June 2023

4. Defined benefit member liabilities (continued)

The Scheme's Actuary reports to management each year on the status of the defined benefit divisions. Where divisions are in or are likely to enter an unsatisfactory financial position, the report sets out any remedial action and agreed rectification programs in respect of each employer.

Key assumptions

The Trustee has a number of steps in place to manage the risks associated with defined benefit divisions. As stated in Note 2(t)(iv), the Trustee has appointed an external consulting actuary to advise on the risks, including establishing suitable funding objectives. These funding objectives and the defined benefit divisions' circumstances are taken into account by the Actuary when recommending the required employer contribution levels.

The Trustee also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Trustee has identified two assumptions, for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- **Discount rate** - The assumed discount rate has been determined by reference to the Scheme's asset consultant advice.
- **Inflationary salary increase** - The inflationary salary increase is the best estimate, which is developed during the ongoing discussions following the recent actuarial investigations.

The other variables would not be expected to have a material effect. These variables are promotional salary increases, rates of demographic movements and rate of retrenchment.

The following are sensitivity calculations on a univariate basis for the discount rate and rate of inflationary salary increase assumptions for the defined benefit divisions.

Assumption	Assumed at reporting date	Reasonable possible change	Amount of (increase)/decease in member benefit liabilities $000
Discount rate	**4.6%** (2022: 3.50%)	**+1.0%/-1.0%** (2022: +1.0%/-1.0%)	**-76,000/85,200** (2022: -88,200/99,700)
Inflationary salary increases	**3.5%** (2022: 3.00%)	**+0.5%/-0.5%** (2022: +0.5%/-0.5%)	**36,500/-34,900** (2022: 42,800/-40,700)

At the reporting date the accrued benefits of the defined benefit members are $1,393.0 million (2022: $1,460.0 million).

5. Funding arrangements

The employers have contributed to the Scheme during the financial year at a rate of at least 10.5% (2022: 10%) of the gross salaries of those employees who were defined contribution members of the Scheme.

The employers for the defined benefit members have contributed to the Scheme at the rate of 5% (2022: 5%). The contribution rate is determined by the Actuary.

Employees are also able to make voluntary contributions.

6. Unallocated surplus

The defined benefits divisions continue to remain in surplus as at the reporting date. The employer sponsors intend to keep the defined benefit divisions in surplus for the foreseeable future. The defined benefit divisions are contributing at the rate recommended by the Actuary.

The unallocated surplus also includes timing differences relating to investment valuations and tax assumptions used.

Notes to the Financial Statements
For the year ended 30 June 2023

7. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

8. Reserves

The reserves provide the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event regarding the Scheme's operational and insurance activities.

The administration reserve receives amounts from operational surpluses over the corporate business plan cycle. This reserve, subject to approval from the Board, may be used for purposes, including but not limited to meeting large or unexpected expenses from strategic initiatives, loss of members' funds through fraud or error, and meeting uninsured losses arising from a period of unusually high claims experience. Expenditure on strategic matters for the period included the uplift of investment products, software to improve member experience, and the uplift in policies and procedures to meet regulatory requirements.

The operational risk financial requirement was established on 1 July 2013 in accordance with the Superannuation Prudential Standards SPS 114 *Operational Risk Financial Requirement*. This reserve may be used in certain circumstances to address operational risk events or claims against the Scheme arising from operational risk. This reserve is funded from transfers from members.

The Trustee has assessed an operational risk reserve of approximately 0.25% of funds under management as appropriate for the Scheme in respect of both defined contribution and defined benefit member interests. This requirement has been met since 30 June 2016 and maintained as at the reporting date.

The Trustee has also allocated the amount of $2,000,000 (2022: $2,000,000) for the purpose of maintaining a self-insurance reserve for its defined benefits members.

Transfers in and out of all reserves are made only at the authorisation of the Trustee and in accordance with the Scheme's Reserves Policy.

9. Fair value of financial instruments

(a) Classification of financial instruments under the fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

	30 June 2023			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Fixed interest	**1,606,485**	**3,693,028**	**2,878**	**5,302,391**
Listed equities	**12,030,655**	**-**	**424**	**12,031,079**
Unlisted equities	**-**	**249,204**	**6,446,495**	**6,695,699**
Derivative assets	**5,006**	**116,872**	**-**	**121,878**
Derivative liabilities	**(18,492)**	**(209,319)**	**-**	**(227,811)**
Total investments	**13,623,654**	**3,849,785**	**6,449,797**	**23,923,236**

	30 June 2022			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Fixed interest	844,410	3,582,356	15,968	4,442,734
Listed equities	11,051,873	-	2,939	11,054,812
Unlisted equities	-	745,474	5,932,202	6,677,676
Derivative assets	9,680	118,439	-	128,119
Derivative liabilities	(5,502)	(316,731)	-	(322,233)
Total investments	11,900,461	4,129,538	5,951,109	21,981,108

Valuation techniques

Listed equities

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are classified within Level 1 in the fair value hierarchy.

When publicly traded equity securities are suspended, they are valued using the last traded price. Such instruments are classified within either Level 2 or Level 3 in the fair value hierarchy depending on the pricing source and the timing since the price last updated.

The Scheme invests in listed trusts and special purpose vehicles such as listed property trusts. When the fair values of trusts and vehicles are based on quoted market prices, in an active market for identical assets without any adjustments, the instruments are classified within Level 1 of the fair value hierarchy.

Unlisted equities

The Scheme holds its unlisted equities through unlisted investment trusts, special purpose vehicles and private equity whose underlying assets are valued by their investment managers.

The valuation of unlisted equity investments requires significant management judgement due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such assets.

Private equity investments are often valued initially based upon cost. Each quarter, valuations are reviewed by investment managers utilising available market data to determine if the carrying value of these investments should be adjusted. Such market data primarily includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued.

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

Valuation techniques (continued)

Unlisted equities (continued)

In addition, a variety of additional factors are reviewed by management, including, but not limited to, financing and sales transactions with third parties, current operating performance and future expectations of the particular investments, changes in market outlook and the third-party financing environment. Unlisted equity investments are typically classified within Level 3 in the fair value hierarchy.

When trusts and vehicles are not quoted in an active market and subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets, the NAV of the trusts and vehicles may be used as an input into measuring their fair value. In measuring this fair value, the NAV is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund to fund managers. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the instruments can be classified within either Level 2 or Level 3 in the fair value hierarchy. The Scheme holds such investments in unlisted property and infrastructure trusts, unlisted equity trusts, private equities and unlisted cash and fixed income trusts.

Fixed interest

Where quoted prices are available in an active market, bonds, discount and asset-backed securities are classified as Level 1 in the hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Examples of such instruments are collateralised mortgage obligations and high-yield debt securities which would generally be classified within Level 2 in the fair value hierarchy.

