



Australian Government

Coal Mining Industry  
(Long Service Leave Funding) Corporation

# COALLSL

ANNUAL REPORT 2021-22



**FUNDS UNDER MANAGEMENT**  
**\$1.95B**



**1,586**  
**EMPLOYER**  
**AUDIT REPORTS**  
**PROCESSED**

**TOTAL REGISTERED EMPLOYERS**  
**1,131**



**APPLICATIONS FOR LONG SERVICE LEAVE PROCESSED**  
**19,033**



**ACTIVE EMPLOYEES**  
**54,603**



**MISSING SERVICE REVIEW APPLICATIONS PROCESSED**  
**476**



**REIMBURSEMENTS PAID MORE THAN \$150M**



ENTRUSTED WITH

**60 MILLION HOURS OF LEAVE**

**NEW EMPLOYERS REGISTERED IN 2021-22**  
**194**



**EMPLOYEE RECORDS**  
**139,335**



**MORE THAN 1.9M HOURS LEAVE TAKEN**



**WORKFORCE**

**206**

COAL LSL STAFF  
**MALE 32%**  
**FEMALE 68%**

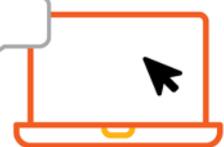


**LEVY FORMS PROCESSED**  
**24,969**



**INVESTMENT RETURN**  
**5.8%**  
OVER 8 YEARS

**79,000**  
**CLIENT INTERACTIONS**



**FINANCIAL YEAR 2021-22 FIGURES, AS AT 30 JUNE 2022**



Coal LSL acknowledges the traditional custodians of the land on which we work. We pay our respects to its people, cultures and elders past, present and emerging.



# CONTENTS

<b>LETTER OF TRANSMITTAL</b>	<b>03</b>
<b>APPROVAL OF 2021–22 ANNUAL REPORT BY ACCOUNTABLE AUTHORITY</b>	<b>04</b>
<b>CHAIR MESSAGE</b>	<b>05</b>
<b>CEO MESSAGE</b>	<b>06</b>
<b>PART 1: ABOUT COAL LSL</b>	<b>07</b>
Overview	08
Vision and purpose	10
Regulatory approach	11
Responsible minister	11
Board of Directors	12
Executive leadership team	14
Organisational structure	15
Investments	16
<b>PART 2: GOVERNANCE PRACTICES</b>	<b>17</b>
Board and subcommittees	18
Procurement, Statement of non-compliance, External scrutiny	20
<b>PART 3: ANNUAL PERFORMANCE STATEMENTS</b>	<b>21</b>
<b>PART 4: FINANCIAL STATEMENTS</b>	<b>29</b>
<b>PART 5: APPENDICES</b>	<b>59</b>
Disclosures	60
Glossary and acronyms	63
List of requirements	64



Australian Government  
Coal Mining Industry  
(Long Service Leave Funding) Corporation

**COAL LSL**

13 September 2022

The Hon. Tony Burke MP  
Minister for Employment and Workplace Relations  
Minister for the Arts  
Leader of the House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Minister

I am pleased to submit the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL) Annual Report for the year ended 30 June 2022 for presentation to the Parliament.

This report meets the requirements of federal law, including section 46 of the *Public Governance, Performance and Accountability Act 2013*, and reflects the requirements as approved by the Joint Committee of Public Accounts and Audit.

Following its tabling in Parliament, the report will be published on the Coal LSL website.

Yours sincerely

Christina Langby  
Chair



## APPROVAL OF 2021–22 ANNUAL REPORT BY ACCOUNTABLE AUTHORITY

On behalf of the Board of Directors of the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL), I certify that:

- ▶ the Board of Directors (the Board) is the accountable authority of Coal LSL;
- ▶ the Board is responsible for preparing and providing the annual report to the Minister for Employment and Workplace Relations in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*; and
- ▶ the Board met and approved the 2021–22 annual report for submission to the Minister for Employment and Workplace Relations by way of resolution on 13 September 2022.

Christina Langby  
Chair



## A MESSAGE FROM OUR CHAIR

It gives me great pleasure to present Coal LSL's 2021–22 Annual Report. This year we've continued to deliver against our mandate under our governing legislation, as well as against the goals and priorities of our corporate plan.

In February 2022, KPMG Australia released the report *Enhancing certainty and fairness: Independent Review of the Coal Mining Industry (Long Service Leave Funding) Scheme*. The report set out four themes: coverage and treatment; compliance and enforcement; governance; and administrative processes.

Twenty recommendations were made. Of these, 10 were directed at government, including amendments to the legislation which the Board fully supports as vital reform that needs to be undertaken to advance Coal LSL as a contemporary portable long service leave scheme. Pleasingly, the remaining 10 recommendations made in the report reflect the work of Coal LSL's existing strategic roadmap.

The release of the report was a positive step forward for Coal LSL, shining a light on the importance of the scheme for employees in the Australian black coal mining sector. It recognised that aligning the governing legislation with the needs of the changing workforce and industry will ensure employees are able to access their entitlements and that compliance is streamlined and efficient for employers.

We performed extremely well against our strategic priorities and made strong progress on our strategic programs, particularly in the areas of *Optimised Operations and Easy to Do Business With*. We grew our workforce in line with that progress and in April we moved into a new office to accommodate our growth.

It was a challenging year in investment markets and after a strong start in the first half of the financial year, high inflation and rising interest rates affected investment returns, impacting the Fund surplus. In the face of this we have commissioned a full actuarial review to provide guidance on the current funding ratio and the required levy rate to continue to meet future liabilities.

I'd like to thank my fellow Board members for their continued work and support during the year. I'd also like to congratulate the entire Coal LSL team for their dedication and commitment to ensuring eligible employees in the coal mining industry are connected to their long service leave benefits.

Christina Langby  
Chair



## A MESSAGE FROM OUR CEO

It has been a year of significant progress for Coal LSL and I'm extremely proud of the results we are presenting in this year's annual report.

We have been operating in an external environment that continues to challenge the Australian black coal mining industry. The beginning of a global shift to carbon neutrality. The impending early closure of coal-fired power stations. Widespread changes in employment conditions across the Australian workforce relations landscape. Uncertain global markets.

As Coal LSL's external environment shifts, the onus is on us to support the industry we serve by evolving and maturing as an organisation. In line with this, one of our achievements in the past year was the adoption of a new strategic alignment model to reflect the realignment of our purpose and vision.

Our evolved purpose is simple: we ensure employees are connected with their long service leave benefits. Hand in hand with that is our vision of enhancing our communities as a contemporary, sustainable long service leave scheme by ensuring benefits are accessible to employees when needed.

In addition to these changes, we also took steps to strengthen our regulatory function. A major part of this was the restructure of the organisation into three divisions: Operations,

Regulation and Investments. This structure will enhance the evolution of our regulatory function and our commitment to proportionate, risk-based decision making; collaboration; transparency; and engagement.

At an operational level, Coal LSL has made important progress on a number of initiatives and programs of work to streamline our processes and enhance the client service experience. Just one example of this is Levy Loader, a digital platform we've introduced to simplify levy reporting for employers. Today, almost half of employer levy returns are submitted through Levy Loader – a huge achievement compared to June 2021 when only 12% of levy returns were submitted within this system.

One of the biggest challenges we faced during the year was the instability of the global investment markets which impacted our Fund through high inflation and rising interest rates. This is reflected in our total funds under management which is sitting at \$1.95b as opposed to \$2.10b in June 2021.

The commitment and dedication I see around me every day is what ensures our success and enables us to keep improving the way we connect employees with this very valuable benefit. For this, I thank each and every team member of Coal LSL.

Darlene Perks  
Chief Executive Officer



## PART 1: ABOUT COAL LSL

## OVERVIEW

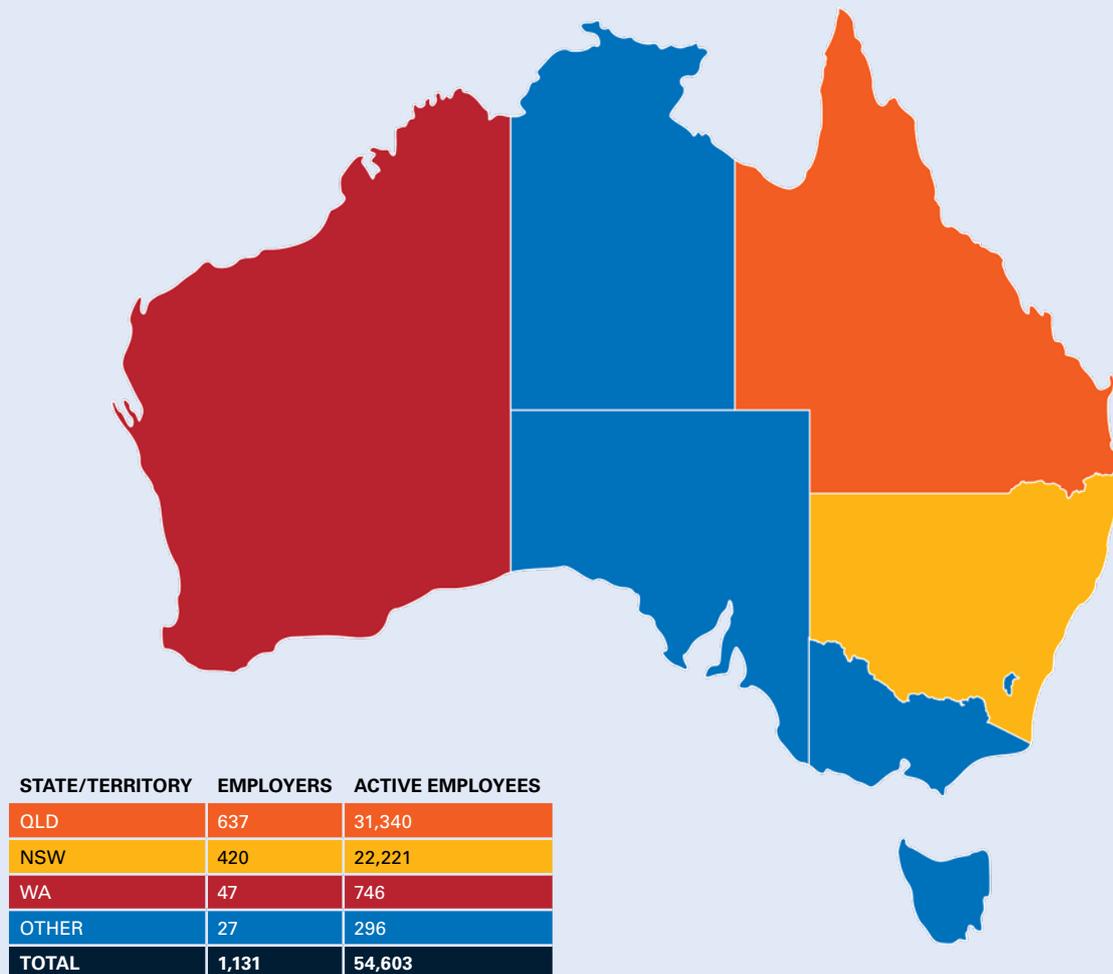
Coal LSL is the custodian and regulator of the long service leave scheme, a valuable workplace benefit established in 1949 for employees within the black coal mining industry.

It is Coal LSL's purpose to ensure eligible employees are connected with their long service leave benefits by exercising the powers and functions of our governing legislation. Established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* (the Admin Act), our role is to:

- ▶ Collect funds from employers by way of levy
- ▶ Invest funds and ensure fund sufficiency to finance reimbursements of long service leave
- ▶ Ensure accurate and compliant record keeping
- ▶ Reimburse employers' authorised payments of long service leave
- ▶ Enable recognition of long service leave entitlements for eligible employees.

Coal LSL's governing legislation also includes the *Coal Mining Industry (Long Service Leave) Payroll Levy Act 1992* and the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*.

