COAL LSL

ANNUAL REPORT 2020/21

Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

FUNDS UNDER MANAGEMENT
$2.1B

938
EMPLOYER AUDIT REPORTS PROCESSED

TOTAL REGISTERED EMPLOYERS
1,075

APPLICATIONS FOR LONG SERVICE LEAVE PROCESSED
18,727

ACTIVE EMPLOYEES
53,437

REIMBURSEMENTS PROCESSED
12,166

CLIENT ENGAGEMENT

PHONE ENQUIRIES
30,877

ONLINE ENQUIRIES
5,517

EMAIL ENQUIRIES
28,291

2,788
CLIENT MEETINGS

NEW EMPLOYERS REGISTERED IN 2020–21
183

REIMBURSEMENTS PAID
MORE THAN
$156M

DATA QUALITY
EMPLOYEE RECORDS REVIEWED
9,318

MISSING SERVICE REVIEW APPLICATIONS PROCESSED
787

LEVY FORMS PROCESSED
22,067

TOTAL EMPLOYEES
131,348

ENTRUSTED WITH
57 MILLION
HOURS OF LEAVE

FINANCIAL YEAR 2020–21 FIGURES, AS AT 30 JUNE 2021

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

APPROVAL OF 2020–21 ANNUAL REPORT BY ACCOUNTABLE AUTHORITY

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

- the Board of Directors (the Board) is the accountable authority of Coal LSL;
- the Board is responsible for preparing and providing the annual report to the Minister for Industrial Relations in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*; and
- the Board met and approved the 2020–21 annual report for submission to the Minister for Industrial Relations by way of resolution on 10 September 2021.

C. Langby

Christina Langby
Chair

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

A MESSAGE FROM OUR CHAIR

It gives me great pleasure to present the Coal LSL Annual Report 2020–21.

This reporting period has been one of firsts and milestones for Coal LSL. The year began with us seamlessly transitioned to a work-from-home model following the COVID-19 outbreak and ended with the announcement of an independent review of our framework by KPMG Australia at the behest of the Minister and Assistant Minister for Industrial Relations, Senator the Hon Michaelia Cash and Senator the Hon Amanda Stoker.

The Board welcomed the announcement of the review as an important step towards aligning our governing framework with the contemporary employment practices of the black coal mining industry in Australia. This review is a milestone for Coal LSL, signifying the Commonwealth Government's recognition of the inherent value of a portable long service leave scheme and the importance of ensuring it is positioned to serve the needs of both eligible employees and the diverse range of employers for who they work.

We are also pleased by the interest many of our stakeholders have taken in participating in the submission process of the review; many have also engaged in workshops and consultation sessions with KPMG, as have the Board and the executive of Coal LSL. Our own submission was another valuable opportunity to articulate the challenges posed by our current framework in the context of a unique operating environment that has shifted and evolved considerably over time.

We look forward to consultation with the government on the recommendations of the final report later in 2021.

While the review announcement was significant for us this year, there were many other highlights, including the substantial progress we've made on some of our most significant strategic priorities and initiatives.

We have advanced the growth in our workforce to support some of these initiatives, including successfully piloting an automated client portal for levy uploads – an innovation which is already easing the administrative burden for a number of employers. We've also cleared a large proportion of our unprocessed levy returns which had built up as a result of the ongoing growth in our client base. It's really pleasing to know these initiatives play a direct role in connecting employees with their entitlements more expediently than in the past.

Our financial management of the Fund plays an enormous part of our function and it's something in which we have excelled. Safeguarding the funding for long service leave entitlements for eligible employees is of utmost importance for Coal LSL and this year I'm very pleased to say our funds under management reached $2.1 billion, generating an annual return of 17.1%.

I would like to thank Mark Klasen and Anne Donnellan, both retiring from the Board this year, for their valued contributions. Further, I welcome Shane Stephan and Marisa Whitington to the Board, who have joined us at an important time as we lead the progression of the next phase of Coal LSL's evolution.

As Chair, it is my privilege to be in my second term as a director on the Coal LSL Board and I look forward with great optimism to the future as the organisation continues to evolve as the regulator and manager of the black coal mining industry long service leave scheme.

Christina Langby
Chair

A MESSAGE FROM OUR CEO

As I write this, I am once again struck – as I am each year – by the importance of the role Coal LSL plays as the custodian of long service leave for Australia's black coal mining industry. Looking back on the year that was 2020–21, it is again evident how valuable this entitlement is to the employees whose leave we safeguard and facilitate.

In this reporting period, employees seeking access to their long service leave increased by almost 20% from the year before. We are now entrusted with one million more hours of leave for the industry than we were in 2019–20. And our funds under management reached a milestone $2 billion in the period, standing at $2.1 billion on 30 June 2021, with a 17.1% return on investment for this reporting period.

