



COALSL

CORPORATE PLAN 2018/19



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

CEO INTRODUCTION



I am pleased to present the Coal LSL Corporate Plan 2018-19 (the Corporate Plan).

This plan represents the next phase of our business transformation. In this coming year, we will build on last year's achievements, leveraging the solid foundations we've created and move forward in pursuit of our strategic objectives. We remain focused on our initial vision and are committed to repositioning ourselves as a contemporary, solution-focused operation. Given this, our plan isn't radically different from last year's.

Importantly, our position has never been stronger. Our proactive approach to compliance in 2017-18 saw a growth in registered employers and eligible employees of the fund. In 2018-19, we have refined our strategic goals to keep pace with our growth as we move towards delivering an end-to-end client experience. Focusing on outcomes for stakeholders through enhanced engagement and streamlining of internal systems and processes will enable us to deliver upon our objective of connecting employers and employees to their long service leave, seamlessly.

Throughout 2017-18, our client facing successes included the introduction of new employer reimbursement rules, and, positive feedback following the delivery of face-to-face client workshops. Internally, our successes included our team placing their trust in us to lead them through a period of significant change. Our team has adapted to the new business model, and are empowered to do the best job possible, daily. Introducing enhanced in-house investment, legal and technology capabilities has firmed up our team enabling us to deliver on our transformation objectives.

Recently, we advised the industry stakeholders that from 1 July 2018 we will be reducing our payroll levy from 2.7% to 2.0%. This is the first levy reduction we've introduced in a decade and is a strong indication of our stable foundations and financially responsible operations.

Last year was a period of intensive planning, creating a blueprint for Coal LSL's future to ensure the decisions we make now will meet the needs and expectations of the Australian black coal mining industry of tomorrow. We did this through the creation of four three-year plans: our Digital Transformation Strategy; our Stakeholder Engagement Strategy; our Client Engagement Strategy and our Workforce Strategy. It is these four strategies that will guide the operations through the journey of change over the period of this Corporate Plan.

Our business transformation is a journey – we continue to adapt and learn as we progress. We acknowledge our plan will continue to evolve along with our operations over the coming four years.

Darlene Perks
Chief Executive Officer

STATEMENT OF PREPARATION AND COVERAGE PERIOD

We, the Board, as the accountable authority of the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL), are pleased to present the 2018 Corporate Plan, which covers the periods 2018–19 to 2021–22, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013.

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ABOUT US

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.

KEY STATS AS AT JULY 2018



OVER 47,000
ACTIVE ELIGIBLE
EMPLOYEES



OVER 650
REGISTERED
EMPLOYERS



OVER 110,000
RECORDS HELD
FOR EMPLOYEES
(ACTIVE AND DORMANT)



OVER \$1.6B
FUNDS UNDER
MANAGEMENT

IN 2017:

-  Received over **22,000 phone calls**
-  Responded to over **13,000 email requests**
-  Completed over **600 service review claims**
-  Received over **10,000 leave applications**
-  Processed over **8,500 reimbursements** to employers

PURPOSE

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

ROLE

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

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; and
- Enable recognition of long service leave entitlement for eligible employees.

GOALS



SEAMLESS INTERACTIONS



TRUSTED EDUCATOR



INVESTMENT EXCELLENCE



INNOVATIVE OPERATIONS



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.

We are building on ways to ensure we provide timely and transparent information to keep clients informed; enabling information to be readily accessible throughout the client life cycle.

In supporting our clients, new self-service options and integrated services are being established. With a variety of quick and easy ways to transact with us, including online, multi-channel options and personal interactions, consistency across the various delivery methods is a must, enabling clients to find the information they are looking for, when they need it.

By focusing on creating value in our services and customising our digital platforms according to client needs, we are refining and honing the entire client experience.



INVESTMENT EXCELLENCE –

WE INVEST FUNDS TRANSPARENTLY TO PRESERVE EMPLOYEE ENTITLEMENTS

Our corporate objective is to maintain a surplus in the Fund of 115% (+/-5%).