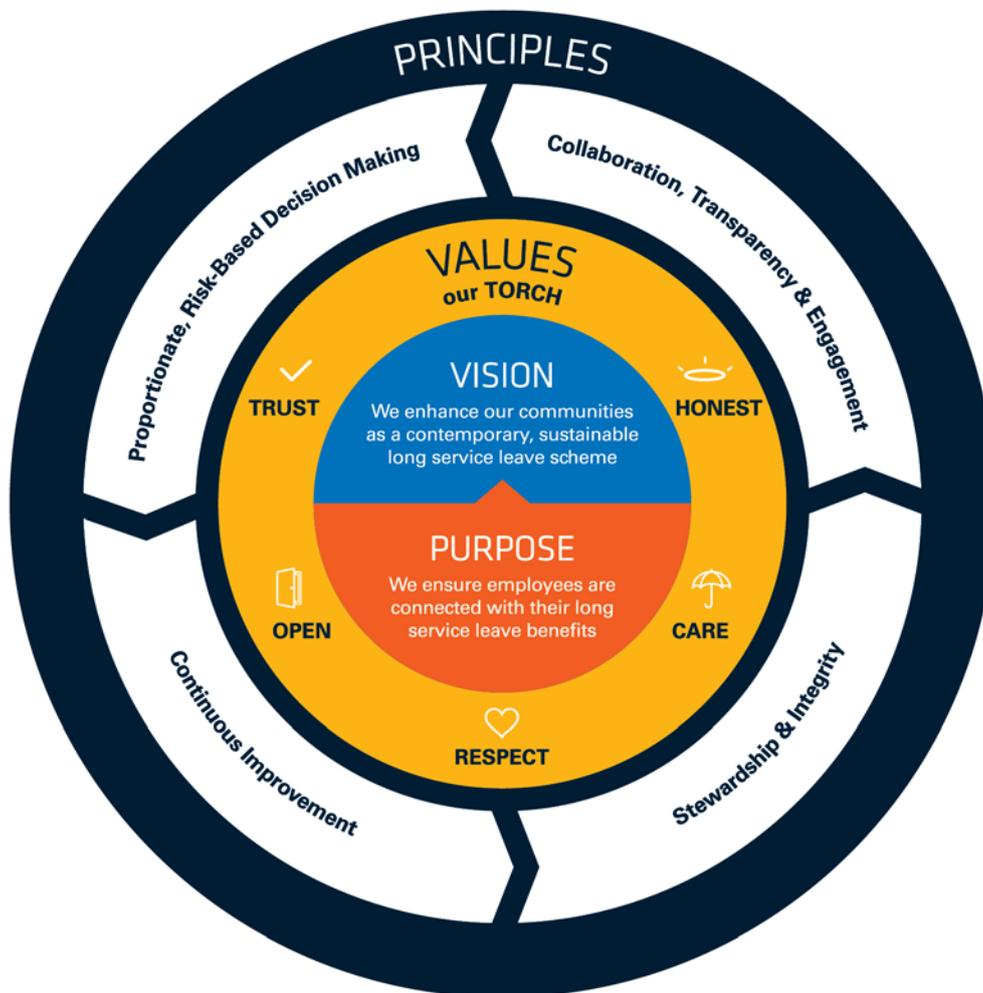
At 30 June, more than 54,000 active employees in the Australian black coal mining industry were accruing long service leave benefits through the scheme. Coal LSL is the custodian of more than 60 million hours of leave for employees and at 30 June, our funds under management were \$1.95 billion.



As we mature as an organisation and meet our purpose of connecting employees with their long service leave benefits, we are doing so in the context of our 4 aspirations:

- ▶ To be an exemplar portable long service leave scheme
- ▶ To make it simple for employees to access their entitlements and for employers to comply with their obligations
- ▶ To be a high-performing and engaged team with specialised technical skills and pride in the work it does
- ▶ To be a risk-based and future-focused organisation delivering quality and timely outcomes.

## WE ARE THE CUSTODIAN AND REGULATOR OF THE SCHEME



## STRATEGIC PRIORITIES



**Prudent Financial Management**



**Easy To Do Business With**



**Connected, Capable People**



**Effective Operations**

# VISION AND PURPOSE

Coal LSL is currently operating in a changing landscape. To ensure we continue to meet the needs of our stakeholders, we responded during the reporting period by realigning our vision and purpose.

**Our vision:** We enhance our communities as a contemporary, sustainable long service leave scheme.

**Our purpose:** We ensure employees are connected with their long service leave benefits.

The realisation of our vision will mean employees covered by the scheme can always have confidence their entitlements are available when they need them.

Achieving Coal LSL's purpose ensures employees are connected to their long service leave benefits and, to do so, we must be attuned and adaptive to the challenges the industry faces.

We are guided by our TORCH values.

## VALUES



### TRUST

We act with integrity, accountability and consistency by saying what we do and doing what we say.



### OPEN

We listen with curiosity and communicate with transparency to set expectations and guide outcomes.



### RESPECT

We value diversity of thought and appreciate the contributions of our people in carrying out an important role in our community.



### CARE

We promote wellbeing and empower our people to work together to have a meaningful impact.



### HONEST

We value respectful candour in a safe space to foster genuine and courageous interactions.

## REGULATORY APPROACH

Coal LSL aims to meet community expectations of good regulatory practice at all times. We build and maintain integrity and deliver on our purpose through our core principles:

- ▶ Proportionate, risk-based decision making
- ▶ Collaboration, transparency and engagement
- ▶ Stewardship and integrity
- ▶ Continuous improvement.

Coal LSL continues to evolve its regulatory functions in a number of ways, including the development of a tailored regulatory framework built on its core principles. The framework aligns people, processes and tools to deliver the functions of detection, prevention, correction and escalation of compliance issues in a transparent, risk-based manner.

In June 2021, an independent review of Coal LSL was commissioned by the government of the day and conducted by KPMG Australia. In its report, which was handed down in February 2022, KPMG made 20 recommendations around enhancing certainty and fairness for Coal LSL's stakeholders.

Of the 20 recommendations, 10 are directed to government and 10 to Coal LSL. The 10 directed to government require legislative change to address the current legislation's misalignment with contemporary work practices. The 10 directed to Coal LSL were addressed as opportunities in our strategic roadmap and will continue to be advanced while legislative reform is being progressed by government.

Coal LSL is required to submit a Regulator Statement of Intent in response to a Ministerial Statement of Expectations. Our Statement of Intent reflects our approach to non-compliance and commitment to consistent, transparent application of our governing legislation.

## RESPONSIBLE MINISTER

Our responsible ministers during the reporting period were:

The Hon. Tony Burke (1 June 2022–Current)

- ▶ Minister for Employment and Workplace Relations
- ▶ Minister for the Arts

The Hon. Michaelia Cash (April 2021–21 May 2022)

- ▶ Attorney-General
- ▶ Minister for Industrial Relations

Senator the Hon. Amanda Stoker (April 2021–21 May 2022)

- ▶ Assistant Minister to the Attorney-General
- ▶ Assistant Minister for Women
- ▶ Assistant Minister for Industrial Relations

## BOARD OF DIRECTORS

The Board of Directors collectively acts as the accountable authority of Coal LSL. The Board is accountable to the responsible federal minister, who appoints the directors. Directors hold office on a part-time basis and are subject to the provisions of the *Public Governance, Performance and Accountability Act 2013* (PGPA).

### The role of the Board is to:

- ▲ Manage the affairs of Coal LSL, ensuring the proper, efficient and effective performance of Coal LSL's functions
- ▲ Establish and oversee the purpose, objectives, policies and plans of Coal LSL
- ▲ Set the scope of the investment mandate, strategies and asset allocation
- ▲ Authorise the Chief Executive Officer and other employees to act for/on behalf of Coal LSL in performing delegated responsibilities.



### **Christina Langby, Chair**

Director since June 2017 and Chair since January 2020

Christina is the CFO, Director of Finance and Operations and Company Secretary at the NSW Minerals Council, Director and Chair of Mine Super, Director of Mine Super Services Pty Ltd, and Director and Chair of Coal LSL. She is a member of the Australian Institute of Company Directors, the Australian Institute of Superannuation Trustees, and Chartered Accountants Australia and New Zealand. She holds a Bachelor of Economics from the University of Sydney and has worked in several international banks and financial institutions within the finance and audit divisions. In addition to her accounting and finance background, she has experience in audit, risk, insurance, investments, administration, corporate governance including board and secretariat management, consulting, and relationship management.



### **Grahame Kelly, Deputy Chair**

Director since June 2018 and Deputy Chair since June 2019

Grahame is General Secretary of Mining and Energy Union (MEU), Director of Coal LSL, Director of Mine Super, Director of Mine Super Services Pty Ltd, and Director of Unity Bank Limited. Grahame spent many years working in the Hunter Valley and served as District Secretary of Northern Mining and NSW Energy District before being elected to his position.



### **Jennifer Short, Director**

Director since July 2017

Jennifer is a Legal Officer for MEU – Northern Mining and NSW Energy District and a Director of Coal LSL. She is a member of the Australian Institute of Company Directors, a member of the Law Society of New South Wales, holds a Bachelor of Commerce from Griffith University and a Bachelor of Laws (Hons) from the Queensland University of Technology. Jennifer has represented Australian workers internationally as the Australian Council of Trade Union youth representative and has in-depth knowledge of the coal mining industry, industrial relations and employment law.

**As per Section 13 of the *Coal Mining Industry (Long Service Leave) Administration Act 1992*, the Board comprises:**

- ▲ One director appointed to represent the companies engaged in black coal mining in NSW or Tasmania
- ▲ One director appointed to represent the companies engaged in black coal mining in Queensland
- ▲ One director appointed to represent companies engaged in black coal mining in Western Australia
- ▲ Two directors appointed to represent the Mining and Energy Division of the Construction Forestry Maritime Mining and Energy Union
- ▲ One director appointed to represent the following organisations: a) Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia; b) Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union; c) Association of Professional Engineers, Scientists and Managers Australia; d) Colliery Officials Association of New South Wales; e) Mine Managers Association of Australia.



**Scott Faragher, Director**  
Director since February 2020

Scott is an experienced corporate affairs adviser and manager. He has held various roles across both the iron ore, and oil and gas sectors, including at Chevron Australia and Australian Premium Iron JV. Prior to this Scott held various senior policy and advisory roles within the Federal Government. He has extensive experience in policy development and advocacy, government relations, reputation management and stakeholder engagement. Scott holds a Bachelor of Arts with Honours from the University of Sydney and is a graduate of the Australian Institute of Company Directors.



**Shane Stephan, Director**  
Director since May 2021

Shane has more than 30 years' experience in the coal mining industry during which he worked as an underground coal miner, cadet mine manager, undermanager and mines inspector. He held numerous executive positions in Queensland coal mining companies, and an executive position with an international investment bank. He retired from the Managing Director position of New Hope Corporation Limited in 2020. Shane is a member of the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. He holds a Bachelor of Business from the Queensland University of Technology, an MBA from the University of New South Wales, a Certificate in Mining (Coal) and a First Class Mine Managers Certificate of Competency (Coal).



**Marisa Whittington, Director**  
Director since May 2021

Marisa is the Principal of Legal and Industrial for the Collieries' Staff division of Professionals Australia. She holds law qualifications from Charles Darwin University and Cergy-Pontoise University and gained extensive industrial and employment law experience from advocating for employee rights and entitlements across several jurisdictions. Her experience spans diverse industries including social and community services, airlines, manufacturing, rail and coal mining. Marisa is a member of the Australian Institute of Company Directors. She has been a member of the Unions NSW Workplace Health and Workers Compensation Committee for 5 years.

## EXECUTIVE LEADERSHIP TEAM



**Darlene Perks**  
Chief Executive Officer

Darlene is a senior leader with more than 25 years' experience in leading large private and public companies. She has a strong background in commercial operations, strategy and finance. She is a Fellow of CPA Australia, holds a Graduate Diploma of Applied Corporate Governance and is a graduate of the Australian Institute of Company Directors. Appointed as CEO of Coal LSL in January 2017, Darlene is responsible for leading the organisation through a journey of significant transformation, positioning it as a contemporary government organisation providing a sustainable, industry workplace benefit to stakeholders.



**Tony Windever**  
Chief Executive, Operations and Deputy CEO

Tony is a senior leader with more than 20 years' experience in executive and board roles across the technology, financial services, and not-for-profit sectors. He has led regional, national and global organisations in growth and transformation environments. Tony holds a Bachelor of Economics and is a graduate of the Australian Institute of Company Directors. He also serves on the board of Lifeline Australia. Responsible for the delivery of high-quality services to external and internal clients and stakeholders, Tony joined Coal LSL in September 2020 and leads the Operations division. This division aims to advance the management of the scheme through the Client Service Delivery, Corporate Services, People and Culture, and Strategy business units.