Most fixed income investments are valued by using an evaluated price provided by an independent pricing vendor, broker or dealer. If trade information is used along with observable inputs, the fixed income investments are classified within Level 2 in the fair value hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, such instruments are classified within Level 3 in the fair value hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the fair value hierarchy.

Depending on the types and contractual terms of OTC derivatives, vendors and broker/dealers provide fair valuation measurements that are modelled using a series of techniques, such as the Black-Scholes option pricing model, simulation models or a combination of various models. Where derivative products have been established for some time, fair valuation measurement is based on models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Further, many of these models do not contain a high level of subjectivity as the methodologies used in the models do not require significant judgement, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively, have trade activity that is one way, and/or are traded in less-developed markets may be classified within Level 3 of the fair value hierarchy.

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

Valuation process for financial instruments

Valuations are the responsibility of the board of directors of the Trustee.

The Trustee has the Valuation Investment Policy (Policy) in place to specify the valuation processes adopted by the Trustee so that it can process transactions at values that are materially accurate, fair and equitable. The following valuation principles are included in the Policy:

- Valuations are independent and unbiased
- Investments and financial exposures are frequently measured
- Valuations are available with reference to a relevant market
- Active markets may not exist for all financial instruments held
- Understanding the basis and assumptions underlying the valuation methodology adopted
- Relevance of the valuation being used
- Market disruption or inability to determine values, and
- Approval process for accepting valuations.

The valuation of underlying assets within unlisted equities is performed at least quarterly by investment managers and reviewed by both the Scheme's investment team and investment operations team. For property and infrastructure assets held within trusts controlled by the Scheme, valuations are sourced from an independent valuation firm at a minimum on an annual basis. The valuation techniques adopted by these firms use either discounted cash flow or capitalisation rate methods. The Scheme values these trusts at their net asset value.

The Trustee uses an independent custodian, JPMorgan Chase & Co. (the Custodian), to hold the Scheme's investment assets in safe keeping. The Custodian also provides the Scheme with investment accounting services. This service includes providing market valuations on daily basis for all financial instruments held. The Custodian has a Pricing Policy for the proper valuation of financial instruments.

The Custodian's policy is consistent with valuation principles set out above and has been adopted for the purpose of valuing the Scheme's assets on a daily basis. This Policy and the Custodian's Global Pricing Policy are reviewed at least every two years by management.

Further to the Custodian's Pricing Policy the Trustee seeks to ensure that the valuations of property and infrastructure investments follow the specific guidelines outlined in the Policy.

There were no other changes in valuation techniques during the year.

Quantitative information of significant unobservable inputs – Level 3

The table below sets out information about significant unobservable inputs used in measuring financial instruments classified as Level 3 in the fair value hierarchy.

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

Quantitative information of significant unobservable inputs – Level 3 (continued)

Description	Fair Value $000	Valuation technique	Significant unobservable inputs
Fixed interest	**2023: 2,878** 2022: 15,968	Last traded prices	Last traded prices
Listed equities	**2023: 424** 2022: 2,939	Last traded prices	Last traded prices
Unlisted equities	**2023: 6,446,495** 2022: 5,932,202	Redemption prices provided by fund managers	Unit prices

The analysis below indicates the effect on the income statement and statement of financial position due to a reasonably possible change of 7.75% (2022: 8.45%) in unit prices.

2023	Effect on changes in assets measured in fair value and net assets		
Description	**Amount $000**	**+7.75% $000**	**-7.75% $000**
Fixed interest	**2,878**	**223**	**(223)**
Listed equities	**424**	**33**	**(33)**
Unlisted equities	**6,446,495**	**499,603**	**(499,603)**

2022	Effect on changes in assets measured in fair value and net assets		
Description	**Amount $000**	**+8.45% $000**	**-8.45% $000**
Fixed interest	15,968	1,349	(1,349)
Listed equities	2,939	248	(248)
Unlisted equities	5,932,202	501,271	(501,271)

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(b) Level 3 financial instruments transactions

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

30 June 2023

	Fixed interest $000	Listed equities $000	Unlisted equities $000	Total $000
Opening balance	**15,968**	**2,939**	**5,932,202**	**5,951,109**
Total gains/(losses)	**30**	**(2,945)**	**88,760**	**85,845**
Purchases/applications	**84**	**3,154**	**476,633**	**479,871**
Transfer into level 3	**-**	**-**	**482,410**	**482,410**
Sales/redemptions	**(13,204)**	**(2,724)**	**(533,510)**	**(549,438)**
Closing Balance	**2,878**	**424**	**6,446,495**	**6,449,797**

30 June 2022

	Fixed interest $000	Listed equities $000	Unlisted equities $000	Total $000
Opening balance	11,980	78	4,935,814	4,947,872
Total gains/(losses)	(788)	(439)	544,163	542,936
Purchases/applications	7,149	1,010	775,011	783,170
Transfer into level 3	-	5,137	-	5,137
Sales/redemptions	(2,373)	(2,847)	(322,786)	(328,006)
Closing Balance	15,968	2,939	5,932,202	5,951,109

Gains or losses recognised in the income statement for Level 3 transactions are presented in the changes in fair value of financial instruments as follows:

30 June 2023

	Fixed interest $000	Listed equities $000	Unlisted equities $000	Total $000
Total gains recognised in the income statement for the period	**128**	**189**	**6,054**	**6,371**
Total gains/(losses) recognised in the income statement for the period for assets held at the end of the reporting period	**(111)**	**(3,134)**	**82,705**	**79,460**

30 June 2022

	Fixed interest $000	Listed equities $000	Unlisted equities $000	Total $000
Total losses recognised in the income statement for the period	(183)	(326)	(25,883)	(26,392)
Total gains/(losses) recognised in the income statement for the period for assets held at the end of the reporting period	(673)	(112)	570,046	569,261

Notes to the Financial Statements
For the year ended 30 June 2023

9. Fair value of financial instruments (continued)

(c) Transfers between hierarchy levels

The transfers from the Level 2 to Level 3 fair value hierarchies during the financial year are due to detailed analysis of valuation techniques of the investments involved and do not represent a significant change in the observable measurements of their fair values. There have been no other transfers between the Level 1, Level 2 and Level 3 fair value hierarchies.

10. Accounts receivable

Recoverable within 12 months	2023 $000	2022 $000
Contributions receivable	**6,581**	5,233
Other receivables	**2,216**	1,084
Prepayment	**2,109**	1,942
Total accounts receivable	**10,906**	8,259

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 23.

