COAL LSL

ANNUAL REPORT 2019/20

Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

FUNDS UNDER MANAGEMENT
$1.84B

848
EMPLOYER AUDIT REPORTS PROCESSED

TOTAL REGISTERED EMPLOYERS
971

APPLICATIONS
FOR LONG SERVICE LEAVE PROCESSED
15,842

ACTIVE EMPLOYEES
53,230

REIMBURSEMENTS PROCESSED
10,126

STAKEHOLDER ENGAGEMENT

PHONE ENQUIRIES
34,096

ONLINE ENQUIRIES
5,177

EMAIL ENQUIRIES
29,916

EMPLOYER MEETINGS
1,933

NEW EMPLOYERS REGISTERED
IN 2019–20
218

REIMBURSEMENTS PAID
MORE THAN
$135M

DATA QUALITY
EMPLOYEE RECORDS REVIEWED
9,310

MISSING SERVICE REVIEW APPLICATIONS
561

LEVY ADVICE FORMS PROCESSED
13,309

TOTAL EMPLOYEES
125,115

ENTRUSTED WITH
55 MILLION
HOURS OF LEAVE

FINANCIAL YEAR 2019–20 FIGURES, AS AT 30 JUNE 2020

This report includes photographs taken prior to COVID-19 when social distancing was not required.

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

COAL LSL

12 October 2020

The Hon. Christian Porter MP
Attorney-General for Australia
Minister for Industrial Relations
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 2020 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

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IT'S YOUR TIME.

APPROVAL OF 2019–20 ANNUAL REPORT FROM 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 Industrial Relations in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*; and
- the Board met and approved the 2019–20 annual report for submission to the Minister for Industrial Relations by way of resolution on 12 October 2020.

C. Langby

Christina Langby
Chair

CONTENTS

CEO INTRODUCTION

Looking back on 2019–20, there is no doubt it was a year that fell into two distinct parts. But even in the face of the pandemic that threw unexpected challenges our way, it was a year of success and achievement for Coal LSL and I'd like to thank our team, clients and stakeholders for the continued support and passion that made this possible.

From March 2020, when COVID-19 began to impact businesses across the nation, Coal LSL rose to the occasion and mobilised in a matter of weeks to implement a whole-of-business work-from-home model of operations. With clarity on our strategic plan, and the requisite technological capacity, the team continues to successfully deliver during these complex times.

Regardless of the challenges the year presented, Coal LSL remained focused on compliance activities to ensure eligible employees have access to their rightful entitlements. This resulted in continued growth, with a record 218 new employers registered during the period, bringing the Fund to a milestone 1,000 employers in September 2020.

Just as significantly, Coal LSL Fund's investment performance achieved a positive return over the year. Despite the significant impact the pandemic had on global financial markets, our investment strategy, which is designed to deliver long-term returns, positioned the Fund to outperform its three-, five- and eight-year objectives.

Advances in our technological capacity saw the introduction of a client-relationship management system and a straight-through processing functionality that streamline the process of connecting employers and employees with their long service leave. A vital part of our digital transformation, these advances strengthen our technological capacity, progressing us towards service excellence as employer and employee numbers continue to grow.

While our team is committed to servicing the industry, we are equally committed to maintaining a healthy workforce culture with a people-first philosophy. As a result, the All Staff Culture Survey conducted in October 2019 reflected a high level of engagement and satisfaction, with the responses informing future programs to build workforce capabilities.

Another significant milestone was reached during the year, with October 2019 marking the 70th anniversary of the provision of portable long service leave entitlements to eligible employees of the Australian black coal mining industry. The underlying scheme was the first – and remains the only – national portable long service leave scheme in Australia.

As the year progressed, we promoted our value to the industry by sharing our 'why we do it' philosophy with our clients and stakeholders. It was a shift from our 'what we do' approach that enhanced and enriched the perception of our role – externally, through government and industry stakeholder engagement; and internally, through a vision statement and guiding principles that express our commitment to service leadership and continuous improvement.

The Coal LSL team does not waiver in its dedication and resilience. The year posed many challenges, but the skills we acquired along the way are invaluable. Our team is committed to ensuring we capitalise on the learnings of 2020 to further strengthen our position into 2021 and beyond.

Darlene Perks
Chief Executive Officer

PART 1:
ABOUT COAL LSL

Coal LSL is an Australian Government corporation established to regulate and manage long service leave entitlements on behalf of eligible employees in the black coal mining industry. We have serviced the industry as a government entity for more than 27 years, managing the portable long service leave benefit which was established in 1949.

GUIDING PRINCIPLES

We use our guiding principles to inform our decision making, actions and workplace behaviours.

PURPOSE

Our purpose is to connect employers and employees with long service leave for the good of Australia's black coal mining industry.

Our clients work in metallurgical and thermal coal. While energy commodities have not escaped the COVID-19 pandemic's impact on our economy this year, the sectors continue to play an important part in Australia's employment landscape and contribute to our nation's overall exports.

We have four strategic goals that guide us in delivering on our purpose:

SEAMLESS INTERACTIONS

WE ARE EASY TO DO BUSINESS WITH

We want our clients to find working with us easy and that interactions are seamless, streamlined and consistent.

TRUSTED EDUCATOR

WE ENGAGE AND SHARE OUR KNOWLEDGE AS A RESPECTED REGULATOR

We will continue to engage strategically and meaningfully with our stakeholders.

INVESTMENT EXCELLENCE

WE INVEST FUNDS TRANSPARENTLY FOR LEVY STABLITY AND FUNDING ADEQUACY

We aim to maintain a surplus in the fund of 115% (+/-5%).

INNOVATIVE OPERATIONS

WE WILL IMPROVE OUR SERVICE DELIVERY BY PURSUING OPERATIONAL EXCELLENCE

We are committed to continually improving our operations and consolidating our role as a contemporary, relevant business.

ROLE

We are established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* (Admin Act).

Our role is to:

- Collect funds from employers by way of levy
- Invest funds and ensure fund sufficiency to finance the cost of 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 entitlement for eligible employees.

RESPONSIBLE MINISTER

Our responsible minister during the reporting period was:

The Hon. Christian Porter MP (May 2019–Current)

- Attorney-General
- Minister for Industrial Relations

BOARD OF DIRECTORS

We have a Board of Directors which collectively acts as the accountable authority of Coal LSL. Our Board consists of representatives of employer and employee stakeholders within the Australian black coal mining industry. 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.

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.

Current members

Christina Langby, Chair
Employer representative (NSW Employers)
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 Deputy Chair of Mine Super, Director of Mine Super Services Pty Ltd and Director 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 before moving into smaller corporate companies on a part-time basis while her children were young. 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
Employee representative (CFMMEU)
Director since June 2018 and Deputy Chair since June 2019

Grahame is General Secretary of CFMMEU – Mining and Energy Division, Director of Coal LSL, Director and Chair of Mine Super, Director of Mine Super Services Pty Ltd, Director of Unity Bank Limited and a member of an advisory committee for MATES in Mining. He has extensive experience in the coal mining industry and working with unions.

Mark Klasen, Director
Employer representative (QLD employers)
Director since March 2016

Mark is Regional Head of Finance APAC at Glencore Copper and Director and former Deputy Chair of Coal LSL. He has previously served as a director of Port Kembla Coal Terminal Limited, Newcastle Coal Shippers Pty Limited, Port Waratah Coal Services Limited and various Glencore and private equity companies. Mark is a member of the Australian Institute of Company Directors and holds a Bachelor of Commerce degree from the University of Newcastle and a Graduate Diploma of Computing from Deakin University. He has worked in chartered accounting firms, NSW utilities providers and a number of large-scale multinational mining companies in a variety of senior management positions.

Anne Donnellan, Director
Employee representative (Other unions)
Director since May 2017

Anne is a National Organiser at the Australian Manufacturing Workers Union (AMWU), Director of U-Cover Pty Ltd, Director of United Super Pty Ltd (CBUS) and Director of Coal LSL. She is an Executive Committee member of IndustriALL Global Union Federation. She has completed the Trustee Director Course Level One of the Australian Institute of Superannuation Trustees. Anne holds a Bachelor of Social Work from the South Australian Institute of Technology. She has extensive experience advocating for AMWU members in metal and engineering and associated industry sectors and occupations.

Jennifer Short, Director
Employee representative (CFMMEU)
Director since July 2017

Jennifer is a Legal Officer for CFMMEU – 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.

Scott Faragher, Director
Employer representative (WA employers)
Director since February 2020

Scott is an experienced corporate affairs adviser and manager. He has held various roles across the Oil & Gas and Iron Ore 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.

EXECUTIVE LEADERSHIP TEAM

Darlene Perks
Chief Executive Officer

Darlene is a senior leader with more than 20 years' experience in leading commercial business operations. She has a strong background in finance, is a CPA, holds a Graduate Diploma of Applied Corporate Governance and is a graduate of the Australian Institute of Company Directors. She is a Director of Mercy Services Ltd. 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 employer who provides a sustainable, valuable workplace benefit to its industry client base.

Phillip Berner
Chief Operating Officer – Clients

Phillip has more than 20 years' executive experience in strategy, brand and reputation management, business-model design, sales, marketing and client service. His experience comes from roles in the complex and highly regulated health and finance service sectors, where he gained sound insights into government and the resources industry. Throughout his career, he has inspired meaningful organisational change, keeping a strong focus on staff and client engagement to achieve future-facing outcomes. Phillip's mandate is to develop Coal LSL's operations to a position of service leadership.