Our investment strategy is calibrated based on the Fund's investment and corporate objectives. This translates into our four investment objectives as follows:

1. To maximise the long-term investment return, subject to maintaining adequate return driver diversification, portfolio liquidity and the risk constraints stated below (objectives 3 and 4);
2. To obtain a net return from investment that exceeds inflation, as measured by the Consumer Price Index, by at least 3% per annum over rolling eight-year periods;
3. To limit the probability of an annual loss to no more than one in four years on average;
4. To limit the expected return in very poor years to no worse than -12% per annum

We embed our investment objectives in the strategic asset allocation for the Fund, which we review annually to ensure it remains suitable.

Our strong financial position has created an opportunity to reduce the employer levy from 2.7% to 2.0% effective from 1 July 2018. This change will impact our cash-flow position requiring an increased focus on our cash management process during the year.



TRUSTED EDUCATOR –

WE DEMONSTRATE THE BENEFITS AND VALUE OF INDUSTRY COMPLIANCE

We will continue to engage purposefully with our stakeholders.

The quality of our stakeholder relationships impacts the overall success of our business. We strive for positive, meaningful and informed engagement to deliver a deeper awareness and understanding of our scheme and its fundamental value provided to the industry.

It is important we demonstrate authority as a respected regulator by maturing our compliance framework. We have built our compliance model around a pro-active approach in which we assist our clients in understanding their obligations and entitlements. We are advancing more into our role as a regulator, actively pursuing and taking a stronger stance on non-compliance.



INNOVATIVE OPERATIONS –

WE WILL INNOVATE AND STREAMLINE OPERATIONS AND PROCESSES TO BE MORE EFFECTIVE

Operational innovation is our commitment to continually improve what we do and consolidate our role as a contemporary, relevant business.

In 2018-2019 we will focus on identifying where we can automate sustainable, consistent processes to give us the flexibility of moving resources into value-add services. Ensuring the stability and security of these systems and data storage will be key.

It is our aim to streamline our processes and reduce the need for constant manual interventions. Our approach will be to actively seek opportunities to innovate and be flexible and nimble in making small changes often.

We will use data and analytics to inform our decisions, capitalising on our enhanced internal capability in this area. Where possible, we will share our extensive industry insights through convenient and accessible services and information that makes sense to our stakeholders.

FOSTERING AN ENGAGED WORKFORCE WITH CUSTOM CAPABILITY

This strategy informs how we will develop our workforce to allow us to attract, engage and retain a capable and motivated team.

Creating a high-performance culture centred on continuous learning and improvement will enable us to build competency, as well as foster a culture of shared values and commitment. To build our high-performance culture, we will focus on four key areas: health and wellbeing, capability development, leadership and sustainability.

We will be agile and channel the right skills and people in the appropriate area of the business when needed. This will allow us to create a flexible workforce respected for its industry expertise and service.

POSITIVELY ENGAGING WITH OUR STAKEHOLDERS IN MEANINGFUL WAYS

The quality of our stakeholder relationships impacts the overall success of our business. Positive, meaningful and informed engagement allows for a deeper awareness and understanding of our scheme and its fundamental value provided to the industry.

Refining and building strength in our connections with stakeholders will be a strategic process.

Our focus remains on building our brand recognition and value proposition to the industry, a process we began as a new business in 2017-2018 and are continuing to foster.

ENGAGING WITH OUR CLIENTS AND EDUCATING THEM ON THEIR OBLIGATIONS AND ENTITLEMENTS

We will continue our journey as educators by embedding our education framework of multi-channel learning opportunities. Over the next 12 months we will consolidate the achievements we have had in this area and explore new ways to maximise client participation.

Our increase in registered employers is a result of our commitment to pro-actively managing the non-compliance to the scheme. Strategic communication of the benefits of a proactive approach to compliance will allow us to strengthen our processes to drive client participation as we begin to take a stronger stance on non-compliance.