11. Property, plant and equipment

	2023 $000	2022 $000
Cost	**17,643**	16,159
Accumulated depreciation and impairment	**(11,358)**	(8,850)
Written down value	**6,285**	7,309

12. Accounts payable

Due within 12 months	2023 $000	2022 $000
Investment expenses payable	**11,066**	10,379
Administration expenses payable	**10,384**	9,797
Employee entitlements	**7,783**	6,945
Unallocated member contributions	**928**	3,478
Total accounts payable	**30,161**	30,599

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 23.

13. Changes in fair value of financial instruments

	2023 $000	2022 $000
Financial instruments held at balance date		
Cash and cash equivalents	**1,576**	2,861
Fixed interest	**51,024**	(231,488)
Listed equities	**1,565,818**	(1,467,625)
Unlisted equities	**92,167**	526,638
Derivatives	**(352,830)**	(382,070)
Total changes in fair value of financial instruments	**1,357,755**	(1,551,684)

Notes to the Financial Statements
For the year ended 30 June 2023

14. Income tax

The major components of income tax expense are:

	2023 $000	2022 $000
Current income tax expense		
Income tax (receivable)/payable current year	**(62,118)**	(27,590)
Adjustments in respect of prior years	**(14,011)**	3,860
Total	**(76,128)**	(23,730)

	2023 $000	2022 $000
Deferred income tax expense		
Relating to origination and reversal of temporary differences	**149,740**	(166,290)
Adjustments in respect of deferred income tax of previous years	**-**	-
Total	**149,740**	(166,290)
Income tax expense/(benefit) reported in the income statement	**73,612**	(190,020)

A reconciliation between income tax expense and profit from operating activities is as follows:

	2023 $000	2022 $000
Profit/(loss) from operating activities	**1,983,642**	(790,343)
Income tax at 15%	**297,546**	(118,551)
Increase/(decrease) in tax expense due to:		
Imputation & foreign tax offsets gross up	**15,447**	24,896
Differences between tax and accounting investment income	**(83,101)**	36,554
Adjustments in respect of income tax of previous year	**(14,010)**	3,859
Allocated pension exempt income	**(58,187)**	10,488
Imputation and foreign tax offsets	**(84,083)**	(147,266)
Income tax expense/(benefit) in income statement	**73,612**	(190,020)
Current income tax (assets)/liabilities at 30 June relates to the following:		
Income tax payable for current year	**25,052**	52,730
Payments made during the year	**(30,516)**	(63,689)
Current income tax (assets)/liabilities	**(5,464)**	(10,959)
Deferred income tax assets and liabilities at 30 June relates to the following:		
Contributions receivable	**(977)**	(776)
Investment income receivable	**4,793**	4,518
Unrealised gains on investments	**412,788**	214,155
Expense provisions	**(1,955)**	(1,838)
Imputation tax offsets	**(6,698)**	(5,959)
Allocated pension exempt income share of gains/losses	**(98,195)**	(49,883)
Net deferred income tax liabilities	**309,756**	160,217

Notes to the Financial Statements
For the year ended 30 June 2023

15. Administration expenses

	2023 $000	2022 $000
Salaries and related employment costs	**46,569**	37,786
Trustee expenses	**1,179**	13,769
Professional and audit fees	**6,565**	5,573
Member communication expenses	**2,548**	1,559
Office rental and expenses	**8,543**	8,150
Depreciation expense of right-of-use assets	**1,512**	1,857
Financial planning service fees	**10,427**	11,497
Actuarial fees	**99**	153
Advertising expenses	**1,184**	-
APRA levy	**1,987**	2,087
Other expenses	**825**	726
Total administration expenses	**81,438**	83,157

16. Auditors' remuneration

	2023 $	2022 $
Financial statement audit services	**360,874**	371,365
Non-financial statement assurance services	**70,577**	65,960
Total audit and review services	**431,451**	437,325
Other services	**37,388**	38,355
Total fees paid to EY	**468,839**	475,680

17. Cash flows reconciliation

(a) Reconciliation of cash and cash equivalents

	2023 $000	2022 $000
Cash and cash equivalents	**1,528,435**	1,490,887

(b) Reconciliation of cash flows from operating activities

	2023 $000	2022 $000
Profit/(loss) after income tax	**38,782**	(216,137)
Adjustments for:		
Depreciation	**4,066**	4,513
Changes in fair value of financial assets	**(1,357,755)**	1,551,684
Insurance premiums charged on members' accounts	**(35,632)**	(29,560)
Death and disability benefits credited to members' accounts	**24,433**	20,114
(Increase)/Decrease in investment income receivable	**(4,545)**	(7,021)
(Increase)/Decrease in other receivables	**(1,132)**	(616)
(Increase)/Decrease in prepayments	**(167)**	(52)
Increase/(Decrease) in accounts payable	**(438)**	(9,845)
Increase/(Decrease) in current tax liabilities	**5,495**	(131,104)
Increase/(Decrease) in deferred tax liabilities	**149,539**	(166,418)
Allocation to members' accounts	**1,871,248**	(384,186)
Net cash from operating activities	**693,894**	631,372

Notes to the Financial Statements
For the year ended 30 June 2023

18. Leases

The Scheme has lease contracts for various items of computer hardware and office buildings used in its operations. Leases of computer hardware generally have lease terms of 4 years and office buildings 12 years. The Scheme's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Scheme is restricted from assigning and subleasing the leased assets.

The Scheme also has certain leases of computer hardware with lease terms of 12 months or less or of low value. The Scheme applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Computer Hardware $000	Office Buildings $000	Total $000
As at 1 July 2022	**-**	**14,994**	**14,994**
Additions	-	-	-
Cost adjustment	-	-	-
Depreciation expense	-	(1,512)	(1,512)
As at 30 June 2023	**-**	**13,482**	**13,482**

	Computer Hardware $000	Office Buildings $000	Total $000
As at 1 July 2021	459	16,391	16,850
Additions	-	-	-
Cost adjustment	-	-	-
Depreciation expense	(459)	(1,397)	(1,856)
As at 30 June 2022	-	14,994	14,994

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 $000	2022 $000
As at 1 July	**16,925**	18,014
Additions	**-**	-
Accretion of interest	**1,059**	1,157
Payments	**(1,945)**	(2,246)
As at 30 June	**16,039**	16,925

The following are the amounts recognised in the income statement:

	2023 $000	2022 $000
Depreciation expense of right-of-use assets	**1,512**	1,857
Interest expense on lease liabilities	**1,059**	1,157
Expense relating to leases of short-term and low-value assets	**51**	185
Total amount recognised in profit or loss	**2,622**	3,199

The Scheme had total cash outflows for leases of $1,995,953 (2022: $2,430,786). The Scheme had no non-cash additions to right-of-use assets or lease liabilities (2022: nil).