**Lisbeth Rasmussen**  
Chief Executive, Investments

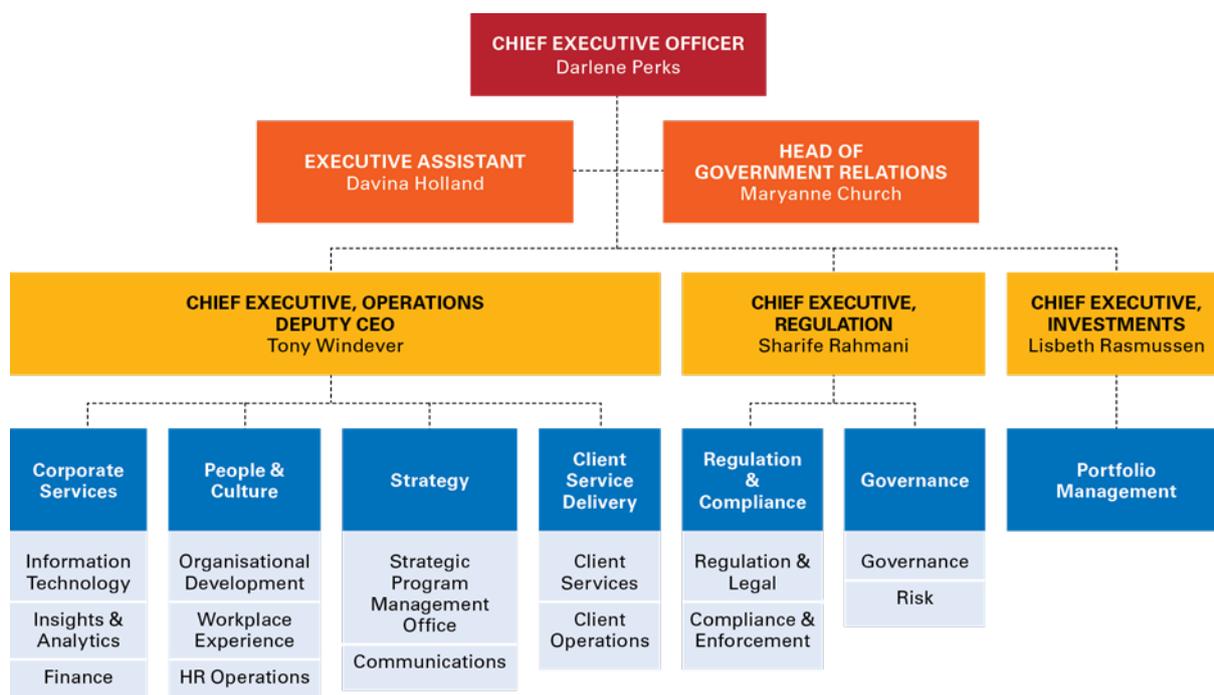
Lisbeth is a senior investment professional with more than 30 years' experience in managing large, complex funds. She is a member of the Australian Institute of Company Directors and a Director and Investment Committee member of State Super (SAS Trustee Corporation). She is a former Director of EquipSuper and Togethr Trustees. She holds tertiary qualifications from the University of Denmark and the University of Bath (United Kingdom). Lisbeth joined Coal LSL in January 2018 and leads the investment function. She is responsible for overseeing the investment portfolio and enhancing the investment governance structure to meet the ongoing needs and objectives of the business.



**Sharife Rahmani**  
Chief Executive, Regulation

Sharife is a senior executive with more than 20 years' experience in financial services and regulation. Sharife has led functions spanning strategy, transformation, operations, governance and regulation. He holds qualifications in economics, commerce, statistics and public administration and is a member of the Australian Institute of Company Directors. He serves on the Trustee Board of EquipSuper, a member-based superannuation fund with \$30 billion funds under management and 30,000 members. Sharife joined Coal LSL in February 2022 to lead the Regulation division, stewarding the evolution of Coal LSL's regulatory and governance capabilities.

# ORGANISATIONAL STRUCTURE



To strengthen the posture of Coal LSL’s regulatory function, the organisation was restructured into 3 divisions: Operations, Regulation and Investments. Each division is led by a chief executive. Working with the CEO, they are collectively responsible for the delivery of Coal LSL’s strategic plan and performance. The structural change provided greater clarity on priorities and alignment of team resources, which has directly resulted in improved delivery against our strategic objectives.

While the organisation has a clear understanding of its responsibilities as a public financial corporation, custodian and regulator, our people are committed to a one team, one purpose and one vision mindset to ensure a seamless client experience across the organisation. Underpinned by our TORCH values and core principles, our team is united by its commitment and connection to our purpose and vision.

To accommodate a growing workforce to meet capacity and technical capability needs, Coal LSL moved to its new office during the reporting period. This has allowed us to adopt a more considered operating model that ensures greater connection, collaboration and supports flexibility for our people.



## INVESTMENTS

A continued focus during the year was the optimised strategic asset allocation (SAA) for investments. The diversified SAA is structured to achieve the long-term objective of a net return from investment exceeding inflation, as measured by the Consumer Price Index, by at least 3% per annum over rolling eight-year periods.

The 12-month return to 30 June 2022 was -5.3%. This reduced the average annual return over 8 years to 5.8% p.a. Despite the challenging year, the 8-year return exceeded the objective of CPI+3% by 0.8%.

During the year the strategic asset allocation and the manager combinations in each asset class were reviewed, resulting in only minor adjustments. At the total portfolio level, the growth exposure target was increased slightly from 68% to 68.5% and cash was increased from 7% to 8%. The illiquid exposure target was reduced from 25.5% to 24% as significant net outflows were anticipated in the most recent full actuarial review.

The investment portfolio value at 30 June 2022 was \$1.95 billion, which compares with \$2.10 billion at 30 June 2021 and \$1.84 billion at 30 June 2020.

After a strong start in the first half of the financial year, Fund performance was negative in 5 out of the 6 months from January to June 2022 as equities and bonds sold off sharply in response to high inflation, rising interest rates and recession fears.

The decline in asset values impacted the Fund surplus. The funding ratio remains above Coal LSL's corporate objective of 115% but is likely to have moved within the tolerance range of +15%/- 5%. A full actuarial review has been commissioned to provide guidance on the funding ratio and levy rate required to meet future liabilities.

The portfolio achieved the following annual returns in each of the last five years (ending 30 June) averaging 5.4% per annum over the 5-year period:

2022	2021	2020	2019	2018
-5.3%	17.1%	0.7%	7.4%	8.3%



## PART 2: GOVERNANCE PRACTICES

## As a corporate Commonwealth entity, public financial corporation and independent regulator, we understand our communities derive confidence and trust from high standards of integrity and accountability.

We are committed to good corporate governance, and to being accountable, agile and practical in our approach to legislative compliance and risk management. We have demonstrated this through:

- ▲ Consistently meeting our obligations for internal compliance arrangements (such as our established frameworks and training) and external reporting
- ▲ The incorporation of risk management practices in day-to-day operations and in the delivery of our strategy
- ▲ Staying informed of upcoming legislative changes
- ▲ Commitment to ongoing improvement (to operations and how we engage internal stakeholders) for enhanced corporate governance.

We have an Audit, Risk Management and Compliance Committee (ARCC) that oversees the adequacy of our governance, risk management and assurance arrangements. This includes compliance with applicable laws and regulations; financial reporting, management and system of internal control (including cybersecurity); performance reporting; and system of risk oversight and management.

Risk management is a critical component of our approach to good governance, and is integrated into our oversight structures, strategic planning and culture. Changes in our environment that result in heightened risk, such as the impact of COVID-19, are managed and reported to the Executive, ARCC and Board.

## BOARD AND SUBCOMMITTEES

Our Board operates in accordance with the Admin Act and accompanying legislation and as a corporate Commonwealth entity subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Board is accountable to the responsible federal minister, who appoints the directors.

The performance of the Board, subcommittees and independent advisers is regularly reviewed. In 2021–22 the performance review process was facilitated by the Remuneration Committee, utilising a 360-degree assessment approach. The results of this review are being used to inform and further define the education schedule for the Board.

### Director attendance at Board meetings for 2021–22 was as follows:

Name	Appointment Term		Board Meetings									
	Start	End	2021							2022		
			7-8 Jul	13 Aug	10 Sep	18 Oct	5 Nov	30 Nov	17 Dec	18 Feb	18 Mar	14 Jun
Ms Christina Langby	05.06.2017	04.06.2025	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
Mr Grahame Kelly*	18.06.2018	17.06.2026	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Jennifer Short	01.07.2017	30.06.2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Scott Faragher	27.02.2020	26.02.2024	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Shane Stephan	13.05.2021	12.05.2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Marisa Whittington	30.05.2021	29.05.2025	✓	✓	✓	✓	X	✓	✓	X	✓	✓

\*Mr Kelly was reappointed for a second term from 18.06.2022.

The Board maintains a high level of corporate governance through its 4 subcommittees. The subcommittees of the Board meet regularly during the year, adhering to their terms of reference established by the Board.

## AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE (ARCC)

The ARCC's main functions include oversight of: financial reporting; performance reporting; system of risk management; system of internal control; accounting policies; business policies and practices; compliance with applicable laws and regulations; and governance matters.

The ARCC's Terms of Reference is available on the Coal LSL website:

<https://www.coallsl.com.au/overview/operations-overview/#Board%20of%20Directors>

Members of the ARCC include not less than two Board directors and an Independent Chair.

Membership of this committee for 2021–22 included:

- ▲ Independent Chair: Mr Martin Matthews
- ▲ Director: Ms Jennifer Short
- ▲ Director: Mr Scott Faragher.

### Member attendance at ARCC meetings for 2021–22 was as follows:

Name	Role	Qualifications & Experience	ARCC Meetings					
			2021			2022		
			3 Aug	28 Aug	19 Oct	9 Nov	18 Feb	25 May
Mr Martin Matthews	Independent Chair	<ul style="list-style-type: none"> <li>• BCom (Merit) UNSW</li> <li>• Registered Company Auditor</li> <li>• Fellow of Chartered Accountants Australia and New Zealand (CA ANZ)</li> <li>• Member of Institute of Internal Auditors of Australia</li> <li>• Over 30 years of experience, specialising in external audit, internal audit, and risk management.</li> <li>• Audit &amp; Assurance Partner, PKF Newcastle; Member, Finance &amp; Audit Committee, Life Without Barriers; Audit and Governance Committee, Business Hunter</li> </ul>	✓	✓	✓	✓	✓	✓
Ms Jennifer Short	Director	Refer to page 10 (Board of Directors)	✓	✓	✓	✓	✓	✓
Mr Scott Faragher	Director	Refer to page 11 (Board of Directors)	✓	✓	✓	✓	✓	✓

Refer to *Part 1, Board of Directors* of this report for information on director qualifications, knowledge, skills and experience. Refer to *Part 5, Executive Remuneration* for information on remuneration of Coal LSL Directors and, specifically, ARCC members.

## INVESTMENT COMMITTEE (IC)

The IC provides a forum for discussion on investment strategy, policy, initiatives and market insights. Its key objectives include ongoing assessment of Fund performance against objectives and the investment strategy; overseeing the appointment, performance and termination of investment managers; and overseeing the performance of asset consultants and the master custodian.

Members of the IC include not less than two Board directors and at least one other member with expert investment skills. The Chair of the IC for 2021–22 was Dr Jon Glass.

## TECHNICAL COMPLIANCE COMMITTEE (TCC)

The TCC provides a forum for directors to consider and evaluate applications for recognition of service and eligibility of employees as defined under the Amendment Act and Admin Act.

Members of the TCC include not less than two Board directors and at least one other member.

## REMUNERATION COMMITTEE (RC)

The RC provides a forum for directors to discuss the frameworks and related policies for remuneration, conditions of appointment, work health and safety, people and culture, as well as the appointment and review of the Chief Executive Officer and non-directors serving as members or Chairs of subcommittees of the Board.

Members of the RC include not less than two Board directors and at least one other member.



## PROCUREMENT

To maintain credibility and demonstrate independence, procurement integrity is critical in sustaining business confidence and strengthening public trust. Our aim is to maximise value and minimise cost to achieve the best outcome.

We continue to promote the proper use and management of public resources by ensuring the application of an effective and efficient procurement framework, based on principles aligned to the Commonwealth Procurement framework.

Our framework has been established to:

- ▶ Ensure procurement is conducted in an honest, competitive, fair and transparent manner
- ▶ Maximise the value for money principle
- ▶ Ensure accountability and compliance with all relevant legislation.

The procurement framework will remain dynamic in order to meet the evolving needs of the organisation while ensuring our procurement principles are always upheld.

## STATEMENT OF NON-COMPLIANCE

We are aware of our compliance obligations with finance laws and other legislative instruments, and we undertake a range of activities to maintain compliance and assurance.

We are committed to our obligation to report significant activities or issues to our responsible Minister in a timely manner. We have a robust internal controls system which includes alerts, workflows, approval processes and reporting mechanisms that facilitate the awareness of potential matters for escalation and external reporting.

There have not been any significant directions given, policy orders applied, or non-compliance issues reported to the Minister during the reporting period, as per section 19(1)(e) of the PGPA Act.

## EXTERNAL SCRUTINY

During the year there were no judicial decisions or independent tribunal outcomes that had a significant effect on our operations.

Additionally, there were no external reports on Coal LSL requiring disclosure by the following external parties:

- ▶ The Auditor-General (with the exception of the external audit of the annual financial report)
- ▶ Any committee of the Houses of Parliament
- ▶ The Commonwealth Ombudsman
- ▶ The Office of the Australian Information Commissioner.



## PART 3: ANNUAL PERFORMANCE STATEMENTS

The annual performance statements have been completed as per s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2021–22 financial year and accurately presents Coal LSL's performance in accordance with s39(2) of the PGPA Act.

# ANALYSIS OF PERFORMANCE AGAINST PURPOSE

On review, Coal LSL performed strongly in meeting its core purpose, and generating tangible benefits for stakeholders. Our operational performance in 2021–22 was supported by continued investment in people, systems and processes to deliver on our priorities and progress our transformation agenda.

Our focus for performance this year targeted:

- ▲ Optimised strategic asset allocation for investments
- ▲ Enhanced business planning, analysis and alignment
- ▲ Employer compliance
- ▲ Operational improvements
- ▲ Streamlined client interaction
- ▲ Increased capability and capacity to support our growing client base.