Managing and regulating this very important industry asset is not a responsibility we take lightly. To this end, it gives me great pleasure to report through this annual report on the many business improvements, framework enhancements and operational efficiencies we have progressed this year as part of our commitment to connecting employees with their long service leave.

I owe a huge thank you to our team, clients and stakeholders for the continued support and passion that enable Coal LSL to succeed. As I have said in previous years, this support and commitment is unwavering through continued periods of transformation for our organisation.

As we have grown as an organisation in the past year, reaching a further milestone of more than 1,000 registered employers, we've seen a shift in our profile. Coal LSL sits at a unique nexus of some of the day's most important issues – the role the coal industry plays in the climate change debate, as well as the broader industrial relations landscape and the desire for equity for casual workers, particularly under the labour hire model.

Thrown into the mix is the COVID-19 pandemic, which has brought to light the value of a portable long service leave scheme.

This year was also notable for the Government's announcement of an Independent Review by KPMG Australia of Coal LSL's governing framework to ensure the scheme's ongoing success as a contemporary Commonwealth corporation. The final report will develop recommendations for advancing the Fund to meet the changing needs of the black coal mining industry while aligning with expectations of the highest standards of public sector governance. This is a significant step in the evolution of Coal LSL and I look forward to the recommendations of the report and operationalising the changes that are forthcoming.

Meanwhile, delivery against our goals and priorities laid out in our 2020–21 Corporate Plan is critical; and we've made substantial progress with a number of these during the period. Optimised, informed and streamlined interaction with clients is vital. Of note through this period is our progress towards digitalising key client transactions to improve our operations and provide an improved client experience. Strong client satisfaction results in our recent client survey validate pleasing progress made towards delivering an optimal client experience; we thank all of our clients for their support in this period of transformation.

The Coal LSL team has always faced our challenges head on and the past year has yielded progress I am incredibly proud of as a result of this determination and dedication. Our team is highly engaged and driven by the shared belief we are making a difference.

Darlene Perks
Chief Executive Officer

PART 1:
ABOUT COAL LSL

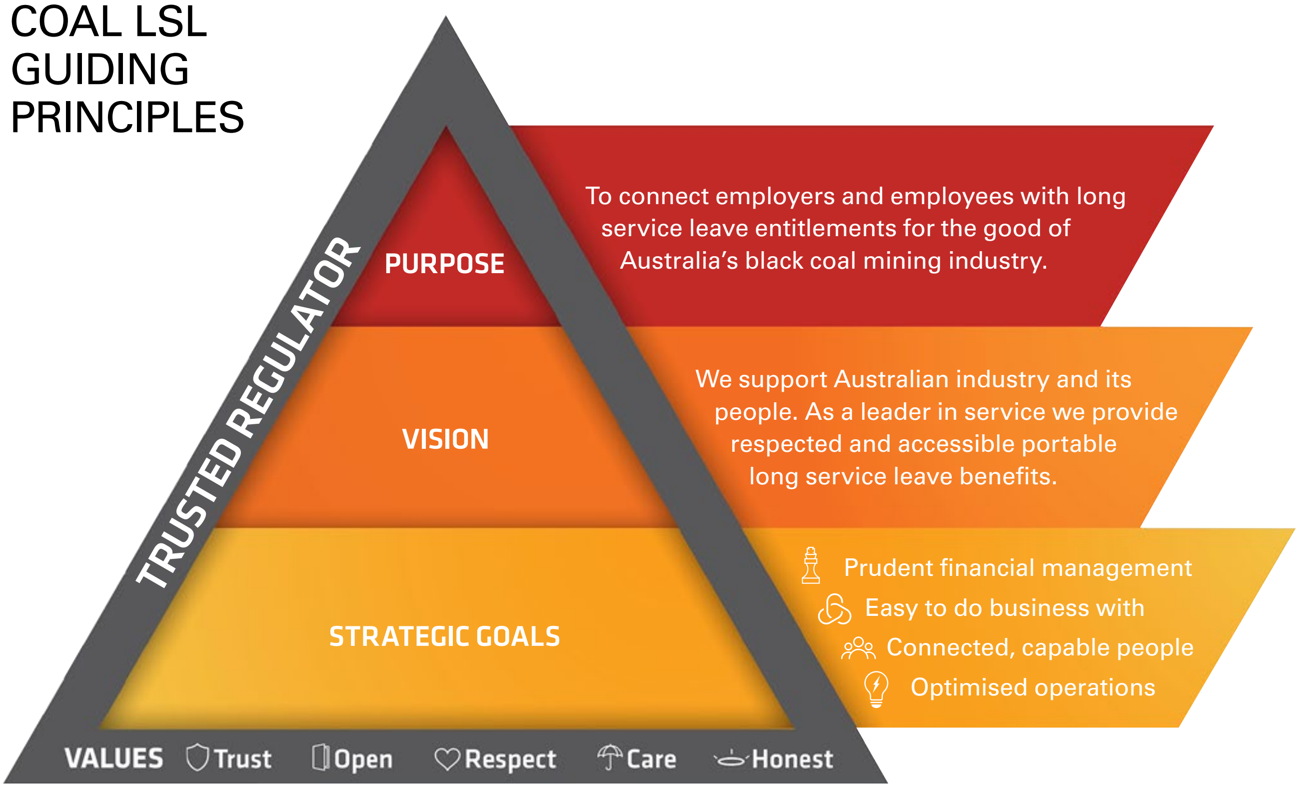
Coal LSL is the Australian Government corporation established to regulate and manage long service leave entitlements on behalf of eligible employees in the black coal mining industry. We have served the industry as a government entity for more than 28 years, managing the portable long service leave benefit established in 1949.