19. Segment information

The Scheme operates solely to provide superannuation benefits to members and beneficiaries and operates in Australia only. Revenue is derived from investments and contributions.

Notes to the Financial Statements
For the year ended 30 June 2023

20. Related party disclosures

(a) Employer company

Telstra Group Limited (Telstra) is the principal employer. Foxtel Pty Ltd, Telstra Super Financial Planning Pty Ltd, and Telstra Super Pty Ltd (as trustee for the Scheme) are associated employer sponsors. Of total employer contributions of $576,929,675 (2022: $522,361,893) as disclosed in the statement of changes in member benefits, those made by Telstra and associated employers were $283,302,924 (2022: $262,336,303). Contributions are made in accordance with recommendations of the Actuary, the Trust Deed, and relevant legislative requirements. Telstra and Foxtel Pty Ltd also provide the Scheme with telecommunication services and pay TV services respectively. Such services are provided at arm's length and on normal commercial terms.

The Scheme held the following investments in Telstra Group Limited at fair value as at 30 June.

	2023 $	2022 $
Shares	**161,745,197**	170,181,030
Fixed interest securities	**1,475,780**	5,215,815
Total investments	**163,220,977**	175,396,845

The Scheme received the following income from the investments in Telstra Group Limited.

	2023 $	2022 $
Dividends received for the year	**7,161,260**	8,299,567
Interest received for the year	**102,800**	389,088
Total income	**7,264,060**	8,688,655

(b) Trustee and key management personnel

Telstra Super Pty Ltd (TSPL) is the trustee of the Scheme and is the holder of a Registrable Superannuation Entity Licence (Licence No. L0001311). The following people were Directors of TSPL during the financial year:

Anne-Marie O'Loghlin (Chair)
Megan Bonighton (Resigned on 16/12/2022)
Bronwyn Clere
Scott Connolly (Resigned on 12/05/2023)
Gretchen Cooke (Appointed on 16/03/2023)
Nadine Flood
Steven Fousekas
Dahlia Khatab
James Perkins
Graeme Smith

Each Director attended the following meetings during the year as a member of the Board or relevant Committee.

Name	Board		Committees			
			Governance and Remuneration		Audit	
	Held	Attended	Held	Attended	Held	Attended
A-M O'Loghlin*	20	19	8	7	4	3
M Bonighton	13	13	5	5	-	-
B Clere	20	20	-	-	-	-
S Connolly	19	19	7	6	2	2
G Cooke	2	2	2	2	-	-
N Flood	20	20	8	7	2	2
S Fousekas	20	20	-	-	4	3
D Khatab	20	20	-	-	2	2
J Perkins	20	20	-	-	2	2
G Smith	20	19	8	8	4	4

Notes to the Financial Statements

For the year ended 30 June 2023

20. Related party disclosures (continued)

(b) Trustee and key management personnel (continued)

Name	Committees					
	Risk		Investment		Member Experience	
	Held	Held	Held	Attended	Held	Attended
A-M O'Loghlin *	4	4	8	7	6	6
M Bonighton	2	2	-	-	2	2
B Clere	2	2	4	4	2	2
S Connolly	-	-	7	6	-	-
G Cooke	1	1	-	-	1	1
N Flood	4	4	8	8	-	-
S Fousekas	2	2	4	3	4	4
D Khatab	2	2	-	-	6	6
J Perkins	2	2	-	-	6	6
G Smith	-	-	8	8	-	-

*Ms A-M O'Loghlin is an ex-officio and non-voting member for Audit Committee, Risk Committee and Member Experience Committee.

The above table includes meetings held via circular resolution.

Other key management personnel who have had authority for planning, directing and controlling the activities of the Scheme during the financial year were as follows:

Chris Davies (Chief Executive Officer)
Paul Curtin (Chief Financial Officer)
Graeme Miller (Chief Investment Officer)

Remuneration:	**2023 $**	2022 $
Short term - salaries, fees, bonuses and non-monetary benefits	**2,942,808**	2,966,651
Superannuation contributions	**159,096**	148,983
Total	**3,101,904**	3,115,634

Where instructed, a Director's income is paid directly to their employer:	**2023 $**	2022 $
Telstra Group Limited	**275,590**	274,644
ACTU	**61,736**	68,661
CWU	**151,728**	137,322
Total	**489,054**	480,627

Notes to the Financial Statements
For the year ended 30 June 2023

20. Related party disclosures (continued)

(b) Trustee and key management personnel (continued)

Directors' remuneration excludes insurance premiums of $$311,003 (2022: $255,792) paid by the Trustee.

The table below lists the number of Directors and key management personnel whose income falls within the following bands for financial years ending 30 June.

Amount falling between	2023	2022
$20,000 and $29,999	**1**	-
$30,000 and $39,999	**1**	-
$60,000 and $69,999	**1**	-
$70,000 and $79,999	**2**	8
$80,000 and $89,999	**4**	-
$210,000 and $219,999	**-**	1
$220,000 and $229,999	**1**	
$500,000 and $509,999	**1**	-
$510,000 and $519,999	**-**	1
$820,000 and $829,999	**1**	1
$920,000 and $929,999	**1**	-
$950,000 and $959,999	**-**	1

Certain Directors and key management personnel are members of the Scheme. Their membership terms and conditions are identical to other members of the Scheme.

A fee is paid to the trustee company, Telstra Super Pty Ltd, for providing trustee services. The fee charged to the Scheme for providing trustee services was $1,213,433 (2022: $13,800,697).

As at 30 June, TSPL owed a reimbursement to the Scheme of $200,088 (2022: $5,635) and the Scheme owed TSPL $242,091 (2022: nil).

(c) Related parties

i. Telstra Super Financial Planning Pty Ltd (TSFP)

TSFP is an investment wholly owned by Telstra Super Pty Ltd as the Trustee for the Scheme. The principal activity of the company during the course of the financial year was to provide financial planning advice to the Scheme's members. The Scheme held the following investment in TSFP at net asset value as at 30 June.

	2023 $	2022 $
Shares	**3,146,012**	3,617,309

The following Directors or Officers are also Directors of TSFP during the financial year:

Anne-Marie O'Loghlin (Chair)
Bronwyn Clere
Nadine Flood (Appointed on 1/01/2023)
Chris Davies
Scott Connolly (Resigned on 1/01/2023)

Notes to the Financial Statements
For the year ended 30 June 2023

20. Related party disclosures (continued)

(c) Related parties (continued)

i. Telstra Super Financial Planning Pty Ltd (TSFP) (continued)

TSFP is responsible for direct expenditure incurred. Shared costs with the Scheme are allocated on a fair and equitable basis. Transactions between the parties comprised of fees charged by TSFP to the Scheme for providing financial advice to members $7,575,000 (2022: $8,349,996) and fees charged by the Scheme to TSFP for in-house administration support and services $1,000,000 (2022: $700,000). The TSFP fee for providing financial advice to members is a flat fee for service as agreed to by the board of the Scheme. The Scheme also charged TSFP for Director fees $26,433 (2022: $25,441) and employer paid insurance premiums $23,562 (2022: $25,825).