Increasing our engagement activity will help us build stronger connections to the industry, the foundations to enable us to deliver long-term, improved outcomes.

OPTIMISING OUR SYSTEMS FOR DIGITAL TRANSFORMATION

Our digital transformation roadmap is now complete. We are prioritising the enhancement of our core systems, focusing on system integration and the optimisation of processes and data. These priorities will provide a solid foundation for the incorporation of integrated platforms on which we can achieve advances and improvements through new technologies and services.

Our approach is one of continual improvement and refinement, demonstrating functionality and managing our risks through iterative delivery.

We remain focused on increasing our data capability and using this intelligence to inform our decisions.

This will involve analysing data that will enable us to be proactive, insightful and provide services that are consistently aligned to stakeholder expectations.

OPTIMISING OUR INVESTMENT STRATEGIES TO EXCEED BUSINESS TARGETS

Strong, structured governance is critical for achieving sustainable, above-average investment performance.

We are continuing to focus on optimising our investment capability at the Board, Committee and Executive level. Ongoing Director education, a clear delegation framework, strong internal capabilities, efficient processes and strong relationships with our service providers all combine to position us to deliver investment returns beyond those outlined by our benchmarks.

As part of our processes, we regularly monitor the investment environment. We review our strategic asset allocation at least annually to ensure our investment portfolio is well diversified across asset classes, and within asset classes across managers and strategies.

Our focus for the year ahead includes:

1. Ensuring the investment portfolio is as resilient as it can be given the investment environment is likely to be characterised by growing uncertainty at a time when the Fund will experience negative operating cash-flow.
2. Optimising investment management reporting to ensure it is as succinct and timely as possible to facilitate efficient decision making. The reporting framework will also include trigger points for when reviews and further actions are required beyond the scheduled reviews.



ENVIRONMENT

We operate in a diverse and dynamic environment moulded by shifting social, economic and political trends. As an organisation we must be aware of this environment as it ebbs and flows. We must remain nimble and responsive to the individual influences and circumstances that form the context in which we are operating to ensure our strategic objectives are met.

MARKETS

The coal mining industry forecast numbers are stable. According to the International Energy Outlook 2017 (IEO2017), worldwide coal consumption is projected to remain flat between 2015 and 2040. The prediction indicates a slight increase in world coal production - an increase of 3% from 2015 to 2040. Coal trade has a gradual growth projection of an average rate of 1% annually from 2015 to 2040, with Australia continuing to be the top exporter of coal (IEO2017).

Over the past 12 months, we have achieved real revenue growth thanks to an increase in employer registrations, a direct result of our proactive approach to compliance. Our continuing focus on education and compliance means we predict this trend will continue over the life of this plan.

INVESTMENTS

Maintaining fund sufficiency to meet our future liabilities, the payment of long service leave entitlements, is impacted by the success of our investment strategy.

The global economy is currently characterised by synchronised economic growth, which typically allows businesses to grow earnings; hence is good for growth assets. However, eventually growth will turn from a positive to a negative for risk assets, as growth fuels inflationary pressures, which in turn impacts the pace of interest rate normalisation.

Monetary tightening and high debt level is a negative combination for most asset classes. The negative effects will not be immediately obvious on a forward-looking basis. Market views are therefore likely to be polarised, which will result in growing market volatility. This is an environment where it is hard to generate consistent returns and it is likely to be challenging for the Fund to generate 6% p.a., which is what the actuary has assumed in the recent actuarial review. We will focus on developing and enhancing our investment processes to ensure the investment portfolio is in the best possible position to withstand volatile investment markets.

COMPLIANCE WITH OUR GOVERNING LEGISLATION

The portable long service leave scheme was established in 1949 and has had several iterations and legislative amendments over time.

These changes to legislation have presented some confusion within our broader client base of registered and non-registered employers, particularly relating to the application of the legislation.

This presents a twofold opportunity for us.

First, our continuing work with stakeholders as we educate them on obligations and entitlements allows us to clarify areas of confusion so we can promote compliance with regulations simply and clearly. Our focus on connecting with auditors means we are able to provide formal information and feedback to assist the audit process, with the aim of continuing to promote the value of self-regulation.