Lisbeth Rasmussen
Chief Investment Officer

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.

Suzanne Jenkins
Chief Governance Officer

Suzanne is a senior leader with more than 20 years' experience focused on governance, developing and delivering strategy and frameworks for risk management, compliance, and fraud prevention programs. She has a strong background working across several sectors, including financial services, and has tertiary qualifications from the Australian National University and the University of Sydney. Suzanne joined Coal LSL in September 2015 and leads the business assurance function. This encompasses developing purposeful and practical approaches to the implementation and ongoing improvement of programs for finance, risk management, quality, compliance, internal audit, business continuity and fraud prevention. She is also accountable for company secretariat support services to the Board of Directors and the relevant subcommittees, for which she works closely with the CEO.

Chris Radvan
Chief People Officer

Chris is a senior leader with more than 20 years' Human Resources (HR) experience across a diverse range of industries including mining, government, defence and healthcare. He is a Certified HR Practitioner with the Australian HR Institute (AHRI) and holds a Master degree in Human Resource Management and Industrial Relations. With vast knowledge of navigating business during periods of growth and change, Chris joined Coal LSL's Executive team in January 2020 to lead the People & Culture function, build the capability of its people, ensure a positive and inclusive culture, and position Coal LSL as an employer of choice.

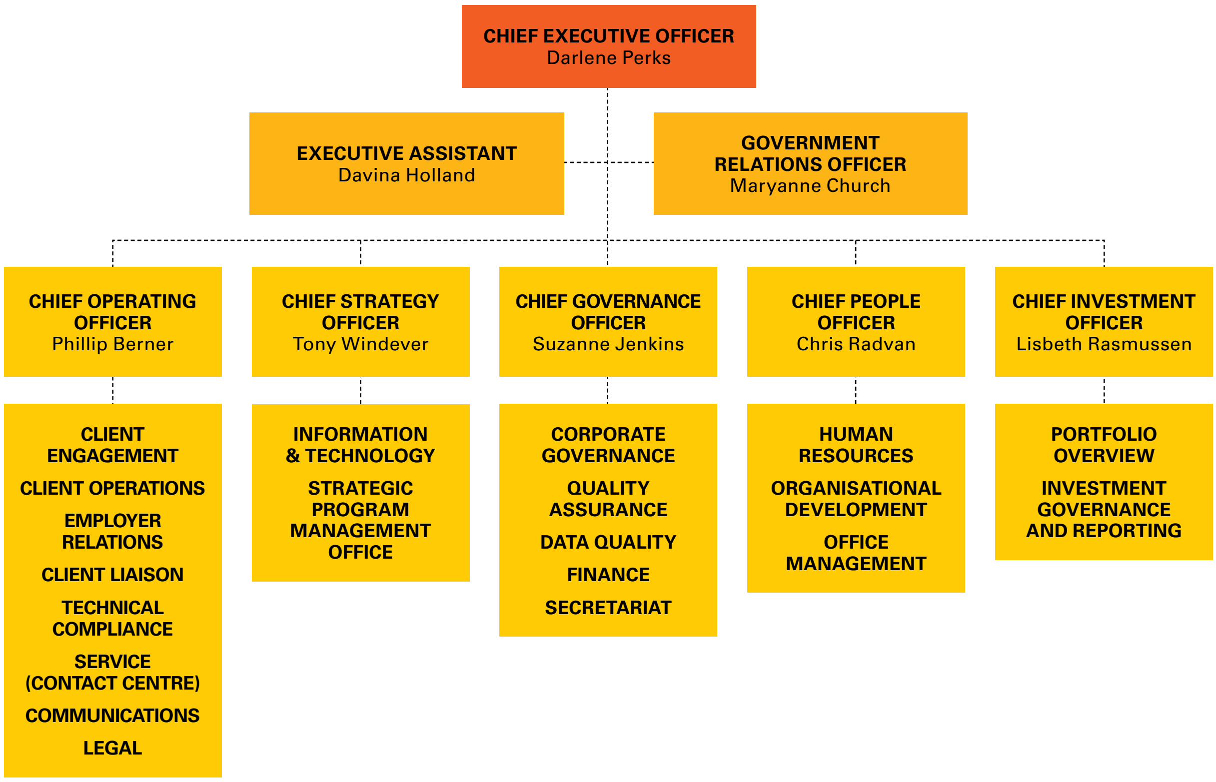
Tony Windever
Chief Strategy Officer

Tony is a senior leader with more than 20 years' experience in the technology industry. With executive roles spanning national, regional and global theatres, Tony has successfully led organisations in growth and transformation environments. Having held strategic and operational accountability across all business functions, Tony has notable experience in general management, sales, marketing, product management, customer experience management and service delivery. He 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. Tony joined Coal LSL in September 2020 to lead the Planning and Performance team. Responsible for the development of key strategic initiatives and opportunities to deliver on the organisation's transformation program, Tony will partner across the business to develop a pathway for Coal LSL to achieve its strategic intent and vision.

ORGANISATIONAL STRUCTURE

This year has seen continued growth and transformation as the organisation matures. Our goal has been to build our internal resources to enhance our capability and performance, while focusing on development of our people in an environment of continuous improvement to create highly capable teams and individuals.

At Coal LSL we aspire to a high-performance culture where everyone understands what is expected of them, is empowered and strives to achieve. Coupled with our employee wellbeing program, we are creating a positive and inclusive workplace culture underpinned by our values (Trust, Open, Respect, Care, Honest) to position ourselves as an employer of choice.



PERFORMANCE

Our focus for performance this year targeted:

- Optimised investment strategy
- Digital transformation
- Meaningful stakeholder engagement
- Client education
- Workforce capability.

INVESTMENTS

It was a year of change. Coal LSL worked closely with Frontier Advisors, its asset consultant, to review the strategic asset allocation and the combination of investment managers in each asset class. Most of the changes were put in place during the first half of the financial year when investment markets, especially growth assets, generated strong returns. When market volatility spiked sharply in response to COVID-19 being declared a pandemic, resulting in the lock-down of economies globally, the portfolio benefited from being well-diversified.

As investment performance eroded during the first quarter of 2020, the Board's Trigger Action Response Plan was activated, resulting in frequent meetings of the Investment Committee to assess the portfolio for required changes.

During the second quarter of 2020 equity markets rebounded sharply, which enabled the portfolio to generate a small positive return of 0.7% for the year ended 30 June 2020.

Despite the moderate portfolio return for the year, the long-term performance of the portfolio remains strong. The average annual returns over 3, 5 and 8 years ending June 2020 were all above the return objective of CPI + 3% p.a.

The portfolio achieved the following annual returns in the last five years (ending 30 June):

2020	2019	2018	2017	2016
0.7%	7.4%	8.3%	8.9%	3.4%

OPERATIONAL ACTIVITIES

During 2019–20 we focused on building capability to enable delivery on our purpose of connecting employers and employees with their long service leave.

This involved continued work on our digital transformation; in particular, enhancements to our administration platform and core services to facilitate automated processing of employer Levy Advice forms. Levy reporting is a complex administrative process and its automation requires data accuracy; however, there are inaccuracies in a high number of the levy returns we receive. Work continues in reducing the instances of data inaccuracies through ongoing efforts in employer engagement and education.

We increased capacity through strategic expansion of our workforce numbers to ensure service delivery was met.

Our annual performance statements detail our achievements over the past financial year.

STAKEHOLDER AND CLIENT ACTIVITIES

Employer Compliance

Compliance engagement with employers of eligible employees was a major focus of 2019–20. The Client Engagement team held more than 700 meetings with non-compliant employers during the year, representing a 267% increase in engagement activity compared to last year. This strong engagement focus resulted in a further 218 new employer registrations, which is a 48% increase in registrations compared to the previous year.

Stakeholder Engagement

In 2019–20 we continued to forge stronger relationships with industry associations and employee groups, with the aim of increasing awareness and understanding of our scheme. Through presentations, event attendance and face-to-face (pre-COVID-19) meetings, we continued to educate our industry stakeholders as well as better understand their challenges to improve our service delivery.

We also implemented an employer relationship program to build on our interactions with employers. The aim of this program is to deliver on our vision to be a leader in service and provide employers with relationship managers to help them with improved interactions with Coal LSL. During the year we onboarded 211 new employers and conducted more than 1,200 proactive engagements with employers relating to their onboarding and relationship management.

Stakeholder Engagement Activity

147
EMPLOYEE MEETINGS
(redundancy sessions and service review engagements)

34,096
PHONE ENQUIRIES

5,177
ONLINE ENQUIRIES

29,916
EMAIL ENQUIRIES

1,933
EMPLOYER MEETINGS

PART 2:
GOVERNANCE AND ACCOUNTABILITY

GOVERNANCE PRACTICES

We aim to deliver a robust, transparent, flexible and practical approach to corporate governance. As our business grows and our governance landscape shifts, we are combining existing knowledge and capabilities with new perspectives and contemporary approaches to further mature and enhance our governance and accountability.

We do this to foster the confidence and trust of our clients, stakeholders and employees, and to:

- Preserve our reputation as a responsible government entity that is committed to meeting legislative obligations in an accountable and transparent manner
- Be accountable
- Be informed of changes.

Governance considerations are incorporated into all our activities, providing effective mechanisms for corporate responsibility and informed, transparent decision making.