At 30 June 2023, TSFP recognised a receivables of $196,284 (2022: $9,769) from the Scheme and a payable of $2,400 owing to the Scheme (2022: $2,500).

ii. Sub trusts

Several investments are wholly owned by the Scheme. Details of these entities are disclosed in Note 21.

21. Related party investments

The table below lists details of related party investments held. The maximum exposure or loss is limited to the fair value. The fair value of the exposure will change throughout the reporting period and subsequent periods and will cease once the investments are disposed.

Ownership interest as at 30 June 2023	**$**	**%**
AirTree Ventures TS Co-Investment Trust	**4,467,292**	**100**
Blackbird TS Co-Investment Trust	**34,557,396**	**100**
BT Multifamily Partners LP	**48,513,633**	**100**
CIM TS Co-Investment Partnership I, L.P	**6,523,094**	**100**
FDC Co Investment Trust	**621,221**	**100**
IPG Telstra Super Trust	**3,713,949**	**100**
MRCF5 (TS) Trust Part C Units	**6,684,388**	**100**
Mudrick Opportunity Co-Investment Fund, LP	**14,811,323**	**100**
Northgate Investment Trust	**347,575**	**100**
Telstra Super Financial Planning Pty Ltd	**3,146,012**	**100**
TSPL BP Trust	**411,035,207**	**100**
TSPL Chifley Trust	**85,616,378**	**100**
TSPL CLP Trust	**618,561,248**	**100**
TSPL DVP Trust	**201,758,592**	**100**
TSPL DVP2 Trust	**26,584,564**	**100**
TSPL Exchange Trust	**159,368,525**	**100**
TSPL Woollies Sub Trust	**170,760,289**	**100**
TSPL Private Markets Trust No 1	**73,893,968**	**100**
	1,870,964,654	

Ownership interest as at 30 June 2022	**$**	**%**
Blackbird TS Co-Investment Trust	28,930,683	100
BT Multifamily Partners LP	25,228,358	100
FDC Co Investment Trust	62,501,900	100
MRCF5 (TS) Trust Part C Units	2,627,777	100
Mudrick Opportunity Co-Investment Fund, LP	7,698,564	100
Northgate Investment Trust	347,575	100
Telstra Super Financial Planning Pty Ltd	3,617,309	100
TSPL BP Trust	463,580,677	100

Notes to the Financial Statements
For the year ended 30 June 2023

21. Related party investments (continued)

Ownership interest as at 30 June 2022 (continued)	$	%
TSPL DVP Trust	195,924,636	100
TSPL Chifley Trust	79,812,631	100
TSPL CLP Trust	696,262,696	100
TSPL Exchange Trust	156,272,248	100
TSPL Woollies Sub Trust	174,684,623	100
TSPL Private Markets Trust No 1	59,508,133	100
	1,956,997,810	

The Scheme has a controlling interest in all related party investments. As at 30 June 2023, there are no significant restrictions on the ability of an unconsolidated subsidiary to pay income or repay loans to the Scheme. In addition, the Scheme does not have any current commitments or intentions to provide financial or other support to the related party investments.

22. Employee entitlements

(a) Aggregate employee leave entitlements, including on-costs

	2023 $000	2022 $000
Current	**6,229**	5,712
Non-current	**1,554**	1,233
Total	**7,783**	6,945

Employees are entitled to long service leave after seven years of service. The present values of employee entitlements not expected to be settled within twelve months of the reporting date have been calculated using the following weighted averages:

	2023	2022
Assumed rate of increase in wage and salary rates	**4.90%**	3.50%
Leave discount rate	**4.07%**	4.54%

(b) Superannuation scheme

There are three (2022: four) employees of the Scheme who are defined benefit members. Their proportionate share of the assets, the accrued benefits and the vested benefits are as follows:

	2023 $000	2022 $000
Proportionate share of the Scheme's assets at 30 June	**1,994**	3,009
Accrued benefits liability at 30 June	**(1,878)**	(2,825)
Excess of fund assets over accrued benefits liability	**116**	184
Vested benefits	**1,951**	2,831

An actuarially determined surplus or deficit in relation to all employees has not been recognised in the financial statements as the amount is immaterial. During the year, employer contributions of $4,244,436 (2022: $3,373,094) were paid/payable to the Scheme in respect of employees.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies

(a) Financial risk management objectives, policies and processes

The Scheme’s investments are managed on behalf of the Trustee by appointed managers and the internal investment team. All investments are held on behalf of the Trustee by the Custodian acting as the global custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate. The Trustee has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Scheme's principal financial instruments, other than derivatives, comprise equity securities, fixed interest securities, interests in pooled investment vehicles (including private equity, property trusts and infrastructure), cash and short term money market investments. The main purpose of these financial instruments is to generate a return on investment. The Scheme also has various other financial instruments such as receivables and payables, which arise directly from its operations.

The Scheme uses derivative financial instruments to reduce foreign exchange and interest rate risks in the share, bond and currency markets and to increase or decrease the Scheme’s exposure to particular investment classes or markets in line with the re-balancing strategy and other investment strategies. Derivative financial instruments are included in the statement of financial position, and the accounting policies in relation to derivatives are set out in Note 2 (e).

The main risks arising from the Scheme’s financial instruments are credit risk, liquidity risk, and market risk. Market risk includes interest rate risk, foreign currency risk and equity price risk. The Trustee reviews and agrees policies for managing each of these risks. These policies are summarised below. The Trustee also monitors market price risk for all financial instruments.

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. This framework is documented in the Trustee's Risk Management Framework and Risk Management Strategy which has been updated for the prudential standard SPS220 *Risk Management*. This Framework and Strategy are subject to regular review by management, the Trustee, and annual audits of the Scheme's Risk and Compliance programme. The Trustee manages this investment risk as part of its overall Risk Management Framework.

The Trustee determines the asset allocation of the Scheme. The Trustee receives advice from its investment adviser in making its determination. The asset allocation is reviewed throughout the year in accordance with the Scheme's Risk Management and Investment Policies. The Trustee has established an Investment Committee, which is responsible for approving and monitoring the Scheme's investments subject to the limits outlined in the Committee charter. The Committee comprises of the Chair of the TSPL Board, four TSPL Directors and two independent Committee members. The Committee minutes record all decisions made and are presented to the Board for ratification or noting as appropriate.