Second, adapting to the changing market in which we operate, Coal LSL is proposing to undertake changes to our enabling legislation. The changes are administrative, and do not change the scope of the scheme. The amendments will be sought to ease the interpretation and application of our legislation, ensuring consistent and compliant operational processes and business rules. An Industry Working Party has been formed, which together with our Board, will propose changes for consideration by our Minister and government in 2018-19.

REGULATION

The regulatory environment within which we operate is one that is very much influenced by the national political environment. As a corporate Commonwealth entity, we are bound by government frameworks, while remaining alert to our ongoing relevance to the black coal mining industry.

We continuously dedicate resources to maintain the integrity of our governance framework, ensuring it remains current on an ongoing basis through investment in legislative alerts, monitoring and compliance management software.

EMPLOYMENT TRENDS IN THE COAL MINING INDUSTRY

A significant factor in understanding the coverage of the LSL Fund, and in applying the definition of 'eligible employee', is the reality of how changes to the functions and services now required in the coal mining industry, are currently being provided.

Coal mine operators contract out or outsource a great many functions and services that are directly connected with the day-to-day operations of a mine, which previously were typically performed by the employees of the coal mine operator.

Similarly, the use of labour hire personnel, both casual and permanent, to perform work alongside the mine operator's own direct employees, has become extensive.

Our challenge, as the industry regulator, is to ensure the definition of 'eligible employee' is correctly applied to employees of contractors, outsourced service providers and labour hire firms. We must ensure we keep pace and remain at the forefront of industry changes.

RISK MANAGEMENT

We continue to mature our approach to risk management. Our risk approach assesses business objectives and the associated inputs, such as processes, people, technology, and knowledge, in order to identify and manage uncertainties and limitations.

We understand and place value on engaging in meaningful discussion about risk across the business. We remain committed to a proactive and effective approach to risk management, where risk owners are empowered to identify, and be accountable to manage risks.

Our risk strategy ensures there is consideration of risk across all of our strategic, operational and project initiatives. We believe this culminates in a holistic view on current and emerging risk.

Our risk approach:

- Is proactive;
- Engages different perspective on risks;
- Provides a sound framework for accountability, responsibility and delegation for risk management, and
- Enables the promulgation and escalation of critical risk information;

We strive to be risk-intelligent, adopting a philosophy of learning from our mistakes and wins, and sharing this knowledge. We regularly review our risk strategy for opportunities to improve and become more efficient. We progressively reap value from our focus on the causes of risks, and the effectiveness of existing internal controls environment and potential for further risk mitigation, with regular reports on controls assurance.

For 2018-19, in the context of this plan, we view our strategic risks as:

- Funding adequacy;
- Efficiency and effectiveness in fund administration;
- Compliance breach detection, prevention and reporting;
- Industry compliance;
- Stakeholder engagement; and
- Continued evolution of our regulatory role.

We have increased our risk awareness and governance in digital technology, as the business undergoes transformation. To effectively manage our risks, we have elected an iterative approach to delivery of our digital program. We are focused on regular delivery of achievements and functionality, demonstrating early and measurable return on our investment.



CAPABILITY

The capability of a robust organisation is always a combination of its people, processes, systems, governance, culture and technology. Our value draws on how we manage, mature and utilise those capabilities in the years to come. Within a 12 month period we have seen our optimised business model create growth and innovation.

We will build off this and continue to enhance our capabilities in the coming years, building on our strengths so we are ready to serve and adapt in the complex, ever-changing environment of the black coal-mining industry.

PEOPLE

One year into our insourced model, and we are still on our journey as a workforce in which every individual team member recognises themselves as an intrinsic part of a team that is responsible for running and ensuring the success of our business as a whole.

Everyone knows what their role is, its importance within the organisation and our long- and short-term strategic goals. We will continue to invest and develop in the change management area as knowledge sharing becomes more widespread across the business.