Central to our performance was our continued investment in developing a contemporary, scalable and secure technology environment. These investments centred on technologies to support our modernised ways of working, and the digitalisation and automation of key business processes to improve quality, efficiency and client experience. We delivered improvements to our operating platforms and cloud infrastructure. We also maintained an acute focus on securing our systems and data by significantly maturing our cybersecurity posture.

Over the past year we accelerated our investment in establishing a multi-year data management roadmap designed to support the evolution of our data governance, processes and quality. We implemented capabilities to improve the speed of availability and currency of leave balances for employees. Our business intelligence advanced to improve the reliability, availability and automation of key information to better assess organisational progress and enable insights-based decision making. We continued to mature our strategic and operational planning processes, and enhance our corporate project governance and delivery frameworks to improve business agility and delivery of outcomes for our clients and stakeholders.



The number of employers registered in the scheme grew to more than 1,130, an increase of more than 5% since last year. During this reporting period the volume of employer levy returns processed was 19% higher than the previous year, reflecting material progress in reducing a historical backlog of levy returns. Additional capacity and the implementation of a new digital platform – Levy Loader – made this possible and allowed us to service our growing client base.

Levy Loader is an online platform that facilitates processing of levy returns and was launched to the employer base during the year. This significantly streamlined the levy submission process, resulting in 44% of levy returns being submitted through Levy Loader in June.

As the custodian and regulator of the scheme, the strategic goals outlined in the 2021–22 corporate plan were crucial to enabling the Fund’s evolution as a contemporary government organisation.

Coal LSL identifies and assesses the areas of greatest risk in order to deliver against its purpose of enabling employees to access their long service leave benefits. This approach allows us to ensure the strategic initiatives are given due consideration in prioritising resource and investment commitment.

The strategic goals outlined in the plan were designed to strengthen the organisation and set the foundations for the reform that is needed to address the challenges we continue to face in an evolving industrial relations landscape.

As outlined below, the progress achieved against the goals reflects the commitment of our people in meeting our 2021–22 priorities:

- ▶ Prudent financial management
- ▶ Easy to do business with
- ▶ Connected capable people
- ▶ Optimised operations.

Our people remain our greatest asset, driving the transformation and reform agenda which is essential to advance the organisation.



## GOAL 1 PRUDENT FINANCIAL MANAGEMENT

### DELIVER SUSTAINABILITY OF THE FUND AND DEMONSTRATE ROBUST FINANCIAL DISCIPLINE

#### ▶ **PERFORMANCE CRITERION 1 – FUND SURPLUS:** 115% (+/- 5 % tolerance)

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 21)

##### RESULTS AGAINST PERFORMANCE CRITERION

The actuarial assessment based on June 2020 data calculated a funding ratio of 136% (assets were 1.36 times liabilities). During the reporting period the decline in asset values combined with increases in liabilities eroded the fund ratio to an estimated 126% at the end of June 2022. At that level, the funding ratio remains above Coal LSL's corporate objective of 115% and is at the upper end of the new tolerance range of +15%/- 5% which was set in June 2022.

#### ▶ **PERFORMANCE CRITERION 2 – INVESTMENT PORTFOLIO RETURN:**

CPI + 3% over rolling 8-year period

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 21)

##### RESULTS AGAINST PERFORMANCE CRITERION

The 8-year average annual return to 30 June 2022 was 5.8% p.a. which exceeded the objective of CPI+3% by 0.8%.

#### ▶ **PERFORMANCE CRITERION 3 – OPERATIONAL AND CAPITAL EXPENDITURE:** Within budget

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 21)

##### RESULTS AGAINST PERFORMANCE CRITERION

Operational and capital expenditure were within the Board-approved budget for the year ended 30 June 2022. Operational expenditure was \$36.74m, \$5.69m below budget while capital expenditure was \$11.28m, \$1.44m below budget. Capital expenditure excludes right-of-use assets.

#### **ANALYSIS OF PERFORMANCE**

Coal LSL's principle of prudent financial management is achieved through the active management of investment funds and an ongoing commitment to robust financial discipline.

During the year the strategic asset allocation and the manager combinations in each asset class were reviewed, resulting in only minor adjustments. At the total portfolio level, the growth exposure target was increased slightly from 68% to 68.5%, the cash allocation was increased from 7% to 8% and the illiquid exposure target was reduced from 25.5% to 24%.

The 12-month return of -5.3% for the year caused a decline in asset values and impacted the fund surplus. The decline in the funding ratio has likely brought it within the current tolerance of Coal LSL's corporate objective of 115%. The tolerance range was widened during the year from +/-5% to +15%/- 5%. The change was a risk mitigation measure to ensure sufficient time to undertake a full actuarial review, and act on any advice, without jeopardising the corporate objective.

Coal LSL maintained robust discipline in financial practice by delivering operational and strategic initiatives within the Board-approved budget, further bolstering the sustainability of the Fund.



## GOAL 2 EASY TO DO BUSINESS WITH

### ADVANCE THE CLIENT EXPERIENCE

#### ▶ **PERFORMANCE CRITERION 1 – CLIENT SATISFACTION:** Employers

**CRITERION SOURCE:** 2021–22 Corporate Plan (Performance section, page 22)

##### RESULTS AGAINST PERFORMANCE CRITERION

During the year we completed the first phase of re-engineering the levy return submission process, which is a key step in streamlining this process for employers. Levy Loader, a new online levy return submission platform, was deployed to the employer client base and has delivered:

- ▶ Levy submission upload via a secure portal instead of email
- ▶ Real-time online feedback to employers on levy return submission errors
- ▶ Enhanced data security and privacy
- ▶ Faster processing of levy returns.

To support connection and engagement with our clients, we conducted a Client Satisfaction Survey. The results are used to help us understand where improvement in this area is needed and to help guide our priorities.

The survey revealed that 79% of employers who participated were satisfied with the new Levy Loader platform and process. Employer overall satisfaction with Coal LSL was 76%, up from 74% in 2021. The independent survey highlighted the strength of our people in providing positive interactions and reinforced the demand for continued streamlining of services.

#### ▶ **PERFORMANCE CRITERION 2 – CLIENT SATISFACTION:** Employees

**CRITERION SOURCE:** 2021–22 Corporate Plan (Performance section, page 22)

##### RESULTS AGAINST PERFORMANCE CRITERION

A major focus during the year was increasing the speed of availability and currency of employee leave balances. This was achieved through fast-tracking the clearance of unprocessed levy returns and deploying an enhanced leave balance verification tool.

This has meant balance enquiries can now be satisfied immediately in nearly 75% of cases, compared to around 35% previously, either through the employee portal or via our Service Team.

Employee overall satisfaction with Coal LSL in the 2022 Client Satisfaction Survey was 78%, unchanged from the 2021 result. This is a provisional result as further surveys will be conducted in the second half of 2022. As with employers, the independent survey highlighted the strength of our people in providing positive interactions. It also reinforced the demand for increased availability of online services.

#### **ANALYSIS OF PERFORMANCE**

The Client Satisfaction Survey results continue to demonstrate the value of an engaged, knowledgeable, and client-focused workforce in delivering outcomes for our clients. We have made progress in advancing key aspects of our business processes which is being acknowledged by our clients. The ongoing re-engineering of client-facing processes is a priority of our business improvement program over coming years.



## GOAL 3 CONNECTED, CAPABLE PEOPLE

### ENABLE AN INFORMED, ALIGNED AND ENGAGED WORKFORCE

#### ▶ PERFORMANCE CRITERION 1 – STAFF SATISFACTION

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 23)

##### RESULTS AGAINST PERFORMANCE CRITERION

To support connection and engagement with our people, we conducted a Staff Culture and Engagement survey. The results are used to help us understand where improvement in this area is needed and to help guide our priorities.

The 2022 Staff Culture Survey showed a continuation of pleasing results for both Net Promoter Scores (NPS) and an increase against the baseline established in 2019. Insights gained through the survey results will continue to shape our organisational priorities and enable the delivery of our strategic initiatives.

	2019 NPS	2022 NPS
How likely is it that you would recommend Coal LSL as an organisation to do business with?	22.4	25.9
How likely is it that you would recommend Coal LSL to a friend or colleague as a place to work?	20	37.2

##### ANALYSIS OF PERFORMANCE

We continued to make progress in ensuring our people are aligned and engaged with our strategic goals, building capability across the organisation, and driving connection and collaboration through a positive and inclusive workplace culture.

This was achieved through the implementation of a Performance and Development framework, which aims to connect and align our staff with the organisation's purpose, vision, and goals, while ensuring regular discussions with leaders about professional development. The move to a new office was a key focus during the year which has allowed us to adopt a more considered operating model, incorporating a new flexible working policy to offer staff further options for connection and collaboration.



## GOAL 4 OPTIMISED OPERATIONS

### DELIVER EFFICIENT OPERATIONS THROUGH INNOVATION AND STREAMLINED PROCESSES

#### ▶ PERFORMANCE CRITERION 1 – LEVY PROCESSING

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 24)

##### RESULTS AGAINST PERFORMANCE CRITERION

Process improvements and automation resulted in improved throughput of monthly levy returns, facilitated by the implementation of a new digital platform for the submission of levy returns. Levy Loader significantly streamlined the levy submission process, resulting in 44% of levy returns being submitted through Levy Loader in June against a base of 12%.

Levy Loader is a digital platform introduced to streamline levy reporting for employers.

It establishes the data quality standard required by validating and error checking key information submitted by employers to Coal LSL in real time.

Errors are immediately flagged to employers, with online guidance assisting resolution before submission.

As a result:

- ▶ 873 employers are now using Levy Loader to submit their monthly levy return
- ▶ In June, 44% of levy returns were submitted through Levy Loader
- ▶ 66% of all employers are now submitting monthly levy returns through Levy Loader without the need for rework
- ▶ The average processing time for levy returns is just over 3 days, down from more than 10 days prior to the introduction of Levy Loader.

## ▶ PERFORMANCE CRITERION 2 – BUSINESS FRAMEWORKS

CRITERION SOURCE: 2021–22 Corporate Plan (Performance section, page 24)

### RESULTS AGAINST PERFORMANCE CRITERION

As a corporate Commonwealth entity, we have high expectations of the quality of our business frameworks, as these are the foundations that ensure integrity and consistency in our business practices. Frameworks in this context are our strategies, policies, underlying procedures/processes, systems and training.

Improvement to business frameworks are included in annual strategic and tactical planning, biennial reviews on policies, annual corporate governance training, and regular enhancements of procedures and systems.

During the period, improvements to our business frameworks included:

- ▶ Introduction of Levy Loader to streamline the acceptance and processing of employer levy submissions
- ▶ Implementation of the balance calculation system to ensure confidence in the accuracy of employee records
- ▶ Roadmap to guide the improvement of the complaints management system
- ▶ Introduction of the Learning and Development function to the organisation to facilitate the delivery of staff capability development and training systems
- ▶ Introduction of the performance development framework to enable development opportunities for staff
- ▶ Introduction of a flexible working framework for staff members
- ▶ Operationalisation of the quality assurance function from a project to ongoing partnerships with the business to develop procedural and process documentation and controls review processes.

### ANALYSIS OF PERFORMANCE

Levy returns are critical to the calculation of levy payable by employers. The introduction of Levy Loader reduces red tape for employers, provides real-time data validation and reduces the overall levy processing time, giving employees within the scheme faster access to their leave balances. The outcomes delivered for clients and our organisation from the first phase of re-engineering this process are in line with the expected benefits and give impetus to the next phases of transformation.

Our business frameworks allow us to achieve our purpose in connecting employees with their long service leave benefits. This is a strong result against the criterion.



## PART 4: FINANCIAL STATEMENTS

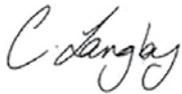
Statement by Directors, Chief Executive Officer and General Manager Finance	30
Statement of comprehensive income	31
Statement of financial position	32
Statement of changes in equity	33
Statement of cash flows	34
Notes to the financial statements	35
Overview	35
1. Statement of comprehensive income	37
2. Financial assets and liabilities	40
3. Non-financial assets	48
4. People and relationships	51
5. Provisions	53
6. Contingencies and commitments	54
7. Current/non-current distinction for assets and liabilities	55
Independent auditor's report	56

## STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER FINANCE

In our opinion, the attached financial statements for the year ended 30 June 2022 of the Coal Mining Industry (Long Service Leave Funding) Corporation ("Coal LSL") comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Coal LSL will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.