The internal investment management unit through its investment mandates is delegated responsibility for all day-to-day investment decisions for the internally managed funds.

The Scheme also undertakes due diligence to ensure fund managers have the appropriate skills and expertise to manage the Scheme's investments. In addition, investment performance is tracked through appropriate monitoring of market conditions and benchmark analysis.

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents and amounts due from brokers. The Scheme invests in debt securities that carry credit risks. The Scheme requires investment managers to manage the securities within approved credit limits as set out in their mandates. Compliance of managers with their mandates is monitored by the Custodian, as well as the Trustee.

The Scheme’s maximum exposure to credit risk is indicated by the carrying amounts of its assets including derivatives. The Scheme minimises credit risk by the diversity of investments, ensuring its assets are custodially held, and dealing through recognised exchanges and clearing houses. The Trustee also has a credit risk policy in place. Compliance with this policy is monitored on an ongoing basis.There are no significant concentrations of credit risk within the Scheme.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

Credit quality per class of debt instruments

The credit quality of financial assets is managed by the Scheme using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme, and is monitored on a regular basis in accordance with the Credit Risk Policy. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of asset.

2023

Credit quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Not rated	Total
	$000	$000	$000	$000	$000	$000
Fixed interest	**1,897,239**	**1,112,194**	**1,996,846**	**44,993**	**251,119**	**5,302,391**

2022

Credit quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Not rated	Total
	$000	$000	$000	$000	$000	$000
Fixed interest	**1,300,282**	**834,656**	**1,835,115**	**15,060**	**457,621**	**4,442,734**

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Collateral is held in regard to all securities lending activities. No collateral is held as security or other credit enhancements exist for all other financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due.

The Scheme's financial assets exposed to credit risk amounted to the following:

	2023	2022
	$000	$000
Accounts receivable	**10,906**	8,259
Investment income receivable	**56,811**	52,266
Fixed interest	**5,302,391**	4,442,734
Syndicated loans	**249,204**	264,158
Derivative assets	**121,878**	128,119
Total	**5,741,190**	4,895,536

The Scheme's cash is substantially managed by Pendal and the internal investment management team. The Custodian holds assets and cash in the name of the Scheme. Bankruptcy or insolvency by these financial institutions may cause the Scheme's rights with respect to the cash held to be delayed or limited. The Scheme monitors its credit risk by monitoring the credit quality and financial position of relevant institutions through regular analysis of their financial reports.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet commitments associated with financial instruments and benefit payments. To control these risks, the Scheme invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's liquidity risk is managed on a daily basis by the internal investment management and the finance functions in accordance with the Liquidity Management Plan (the Plan) and the Scheme's Risk Management Framework. Compliance with the Plan is reported to the Trustee on a regular basis. The Scheme limits the allocation of illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Scheme's membership profile, together with the bulk of its assets being invested in highly liquid asset classes, allows the Scheme to tolerate a lower liquidity in regard to its alternative investments (e.g. property and infrastructure investments) in an expectation of higher investment returns in the longer term.

The Scheme's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result, the Scheme may not be able to quickly liquidate some of its unlisted investments at an amount close to fair value in order to meet its liquidity requirements. The value of these investments is monitored to comply with the asset allocation stipulated in the Scheme's investment strategy, Liquidity Policy and Risk Management Framework. Commitment cash flow projections are analysed as part of the periodic rebalancing review of the Scheme's investments. The risk in relation to illiquid investments is therefore considered minimal.

The following table summarises the maturity of the Scheme's financial liabilities based on undiscounted cash flows.

2023 **Liability**	**Less than 1 month** **$000**	**1 month to 3 months** **$000**	**3 months to 1 year** **$000**	**Greater than 1 year** **$000**	**Total** **$000**
Benefits payable	**6,380**	**-**	**-**	**-**	**6,380**
Accounts payable	**30,161**	**-**	**-**	**-**	**30,161**
Derivative liabilities	**31,664**	**94,969**	**5,836**	**95,342**	**227,811**
Current tax liability	**-**	**-**	**-**	**-**	**-**
Lease liabilities - undiscounted	**167**	**335**	**1,511**	**18,761**	**20,774**
	68,372	**95,304**	**7,347**	**114,103**	**285,126**

2022 **Liability**	**Less than 1 month** **$000**	**1 month to 3 months** **$000**	**3 months to 1 year** **$000**	**Greater than 1 year** **$000**	**Total** **$000**
Benefits payable	8,590	-	-	-	8,590
Accounts payable	30,599	-	-	-	30,599
Derivative liabilities	84,960	87,961	1,704	147,608	322,233
Current tax liability	-	-	-	-	-
Lease liabilities - undiscounted	162	323	1,460	20,774	22,719
	124,311	88,284	3,164	168,382	384,141

The above table does not include the members' liabilities for accrued benefits amounting to $24,631 million (2022: $23,082 million) as it is not practicable to determine the timing of when such liabilities will be paid. The Scheme manages its obligation to pay such benefits based on management's estimates and actuarial assumptions of when such benefits will be drawn down by members. The Trustee considers it is highly unlikely that a substantial number of members will request to draw down their benefits at the same time.

Notes to the Financial Statements

For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(d) Market risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk). The Scheme's policies and procedures to mitigate the Scheme's exposure to market risk are detailed in the Trustee's Investment Policy and the Risk Management Framework. This includes the risk review processes and compliance testing undertaken by management and regularly reported to the Risk Committee.

Market risk is also minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The majority of the Scheme’s financial instruments are non-interest bearing with only cash, cash equivalents and fixed interest securities being directly subject to interest rate risk. However, movements in market interest rates can indirectly impact on the valuation of non-interest bearing investments. The Scheme may use derivatives to hedge against unexpected increases in interest rates.

The Scheme’s exposures to interest rate movements on its financial instruments, by maturity, at reporting date are as follows:

2023	**Floating Interest rate $000**	**1 year or less $000**	**1 to 5 years $000**	**More than 5 years $000**	**Non-interest bearing $000**	**Total $000**
Financial instruments	**3,633,970**	**171,606**	**732,757**	**755,620**	**18,629,283**	**23,923,236**
Cash and cash equivalents	**858,405**	**-**	**-**	**-**	**-**	**858,405**
Total	**4,492,375**	**171,606**	**732,757**	**755,620**	**18,629,283**	**24,781,641**

2022	**Floating Interest rate $000**	**1 year or less $000**	**1 to 5 years $000**	**More than 5 years $000**	**Non-interest bearing $000**	**Total $000**
Financial instruments	2,990,008	186,822	556,156	709,713	17,538,409	21,981,108
Cash and cash equivalents	965,402	-	-	-	-	965,402
Total	3,955,410	186,822	556,156	709,713	17,538,409	22,946,510

Interest on financial instruments classified as floating rate change at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Although non-interest bearing financial instruments do not pay an interest rate, their value is subject to movement in market interest rates. Investments in managed trust vehicles are included under non-interest bearing and their risks are covered in the price risk section.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

Interest risk (continued)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting dates. The analysis assumes that all other variables are held constant. Based on expected movements in the yields of ten-year Australian and US Government bonds, a reasonably possible change of 95bp (2022: 95bp) was an appropriate movement for 30 June 2023. A change of 95bp in interest rates with all other variables remaining constant would have increased interest income and net assets available for member benefits by $50.3 million (2022: $42.2 million). A change of -95bp in interest rates with all other variables remaining constant would have decreased interest income and net assets available for member benefits by $50.3 million (2022: $42.2 million).