Coal LSL has an Audit, Risk Management and Compliance Committee that receives tailored reporting on business assurance activities and on the adequacy of governance, risk and compliance frameworks.

Standard governance activities delivering value to our business on an ongoing basis include:

- Development and implementation of the annual risk strategy and strategic risk profile, including risk appetite
- Staying abreast of legislative changes through a system of alerts
- Regular review and reporting on risk registers (strategic, operational and project risk)
- Monthly whole-of-business reporting on internal controls deficiencies (incident and breach reporting)
- Assurance mapping of the internal control environment
- Regular reporting on established statutory and compliance obligations
- Monitoring for new statutory and compliance obligations
- Induction and periodic staff training on compliance policies
- Internal audit program
- Maintenance of our operational risk matrix to align with our current operating model
- Maintenance of governance frameworks to align with business operations and reflect material business or legislative changes
- Maintenance of other business frameworks to ensure they remain fit for purpose e.g. business continuity, complaints management
- Annual business insurance renewal
- Corporate planning and reporting
- Risk based reviews of client records to ensure data accuracy.

Significant activities completed during 2019–20 include:

- **Risk management:** implementing a Project Risk Matrix to improve assessment, monitoring and reporting of project risks
- **Quality:** launching a Quality Assurance Program to strengthen our administrative change procedures when embedding future business improvements
- **Information management:** improving consistency and reliability of our information as part of compliance with the National Archives of Australia's Digital Continuity 2020 Policy. This policy aims to integrate digital information management into all government businesses to support efficiency, innovation, information re-use and accountability. On completion of the work in 2020–21, our framework (strategy, policy and guideline) will ensure Coal LSL information is: effectively governed and managed; captured, organised, classified and named consistently; maintained in appropriate systems where it can be accessed, re-used and protected; retained for as long as legally required; and disposed of appropriately.

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 2019–20 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 2019–20 was as follows:

		Appointment Term		Board Meetings				
				2019			2020	
Director name	Nominated by	Start	End	29 Aug	17 Sept	28 Nov	14 Feb	12 March
Mr Bradley Neven	Employers	14.04.2015	31.12.2019	✓	✓	✓	N/A	N/A
Mr Mark Klasen	Employers	16.03.2016	15.03.2024*	✓	✓	✓	✓	✓
Ms Anne Donnellan	Employees	30.05.2017	29.05.2021	×	✓	✓	✓	✓
Ms Christina Langby	Employers	05.06.2017	04.06.2021	✓	✓	✓	✓	✓
Ms Jennifer Short	Employees	01.07.2017	30.06.2021	✓	✓	✓	✓	✓
Mr Grahame Kelly	Employees	18.06.2018	17.06.2022	✓	×	✓	✓	✓
Mr Scott Faragher	Employers	27.02.2020	26.02.2024	N/A	N/A	N/A	N/A	✓

*Mr Klasen was reappointed for a second term on 16.03.2020.

The Board maintains a high level of corporate governance through its subcommittees. The subcommittees of the Board meet regularly during the year in line with Governance responsibilities.

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; governance issues for Coal LSL.

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

Members of the ARCC include not less than two Board Directors and an Independent Chair. Membership of this committee for 2019–20 included:

- Independent Chair (July 2019 to June 2020): Mr Martin Matthews, Partner, PKF Australia Accountants and Business Advisers
- Board Director (July 2019 to March 2020): Ms Christina Langby
- Board Director (July 2019 to June 2020): Ms Anne Donnellan
- Board Director (March 2020 to June 2020): Mr Scott Faragher.

Member attendance at ARCC meetings for 2019–20 was as follows:

		ARCC Meetings				
		2019			2020	
Member name	Role	6 Aug	30 Aug	12 Nov	18 Feb	29 May
Mr Martin Matthews	Independent Chair	✓	✓	✓	✓	✓
Ms Anne Donnellan	Director	✓	✓	✓	✓	✓
Ms Christina Langby[1]	Director	✓	✓	✓	✓	N/A
Mr Scott Faragher[2]	Director	N/A	N/A	N/A	N/A	✓

[1] Ms Langby's service on the ARCC ceased 31.03.2020. [2] Mr Faragher was appointed to the ARCC on 12.03.2020.

Refer to *Part 1* of this report for information on director qualifications, knowledge, skills and experience. Refer to *Part 5, section 1.7 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, and overseeing the appointment, performance and termination of investment managers, asset consultants and the master custodian.

Members of the IC include not less than two Board directors and an Independent Chair with expert investment skills. The Independent Chair of the IC for 2019–20 was Dr Jon Glass.

Technical Compliance Committee (TCC)

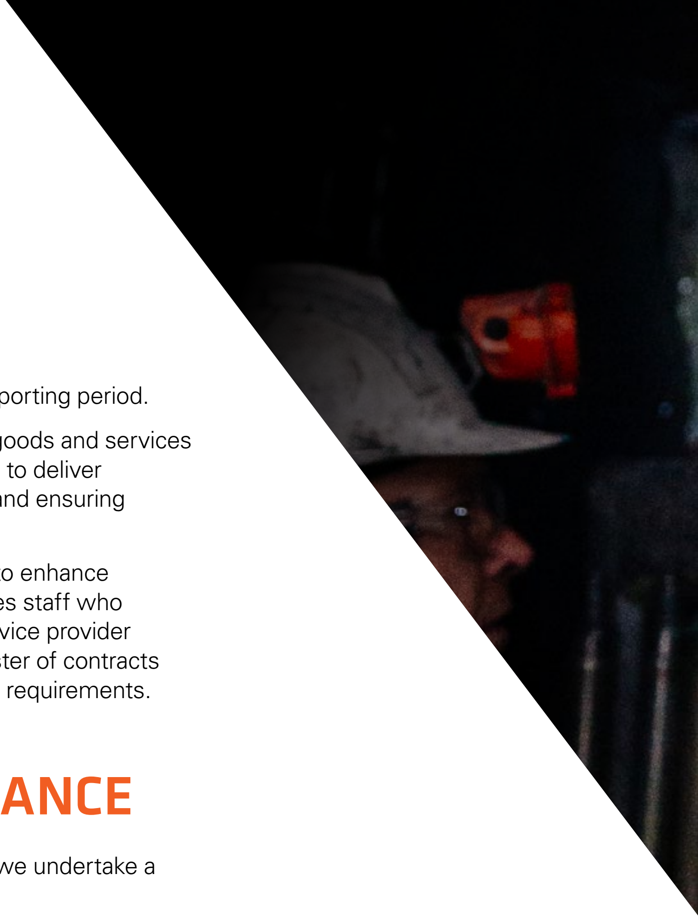
The TCC provides a forum for directors to consider and evaluate applications for recognition of service under the transitional provisions of the legislation Act, and eligibility of employees as defined under the Administration Act.

Members of the TCC include not less than two Board directors and at least one other member. In 2020 Mr Brad Neven was welcomed as an adviser to the committee.

Remuneration Committee (RC)

The RC provides a forum for directors to discuss the framework and policy for remuneration, conditions of employment, appointment and review of the Chief Executive Officer and independent advisers to the Board.

Members of the RC include not less than two Board directors and at least one other member. The Chair of the RC for 2019–20 was external adviser Mr Martin Aicken.



PROCUREMENT

We continued to mature our Procurement Framework during the reporting period.

Our framework has been established to ensure procurement of all goods and services is conducted in an honest, competitive, fair and transparent manner to deliver the best value-for-money outcome while protecting our reputation and ensuring compliance with all relevant legislation.

We continue to refine the essential components of the framework to enhance business value and staff engagement. The contracts register enables staff who are contract owners to actively manage contracts and to review service provider performance against contracted deliverables. We maintain the register of contracts over $100,000 in value on the Coal LSL website, as per compliance requirements.

STATEMENT OF NON-COMPLIANCE

We are aware of our compliance obligations with finance laws and we undertake a range of activities to maintain ongoing 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, work-flows, approval processes and reporting mechanisms that facilitates 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

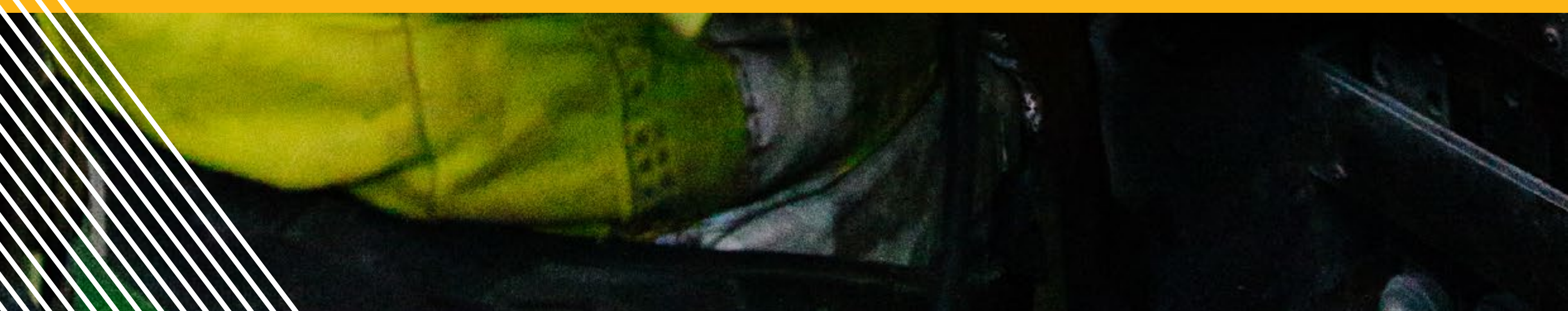
During the year to 30 June 2020 there were no judicial decisions or independent tribunal outcomes that had a significant effect on our operations.