Over the past year we have introduced enhanced in-house capability in specialist skill areas such as investments, legal, technology and client engagement. This has enabled us to build a team of people who have become intimately knowledgeable about the business and can apply this to their areas of expertise to bring about optimum outcomes aligned to our strategy.

We are committed to making further advances with our workforce and we recognise this starts with our organisational culture. At Coal LSL we aspire for a high-performance culture, where everyone understands what is expected of them, is empowered and strives to achieve. We are focused on developing an engaging and inspiring environment with a clear mission to create a strong employee value proposition and help us attract, engage and retain a capable and motivated workforce.

Our Workforce Strategy has been designed with this in mind. The strategy sets out our priorities and areas of focus including:

- Health and wellbeing – providing our employees with the opportunity to improve their own health by giving them tools and information to make positive choices;
- Capability development – ensuring we have the right skills and competencies in the business at the right time, and encouraging continuous learning and improvement;
- Leadership – creating a collective leadership model by establishing shared goals, trust and a system that draws upon the appropriately-skilled people, rather than one drawing on seniority or longevity in the organisation; and
- Sustainability – ensuring the employee experiences we create today are adaptable and can be enhanced and built upon as workforce trends shift.



TECHNOLOGY

Technology is an essential component of our operational foundations. Through it we provide a common platform for people, processes and systems that support our business goals.

Part of our strategic planning over the past year has been the development of our Digital Transformation Strategy which provides a clear road map for improving our technology capability. Implementation of this plan has already begun.

It prioritises focusing on enhancing our core systems to improve service delivery and optimising processes to provide a more seamless interaction.

Reliable and accessible data is a strategic asset we see as a valuable tool in informing our business priorities and ensuring they are aligned to stakeholder preferences and expectations. To this end, we have made inroads into improving our data analytics capability to become more data-centric in our decisions and business operations.

Over the coming years we will be investing in further solutions for the improvement of our stakeholder, vendor and client experiences. This will include enhanced digital services that integrate seamlessly with our interfaces to elevate our value proposition and enhance interaction with us, both internally and externally.

Our approach to this digital transformation has been one of agility and flexibility.

We will focus on delivering small changes often, learning from each iteration and building a capability that allows us to respond and adapt to change quickly.

GOVERNANCE

Our effective governance framework is a core capability for us. Our practices are incorporated into all of our activities, providing effective mechanisms to support informed decision making.

A core element of our governance framework is our Board of Directors. The Board comprises six directors appointed by the Minister for Jobs and Innovation with equal representation from employer and employee organisations. Its structure affords it a unique and valuable capability as a reliable conduit to the industry – benefitting from two-way insight and making informed decisions in the best interests of Coal LSL.

Using this insight, we will continually review our governance capability, identifying areas where we can enhance our current practices to better support our performance.

PARTNERSHIPS

Our capability is enhanced through the strong relationships we have built with trusted partners who provide specialist services and insights to our business. While we have benefitted enormously as an organisation from our insourced model, we see value in our established network of outsourced providers who know our business and whose professional capabilities we call on when needed to help us deliver on our objectives.

We also recognise the increasing importance of engaging more directly with the industry to help us continually improve our value proposition and relevance to the coal mining industry. To this end, in 2018-2019, we will continue to strengthen our partnerships and engagement with various organisations such as the Industry Working Party so we can use their insight into how we can shift and adapt to the changing needs of the industry.