**Christina Langby**  
Chair



**Darlene Perks**  
Chief Executive Officer



**Kat Cowie**  
General Manager Finance

Sydney  
13 September 2022

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Expenses</b>			
Employee benefits	1.1 (a)	22,402	15,581
Professional services	1.1 (b)	3,546	3,513
Directors' remuneration and expenses	1.1 (c)	109	148
Depreciation and amortisation	3.1	3,195	1,963
Write-down and impairment of other assets	3.1	1,163	-
Other expenses	1.1 (d)	6,323	4,907
Increase in provision for reimbursements	5.1	77,992	205,002
<b>Total expenses</b>		<b>114,730</b>	<b>231,114</b>
<b>Own-source revenue</b>			
Investment revenue	1.2 (a)	(107,657)	308,615
Other revenue		52	9
<b>Total own-source revenue</b>		<b>(107,605)</b>	<b>308,624</b>
<b>Net (cost of)/contribution by services</b>		<b>(222,335)</b>	<b>77,510</b>
Revenue from government	1.2 (b)	146,241	139,610
<b>(Deficit)/surplus on continuing operations</b>		<b>(76,094)</b>	<b>217,120</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income</b>		<b>(76,094)</b>	<b>217,120</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

ASSETS	Note	2022 \$'000	2021 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	2.2	94,395	101,272
Trade and other receivables	2.3	16,168	23,599
Unit trusts	2.4	1,857,339	1,994,136
<b>Total financial assets</b>		<b>1,967,902</b>	<b>2,119,007</b>
<b>Non-financial assets<sup>1</sup></b>			
Prepayments		1,182	564
Property, plant and equipment	3.1	30,828	6,796
Software	3.1	1,711	2,569
<b>Total non-financial assets</b>		<b>33,721</b>	<b>9,929</b>
<b>Total assets</b>		<b>2,001,623</b>	<b>2,128,936</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Trade and other payables	2.7	2,317	2,400
<b>Total payables</b>		<b>2,317</b>	<b>2,400</b>
<b>Interest-bearing liabilities</b>			
Leases	2.8	25,946	5,199
<b>Total interest-bearing liabilities</b>		<b>25,946</b>	<b>5,199</b>
<b>Provisions</b>			
Employee provisions	4.1	2,482	1,659
Provision for reimbursements	5.1	1,687,295	1,760,001
<b>Total provisions</b>		<b>1,689,777</b>	<b>1,761,660</b>
<b>Total liabilities</b>		<b>1,718,040</b>	<b>1,769,259</b>
<b>Net assets</b>		<b>283,583</b>	<b>359,677</b>
<b>EQUITY</b>			
Retained surplus		283,583	359,677
<b>Total equity</b>		<b>283,583</b>	<b>359,677</b>

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

1. Right-of-use assets are included in property, plant and equipment.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

RETAINED SURPLUS	2022 \$'000	2021 \$'000
Balance carried forward from previous period	359,677	142,557
Net (deficit)/surplus for the year	(76,094)	217,120
Other comprehensive income	-	-
<b>Total comprehensive (loss)/income</b>	<b>(76,094)</b>	<b>217,120</b>
<b>Closing balance as at 30 June</b>	<b>283,583</b>	<b>359,677</b>

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 \$'000	2021 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Investment income	11,560	12,222
Receipts from government	149,064	141,827
Lease incentive	6,600	-
Other revenue	54	9
Net GST received	1,486	766
	168,764	154,824
<b>Cash used</b>		
Employees	21,559	14,877
Reimbursements to employers	150,698	156,023
Other expenses	12,943	8,695
	185,200	179,595
<b>Net cash (used by) operating activities</b>	(16,436)	(24,771)
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Sale of property, plant and equipment	-	4
Sale of investments	481,582	678,202
	481,582	678,206
<b>Cash used</b>		
Purchase of property, plant and equipment	11,159	1,351
Purchase of investments	459,362	586,494
	470,521	587,845
<b>Net cash from investing activities</b>	11,061	90,361
<b>FINANCING ACTIVITIES</b>		
<b>Cash used</b>		
Principal payments of lease liabilities	1,502	605
	1,502	605
<b>Net cash (used by) financing activities</b>	(1,502)	(605)
<b>Net (decrease)/increase in cash held</b>	(6,877)	64,985
Cash and cash equivalents at the beginning of the reporting period	101,272	36,287
<b>Cash and cash equivalents at the end of the reporting period</b>	94,395	101,272

## Non-cash investing activities

During the year, financial assets held at fair value through profit or loss were acquired (redeemed) as a result of:

	2022 \$'000	2021 \$'000
Reinvestment of distributions and manager fee rebates	93,477	77,011
<b>Total non-cash investing activities</b>	93,477	77,011

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

## OVERVIEW

Coal LSL is an Australian domiciled, not-for-profit, corporate Commonwealth entity established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* to regulate and manage long service leave entitlements on behalf of eligible employees of the black coal mining industry.

### BASIS OF PREPARATION

The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- ▶ *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- ▶ Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

Coal LSL is not a General Government Sector entity and is not required to report budgetary numbers to parliament. As such, the entity does not fall within the scope of AASB 1055.

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

### CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant include:

- ▶ Fair value measurement of financial assets; the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. Where observable market data is not available, balances are based on valuer assumptions. Refer to note 2.6 for further details.
- ▶ Impairment of right-of-use assets; the assessment of impairment requires a degree of estimation and judgement based on available market data, probability of leasing, and discount rate assumptions. Refer to notes 2.8 and 3.1 for further details.
- ▶ Provision for reimbursements; the provision is recalculated annually based on a number of assumptions including salary growth, discount rates and probabilities which, by their nature, are judgemental. Refer to note 5.1 for further details.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## NEW ACCOUNTING STANDARDS

All accounting standards, amendments to standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect and are not expected to have a future material effect on the entity's financial statements.

Standard / interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	AASB 1060 has been applied to the current reporting period and replaces the reduced disclosure requirements (RDR) framework. The application of AASB 1060 involved some reduction in disclosure compared to the RDR with no impact on the reported financial position, financial performance and cash flows of Coal LSL.

## FUNDING

Levies payable by employers for the period 1 July 2021 until 30 June 2022 under the provisions of the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992* were calculated at 2.0% of "eligible wages" as defined by the Act (period 1 July 2020 until 30 June 2021: 2.0%).

## TAXATION

Coal LSL is exempt from all forms of income taxation.

## ECONOMIC DEPENDENCY

Coal LSL is economically dependent upon continued funding by the special (standing) appropriation of monies out of the Consolidated Revenue Fund of the Commonwealth of Australia derived from levies made in accordance with the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*. The accounting policy for revenue from government is disclosed in note 1.2(b).

## EVENTS AFTER THE REPORTING PERIOD

There were no specific events subsequent to 30 June 2022 that had the potential to significantly affect the ongoing structure and financial activities of the entity.

## COMPARATIVE AMOUNTS

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 1. STATEMENT OF COMPREHENSIVE INCOME

1.1 EXPENSES	2022 \$'000	2021 \$'000
(a) Employee benefits		
Wages and salaries	19,325	13,661
Superannuation	2,079	1,408
Leave and other entitlements	998	512
<b>Total employee benefits</b>	<b>22,402</b>	<b>15,581</b>

### ACCOUNTING POLICY

Accounting policies for employee related expenses are contained in the People and relationships section at note 4.

(b) Professional services	2022 \$'000	2021 \$'000
Legal fees	743	461
Audit of the financial statements – ANAO	71	71
Internal audit – BDO	22	-
Internal audit – PwC	24	95
Investment management and advice	926	1,043
Other professional services and consultants	1,760	1,843
<b>Total professional services</b>	<b>3,546</b>	<b>3,513</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

### 1. STATEMENT OF COMPREHENSIVE INCOME (CONT.)

#### (c) Directors' remuneration and expenses

The remuneration of directors is by way of a daily fee for part-time holders of public office as determined under Part 4 of the determination of the (Commonwealth) Remuneration Tribunal. Directors are also entitled to reimbursement for expenses incurred in travelling to/from meetings and in the conduct of business directly related to the affairs of Coal LSL.

	2022 \$'000	2021 \$'000
Remuneration paid or payable to directors	91	98
Directors' expenses	18	50
<b>Total directors' remuneration and expenses</b>	<b>109</b>	<b>148</b>

The total number of directors that are included in the above table is 6 (2021: 8).

#### (d) Other expenses

	2022 \$'000	2021 \$'000
Technology costs	2,838	2,255
Employment-related costs	1,790	1,476
Insurance	547	446
Operating expenses	1,148	730
<b>Total other expenses</b>	<b>6,323</b>	<b>4,907</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 1. STATEMENT OF COMPREHENSIVE INCOME (CONT.)

1.2 REVENUE	2022 \$'000	2021 \$'000
<b>(a) Investment revenue</b>		
Unit trust distributions	95,334	95,325
Deposit interest	288	213
Investment manager fee rebates	4,775	3,909
Changes in fair value of investments held at balance date	(174,215)	200,539
Net realised (loss)/gains on sale of investments	(33,839)	8,629
<b>Total investment revenue</b>	<b>(107,657)</b>	<b>308,615</b>

### ACCOUNTING POLICY

Dividend and distribution income is recognised when the right to receive a dividend/distribution has been established. Interest income is recognised as it accrues using the effective interest method. Investment manager fee rebates are received through the issue of additional units and are recognised as income when the right to receive the additional units has been established. Fair value gains and losses are recognised as unrealised when the investment is still held at balance date or as realised when the investment has been disposed of during the financial year.

### (b) Revenue from government

Coal LSL collects a levy from employers in a levy collection account. The levy is transferred to the Attorney-General's Department via Consolidated Revenue and is transferred back from Consolidated Revenue on a monthly basis under a special (standing) appropriation. In accordance with the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*, Coal LSL has a right to receive the associated cash flows at the time an employer pays an amount of payroll levy. As such, Coal LSL recognises revenue from government and a corresponding receivable at the time payroll levy is deposited into the levy collection bank account by the employer. At 30 June 2022, the balance in this levy account was **\$8,045,278** (2021: \$10,868,881). This amount was remitted to Consolidated Revenue on 14 July 2022 and has been recognised as a receivable which is disclosed in note 2.3.

	2022 \$'000	2021 \$'000
Levy collections from employers	146,241	139,610
<b>Total revenue from government</b>	<b>146,241</b>	<b>139,610</b>

### ACCOUNTING POLICY

Revenues from government are recognised when Coal LSL has a right to receive the associated cash flows.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES

### 2.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	2022 \$'000	2021 \$'000
<b>Financial assets</b>		
<b>Amortised cost</b>		
Cash and cash equivalents	94,395	101,272
Trade and other receivables	16,168	23,599
<b>Total at amortised cost</b>	<b>110,563</b>	<b>124,871</b>
<b>Fair value through profit or loss</b>		
Unit trusts	1,857,339	1,994,136
<b>Total financial assets</b>	<b>1,967,902</b>	<b>2,119,007</b>
<b>Financial liabilities</b>		
<b>Amortised cost</b>		
Trade and other payables	2,317	2,400
<b>Total financial liabilities</b>	<b>2,317</b>	<b>2,400</b>

Net gains on financial assets and financial liabilities are disclosed in note 1.2(a) while net losses are disclosed in the statement of comprehensive income.

#### ACCOUNTING POLICY

Financial assets are recognised when Coal LSL becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

The classification depends on Coal LSL's business model for managing the financial assets and the contractual cash flow characteristics at the time of initial recognition.

#### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses, where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.2 CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
Cash at bank	94,339	101,198
Deposits at custodian	56	74
<b>Total cash and cash equivalents shown in statement of cash flows</b>	<b>94,395</b>	<b>101,272</b>

#### ACCOUNTING POLICY

Cash and cash equivalents include cash on hand and demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

### 2.3 TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Receivable from Attorney-General's Department	8,045	10,869
Accrued income from investments	7,891	12,574
Accrued bank interest	74	30
GST paid and claimable	158	126
<b>Total trade and other receivables</b>	<b>16,168</b>	<b>23,599</b>

At 30 June 2022, no trade or other receivables were overdue or impaired (2021: nil).

From 1 July 2022, the workplace relations functions, which include Coal LSL, transferred from the Attorney-General's Department to the Department of Employment and Workplace Relations. As a result, the receivable from the Attorney-General's Department as at 30 June 2022 was paid by the Department of Employment and Workplace Relations to Coal LSL in July 2022. This change had no other impact on the appropriation funding arrangements of Coal LSL. The accounting policy for revenue from government is disclosed in note 1.2(b).

#### ACCOUNTING POLICY

Trade and other receivables that are held for the purpose of collecting contractual cash flows which are solely payments of principal and interest and are not provided at below-market interest rates are measured at amortised cost using the effective interest method adjusted for any loss allowance.