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

This annual performance statement has been completed as per s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2019–20 financial year and accurately presents Coal LSL's performance in accordance with s39(2) of the PGPA Act.



GOAL 1 – SEAMLESS INTERACTIONS

We make working with us easy

Offer an enhanced client experience through authentic interactions, increased digital services and accessible information.

RESULTS

PERFORMANCE CRITERION 1 – CLIENT SATISFACTION: Improved response from baseline

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 22)

RESULTS AGAINST PERFORMANCE CRITERION

In 2019–20 we made positive progress in improving the client experience. We assessed this by engaging directly with clients to obtain qualitative feedback.

To achieve this, we delivered a relationship program which involved new client-centric models for onboarding newly registered employers, managing timely submission of Levy Advice forms, and more than 1,200 individual proactive interactions with registered employers.

We implemented a new client feedback register to track, monitor and report positive and negative client feedback provided through our contact centre. Additionally, we captured feedback from our clients through multiple industry workshops and employer/employee meetings.

This feedback influenced our decision to increase resourcing where needed in client service positions in addition to driving improvements in our communication suite.

PERFORMANCE CRITERION 2 – SELF-SERVICE FUNCTIONALITY: Increase in number of options available

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 22)

RESULTS AGAINST PERFORMANCE CRITERION

We increased self-service options for clients this year primarily through new website functions and content. On our website we:

- Provided a search function for employees to find out if their new employer is registered with Coal LSL
- Added a 'Request my leave balance' web form, enabling clients to request information about their accrued leave balance at a time that's convenient to them, rather than being limited to our contact centre operating hours
- Continued to improve the volume and readability of information, such as Frequently Asked Questions, forms and clearer guidance on legislation and processes.

These efforts resulted in enhanced self-service for clients. Some of these results are reported under *Performance Criteria 3 – Self-service use.*

Analysis of our client portal last year is helping to inform improvements to self-service through this channel. During 2019–20 we delivered a tailored client portal for one of our largest registered employers as part of a trial for future seamless interactions. Data from the analysis has also informed a planned portal improvement project for the coming year.

Additionally, our newly formed Employer Relations team provided proactive assistance on more than 1,200 occasions, supporting employers to build their self-service capability. This contributes to the goal of seamless interactions for employers in their important role of administering long service leave on behalf of their eligible employees.

PERFORMANCE CRITERION 3 – SELF-SERVICE USE

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 22)

RESULTS AGAINST PERFORMANCE CRITERION
We saw an increase in self-service use of our client portal and website during the year.

Use of the client portal increased overall by 16%, a result of growth in user numbers and promotion of the portal.

Our self-service options through the website improved in line with the website upgrade. More web pages supporting self-service were added and these received 25,608 hits in total during the reporting period, an improvement of 79% over last year on our previous self-service offerings. Conversely, there was a 7% decrease in visitors who navigated directly to the Contact Us page which leads to phone or email traffic in our contact centre. This decrease, and the increase in uptake of self-service offerings, demonstrate that our efforts to provide greater offerings to our stakeholders is working, thereby improving seamless interactions for them.

PERFORMANCE CRITERION 4 – WEBSITE USE: Increase in website use

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 22)

RESULTS AGAINST PERFORMANCE CRITERION
Our new website was launched in June 2019, providing a complete 12 months of data for reporting this year. With an ultimate goal of supporting self-service, the renewed site aimed to be a more intuitive, informative resource with clearer language and a more effective user experience.

We wanted to enable our stakeholder groups to find information, make enquiries and connect via channels that are available outside of traditional office hours, to suit their needs and work schedules.

The 12 months saw 5,177 web enquiries; 1,250 of these were requests for contact, supporting the out of office service offering, while 3,810 were requests for long service leave details which traditionally would have required a phone call.

Our baseline measures capture the behaviour of users interacting with our website. We measure total page views and self-service capacity. The website received 189,922 total page views, representing a 14% increase compared to the previous year. This increase in traffic is noteworthy when considered in conjunction with the disruption to normal office engagements resulting from the COVID-19 pandemic. As reported in Performance Criteria 3, the web pages supporting self-service received 25,608 hits, an improvement of 79% over last year on our previous self-service offerings.

ANALYSIS OF PERFORMANCE

We are pleased with results of the work towards seamless interactions during the year, having achieved in our four focus areas of enhanced client experience, increased digital interactions and services, improved accessibility of information, and more robust relationships with employers.

However, our clients are the true word of authority on our claims about results. They have affirmed our success through increased positive feedback and increased use of website information and features.

‘Coal LSL has always been helpful, but I’ve noticed this has improved over the last 18 months, with changes in forms and processes, etc. We find the Coal LSL staff are always pleasant and genuinely want to assist us to get things right – this is right across the organisation.’ Payroll Manager

GOAL 2 – TRUSTED EDUCATOR

We engage and share our knowledge as a respected regulator

Deliver increased awareness of the Fund, improved employer compliance and enhanced engagement with our clients and stakeholders.

RESULTS

PERFORMANCE CRITERION 1 – BRAND RECOGNITION

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 23)

RESULTS AGAINST PERFORMANCE CRITERION

2019–20 saw a positive brand recognition improvement to the baseline measure established during the previous period.

There was a 48% increase in new employer registrations compared to last year – more employers participating in the scheme means greater brand recognition and industry presence for Coal LSL.

There was also 7% greater inbound contact to the call centre.

There were fewer direct website URL searches, indicating increased bookmarking of our web pages as brand recognition increased.

PERFORMANCE CRITERION 2 – RECOGNITION OF ELIGIBLE SERVICE: Positive measure

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 23)

RESULTS AGAINST PERFORMANCE CRITERION

During the year we continued to engage and educate employees on their entitlements under the scheme.

Improved information provided through the contact centre, and clearer education and guidance provided online and by our Client Engagement team, have improved employee awareness and understanding of the scheme.

The improved awareness and understanding culminated in 561 Missing Service Review applications being received from employees in 2019–20. During the same period 404 applications were recognised as eligible service.

PERFORMANCE CRITERION 3 – NEW EMPLOYER REGISTRATIONS: Positive measure

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 23)

RESULTS AGAINST PERFORMANCE CRITERION

We delivered on the goals set in our Tactical Client Engagement Strategy in 2019–20, educating employers about their obligations under the scheme and compelling those with obligations to register. This resulted in a further 218 new employer registrations in 2019–20, a 48% increase in registrations on the prior year.

PERFORMANCE CRITERION 4 – RECOVERY OF BACK-LEVIES: Positive measure

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 23)

RESULTS AGAINST PERFORMANCE CRITERION

As a direct result of the engagement efforts with employers regarding their obligations under the scheme, non-compliant employers committed to repaying more than $4.9 million in historically unpaid back-levies.

This resulted in 4,167 back levies being submitted by more than 200 employers during the year, supporting our efforts towards all eligible employees in the industry having their full entitlement recognised. In many cases, these employers continue to pay levies into the Fund on an ongoing basis and are now compliant with the scheme.

PERFORMANCE CRITERION 5 – CLIENT AND STAKEHOLDER ENGAGEMENT: Baseline measure

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 23)

RESULTS AGAINST PERFORMANCE CRITERION

In 2019–20 we reviewed how clients were choosing to engage with us. We analysed their topics of interest and interactions with our digital mediums and, from this, were able to establish a baseline measure for client and stakeholder engagement.

Direct client engagement continues to prove the most effective method for educating non-compliant employers, yielding 218 new registered employers during the reporting period. Additionally, we expanded those engagements this year with a new Employer Relations team dedicated to supporting employers post-registration. In the 10 months since September, this team yielded 1,216 proactive employer engagements in an effort to educate and guide employers as they fulfil their obligations within the scheme.

Seven issues of our client digital e-newsletter were circulated during the year with an average 42% open rate. Engagement with content improved following a more targeted series of stories aimed at connecting with the Fund's 'why' as opposed to the 'what' we do. Among the most-clicked content each issue were Fund education pieces, links to forms, and recent topics of interest for employees.

Our contact centre team increased their outbound contact volume by 32%, ensuring clients received responses to their enquiries in a timely manner.

Following a successful transition to working from home during the COVID-19 pandemic, our client engagements remained largely unaffected. Through the last four months of the period, when face-to-face was no longer feasible, we pivoted our engagements to videoconferencing and teleconferencing.

ANALYSIS OF PERFORMANCE

We achieved the desired outcomes for 2019–20 of our Trusted Educator goal by increasing awareness of the scheme, improving employer compliance with our legislation and enhancing engagement with clients and stakeholders.

Our compliance and engagement efforts were major drivers of the increase in new employer registrations, recognition of eligibility and historical accrued leave, and recovery of back-levies during the year.

Our proactive and educational approach to client service and brand awareness efforts support our aspiration to be a leader in service and continue to strengthen our position as the regulator of long service leave in the black coal mining industry.

'The Coal LSL team was incredibly friendly, patient and respectful through my interactions with them.' Employee

GOAL 3 – INVESTMENT EXCELLENCE

We invest funds transparently for levy stability and funding adequacy

Achieve investment performance objectives and maintain a Fund surplus.