PERFORMANCE



SEAMLESS INTERACTIONS – WE ARE EASY TO DO BUSINESS WITH

OUTCOMES

- Enhanced client experience that would be described authentically by clients as ‘seamless’
- Increased digital interactions and services
- Improved accessibility of information/content

DELIVERY STRATEGIES

- Increase self-service options
- Create sustainable efficiencies through automation
- Increase information/content available via multiple channels

PERFORMANCE MEASURES

- Client satisfaction – positive measure against baseline
- Client portal – increase number of self service options available
- Information – increase in information provided by Coal LSL

MEASURE	2018-19	2019-20	2020-21	2021-2022
CLIENT SATISFACTION	Improved response from prior year	Improved response from prior year	Improved response from prior year	Improved response from prior year
CLIENT PORTAL	Baseline measure	Positive measure	Positive measure	Positive measure
WEBSITE UTILISATION	Baseline measure	Measured increase in website utilisation	Measured increase in website utilisation	Measured increase in website utilisation



TRUSTED EDUCATOR – WE WORK WITH THE INDUSTRY TO DEMONSTRATE VALUE AND INSIGHTS THROUGH COMPLIANCE

OUTCOMES

- Increased awareness of the scheme
- Enhanced engagement with clients and stakeholders
- Improve employer compliance with our legislation

DELIVERY STRATEGIES

- Deliver multi-channel communication and learning opportunities
- Embed the education program for clients
- Deliver client and stakeholder engagement strategies

PERFORMANCE MEASURES

- Feedback from surveys
- Increase in employers meeting their obligations:
 - › New employer registrations – positive measure
 - › Recovery of back levies – positive measure
- Applications for eligibility – positive measure
- Strategy delivery

MEASURE	2018-19	2019-20	2020-21	2021-2022
CLIENT SURVEY FEEDBACK	Increase in respondents	Increase in respondents	Increase in respondents	Increase in respondents
NEW EMPLOYER REGISTRATIONS	Positive measure	Positive measure	Positive measure	Positive measure
RECOVERY OF BACK LEVIES	Positive measure	Positive measure	Positive measure	Positive measure
CLIENT ENGAGEMENT STRATEGY	Year 1 deliverables implemented	Year 2 deliverables implemented	Year 3 deliverables implemented	–
APPLICATIONS FOR ELIGIBILITY	Positive measure	Positive measure	Positive measure	Positive measure

PERFORMANCE CONTINUED



INVESTMENT EXCELLENCE – WE INVEST FUNDS TRANSPARENTLY TO ENSURE SUSTAINABILITY

OUTCOMES

- Achieve performance objectives
- Sustainable management of the Fund’s liabilities

DELIVERY STRATEGIES

- Review and implementation of Investment Strategy
- Enhanced monitoring and interactions with investment managers
- Introduce additional in-house investment capability
- Improve monitoring and analysis of the fund

PERFORMANCE MEASURES

- Fund surplus
- Investment returns against objectives

MEASURE	2018-19	2019-20	2020-21	2021-2022
FUND SURPLUS	115% (+/-5% Tolerance)	115% (+/-5% Tolerance)	115% (+/-5% Tolerance)	115% (+/-5% Tolerance)
INVESTMENT PORTFOLIO RETURN	CPI + 3% Over rolling 8-year period			



INNOVATIVE OPERATIONS – WE WILL INNOVATE AND STREAMLINE OPERATIONS AND PROCESSES TO BE MORE EFFECTIVE

OUTCOMES

- Provide strategic enablers to support the organisation to deliver business outcomes
- Deliver core business frameworks and systems
- Increase service while maintaining a stable cost base

DELIVERY STRATEGIES

- Implement the Workforce Strategy
- Deliver the Digital Transformation Strategy
- Deliver process improvements and cost effectiveness strategies

PERFORMANCE MEASURES

- Workforce Strategy
- Operational costs within budget
- Digital transformation plan
- Improvement in digital health rank

MEASURE	2018-19	2019-20	2020-21	2021-2022
OPERATIONAL EXPENDITURE	Stable operations budget	Stable operations budget	Stable operations budget	Stable operations budget
WORKFORCE STRATEGY	Completed implementation of stage 1	Completed implementation of stage 2	Completed implementation of stage 3	–
DIGITAL STRATEGY	Completed implementation of stage 1	Completed implementation of stage 2	Completed implementation of stage 3	–
DIGITAL HEALTH ASSESSMENT	Improve on prior year	Improve on prior year	Improve on prior year	Improve on prior year

COALS 

MORE INFORMATION

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