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

### 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

#### 2.4 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 \$'000	2021 \$'000
(a) Investments		
As at 1 July	1,994,136	1,799,665
Purchases	552,839	663,505
Sales	(481,582)	(678,202)
Realised and unrealised (losses)/gains	(208,054)	209,168
<b>Total as at 30 June</b>	<b>1,857,339</b>	<b>1,994,136</b>

(b) As at 30 June 2022, a total of **\$1,857.3m** (2021: \$1,994.1m) from the assets of the Coal Mining Industry Long Service Leave Fund were invested by Coal LSL with the appointed fund managers in accordance with the approved investment policy as follows:

	2022 \$'000	2021 \$'000
AMP Capital – Shopping Centre Fund	27,212	26,447
AMP Capital – Wholesale Office Fund	52,231	64,234
Barings	77,657	113,580
Bridgewater Associates	90,756	106,817
Challenger	86,825	57,721
GQG Partners	176,906	165,985
Hyperion Asset Management	68,474	93,059
Igneo Infrastructure Partners	108,759	100,602
Independent Franchise Partners	179,629	168,330
Lazard Asset Management	92,848	96,138
Macquarie Investment Management – True Index	44,464	49,575
Macquarie Investment Management – Pure Index	72,642	77,508
MFS Investment Management	-	128,971
Palisade Investment Partners	94,025	91,013
PIMCO	76,463	85,174
QIC	40,944	40,747
Resolution Capital	107,083	115,376
Skerryvore Asset Management	103,143	-
Stone Harbor Investment Partners	64,609	78,497
Vanguard International Shares (Hedged)	230,331	132,368
Vanguard International Shares	-	129,187
Yarra Capital Management	62,338	72,807
<b>Total unit trusts</b>	<b>1,857,339</b>	<b>1,994,136</b>

All investments in unit trusts were held on behalf of Coal LSL by the Master Custodian, JPMorgan Chase Bank N.A. For the year ended 30 June 2022, the return on the investment of funds was **-5.3%** (2021: 17.1%).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.4 continued

	2022 \$'000	2021 \$'000
Sector exposure		
Australian fixed interest	44,464	49,575
Overseas fixed interest	76,463	85,174
Australian equities	296,302	339,512
Overseas equities	690,009	724,841
Alternatives	319,847	356,615
Infrastructure	202,784	191,615
Property	186,526	206,057
Cash	135,339	142,019
<b>Total investments</b>	<b>1,951,734</b>	<b>2,095,408</b>

Coal LSL's sector exposure to underlying assets through its investments in unit trusts are as follows:

**Fixed income:** Australian and overseas government bonds, semi-government bonds and corporate bonds as well as fixed income and currency derivatives.

**Equities:** Australian and overseas equities listed on respective stock exchanges including developed and emerging markets. Derivatives can be used for exposure management.

**Alternatives:** alternative credit includes bank loans and corporate debt positioned at various levels in the capital stack ranging between mezzanine and high yield debt, emerging markets sovereign and corporate debt issued in both hard and local currencies. Alternatives also include multi-asset exposure to equities, commodities, inflation-linked bonds, government and corporate nominal bonds, cash and currency pairs.

**Infrastructure:** domestic and international exposure including airports, roads, ports, utilities and renewables.

**Property:** exposure to global real estate and Australian property including shopping centres and office space primarily in Sydney and Melbourne.

The portfolio allocation to Russia/Belarus/Ukraine was immaterial at an estimated 0.05% as at 30 June 2022.

### ACCOUNTING POLICY

Financial assets are classified at fair value through profit or loss (FVTPL) where the financial assets either do not meet the criteria of financial assets held at amortised cost or at fair value through other comprehensive income (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

### Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at balance date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, references to the current fair value of other instruments that has substantially the same characteristics, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in unlisted unit trusts are recorded at the exit price as reported by the managers of such trusts.

It is a requirement of all managers that if derivatives are utilised, any such derivatives are fully cash backed.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.5 FINANCIAL RISK MANAGEMENT

Coal LSL's investment strategies expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The overall risk management program focuses on managing the financial risks by having a well-diversified portfolio. Diversification occurs across asset classes and within asset classes across managers/strategies, which in turn are diversified across geographies, sectors, size and investment styles.

Coal LSL's investment portfolio is invested in line with the approved strategic asset allocation (SAA). The SAA is calibrated to manage both the risk and return objectives for the portfolio. The SAA is reviewed at least once a year. As part of such review, the SAA is stress tested under a range of historical and forward-looking potential crises to ensure that potential adverse outcomes are within tolerance.

The SAA outlines the target allocation to each asset class, which can move in a specified range around the target allocation. Should the allocation to an asset class exceed its upper or lower limit, the asset class will be re-balanced within Board-approved ranges.

Risk management is conducted by Coal LSL's investment team in conjunction with Coal LSL's asset consultant, Frontier. The portfolio is regularly monitored by both parties and the monitoring is presented and discussed with the Investment Committee quarterly. The trigger action response plan (TARP) reporting presents important control measures in managing the market risks. The TARP currently consists of nine performance triggers and an additional nine risk triggers relating to liquidity and diversification across the portfolio.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and other price risks. Other price risks are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal LSL's overall market positions are monitored monthly using the performance report from the Master Custodian, JPMorgan, to evaluate the performances at the total portfolio level, asset class level and individual manager/strategy level relative to benchmark over different time horizons such as rolling one, three, five and eight-year periods.

Risk is controlled relative to Coal LSL's approved SAA.

#### Currency risk

Coal LSL is exposed to the effects of exchange rate fluctuations as part of the strategic allocation to international equities invested in trusts managed on an unhedged basis. The SAA target allocation to foreign currency exposure is 22.5%, which is managed by keeping the allocation to international equities partially unhedged. Coal LSL's other international investments, which include fixed income, property, infrastructure and alternatives, are 100% hedged within the unit trusts. Coal LSL's overall policy in foreign currency risk management remains unchanged from the previous reporting period.

#### Interest rate risk

At 30 June 2022, Coal LSL had no long-term borrowings; it is subject to cash flow and interest rate risk on its cash and cash equivalents. With all other variables held constant, a 1.0% decrease in interest rates would decrease the operating result and equity by \$0.9m (2021: \$1.0m). An increase of 1.0% would have an equal but opposite effect on the result and equity position.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.5 continued

#### Other price risks

The following table demonstrates the sensitivity to a reasonably possible change in market prices of the underlying asset classes, with all other variables held constant as at 30 June 2022:

	%	\$'000	%	\$'000
Australian fixed interest	3.5	1,556	(3.5)	(1,556)
Overseas fixed interest	3.3	2,485	(3.3)	(2,485)
Australian equities	17.0	50,371	(17.0)	(50,371)
Overseas equities	17.0	117,302	(17.0)	(117,302)
Alternatives	12.0	38,382	(12.0)	(38,382)
Infrastructure	10.0	20,278	(10.0)	(20,278)
Property	13.5	25,181	(13.5)	(25,181)

A general fall in market prices of 5% and 15% spread equally across total investments held would have led to a decrease in the operating result of **\$97.6m** and **\$292.8m** respectively (2021: \$104.8m and \$314.3m).

Return and volatility factors have been determined after considering long-term historical data series. Data is obtained from various sources including the Reserve Bank of Australia (RBA), Bloomberg, Thomson Reuters and MSCI IPD.

#### (b) Credit risk

Apart from a transactional bank account with CBA containing approximately 3 months of estimated reimbursements to employers and any term deposits, all other assets are invested in unit trusts. Coal LSL does not assess any potential counter party risk associated with the underlying assets in the trusts in which it invests. Such assessment is part of the active management that has been outsourced to investment managers.

#### (c) Liquidity risk

Liquidity risk is the risk that Coal LSL will not be able to settle or meet its obligations as they fall due. Coal LSL adopts the following cash management strategy.

Coal LSL's investment portfolio allocation profile is determined by the Board in conjunction with advice from external professional investment consultants and the Investment Committee. It is structured to ensure sufficient funds are held in investments that can be converted to cash to meet its obligations as they fall due. Equities, other listed securities, cash and short-term debt securities constitute the significant components of Coal LSL's financial instruments. The liquidity risk of unlisted securities is managed through holding a diversified portfolio of assets with known investment horizons, different expected exit dates, and ensuring the total exposure of this class is maintained at a level whereby forced sales will not be required. At balance date, **\$1,415.7m** of Coal LSL's total investments could be converted to cash within 10 business days.

The Investment Committee is charged with the monitoring of liquidity and the Board with the overall responsibility for liquidity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.6 FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

#### (a) Fair value hierarchy

Coal LSL categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 30 June 2022. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy. Coal LSL had no assets classified as level 1.

	Fair value hierarchy	2022 \$'000	2021 \$'000
<b>Financial asset</b>			
Unit trusts	2	1,488,287	1,654,119
Unit trusts	3	369,052	340,017
<b>Total unit trusts</b>		<b>1,857,339</b>	<b>1,994,136</b>

There were no transfers from level 2 to level 3 for any investments measured at fair value through profit or loss during the period.

#### (b) Valuation techniques used to derive level 2 and level 3 fair values

##### Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investments held in unlisted property and infrastructure unit trusts.

All investments in unit trusts are recorded at the redemption value per unit as reported by the investment managers of the trusts. The unit price is derived from the value of the underlying investments. For level 2 investments, the most recent available prices in the market are used while level 3 investments are valued based on estimated future cash flows and discount rates. An increase in the future cash flows related to the underlying assets held by the unit trusts would increase the fair value of the investment. An increase in the discount rate would decrease the fair value of the investment.

Investment balances are inherently subjective as they are based on valuer assumptions which are considered their best estimate as at 30 June 2022. The likely key inputs to these valuations may include discount rate, net cash flow projections and terminal value. Taking into account the information available at 30 June 2022, the directors consider these assumptions reasonable; however, by their nature, accept the assumptions may prove to be inaccurate. Sensitivity tables are included within note 2.5 (a).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.7 TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
Trade creditors and accruals	1,296	1,507
Other payables	1,021	893
<b>Total trade and other payables</b>	<b>2,317</b>	<b>2,400</b>

Amounts are unsecured and are usually paid within 30 days of recognition.

#### ACCOUNTING POLICY

Trade and other payables are recognised at amortised cost. Liabilities are recognised to the extent that goods and services have been received (and irrespective of having been invoiced).

### 2.8 LEASES

On 23 August 2021 Coal LSL signed an operating lease for a new head office premises in Newcastle. The lease commenced on 1 February 2022 for an initial period of ten (10) years with a five (5) year renewal option. Included in this lease is an annual fixed increase of 3.25% over the initial lease period, with a market review should the option be exercised. Given it is uncertain if Coal LSL will exercise the option period, these have been excluded from the calculation of lease liabilities and the associated right-of-use asset.

In addition, Coal LSL continues to maintain an operating lease for its previous head office premises in Newcastle which commenced 1 March 2019 for an initial lease period of ten (10) years with a five (5) year plus five (5) year renewal option. Included in this lease is an annual fixed increase of 3.5% over the initial lease period, with a market review should the option be exercised. Given it is uncertain if Coal LSL will exercise the option periods, these have been excluded from the calculation of lease liabilities and the associated right-of-use asset.

Coal LSL intends to sublet its previous head office premises; however, at 30 June 2022, no sublet arrangement has been entered into. The corresponding right-of-use asset has accordingly been impaired by **\$1.2m**. The impairment has been calculated by comparing the present value of the future cash flows expected to be derived under several probability-weighted sublet scenarios against the value of the right-of-use asset. The scenarios have been determined based on available market data. Details are included in note 3.1.

	2022 \$'000	2021 \$'000
<b>Lease liabilities</b>		
Buildings	25,897	5,199
Plant and equipment	49	-
<b>Total lease liabilities</b>	<b>25,946</b>	<b>5,199</b>

Total cash outflow for leases for the year ended 30 June 2022 was **\$1.5m** (2021: \$0.6m).

#### Maturity analysis – contractual undiscounted cash flows

Within 1 year	2,581	590
Between 1 to 5 years	12,162	2,806
More than 5 years	13,447	2,094
<b>Total leases</b>	<b>28,190</b>	<b>5,490</b>

The above lease disclosures should be read in conjunction with note 3.1.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

### 2.8 continued

#### ACCOUNTING POLICY

For all new contracts entered into, Coal LSL considers whether the contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains, a lease, the lease liability is initially measured at the present value of the lease payments unpaid at commencement date, discounted using the interest rate implicit in the lease, if that is readily determinable, or Coal LSL's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

## 3. NON-FINANCIAL ASSETS

### 3.1 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

Reconciliation of opening and closing balances	Buildings <sup>1</sup> \$'000	Plant & equipment \$'000	Software \$'000	Total \$'000
<b>As at 1 July 2021</b>				
Gross book value	7,420	1,771	3,788	12,979
Accumulated depreciation, amortisation and impairment	(1,704)	(691)	(1,219)	(3,614)
<b>Total as at 1 July 2021</b>	<b>5,716</b>	<b>1,080</b>	<b>2,569</b>	<b>9,365</b>
Purchased or internally developed	24,138	3,276	118	27,532
Impairment of right-of-use assets recognised in net cost of services	(1,163)	-	-	(1,163)
Depreciation and amortisation	(1,584)	(635)	(976)	(3,195)
Disposals	-	-	-	-
<b>Total as at 30 June 2022</b>	<b>27,107</b>	<b>3,721</b>	<b>1,711</b>	<b>32,539</b>
<b>Total as at 30 June represented by</b>				
Gross book value	31,559	5,032	3,904	40,495
Accumulated depreciation, amortisation and impairment	(4,452)	(1,311)	(2,193)	(7,956)
<b>Total as at 30 June 2022</b>	<b>27,107</b>	<b>3,721</b>	<b>1,711</b>	<b>32,539</b>
Carrying amount of right-of-use assets	18,367	50	-	18,417

1. Buildings include a right-of-use asset and leasehold improvements for the head office premises.

Impairment of right-of-use assets relates to the lease of Coal LSL's previous head office premises. Details of the lease are included in note 2.8.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 3. NON-FINANCIAL ASSETS (CONT.)