RESULTS

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

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 24)

RESULTS AGAINST PERFORMANCE CRITERION

The Fund remains in a strong position with the estimated surplus exceeding the target level of 115% (+/-5% tolerance).

PERFORMANCE CRITERION 2 – INVESTMENT PORTFOLIO RETURN: CPI + 3% over rolling 8-year period

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 24)

RESULTS AGAINST PERFORMANCE CRITERION

The Fund satisfied the desired portfolio return for the year at 30 June 2020.

The portfolio returned an average annual return of 7.9% p.a. for the eight years ended 30 June 2020, which was 3% p.a. above the CPI plus 3% (4.9% p.a.) objective.

ANALYSIS OF PERFORMANCE

We achieved the desired objectives for our Investment Excellence goal in 2019–20 by delivering long-term, consistent, above-average investment performance despite the COVID-19 pandemic, and sustainably managing the Fund's liabilities through clear focus on the Fund surplus.

The pandemic divided the year into two distinct periods.

From July 2019 to February 2020 returns on growth assets were strong as fear of recession faded, helped by central bank easing combined with easing in tensions between the US and China in the lead up to the signing of the first phase of a trade agreement.

In Australia, the economic outlook was weak following the bushfires and the impact of COVID-19 on China emerging in the late fourth quarter of 2019; nevertheless, the Australian share market reached a record high in the middle of February 2020. In this environment of strong returns from all growth assets the portfolio was doing exceedingly well. The one-year rolling return topped 14.6% for the year ended January 2020.

From late February 2020, it all changed as the World Health Organization (WHO) declared COVID-19 a pandemic. As the world went into lockdown, share markets responded by falling by around 35% from 20 February to 23 March. This also saw the United States dollar surge and the Australian dollar fall sharply to around US$0.55.

Equity markets bottomed around 23 March then rebounded sharply due to substantial monetary and fiscal policy measures. The portfolio proved resilient and generated a positive return of 0.7% for the year ended 30 June 2020.

GOAL 4 – INNOVATIVE OPERATIONS

We will improve our service delivery by pursuing operational excellence

Deliver optimised core business frameworks and systems, increased service while maintaining a relative cost base, and effective, consistent, streamlined processes.

RESULTS

PERFORMANCE CRITERION 1 – OPERATIONAL EXPENDITURE: Operational expenditure within approved budget

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 25)

RESULTS AGAINST PERFORMANCE CRITERION

Operational expenditure for the year ending 30 June 2020 was $18.787m*, $2.064m below the budget of $20.851m. Operational expenditure was well below the benchmark administration expense ratio of 0.30% of eligible employee wages which was established as the efficient cost base to deliver Coal LSL's core operations.

** Excluding losses from non-financial asset sales.*

PERFORMANCE CRITERION 2 – BUSINESS FRAMEWORKS: Develop frameworks

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 25)

RESULTS AGAINST PERFORMANCE CRITERION

The following frameworks were implemented during 2019–20:

- Employer Relations Framework
- Quality Assurance Framework
- Project Delivery Framework.

During the year we began work on a Debt Recovery Framework, Behavioural Competency Framework and Client Regulation Framework.

We also worked on improving consistency and reliability of our Information Management Framework as part of compliance with the National Archives of Australia's Digital Continuity 2020 Policy.

PERFORMANCE CRITERION 3 – SERVICE DELIVERY – FUND ADMINISTRATION:
Reduction in standard processing times

CRITERION SOURCE: 2019–20 Corporate Plan (Performance section, page 25)

RESULTS AGAINST PERFORMANCE CRITERION

Implementation of new technology solutions resulted in significant advancement in levy processing functionality during the second half of the year. The subsequent increase in capacity of the team was more than offset by the volume of levies received: levy volume increased by 38% compared to the previous year. This resulted in an increase of time required to process the more complicated levies for large employers.

Increased dedication of resources to employee applications for Missing Service Reviews has resulted in significant reductions in the time taken to review, assess and process these claims.

ANALYSIS OF PERFORMANCE

We made good progress throughout the year towards our desired outcomes for innovative operations. We continued to establish business frameworks to guide our operations, and to develop enhanced technological solutions.

There is more work to do to leverage our investments in people, resources and technology to achieve sustainable improvements in standard processing times. However, we are pleased with the momentum gained within the context of maintaining a budget position that compares favourably with established benchmarks.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

Coal LSL's purpose is to connect employers and employees with long service leave for the good of Australia's black coal mining industry.

The end of the year could not have been more different from the beginning; and even though we didn't waiver from delivering our purpose, we did so in a global environment that was shifting and adjusting to the realities of the COVID-19 pandemic. Despite the challenges this presented, we were able to recalibrate to the new status quo and continued to carry out our role in the industry as administrator and regulator of the portable coal mining long service leave fund.

We value our relationships with industry employers and during 2019–20 we built and fostered an employer relationship team that allowed us to enhance our interactions with them. As a result, we conducted more than 1,200 proactive engagements with employers relating to onboarding and relationship management.

With a continued focus on our employer compliance program, we achieved a record 218 new employer registrations during the reporting period. We recorded an additional milestone shortly after the reporting period in September 2020, reaching a total of 1,000 employers registered for the scheme on behalf of more than 53,000 active eligible employees.

We allocated more resources expediting our Missing Service Review process for employees, resulting in significant reductions in processing time and enabling us to connect employees with their entitlements more efficiently.

Our commitment to continuous improvement progressed our goal of delivering effective operations through our people, processes and technology designs. To this end we advanced our digital strategy, introducing a client relationship management system and a straight-through processing functionality to enhance the way we connect employees and employers with long service leave.

The decision in 2018 to reduce the payroll levy from 2.7% to 2.0% contributed to the 2019/2020 reported financial deficit. The reduction in the payroll levy rate was possible due to the Fund's historically strong financial performance and its actuarial-assessed surplus position.

"Our commitment to continuous improvement progressed our goal of delivering effective operations through our people, processes and technology designs."

PART 4:
FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER FINANCE

In our opinion, the attached financial statements for the year ended 30 June 2020 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.

C. Langby

Christina Langby
Chair

Darlene Perks
Chief Executive Officer

Kat Cowie
General Manager Finance

Newcastle
12 October 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Expenses			
Employee benefits	1.1 (a)	10,682	7,445
Net realised losses on sale of investments		-	68
Professional services		2,885	2,499
Directors' remuneration and expenses	1.1 (b)	152	174
Depreciation and amortisation	3.1	1,391	312
Operating leases[1]	1.1 (c)	-	518
Losses from non-financial asset sales		16	651
Other expenses	1.1 (d)	3,677	2,507
Increase in provision for reimbursements	5.1	320,737	350,065
Total expenses		339,540	364,239
Own-source revenue			
Investment revenue	1.2 (a)	15,074	127,230
Other revenue		9	3
Total own-source revenue		15,083	127,233
Net (cost of) services		(324,457)	(237,006)
Revenue from government	1.2 (b)	147,349	134,531
(Deficit) on continuing operations		(177,108)	(102,475)
Other comprehensive income		-	-
Total comprehensive (loss)		(177,108)	(102,475)

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

1. AASB 16 has been applied using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

ASSETS	Note	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	2.2	36,287	179,568
Trade and other receivables	2.3	16,005	4,116
Unit trusts	2.4	1,799,665	1,649,635
Total financial assets		1,851,957	1,833,319
Non-financial assets[1]			
Property, plant and equipment	3.1	7,242	2,429
Software	3.1	3,523	1,103
Total non-financial assets		10,765	3,532
Total assets		1,862,722	1,836,851
LIABILITIES			
Payables			
Trade and other payables	2.7	2,142	2,197
Total payables		2,142	2,197
Interest-bearing liabilities			
Leases	2.8	5,804	-
Total interest-bearing liabilities		5,804	-
Provisions			
Employee provisions	4.1	1,197	763
Provision for reimbursements	5.1	1,711,022	1,525,949
Total provisions		1,712,219	1,526,712
Total liabilities		1,720,165	1,528,909
Net assets		142,557	307,942
EQUITY			
Retained surplus		142,557	307,942
Total equity		142,557	307,942

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 2020

RETAINED SURPLUS	Note	2020 $'000	2019 $'000
Balance carried forward from previous period		307,942	410,417
Adjustment on initial application of AASB 1058	1.2 (b)	11,734	-
Adjustment on initial application of AASB 16		(11)	-
Adjusted balance at the beginning of the financial year		319,665	410,417
Net surplus/(deficit) for the year		(177,108)	(102,475)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		(177,108)	(102,475)
Closing balance at the end of the financial year		142,557	307,942

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 $'000	2019 $'000
OPERATING ACTIVITIES		
Cash received		
Investment income	10,046	8,622
Receipts from government	145,998	134,531
Lease incentive	-	1,027
Other revenue	9	3
Net GST received	838	644
	156,891	144,827
Cash used		
Employees	10,012	7,294
Reimbursements to employers	135,664	124,889
Other expenses	7,142	6,382
	152,818	138,565
Net cash from operating activities	4,073	6,262
INVESTING ACTIVITIES		
Cash received		
Sale of property, plant and equipment	2	137
Sale of investments	426,064	154,240
	426,066	154,377
Cash used		
Purchase of property, plant and equipment	3,020	3,374
Purchase of investments	569,875	1,916
	572,895	5,290
Net cash from/(used by) investing activities	(146,829)	149,087
FINANCING ACTIVITIES		
Cash used		
Principal payments of lease liabilities	525	-
	525	-
Net cash from/(used by) financing activities	(525)	-
Net increase/(decrease) in cash held	(143,281)	155,349
Cash and cash equivalents at the beginning of the reporting period	179,568	24,219
Cash and cash equivalents at the end of the reporting period	36,287	179,568

Non-cash investing activities

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

	2020 $'000	2019 $'000
Reinvestment of distributions and manager fee rebates	59,620	57,885
Management fees paid by redemptions	2	(234)
Total non-cash investing activities	59,622	57,651

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

OVERVIEW

Coal LSL is a 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 general purpose financial statements and 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 – Reduced Disclosure Requirements 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 and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Coronavirus (COVID-19) impact

In March 2020 the World Health Organization declared a pandemic because of the viral respiratory illness, COVID-19. The health implications and measures to slow the spread of the virus have had, and continue to have, significant impacts on both domestic and global economies.