The analysis is performed on the same basis for 30 June 2022. The impact on net assets available to pay benefits mainly arises from the effect that the reasonably possible change in interest rates will have on the fair value of fixed interest securities.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk is a component of price risk.

The Scheme has exposure to foreign exchange risk in the value of securities denominated in a foreign currency. Foreign exchange contracts are used by our investment managers and by the Scheme as an overlay control to reduce the exposure to such risk in the value of our underlying international investments by the use of forward currency contracts. The Scheme uses both passive and active managers to manage the risk of foreign exchange fluctuations in line with the Scheme's Risk Management Framework and the Scheme's Investment Policy. On this basis, the Scheme's overall exposure to foreign exchange risk is considered minimal after taking into account the forward currency contracts.

Foreign exchange sensitivity analysis

The tables below indicate the Scheme's exposures at reporting date to foreign exchange rate movements on its international investments. The analysis calculates the effects of a reasonably possible movement of currency rates against the Australian Dollar based on forecasts at reporting date.

Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of 8.5% (2022: 8.5%) has been determined by the investment adviser as an appropriate assumption for this scenario analysis. A 8.5% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2023 would have (decreased)/ increased the net foreign exchange gains/(losses) and net assets available for member benefits by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

The analysis was performed on the same basis for 30 June 2022. The impact mainly arises from the reasonably possible change in foreign currency exchange rates.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange sensitivity analysis (continued)

2023	Effect on net foreign exchange gains/(losses) and net assets		
Currency Gross investment amounts denominated in:	Amount $000	+8.5% $000	-8.5% $000
USD	**7,070,089**	**600,958**	**(600,958)**
EUR	**1,484,521**	**126,184**	**(126,184)**
JPY	**454,776**	**38,656**	**(38,656)**
GBP	**625,391**	**53,158**	**(53,158)**
Other currencies	**1,193,545**	**101,451**	**(101,451)**
Total	**10,828,322**	**920,407**	**(920,407)**

2022	Effect on net foreign exchange gains/(losses) and net assets		
Currency Gross investment amounts denominated in:	Amount $000	+8.5% $000	-8.5% $000
USD	6,202,407	527,205	(527,205)
EUR	1,281,464	108,924	(108,924)
JPY	322,444	27,408	(27,408)
GBP	533,670	45,362	(45,362)
Other currencies	968,383	82,313	(82,313)
Total	9,308,368	791,212	(791,212)

Other Market Price Risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or factors affecting all similar instruments traded in the market. All security investments present a risk of loss of capital. The maximum risk is determined by the fair value of the financial instruments.

As all of the Scheme's financial instruments are measured at fair value with changes in fair value recognised in the income statement, all changes in market conditions will directly affect net investment income. Price risk is mitigated by investing in a diversified portfolio of financial instruments that are traded on various markets.

Other market price sensitivity analysis

All investment managers are subject to extensive due diligence prior to being appointed, with the recommendation for their appointment and removal made by the Investment Committee to the Board for final approval where required. All investment activities are undertaken in accordance with established mandate limits. Monthly reports are received from investment managers and the global custodian and these reports are reviewed in detail and assessed against relevant benchmarks. Investment manager performance is reported to the Investment Committee.

The Trustee has determined that these investments are appropriate for the Scheme and are in accordance with the Scheme's investment strategy.

Notes to the Financial Statements
For the year ended 30 June 2023

23. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

Other market risk (continued)

Other market price sensitivity analysis (continued)

The analysis below indicates the effect on the income statement due to a reasonably possible change in market factors, as represented by the equity indices, with all other variables held constant. Based on its long-term equilibrium after-tax capital market assumptions, the investment adviser has determined that the following assumptions are appropriate for this scenario analysis.

2023

Asset class	Change in market price	Effect on net assets/returns	
		$000	$000
Fixed interest	**+6.0%/Nil**	**318,143**	**-**
Listed equities	**+24.5%/-7.5%**	**2,947,614**	**(902,331)**
Unlisted equities	**+28.5%/-8.0%**	**1,908,274**	**(535,656)**

2022

Asset class	Change in market price	Effect on net assets/returns	
		$000	$000
Fixed interest	+6.0%/-0.5%	266,564	(1,333)
Listed equities	+24.5%/-7.5%	2,708,429	(203,132)
Unlisted equities	+28.5%/-8.0%	1,903,138	(152,251)

A process for the valuation of unlisted, infrequently valued assets is used to ensure valid valuations are reported. This involved seeking assurances from managers, ensuring latest accurate information available has been included and where necessary reviewing the latest audited financials of the relevant entity. All available valuation information has been incorporated in these financials.

(e) Securities lending

The Scheme has entered into securities lending arrangements under which legal title to certain assets of the Scheme have been transferred to the Custodian, notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Scheme.

The assets transferred under securities lending arrangements include Australian and international equities and bonds. The risks and rewards of ownership to which the Scheme remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of assets subject to securities lending at reporting date amounted to $8,314.3 million (2022: $11,520.5 million). Capped at 10% of the Scheme's funds under management as at the reporting date, the carrying amount of assets on loan at reporting date was $325.9 million (2022: $678.2 million). The income received from securities lending was $1.0 million (2022: $1.0 million).

The Custodian is required to collect collateral in respect of the securities which are lent to third party borrowers. The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the Custodian to hold the collateral in a segregated account.

The collateral held at reporting date as security by the Custodian for the benefit of the Scheme. The non-cash collateral's fair value at the reporting date is $353.6 million (2022: $735.4 million).

Notes to the Financial Statements
For the year ended 30 June 2023

24. Insurance

The Scheme provides death and disability benefits to members. These benefits are greater than the members' vested benefits and as such the Trustee has a group policy in place with a third party, MLC, to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

25. Commitments and contingent liabilities

The Scheme has outstanding commitments as part of its business operations. These represent uncalled elements in respect of investments, litigation, as well as contractual arrangements entered into with third parties. There were no outstanding contingent liabilities as at 30 June 2023.