### 3.1 continued

#### ACCOUNTING POLICY

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange for liabilities undertaken.

#### Asset recognition threshold

Purchases of property, plant and equipment are recognised at cost in the statement of financial position except for purchases costing less than \$1,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions taken up by the entity where there exists an obligation to restore leased premises. As at 30 June 2022, it was the opinion of the directors that Coal LSL did have a future obligation for the make good of leased premises as it is uncertain if Coal LSL will exercise the option periods and therefore the ability to waive the obligation to make good the site under the lease contract.

#### Leased right-of-use assets

Leased right-of-use assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned. Following initial application, an impairment review is undertaken for any right-of-use lease asset that shows indicators of impairment and an impairment loss is recognised against any right-of-use lease asset that is impaired. Leased right-of-use assets continue to be measured at cost after initial recognition.

#### Revaluations

Following initial recognition at cost, property, plant and equipment (excluding right-of-use assets) are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets. Immaterial property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

It is the opinion of Coal LSL that, as at 30 June 2022, the cost less accumulated depreciation of all property, plant and equipment did not differ materially to the fair value of those assets. As such, no assets were revalued as at 30 June 2022.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 3. NON-FINANCIAL ASSETS (CONT.)

### 3.1 continued

#### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

- ▶ Buildings: term of lease
- ▶ Plant and equipment: 2–10 years
- ▶ Right-of-use: term of lease.

#### Impairment

All assets were assessed for impairment at 30 June 2022. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### Net realised gains or losses on sale of assets

Gains and losses arising from the sale of assets during the year are recognised in the statement of comprehensive income when the asset has been disposed.

#### Intangibles

Coal LSL's intangibles comprise software that has been purchased, internally developed or significantly modified for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Modification costs in relation to software-as-a-service products are expensed upfront or over the contract period depending on the nature of the vendor undertaking the modifications. These costs are not included as intangible assets.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives range from 3 to 6 years (depending on assessment of the individual asset's life). All software assets were assessed for indications of impairment at 30 June 2022.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 4. PEOPLE AND RELATIONSHIPS

### 4.1 EMPLOYEE PROVISIONS

	2022 \$'000	2021 \$'000
Leave	2,482	1,659
Superannuation	-	-
<b>Total employee provisions</b>	<b>2,482</b>	<b>1,659</b>

#### ACCOUNTING POLICY

##### Leave

Liabilities for annual leave and accumulating sick leave are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting dates. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### Superannuation

The liability for superannuation recognised as at 30 June represents outstanding contributions.

### 4.2 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Executive Leadership Team and Board of Directors. Remuneration of key management personnel is reported in the table below:

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,602	1,748
Post-employment benefits	151	146
Other long-term employee benefits	38	26
Termination benefits	-	-
<b>Total key management personnel remuneration expenses<sup>1</sup></b>	<b>1,791</b>	<b>1,920</b>

The total number of key management personnel that are included in the above table is 13 (2021: 14).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 4. PEOPLE AND RELATIONSHIPS (CONT.)

### 4.3 RELATED PARTY DISCLOSURES

#### (a) Related party relationships

Coal LSL is a corporate Commonwealth entity. Related parties to this entity are the directors, key management personnel and the Portfolio Minister. Directors have associations with entities that are involved in the coal mining industry pursuant to their appointment to the Board under the *Coal Mining Industry (Long Service Leave) Administration Act 1992*.

The directors of Coal LSL during the year were:

- ▲ Ms Christina Langby, Chair
- ▲ Mr Grahame Kelly, Deputy Chair
- ▲ Ms Jennifer Short
- ▲ Mr Scott Faragher
- ▲ Mr Shane Stephan
- ▲ Ms Marisa Whittington.

Directors held their positions to the end of the financial year unless indicated otherwise.

Key management personnel employed by Coal LSL during the year were:

- ▲ Ms Darlene Perks, Chief Executive Officer
- ▲ Mr Tony Windever, Chief Executive, Operations – Deputy CEO
- ▲ Ms Lisbeth Rasmussen, Chief Executive, Investments
- ▲ Mr Sharife Rahmani, Chief Executive, Regulation (appointed 14 February 2022)
- ▲ Ms Suzanne Jenkins, Chief Governance Officer (KMP to 31 October 2021)
- ▲ Mr Phillip Berner, Chief Operating Officer (KMP to 31 October 2021)
- ▲ Mr Chris Radvan, Chief People Officer (KMP to 31 October 2021).

#### (b) Transactions with related parties

Given the breadth of government activities, related parties transact with the government sector in the same capacity as ordinary citizens. In addition, Coal LSL may transact with related parties through the collection of levies, payment of reimbursements and recognition of eligible employment service in the same manner as other registered employers and eligible employees. These transactions have not been disclosed in this note.

Apart from items disclosed at notes 1.1(c) Directors' remuneration and expenses, 1.2(b) Revenue from government and 4.2 Key management personnel remuneration, there were no further related party transactions.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 5. PROVISIONS

5.1 PROVISION FOR REIMBURSEMENTS	2022 \$'000	2021 \$'000
Current	1,424,558	1,473,829
Non-current	262,737	286,172
<b>Total provision for reimbursements</b>	<b>1,687,295</b>	<b>1,760,001</b>
As at 1 July	1,760,001	1,711,022
Reimbursements paid	(150,698)	(156,023)
Additional provisions recognised	315,905	238,424
Increase/(decrease) in provision due to change in discount rate	(237,913)	(33,422)
<b>As at 30 June</b>	<b>1,687,295</b>	<b>1,760,001</b>

The current portion of the provision includes unconditional entitlements where employees have met the eligibility requirements for long service leave. However, based on experience, current leave obligations expected to be reimbursed to employers in the next 12 months is **\$153.6m** (2021: \$153.5m).

### ACCOUNTING POLICY

This provision represents the expected liability for the reimbursement of employers for the long service leave entitlements of eligible employees under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* as at 30 June.

The provision for reimbursement is recalculated annually by multiplying the individual employee's total number of hours of long service leave accrued by their average hourly rate of pay. The liability for each eligible employee is reviewed in terms of probability factors of the employee reaching the qualifying service period, estimates of future salary growth and then discounted to its present value using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the average, estimated duration of the liability.

Coal LSL recognises that the present value of the provision for reimbursements is sensitive to changes in assumptions used in determining its value. These assumptions were reassessed at 30 June 2022.

### Salary growth

At 30 June 2022, the actuarial salary growth rate assumptions were **2.5%** for long service leave balances with an expected payment date of 1 year (2021: 2.25%), 3.0% for 2 years (2021: 2.25%), **3.25%** for 3 years (2021: 2.75%), and **3.25%** for all other payments periods (2021: 3.0%). With all other variables held constant, a 1.0% increase in salary growth rates used in the calculation would increase the present value of the provision for reimbursements by **\$86.4m** (2021: \$92.2m). A 1.0% decrease would decrease the present value by **\$82.4m** (2021: \$87.9m).

### Probability factors

At 30 June 2022, the probability factors utilised ranges from **48.2%** to **100.0%** depending on the type and category of long service leave (2021: 48.4% to 100.0%). An increase in the probability factors used in the calculation would increase the present value of the provision for reimbursements. A decrease in probability factors would decrease the present value.

### Discount rates

At 30 June 2022, the discount rate utilised was **3.36%** for all categories of long service leave (2021: 0.77%). With all other variables held constant, a 1.0% increase in discount rates used in the calculation would decrease the present value of the provision for reimbursements by **\$81.4m** (2021: \$88.7m). A 1.0% decrease would increase the present value by **\$87.0m** (2021: \$94.9m).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 CONTINGENT ASSETS AND LIABILITIES

#### Quantifiable contingencies

In accordance with the *Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011*, "Eligible Employees" can make application to Coal LSL for recognition of periods of eligible employment service that may not be presently recognised and recorded by Coal LSL. A contingent liability will arise at reporting date where applications have been received but not yet approved by the Board of Directors. At 30 June 2022 Coal LSL has an estimated contingent liability of **\$0.5m** (2021: \$1.6m).

Coal LSL has an estimated contingent asset of **\$4.9m** at 30 June 2022 (2021: \$6.0m) arising in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" in relation to applications received.

#### Unquantifiable contingencies

##### Unknown claims

Coal LSL has not raised a liability for unknown claims by employees for recognition of period(s) of employment service because, at balance date, these amounts are unknown and are not reliably measurable. A contingent asset will also arise in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" who previously did not contribute to the Fund for unrecognised service. No asset will be raised for unknown claims as these amounts are unknown and are not reliably measurable.

##### Data management

Coal LSL has an ongoing strategic focus on assessing and maturing its data management practices and is committed to improving its data quality to support the effectiveness of regulatory and administrative operations. It is possible that as Coal LSL continues to focus in this area that legacy data issues may be identified. To the extent that any legacy issues are identified which require remedial activity and impact employee entitlements under the scheme, additional liabilities may require recognition in the future however, at balance date, these amounts are not reliably measurable.

##### Disputes and legal actions

At any point in time, Coal LSL is involved in a range of dispute resolution processes relating to long service leave, which may include litigation. Details of the outcome of dispute resolution processes are uncertain until an agreement is reached, or a court ruling is made at some future date. In most cases it is not possible to estimate with any reliability the likely financial impact of current disputes.

At the date of signing the financial statements, three legal proceedings were in progress:

- ▶ An employer had commenced proceedings in the Federal Court of Australia against Coal LSL, seeking declaration regarding eligibility of a category of employees
- ▶ Coal LSL had commenced proceedings in the Federal Court of Australia against an employer who has refused to acknowledge that it employs eligible employees
- ▶ An employer had commenced proceedings in the Federal Court of Australia against Coal LSL, seeking declaration regarding Coal LSL's published guidance on levy calculation for casual employees.

Although contingent assets and/or liabilities may arise as a result of these proceedings, these amounts are not reliably measurable at 30 June 2022. Future legal fees in relation to the proceedings are estimated at **\$0.6m** (2021: \$0.4m).

#### ACCOUNTING POLICY

Contingent liabilities and assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2022

### 6. CONTINGENCIES AND COMMITMENTS (CONT.)

#### 6.2 COMMITMENTS

At 30 June, Coal LSL had the following capital commitments arising from investments. These commitments can be called upon at any time but are expected to be called as outlined below. The commitments are not subject to an expiry period.

	2022 \$'000	2021 \$'000
Investment commitments		
Not later than one year	17,500	-
Later than one year and not later than five (5) years	-	-
<b>Total investment commitments</b>	<b>17,500</b>	<b>-</b>

Commitments in relation to operating lease costs are disclosed in note 2.8.

### 7. CURRENT/NON-CURRENT DISTINCTION FOR ASSETS AND LIABILITIES

ASSETS EXPECTED TO BE RECOVERED IN:	2022 \$'000	2021 \$'000
<b>No more than 12 months</b>		
Cash and cash equivalents	94,395	101,272
Trade and other receivables	16,168	23,599
Prepayments	1,182	564
<b>Total no more than 12 months</b>	<b>111,745</b>	<b>125,435</b>
<b>More than 12 months</b>		
Unit trusts	1,857,339	1,994,136
Property, plant and equipment	30,828	6,796
Software	1,711	2,569
<b>Total more than 12 months</b>	<b>1,889,878</b>	<b>2,003,501</b>
<b>Total assets</b>	<b>2,001,623</b>	<b>2,128,936</b>

#### LIABILITIES EXPECTED TO BE SETTLED IN:

<b>No more than 12 months</b>		
Trade and other payables	1,858	1,962
Leases	2,150	523
Employee provisions	1,478	952
Provision for reimbursements	153,624	153,544
<b>Total no more than 12 months</b>	<b>159,110</b>	<b>156,981</b>
<b>More than 12 months</b>		
Trade and other payables	459	438
Leases	23,796	4,676
Employee provisions	1,004	707
Provision for reimbursements	1,533,671	1,606,457
<b>Total more than 12 months</b>	<b>1,558,930</b>	<b>1,612,278</b>
<b>Total liabilities</b>	<b>1,718,040</b>	<b>1,769,259</b>



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Employment and Workplace Relations

#### Opinion

In my opinion, the financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation (the Entity) for the year ended 30 June 2022:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statement by Directors, Chief Executive Officer and General Manager Finance;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

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In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Accountable Authority's responsibility for the financial statements**

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

#### **Auditor's responsibilities for the audit of the financial statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain 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 Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate 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.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Jodi George  
Senior Executive Director

Delegate of the Auditor-General

Canberra  
13 September 2022





## PART 5: APPENDICES

# DISCLOSURES

## WORK HEALTH AND SAFETY

Coal LSL is committed to the health, safety and wellbeing of our people and anyone else in our workplace.

The wellbeing of our employees is a high priority for Coal LSL. We offer a number of initiatives to provide support for their physical and mental health, including:

- ▲ An Employee Assistance Program (EAP) to support in times of personal challenges
- ▲ Annual health and wellbeing presentations and workshops
- ▲ Connection and collaboration initiatives and activities.