For the year ended 30 June 2020, Coal LSL's revenue from investments was lower than the previous financial year as a result of impacts that included COVID-19. These impacts resulted in a reduction in the fair value of investments held at balance date as detailed in notes 1.2 (a) and 2.4 (a). There was no impact on revenue from government (levy collections from employers) to 30 June 2020 as a result of COVID-19.

The impact of COVID-19 has been considered in determining the assumptions used in the calculation of the provision for reimbursements. There was no material impact on the assumptions as detailed in note 5.1.

Coal LSL will continue to monitor the valuation of its investment portfolio, as well as investment performance, in accordance with agreed protocols. Given uncertainty in global markets, and the susceptibility of certain asset classes to fluctuations in valuation going forward, Coal LSL maintains a diversified portfolio. Portfolio composition is, and will be, regularly assessed in alignment with the long-term strategy and liquidity requirements of the organisation. In addition, Coal LSL will continue to manage risks in relation to the portfolio in accordance with the methods outlined in note 2.5.

New accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard. The impact on initial application of AASB 16 *Leases* is disclosed below and in the relevant notes to the financial statements. The impact of AASB 1058 *Income of Not-for-Profit Entities* is disclosed in note 1.2(b) and 2.3. All other 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.

Coal LSL adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations. On adoption of AASB 16, right-of-use assets and lease liabilities were recognised in relation to the lease of the head office premises and printer/copier which were previously recognised as operating leases. The accounting policy for leases is disclosed in note 2.8 with right-of-use assets being disclosed in note 3.1. The cumulative effect of initial application was immaterial and is detailed in the statement of changes in equity.

The impact on lease transition is summarised below:

	Note	1 July 2019 $'000
Minimum lease commitments	1.1 (c)	6,778
Effect of discounting using the incremental borrowing rate as at 1 July 2019		(449)
Lease liabilities recognised at 1 July 2019		**6,329**
Right-of use assets recognised at 1 July 2019		5,766
Decrease in other payables (lease incentive received)		944
(Decrease) in leasehold improvements (buildings)		(392)
Cumulative impact recognised in retained surplus		11
		6,329

Funding

During the period 1 July 2019 until 30 June 2020 levies payable by employers 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 2018 until 30 June 2019: 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 2020 that had the potential to significantly affect the ongoing structure and financial activities of the entity.

1. STATEMENT OF COMPREHENSIVE INCOME

1.1 EXPENSES	2020 $'000	2019 $'000
(a) Employee benefits		
Wages and salaries	9,281	6,540
Superannuation	898	620
Leave and other entitlements	503	285
Total employee benefits	10,682	7,445

ACCOUNTING POLICY

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

(b) 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 6 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.

	2020 $'000	2019 $'000
Remuneration paid or payable to directors	97	113
Directors' expenses	55	61
Total directors' remuneration and expenses	152	174

The total number of directors that are included in the above table is **7** (2019: 6).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2020

(c) Operating leases

	2020 $'000	2019 $'000
Operating lease costs	-	518
Minimum lease commitments		
Not later than one year	-	608
Later than one year and not later than five (5) years	-	2,625
Greater than five (5) years	-	3,545
Total minimum lease commitments	-	6,778

AASB 16 has been applied using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. The above lease disclosures should be read in conjunction with the accompanying notes 2.8 and 3.1.

(d) Other expenses

	2020 $'000	2019 $'000
Technology costs	1,484	951
Employment-related costs	1,147	781
Operating expenses	1,046	775
Total other expenses	3,677	2,507

1.2 REVENUE

	2020 $'000	2019 $'000
(a) Investment revenue		
Unit trust distributions	64,719	63,444
Deposit interest	1,167	2,202
Investment manager fee rebates	2,591	2,012
Changes in fair value of investments held at balance date	(56,050)	59,572
Net realised gains on sale of investments	2,647	-
Total investment revenue	15,074	127,230

Investment revenue was lower than the previous financial year as a result of impacts that included COVID-19. These impacts resulted in a reduction in the fair value of investments held at balance date as outlined in the Overview to the notes.

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 2020 the balance in this levy account was **$13,085,876** (2019: $11,734,572). This amount was remitted to Consolidated Revenue on 1 July 2020 and has been recognised as a receivable which is disclosed in note 2.3.

	2020 $'000	2019 $'000
Levy collections from employers	**147,349**	134,531
Total revenue from government	**147,349**	134,531

Coal LSL adopted AASB 1058 *Income of Not-for-Profit Entities* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings. Prior to 1 July 2019, revenues from government were recognised when Coal LSL obtained control over the revenue, that is, to the extent revenue had been received into Coal LSL's bank account. From 1 July 2019, revenue received from the government is recognised when Coal LSL has a right to receive the associated cash flows. As a result, retained earnings increased by $11.7m (being the amount held in the levy collection account at 30 June 2019) and appropriations receivable increased by the same amount at 1 July 2019. Comparative information presented for 2019 has not been restated and the impact on revenue for the year ended 30 June 2020 was immaterial. No material impacts are expected for future periods due to the adoption of this standard.

ACCOUNTING POLICY

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

2. FINANCIAL ASSETS AND LIABILITIES

2.1 CATEGORIES OF FINANCIAL INSTRUMENTS	2020 $'000	2019 $'000
Financial assets		
Amortised cost		
Cash and cash equivalents	36,287	179,568
Trade and other receivables	16,005	4,116
Total at amortised cost	52,292	183,684
Fair value through profit or loss		
Unit trusts	1,799,665	1,649,635
Total financial assets	1,851,957	1,833,319
Financial liabilities		
Amortised cost		
Trade and other payables	2,142	2,197
Total financial liabilities	2,142	2,197

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.

2.2 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank	36,281	172,974
Deposits at custodian	6	6,594
Total cash and cash equivalents shown in statement of cash flows	36,287	179,568

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

	2020 $'000	2019 $'000
Receivable from Attorney-General's Department	13,086	-
Accrued income from investments	2,373	3,444
Accrued bank interest	18	135
GST paid and claimable	87	97
Prepayments	441	439
Other assets	-	1
Total trade and other receivables	16,005	4,116

At 30 June 2020, no trade or other receivables were overdue or impaired (2019: nil).

The adoption of AASB 1058 *Income of Not-for-Profit Entities* from 1 July 2019 resulted in the recognition of a receivable from government of **$13.1m** at 30 June 2020. There would have been no government receivable recognised at balance date if AASB 1058 was not adopted during the reporting period. Under the modified retrospective approach, comparative information presented for 2019 has not been restated. See note 1.2(b) for disclosures relating to revenue from government.

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 2020

2.4 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2020 $'000	2019 $'000
(a) Investments		
As at 1 July	1,649,635	1,684,804
Purchases	629,495	59,801
Sales	(426,062)	(154,474)
Realised and unrealised gains/(losses)	(53,403)	59,504
Total as at 30 June	1,799,665	1,649,635

Unrealised losses for the year ended 30 June 2020 relate to changes in the fair value of investments held at balance date due to impacts that included COVID-19 as outlined in the Overview to the notes. An explanation of valuation techniques used to derive the fair value of investments is included in note 2.5 (b).

(b) As at 30 June 2020, a total of **$1,799.7m** (2019: $1,649.6m) 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:

	2020 $'000	2019 $'000
AMP Capital Shopping Centre Fund	26,943	33,818
AMP Capital Wholesale Office Fund	60,031	55,329
Barings	50,198	-
Bridgewater	90,996	82,775
Challenger	53,886	-
First Sentier	11,718	-
GQG Partners	49,637	-
IFP	49,212	-
Hyperion	103,757	87,691
Lazard	54,138	63,907
Macquarie True Index	50,104	-
Macquarie Pure Index	66,774	72,075
MFS	97,161	78,934
Palisade	82,912	79,097
Pimco	117,256	68,643
QIC Cash Fund	132,516	-
QIC Fixed Interest	169,770	240,987
QIC Inflation Plus	-	133,843
Resolution Capital	95,014	103,490
Schroder	70,209	67,869
State Street Global Advisors	-	136,440
Stone Harbor	74,992	63,592
Vanguard International Shares Hedged	97,384	95,958
Vanguard International Shares Unhedged	195,057	185,187
Total unit trusts	1,799,665	1,649,635
JPMorgan Chase Bank N.A. cash account	6	6,594
Cash held directly by Coal LSL	36,281	172,974
Total investments	1,835,952	1,829,203

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 2020, the return on the investment of funds was **0.7%** (2019: 7.4%).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2020

Sector exposure	2020 $'000	2019 $'000
Australian fixed interest	219,874	374,830
Overseas fixed interest	187,465	136,512
Australian equities	224,669	223,673
Overseas equities	488,451	496,519
Alternatives	270,072	146,367
Infrastructure	94,630	79,097
Property	181,988	192,637
Cash and cash equivalents	168,803	179,568
Total investments	1,835,952	1,829,203

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, supranationals 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 and multi-asset exposure to equities, commodities, inflation-linked bonds, government and corporate nominal bonds, cash and currency pairs.