Amounts as at 30 June were as follows:

	2023 $000	2022 $000
Investment commitments	**1,008,181**	648,528
Contingent liabilities	**-**	-
Total	**1,008,181**	648,528

26. Environmental, social and governance

The Scheme's fundamental objective is to enhance responsibly the financial security of its members in retirement. The Scheme supports the development of a more sustainable global economy, and the attainment of the Paris Agreement goals on climate change.

The Scheme believes that incorporating material Environmental, Social and Governance (ESG) considerations as a part of investment decision making is good risk management and will assist to make better investment decisions over the medium to longer term.

The Scheme seeks to incorporate material ESG considerations in our investment processes in a manner consistent with our Sustainable Investment Policy and where applicable, our Climate Change Action Plan. The Scheme aims to apply this approach across the Fund's whole investment portfolio, excluding derivatives.

Key aspects of the Scheme's Sustainable Investment approach are outlined below.

Considering material ESG Factors in investment decision making

When undertaking due diligence on external investment managers, the Scheme considers whether a manager's investment processes incorporate satisfactory analysis of ESG factors within their investment decision making. In respect to direct investments, due diligence is directed at assessing and identifying material ESG risk factors to make an informed investment decision.

During the term of a manager's appointment or while holding an investment, the Scheme's Sustainable Investment team and relevant asset class teams monitor the management of ESG risks. This primarily occurs through receiving regular ESG related reporting or by, where practicable, engagement with our appointed investment managers and with the boards and management of our investee companies.

Active Ownership – Engagement

The Scheme endeavours to engage with our Australian investee companies on specific ESG related issues and risks important to our Fund. Typically, engagement is undertaken in conjunction with the Australian Council of Superannuation Investors (ACSI).

Notes to the Financial Statements
For the year ended 30 June 2023

26. Environmental, social and governance (continued)

We expect our external investment managers to seek engagement, where practicable, with the management and boards of the entities in which we are invested and managed by them on our behalf, to encourage sound ESG practice and mitigation of ESG risks.

Active Ownership – Proxy Voting

The Scheme believes that active ownership can improve long-term risk-adjusted returns for members. Where we are entitled to vote our internally managed securities, we typically support resolutions that seek to enhance value for our members across a range of areas including board composition, executive remuneration, and climate related disclosure and actions.

Our external investment managers may exercise proxy votes relating to the securities they manage pursuant to their own proxy voting policies. However, TelstraSuper usually retains a right of veto where we identify that the manager's intended vote is not appropriately aligned with our views. You can find information on our voting approach in our Proxy Voting Policy and disclosure of our voting decisions at telstrasuper.com.au/ProxyVoting.

Collaboration & Advocacy

The Scheme recognises that collaboration with other peer investors, stakeholders and/or industry associations, bodies and groups can assist in achieving desired outcomes for investors with respect to a range of important issues. We are a signatory to the Principles for Responsible Investment (PRI) and are involved in a number of collaborative investor groups and initiatives, including the:

- Australian Council of Superannuation Investors (ACSI)
- Responsible Investment Association Australasia (RIAA)
- Investor Group on Climate Change
- Climate Action 100+
- 40:40 Vision

Climate Change Action Plan

The Scheme has adopted a Climate Change Action Plan (the Plan) that has set a goal of achieving net zero carbon emissions for the investment portfolio by 2050 and supporting an economy wide 45% reduction by 2030. The Plan outlines tangible steps to achieving these goals. The Plan supports investing in sustainable projects and assets that are likely to benefit from the climate change transition.

Exclusions

The Scheme Trustees may from time determine that certain assets, industries or activities with undesirable ESG or ethical credentials are to be excluded from our investment portfolio. We currently maintain mandated investment exclusions on investing in:

i) manufacturers of tobacco and like products or devices that facilitate smoking where such manufacturing is a material activity of the entity.

ii) manufacturers of controversial weapons, which means involvement in the production of anti-personnel mines, biological and chemical weapons and cluster weapons. The exclusion is limited to whole weapons systems or components developed for exclusive use in controversial weapons.

iii) primary-focus thermal coal producers, where the majority (51% or more) of company or group earnings are derived from thermal coal production.

iv) Russian-domiciled securities (including corporate debt issued in hard currency) and Russian sovereign debt instruments.

The Scheme employs various screening processes and exception reporting to identify and prevent non-compliance. Where non-compliance is identified, we seek to divest noncomplying investments in an orderly fashion as soon as practicable.

Notes to the Financial Statements
For the year ended 30 June 2023

26. Environmental, social and governance (continued)

Reporting

The Scheme's Sustainable Investment Bulletin reports on our responsible investment activities to members, the Board, Investment Committee and other interested stakeholders. The Bulletin includes information on ESG risk assessment undertaken across the portfolio and highlights key active ownership and ESG engagements undertaken with investee companies. The Scheme's annual Climate Report is aligned with the requirements of the Taskforce for Climate Related Financial Disclosures (TCFD) and provides an update on the implementation of the Schemes Climate Change Action Plan.

The Scheme's approach to sustainable investment is further outlined in our Sustainable Investment Policy and Climate Change Action Plan available at telstrasuper.com.au/sip and is supported by further information available at telstrasuper.com.au/esg.

27. Significant events after balance date

Between 30 June 2023 and the date of approval of this financial report, there have been no matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Scheme.

Trustee Statement

In the opinion of the Directors of Telstra Super Pty Ltd (ACN 007 422 522), Trustee of the Telstra Superannuation Scheme (Scheme):

1. The accompanying financial statements of the Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2023 and the results of its operations and cash flows for the year then ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and

2. The Scheme has been conducted in accordance with its constituent Trust Deed dated 1 July 1990 (as amended) and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines during the year.

Signed in accordance with a resolution of the Board of Directors of Telstra Super Pty Ltd.

Name: Anne-Marie O'Loghlin

Director

Name: Steven Fousekas

Director

Dated at Melbourne, this 17th day of August 2023.

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Telstra Superannuation Scheme
ABN 85 502 108 833

Report by the RSE Auditor to the trustee and members

Opinion

We have audited the financial statements of Telstra Superannuation Scheme for the year ended 30 June 2023 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*

Basis for opinion

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

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

Responsibilities of the Trustee for the Financial Statements

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

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, we exercised professional judgment and maintained professional scepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If We conclude that a material uncertainty exists, We are required to draw attention in our auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our auditor opinion. My conclusions are based on the audit evidence obtained up to the date of our audit 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.

We communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Maree Pallisco
Partner
Melbourne

17 August 2023