In 2021–22, we implemented a number of initiatives to further embed a safety culture across our organisation:

- ▲ We remained adaptable to the evolving COVID-19 circumstances and aligned COVIDSafe plans and protocols in line with government guidelines and Public Health Orders
- ▲ We encouraged employees to feel comfortable and confident to remain away from the office if they were unwell
- ▲ We offered an influenza vaccination program to all staff
- ▲ We provided discretionary leave to staff for the purposes of obtaining COVID-19 vaccinations
- ▲ Ergonomic assessments of home office set-ups
- ▲ Employees completed training modules on work, health and safety (WHS) following the launch of the new WHS policy in June 2021
- ▲ We acted on all incidents and hazards, implementing corrective actions and mitigating future risk.

### **Notifiable Incidents and Investigations**

Under the *Work Health and Safety Act 2011* (WHS Act) we are required to report certain information. During 2021–22 we had zero notifiable incidents and were not involved in any statutory enforcement or investigations.

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

Coal LSL has an obligation under Section 516A of the of the Environmental Protection and Biodiversity Conservation Act 1999 to report on how its activities accord with Ecologically Sustainable Development (ESD).

**Environmentally Sustainable Development** (ESD) principles aim to ensure that development is assessed in an environmentally responsible way while at the same time reducing negative impacts on the environment.

During the year, Coal LSL took a number of steps to accord with ESD principles, including the relocation of offices to a 5 Star Green-Star rated building designed to improve environmental outcomes with a 5 Star NABERS Energy and a 4 Star NABERS Water rating. This enabled us to:

- ▲ Use environmentally sustainable finishes and fixtures like FSC (Forest Stewardship Council) timber
- ▲ Time shut down of computers and electrical equipment outside working hours
- ▲ Use energy efficient lighting, including sensor lighting throughout the office
- ▲ Use sensor cooling/heating for energy efficiency.

In addition, Coal LSL continued with a number of initiatives to assist in reducing our environmental footprint. These included:

- ▲ Follow Me printing (with default settings set to double-sided greyscale)
- ▲ Electronic meeting papers to reduce the volume of paper
- ▲ Dedicated recycling bins for recycling of coffee capsules, writing instruments, batteries, paper, cardboard, plastics, glass and print cartridges
- ▲ Recycling and proper disposal of e-waste (computers and accessories).

## RELATED PARTY TRANSACTIONS OF ACCOUNTABLE AUTHORITY

Apart from the remuneration of the directors as disclosed in the notes to the 30 June 2022 Financial Statements, no further related party transactions occurred between Coal LSL and the accountable authority.

## FRAUD

Coal LSL is committed to complying with the Commonwealth Fraud Control Framework through the development, implementation and regular review of a range of fraud prevention, detection and response strategies. Our Fraud Control Plan also ensures our obligations are met under section 10 of the PGPA Rule.

## INDEMNITIES AND INSURANCE PREMIUMS

For 2021–22 we renewed an Investment Managers Insurance (IMI) package which covers directors' and officers' liability insurance, professional indemnity, employment practices liability and statutory liability. The cost of our IMI package for 2021–22 was \$219,283 (including GST).

The insurances provide coverage for all staff, including the CEO, executive officers and employees of Coal LSL. Directors' and officers' liability insurance covers the consequences of any wrongful act of these officers. Directors' and officers' liability do not cover any wilful breach of duty.

There were no claims against our liability insurances for 2021–22.

## WORKFORCE PROFILE

The following table represents our **workforce profile for the period 2021–22**.

All employees were based in NSW, Australia.

	Male			Female		
	Full time	Part time	Total	Full time	Part time	Total
Ongoing	65	1	66	119	19	138
Non-ongoing	0	0	0	2	0	2

The following table represents our **workforce profile for the period 2020–21**.

All employees were based in NSW, Australia.

	Male			Female		
	Full time	Part time	Total	Full time	Part time	Total
Ongoing	51	2	53	94	20	114
Non-ongoing	0	0	0	2	1	3

## EXECUTIVE REMUNERATION

Coal LSL is committed to providing transparency of our remuneration for executive and other highly paid employees. For the purpose of this disclosure:

- ▶ Key management personnel (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise)
- ▶ Coal LSL has determined the key management personnel to be the Executive Leadership Team and Board of Directors
- ▶ Senior executives refer to those persons who are responsible for making decisions, or having substantial input into decisions, that affect the operations of Coal LSL but are not considered KMP
- ▶ Coal LSL had no other highly paid staff for the current reporting period.

Coal LSL operates a competitive remuneration framework to attract and retain the right talent. When setting or reviewing remuneration for a role, market medians, internal benchmarks, trends and conditions for similar roles, remuneration surveys and other factors deemed relevant are taken into consideration to determine the total fixed remuneration (TFR) of employees other than directors. TFR includes base salary plus superannuation and any benefits salary sacrificed by the employee. Coal LSL does not operate with at-risk incentive schemes such as short- or long-term incentive remuneration programs. Details of remuneration paid to KMP and Senior Executives are provided in the table below.

Director remuneration is set at Australian Government remuneration rates, as defined by the Remuneration Tribunal. The base salary for directors includes remuneration for Coal LSL Board and subcommittee attendance (as applicable). The remuneration of directors is by way of a daily fee for part-time holders of public office as determined under Part 4 of the determination of the (Commonwealth) Remuneration Tribunal. Directors are also entitled to travelling and other expenses incurred while fulfilling their duties as directors. These costs are paid in addition to the remuneration included in the following table (refer to Part 3 Financial Statements, note 1.1 (c) Directors' remuneration and expenses).

The Remuneration Committee, under its Terms of Reference, provides a forum for discussion on the remuneration frameworks and policies, making recommendations to the Board for approval.

## REMUNERATION OF COAL LSL KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL REMUNERATION		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Name	Position title	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long-term benefits		
Ms Darlene Perks <sup>1</sup>	Chief Executive Officer	407,264	6,626	515	41,613	13,771	-	-	469,789
Ms Lisbeth Rasmussen <sup>2</sup>	Chief Executive, Investments	321,816	4,296	179	31,177	7,180	-	-	364,648
Mr Tony Windever <sup>2</sup>	Chief Executive, Operations	358,562	2,300	184	36,254	7,973	-	-	405,273
Mr Sharife Rahmani <sup>3</sup>	Chief Executive, Regulation	139,352	-	-	11,045	2,408	-	-	152,805
Ms Suzanne Jenkins <sup>2,4</sup>	Chief Governance Officer	86,560	1,875	191	8,758	2,904	-	-	100,288
Mr Phillip Berner <sup>2,4</sup>	Chief Client Officer	98,806	2,115	-	8,542	2,157	-	-	111,620
Mr Chris Radvan <sup>2,4</sup>	Chief People Officer	83,084	1,875	246	8,653	1,929	-	-	95,787
Ms Christina Langby	Chair/Director	17,900	-	-	1,790	-	-	-	19,690
Mr Grahame Kelly	Deputy Chair/Director	15,826	-	-	-	-	-	-	15,826
Ms Jennifer Short	Director	16,644	-	-	-	-	-	-	16,644
Mr Scott Faragher	Director	16,644	-	-	1,664	-	-	-	18,308
Mr Shane Stephan	Director	11,855	-	-	1,186	-	-	-	13,041
Ms Marisa Whittington	Director	7,650	-	-	-	-	-	-	7,650
<b>Total key management personnel remuneration</b>		<b>1,581,963</b>	<b>19,087</b>	<b>1,315</b>	<b>150,682</b>	<b>38,322</b>	<b>-</b>	<b>-</b>	<b>1,791,369</b>

1. An at-risk incentive payment of 25% of total fixed remuneration was available for the year ended 30 June 2021. The amount included above represents the portion subject to further assessment at 30 June 2021 which was subsequently approved and paid in the 2022 financial year. There were no at-risk incentives available to key management personnel relating to the year ended 30 June 2022. 2. An at-risk incentive payment of 10% of total fixed remuneration was available for the year ended 30 June 2021. The amount included above represents the portion subject to further assessment at 30 June 2021 which was subsequently approved and paid in the 2022 financial year. 3. Appointed 14 February 2022. 4. Was classified as a member of key management personnel until 31 October 2021.

## REMUNERATION OF COAL LSL SENIOR EXECUTIVES

SENIOR EXECUTIVE REMUNERATION		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of senior executives	Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0 – \$220,000	14	103,723	-	87	11,115	1,149	-	-	116,104

## REMUNERATION OF AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE (ARCC) MEMBERS

The following was paid to the ARCC members for ARCC duties only (i.e. excluding Board and other subcommittee remuneration) in 2021–22:

Member name <sup>1</sup>	Role	Total annual remuneration (Super and GST inc.)	Super paid <sup>2</sup>
Mr Martin Matthews	Independent Chair	\$55,000	No
Ms Jennifer Short	Director	\$6,552	No
Mr Scott Faragher	Director	\$6,552	Yes

1. Total annual remuneration for ARCC directors is included in the Key Management Personnel total remuneration figures on page 62. All committee members are entitled to travelling and other expenses incurred while fulfilling their duties as members of the ARCC. These costs are paid in addition to the remuneration included in the table above.  
2. Superannuation is not payable by Coal LSL where director fees are paid to a sponsoring organisation.

## GLOSSARY AND ACRONYMS

The **2017 Rules** mean the *Employer Reimbursement Rules 2017*.

The **Admin Act** means *Coal Mining Industry (Long Service Leave) Administration Act 1992*.

The **Amendment Act** means *Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011*.

**Coal LSL** means the Coal Mining Industry (Long Service Leave Funding) Corporation.

**Eligible employee** means a person:

- ▶ Employed in the black coal mining industry by an employer engaged in the black coal mining industry, whose duties are directly connected with the day to day operation of black coal mining; or
- ▶ Employed in the black coal mining industry, whose duties are carried out at or about a place where black coal is mined and are directly connected with the day to day operation of a black coal mine; or
- ▶ Permanently employed with a mine rescue service for the purpose of the black coal mining industry.

**PGPA Act** means *Public Governance, Performance and Accountability Act 2013*.

**The Fund** means the Coal Mining Industry (Long Service Leave Funding) Corporation.

**The industry** means Australian black coal mining industry and includes:

- ▶ The extraction or mining of black coal on a coal mining lease by means of underground or surface mining methods
- ▶ The processing of black coal at a coal handling or coal processing plant on or adjacent to a coal mining lease
- ▶ The transportation of black coal on a coal mining lease
- ▶ Other work on a coal mining lease directly connected with the extraction, mining and processing of black coal.

# LIST OF REQUIREMENTS

The following tables outline the mandatory requirements for our annual report and where the information was included in Coal LSL's 2021–22 annual report.

## PART A – PUBLIC GOVERNANCE, PERFORMANCE AND ACCOUNTABILITY ACT 2013

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT
<b>17BE</b>	<b>Contents of annual report</b>		
17BE(a)	Part 1: About Coal LSL   Overview	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Part 1: About Coal LSL   Overview	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	Part 1: About Coal LSL   Our vision and purpose	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Part 1: About Coal LSL   Responsible minister	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Part 2: Governance practices   Statement of non-compliance	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Part 2: Governance practices   Statement of non-compliance	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	Part 2: Governance practices   Statement of non-compliance	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Part 3: Annual performance statements	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Part 2: Governance practices   Statement of non-compliance	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Part 1: About Coal LSL   Board of Directors	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Part 1: About Coal LSL   Organisational structure	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Part 5: Appendices   Disclosures   Workforce profile	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location	Mandatory
17BE(l)	Part 5: Appendices   Disclosures   Workforce profile	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Part 2: Governance practices	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Part 2: Governance practices   Procurement	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	Part 1: About Coal LSL   Organisational Structure, Investments	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT
17BE(q)	Part 2: Governance practices   External scrutiny	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	Part 2: Governance practices   External scrutiny	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner	If applicable, mandatory
17BE(s)	Not applicable	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	Part 5: Appendices   Disclosures   Indemnities and insurance premiums	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	(a), (b), (c), (d) Part 2: Governance practices   Board and subcommittees	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	(e) Part 5: Appendices   Disclosures   Executive remuneration	Information about executive remuneration	Mandatory
<b>17BF</b>	<b>Disclosure requirements for government business enterprises</b>		
17BF(1)(a)(i)	Not applicable	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF(1)(a)(ii)	Not applicable	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	Not applicable	Information on dividends paid or recommended	If applicable, mandatory
17BF(1)(c)	Not applicable	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(2)	Not applicable	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory

## PART B – OTHER LEGISLATION

SECTION	PART OF REPORT	DESCRIPTION
<b>Environment Protection and Biodiversity Conservation Act 1999</b>		
S. 516A(3)(6)	Part 5: Appendices   Disclosures   Ecologically sustainable development and environmental performance	Ecologically sustainable development and environmental performance
<b>Work Health and Safety Act 2011</b>		
Sch2, Pt 4, Clause 4(2)	Part 5: Appendices   Disclosures   Work Health and Safety	Work health and safety initiatives, outcomes, statistics and investigations



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