Infrastructure: includes exposure to domestic and international 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.

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 2020

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 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 range of +/-5% around the target allocation. Should the allocation to an asset class exceed its upper or lower limit, the asset class will be rebalanced within the approved range.

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), which currently consists of six different triggers relating to liquidity and diversification across the portfolio represent important control measures in managing the market risks.

(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. As outlined in the Overview to the notes, COVID-19 continues to present a risk to the financial environment.

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. Strategically, approximately 25% of funds invested in international equities are managed on a hedged basis. Coal LSL's other international investments, which are held across the remaining asset classes (fixed income, property, infrastructure, and alternatives), are 100% hedged. The hedging occurs 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 2020, Coal LSL had no long-term borrowings; it is only 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 **$0.4m** (2019: $1.8m). An increase of 1.0% would have an equal but opposite effect on the result and equity position.

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 2020:

	%	$'000	%	$'000
Australian fixed interest	2.0	4,397	(2.0)	(4,397)
Overseas fixed interest	2.0	3,749	(2.0)	(3,749)
Australian equities	17.0	38,194	(17.0)	(38,194)
Overseas equities	17.0	83,037	(17.0)	(83,037)
Alternatives	12.0	32,409	(12.0)	(32,409)
Infrastructure	10.0	9,463	(10.0)	(9,463)
Property	13.5	24,568	(13.5)	(24,568)

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 **$91.8m** and **$275.4m** respectively (2019: $91.5m and $274.4m).

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 small transactional bank account with CBA containing approximately 3 months of estimated reimbursements to employers, 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 an active 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 component 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, **$1,395.3m** of Coal LSL's total investments could be converted to cash within 10 days.

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

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 2020. 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 hierachy	2020 $'000	2019 $'000
Financial asset			
Unit trusts	2	1,564,175	1,481,391
Unit trusts	3	235,490	168,244
Total unit trusts		1,799,665	1,649,635

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.

As a result of ongoing market uncertainty due to the COVID-19 pandemic, unlisted unit trusts categorised as level 3 revised their valuation policies to increase the frequency of valuations from March 2020 onwards to ensure that valuations fairly reflect the changes in the operating environment of each asset as they come to hand. Despite the increased frequency of valuations, investment balances are inherently subjective as they are based on valuer assumptions which are considered their best estimate as at 30 June 2020. 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 2020, 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 2020

2.7 TRADE AND OTHER PAYABLES	2020 $'000	2019 $'000
Trade creditors and accruals	1,363	749
Other payables	779	1,448
Total trade and other payables	**2,142**	2,197

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

Coal LSL signed an operating lease for its 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.

Lease liabilities	2020 $'000	2019 $'000
Buildings	5,798	-
Plant and equipment	6	-
Total lease liabilities	**5,804**	-

As a lessee, Coal LSL previously classified leases as operating or finance leases based on an assessment of whether the lease transferred substantially all of the risks and rewards of ownership. On adoption of AASB 16, right-of-use assets and lease liabilities were recognised in relation to the lease of the head office premises and printer/copier which were previously recognised as operating leases. As AASB 16 has been applied using the modified retrospective approach, comparative information has not been restated and continues to be reported under AASB 117. The above lease disclosures should be read in conjunction with the accompanying notes 1.1(c) and 3.1.

ACCOUNTING POLICY

Lease liabilities are measured at the present value of the remaining lease payments, discounted using Coal LSL's incremental borrowing rate as at 1 July 2019. The incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 1.35%.

3. NON-FINANCIAL ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE Reconciliation of opening and closing balances	Buildings[1] $'000	Plant and equipment $'000	Software $'000	Total $'000
As at 1 July 2019				
Gross book value	1,881	1,034	1,202	4,117
Accumulated depreciation, amortisation and impairment	(160)	(326)	(99)	(585)
Total as at 1 July 2019	1,721	708	1,103	3,532
Recognition of right-of-use asset on application of AASB 16	5,754	12	-	5,766
Adjusted total as at 1 July 2019	7,475	720	1,103	9,298
Purchases	183	240	2,890	3,313
Depreciation and amortisation	(732)	(230)	(429)	(1,391)
Disposals	(400)	(14)	(41)	(455)
Total as at 30 June 2020	6,526	716	3,523	10,765
Total as at 30 June represented by				
Gross book value	7,484	1,137	4,047	12,668
Accumulated depreciation, amortisation and impairment	(958)	(421)	(524)	(1,903)
Total as at 30 June 2020	6,526	716	3,523	10,765
Carrying amount of right-of-use assets	5,159	5	-	5,164

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

ACCOUNTING POLICY

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange of 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 2020, 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.

Lease 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 2020, 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 2020.

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 2020. 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.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives range from 3 to 5 years (depending on assessment of the individual asset's useful life). All software assets were assessed for indications of impairment at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2020

4. PEOPLE AND RELATIONSHIPS

4.1 EMPLOYEE PROVISIONS	2020 $'000	2019 $'000
Leave	1,197	763
Superannuation	-	-
Total employee provisions	1,197	763

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. As a result of Coal LSL's annual reassessment of key management personnel, in the context of the entity's structure and key decision making, there has been an increase in the number of executives disclosed as key management personnel. Remuneration of key management personnel (excluding the Board of Directors which is disclosed in note 1.1(b)) is reported in the table below:

	2020 $'000	2019 $'000
Short-term employee benefits	1,174	629
Post-employment benefits	108	61
Other long-term employee benefits	23	13
Termination benefits	78	-
Total key management personnel remuneration expenses[1]	1,383	703

The total number of key management personnel that are included in the above table is **7** (2019: 2).

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.

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 (appointed as Chair from 1 January 2020)
- Mr Bradley Neven, Chair (resigned 31 December 2019)
- Mr Grahame Kelly, Deputy Chair
- Mr Mark Klasen
- Ms Anne Donnellan
- Ms Jennifer Short
- Mr Scott Faragher (appointed 27 February 2020).

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
- Ms Lisbeth Rasmussen, Chief Investment Officer
- Ms Suzanne Jenkins, Chief Governance Officer (KMP from 1 October 2019)
- Mr Phillip Berner, Chief Operating Officer (appointed 20 January 2020)
- Mr Chris Radvan, General Manager People & Culture (appointed 28 January 2020)
- Mr Charles Dowsett, Chief Commercial Officer (appointed 20 January 2020, resigned 1 May 2020)
- Ms Marie Hanson-Kentwell, General Manager People & Culture (appointed 24 September 2019, resigned 21 November 2019).

(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(b) 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 2020

5. PROVISIONS

5.1 PROVISION FOR REIMBURSEMENTS	2020 $'000	2019 $'000
Current	1,412,591	1,195,459
Non-current	298,431	330,490
Total provision for reimbursements	1,711,022	1,525,949
As at 1 July	1,525,949	1,300,773
Reimbursements paid	(135,664)	(124,889)
Additional provisions recognised	266,003	229,238
Increase (decrease) in provision due to change in discount rate	54,734	120,827
As at 30 June	1,711,022	1,525,949

The current portion of the provision includes unconditional entitlements where employees have met the eligibility requirements for long service leave. However, based on past experience, current leave obligations expected to be reimbursed to employers in the next 12 months is **$137.1m** (2019: $136.6m).

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 2020. There were no material changes to these assumptions as a result of COVID-19.

Salary growth

At 30 June 2020 the actuarial salary growth rate assumptions were **2.25%** for long service leave balances with an expected payment date of within 2 years (2019: 2.25%), **2.25%** for 3 years (2019: 2.5%), **2.75%** for 4 years (2019: 3.0%) and **3.0%** for all other payments periods (2019: 3.5%). 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 **$90.4m** (2019: $80.2m). A 1.0% decrease would decrease the present value by **$86.2m** (2019: $76.5m).

Probability factors

At 30 June 2020 the probability factors utilised ranges from **49.0%** to **100.0%** depending on the type and category of long service leave (2019: 47.2% 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 2020 the discount rate utilised was **0.41%** for all categories of long service leave (2019: 1.03%). 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 **$87.2m** (2019: $77.0m). A 1.0% decrease would increase the present value by **$93.3m** (2019: $82.4m).

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 2020 Coal LSL has an estimated contingent liability of **$2.2m** (2019: $2.6m).

Coal LSL has an estimated contingent asset of **$6.1m** at 30 June 2020 (2019: $6.1m) 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 as, 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" that 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.

Disputes and legal actions
At any point in time, Coal LSL is involved in a range of dispute resolution processes, which may include litigation, relating to long service leave disputes. 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. As at the date of this report no legal proceedings have been commenced against Coal LSL.

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 2020

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.

Investment commitments	2020 $'000	2019 $'000
Not later than one year	90,834	7,593
Later than one year and not later than five (5) years	-	-
Total investment commitments	90,834	7,593

Commitments in relation to operating lease costs are disclosed in note 1.1(c).

7. AGGREGATE ASSETS AND LIABILITIES

Assets expected to be recovered in	2020 $'000	2019 $'000
No more than 12 months	52,292	103,684
More than 12 months	1,810,430	1,733,167
Total assets	1,862,722	1,836,851
Liabilities expected to be settled in		
No more than 12 months	140,005	137,858
More than 12 months	1,580,160	1,391,051
Total liabilities	1,720,165	1,528,909

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Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Industrial 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 2020:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2020 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 2020 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 2020, but does not include the financial report and my auditor's report thereon.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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.

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38 Sydney Avenue FORREST ACT 2603
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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 – Reduced Disclosure Requirements 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

Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
12 October 2020

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“Coal LSL Fund’s investment performance achieved a positive return over the year. Despite the significant impact the pandemic had on global financial markets, our investment strategy, which is designed to deliver long-term returns, positioned the Fund to outperform its three-, five- and eight-year objectives.”

PART 5:
APPENDICES

DISCLOSURES

Work health and safety

Under the *Work Health and Safety Act 2011* (WHS Act) we are required to report certain information. During 2019–20 we had zero notifiable incidents and were not involved in any statutory enforcements or investigations.

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918,* we are required to disclose payments of more than $14,000 (inclusive of GST) to specific types of organisations. These organisations are advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations. We have no payments requiring disclosure for 2019–20.

Ecological sustainable development and environmental performance

Within our office environment, we encourage a range of initiatives to assist in reducing our environmental footprint. These include:

- Follow Me printing (with default settings set to double-sided greyscale)
- Encouraging electronic meeting papers to reduce the volume of paper
- Shutting down computers outside of working hours
- Energy efficient lighting, including sensor lighting throughout the office
- Sensor cooling/heating for energy efficiency
- Recycling of paper, cardboard, plastics, glass and print cartridges
- Recyclable items used when hosting events.

When restocking materials, we investigate more cost-effective and ecologically sustainable options before purchasing.

Related party transactions of accountable authority

Apart from the remuneration of the directors as disclosed in the notes to the 30 June 2020 Financial Statements, no further related party transactions occurred between Coal LSL and the accountable authority.

Indemnities and insurance premiums

For 2019–20 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 2019–20 was $106,645 (including GST).

The insurances provide coverage for all staff, including the CEO, executive officers and all staff officially engaged as employees of Coal LSL. Directors' and officers' liability insurance covered 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 2019–20.

Workforce profile

The following table represents our **workforce profile for the period 2019–20**. All employees were based in NSW, Australia.

	Male			Female		
	Full time	Part time	Total	Full time	Part time	Total
Ongoing	31	-	31	51	13	64
Non-ongoing	2	2	4	6	2	8

The following table represents our **workforce profile for the period 2018–19**.
All employees were based in NSW, Australia.

	Male			Female		
	Full time	Part time	Total	Full time	Part time	Total
Ongoing	19	-	19	42	8	50
Non-ongoing	1	-	1	10	-	10

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 has determined that members of the Business Leadership Team are senior executives
- Coal LSL had no *other highly paid staff* for the current reporting period.

A key principle for remuneration at Coal LSL is designed to offer and maintain competitive remuneration. When setting or reviewing remuneration for a role, factors such as market median, target remuneration for a role, the market 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.

The remuneration framework includes a short-term incentive program for eligible employees, providing a mechanism for recognising employees for meeting and/or exceeding strategic business objectives. The program rewards behaviours which drive a collaborative outcome while allowing acknowledgement for individual performance. Short-term incentives are at-risk and are payable in addition to TFR. Details of remuneration paid, including at-risk incentives, are provided in the table below.

Director remuneration is set at Australian Government remuneration rates, as defined by the Remuneration Tribunal.

The Remuneration Committee provides the directors a forum for discussion on the remuneration frameworks and policies, making recommendations to the Board for approval.

REMUNERATION FOR EXECUTIVES

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[1]	Chief Executive Officer	325,431	60,638	622	32,007	11,489	-	-	430,187
Ms Lisbeth Rasmussen[2]	Chief Investment Officer	257,204	22,440	1,187	24,957	5,500	-	-	311,288
Ms Suzanne Jenkins[2,3]	Chief Governance Officer	160,176	16,675	560	15,922	3,347	-	-	196,680
Mr Phillip Berner[2,4]	Chief Operating Officer	122,414	9,581	230	10,539	1,705	-	-	144,469
Mr Chris Radvan[2,5]	General Manager People & Culture	83,241	7,250	209	8,020	1,185	-	-	99,905
Mr Charles Dowsett[6]	Chief Commercial Officer	87,740	-	89	12,323	-	-	47,500	147,652
Ms Marie Hanson-Kentwell[7]	General Manager People & Culture	17,351	-	-	4,427	-	-	30,441	52,219
Ms Christina Langby[8,11]	Chair/ Director	21,605	-	-	2,052	-	-	-	23,657
Mr Bradley Neven[11]	Chair/ Director	12,548	-	-	1,192	-	-	-	13,740
Mr Grahame Kelly[11]	Deputy Chair/ Director	7,592	-	-	-	-	-	-	7,592
Mr Mark Klasen[11]	Director	18,688	-	-	1,775	-	-	-	20,463
Ms Anne Donnellan[11]	Director	18,688	-	-	-	-	-	-	18,688
Ms Jennifer Short[11]	Director	10,512	-	-	-	-	-	-	10,512
Mr Scott Faragher[10,11]	Director	2,336	-	-	222	-	-	-	2,558
Total key management personnel remuneration		**$1,145,526**	**$116,584**	**$2,897**	**$113,436**	**$23,226**	**$-**	**$77,941**	**$1,479,610**

1. An at-risk incentive payment of 25% of total fixed remuneration was available. 70% of the at-risk portion relating to established strategic business objectives which had been met prior to 30 June 2020 has been included in remuneration above. The remaining available at-risk component was subject to further assessment and approval and has not been included as remuneration in this reporting period. 2. An at-risk incentive payment of 10% of total fixed remuneration was available. Up to 80% of the at-risk portion relating to established strategic business objectives which had been met prior to 30 June 2020 has been included in remuneration above. The remaining available at-risk component was subject to further assessment and approval and has not been included as remuneration in this reporting period. 3. Appointed as KMP from 1 October 2019. 4. Appointed 20 January 2020. 5. Appointed 28 January 2020. Appointed as Chief People Officer from 1 July 2020. 6. Appointed 20 January 2020, resigned 1 May 2020. 7. Appointed 24 September 2019, resigned 21 November 2019. 8. Appointed as Chair from 1 January 2020. 9. Resigned 31 December 2019. 10. Appointed 27 February 2020. 11. By the nature of their appointment by sponsoring organisations, director fees are paid to either their sponsoring organisation or directly to the director based on an agreement between the relevant director and their sponsoring organisation. Superannuation is not payable by Coal LSL where director fees are paid to a sponsoring organisation.

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[1]**	**Average other benefits and allowances**	**Average superannuation contributions**	**Average long service leave**	**Average other long term benefits**	**Average termination benefits**	**Average other long term benefits**
\$0 – \$220,000	6	121,203	-	824	11,392	654	-	-	134,073
\$220,001 – \$245,000	3	192,474	9,382	931	19,015	4,039	-	-	225,841

1. An at-risk incentive payment of 10% of total fixed remuneration was available to some senior executives. Where available, up to 73% of the at-risk portion relating to established strategic business objectives which had been met prior to 30 June 2020 has been included in remuneration above. The remaining available at-risk component was subject to further assessment and approval and has not been included as remuneration in this reporting period.

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 2019–20:

Member name	Role	Remuneration exclusive of super	Super paid[1]
Mr Martin Matthews[2]	Independent Chair	$30,000	No
Ms Anne Donnellan	Director	$5,840	No
Ms Christina Langby	Director	$4,672	Yes
Mr Scott Faragher	Director	$1,168	Yes

1. Superannuation is not payable by Coal LSL where director fees are paid to a sponsoring organisation. 2. Mr Matthews is also entitled to travelling and other expenses incurred while fulfilling his duties as Independent Chairman of the ARCC.

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; or
- A prescribed person who is employed in the black coal mining industry; but does not include a person declared by the regulations not to be an eligible employee for the purposes of the Admin Act.

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 table outlines the mandatory requirements for our annual report and where the information can be found.

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT
17BE	Contents of annual report		
17BE(a)	Part 1: About Coal LSL | Role	Details of the legislation establishing the body.	Mandatory
17BE(b)(i)	Part 1: About Coal LSL | Role	A summary of the objects and functions of the entity as set out in legislation.	Mandatory
17BE(b)(ii)	Part 1: About Coal LSL | 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 and accountability | 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 and accountability | 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 and accountability | 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.	Responsible Minister
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 and accountability | 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 and accountability | 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 and accountability | 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 | Performance	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 and accountability | 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 and accountability | 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 and accountability | Board and subcommittees (e) Part 5: Appendices | Disclosures | Executive remuneration	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)	Part 5: Appendices | Disclosures | Executive remuneration	Information about executive remuneration.	Mandatory
17BF	**Disclosure requirements for government business enterprises**		
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


IT'S
YOUR
TIME.

COAL LSL

MORE INFORMATION

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