Coal LSL's purpose is to exercise the functions and powers of our governing legislation (*Coal Mining Industry* (*Long Service Leave*) *Administration Act 1992*; *Coal Mining Industry* (*Long Service Leave*) *Payroll Levy Act 1992*; *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*) to connect employers and employees with long service leave entitlements for the good of Australia's black coal mining industry.

More than 53,000 active employees in the Australian black coal mining industry are accruing long service leave benefits through the scheme. Coal LSL is the custodian of more than 57 million hours of leave for employees; and in early 2021, our funds under management reached the milestone of $2 billion. At 30 June, the figure stood at $2.1 billion.

Coal LSL is the regulator of the scheme. Our compliance and enforcement activities are in place to ensure employers fulfil their legislative obligations, providing eligible employees with access to their long service leave entitlements. Last year our compliance and regulatory processes resulted in 183 new employer registrations, bringing the total number of employers to 1,075.

COAL LSL GUIDING PRINCIPLES



TRUSTED REGULATOR

As the regulator and manager of the Australian black coal mining industry long service leave scheme, it is vital we meet community expectations of contemporary regulatory practices to ensure all eligible employees have access to their long service leave benefits.

To better meet the changing nature and employment practices of the coal mining industry, Coal LSL continues to identify enhancements and improvements which can be made to its legislative and regulatory framework to provide us with adequate compliance and enforcement powers.

Working with the Government and industry, we've assessed the roadblocks to compliance and driven the need for action on ways to engage with the industry to remedy and minimise non-compliance; and consequently connect eligible employees with their entitlements.

In June 2021 the Government commissioned an independent review, which will assist in identifying opportunities to better align our legislative structure with our compliance and enforcement requirements. The independent inquiry being undertaken by KPMG is due to report to Government in late 2021.

In the past year we continued to monitor and deter non-compliance by enforcing appropriate and proportionate regulatory action under the existing legislative framework. Our success in this area stems from proactive and meaningful engagement with employers underpinned by strong compliance foundations.

ROLE

Established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* (the Admin Act) to regulate and manage the black coal mining long service leave scheme, Coal LSL:

- Collects funds from employers by way of levy
- Invests funds and ensures Fund sufficiency to finance the cost of reimbursements of long service leave
- Ensures accurate and compliant record keeping
- Reimburses employers' authorised payments of long service leave
- Enables recognition of long service leave entitlement for eligible employees.

RESPONSIBLE MINISTER

Our responsible ministers during the reporting period were:

Senator the Hon Michaelia Cash
(April 2021–Current)

- Attorney-General
- Minister for Industrial Relations

Senator the Hon Amanda Stoker
(April 2021–Current)

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

The Hon Christian Porter MP
(May 2019–March 2021)

- Attorney-General
- Minister for Industrial Relations

BOARD OF DIRECTORS

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

The role of the Board is to:

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

CURRENT MEMBERS

Christina Langby, Chair
Director since June 2017 and Chair since January 2020

Christina is the CFO, Director of Finance and Operations and Company Secretary at the NSW Minerals Council, Director and 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
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.

Jennifer Short, Director
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.

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

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

Scott Faragher, Director
Director since February 2020

Scott is an experienced corporate affairs adviser and manager. He has held various roles across 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.

Shane Stephan, Director
Director since May 2021

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

Marisa Whitington, Director
Director since May 2021

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

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 Fellow of CPA Australia, 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, elevating its responsible functions of investment management, regulation and effective management of the scheme.

Phillip Berner
Chief Operating Officer

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.

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 in risk management and 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, and recently completed the Australian Institute of Company Directors course. 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, quality assurance and governance.

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 holds a Masters degree in Human Resource Management and Industrial Relations and is a Certified HR Practitioner with the Australian HR Institute (AHRI). With extensive knowledge of navigating business during periods of growth and change, Chris joined Coal LSL in January 2020 to lead the People & Culture function, build the capability of its people, fostering a positive and inclusive culture, and positioning Coal LSL as an employer of choice.

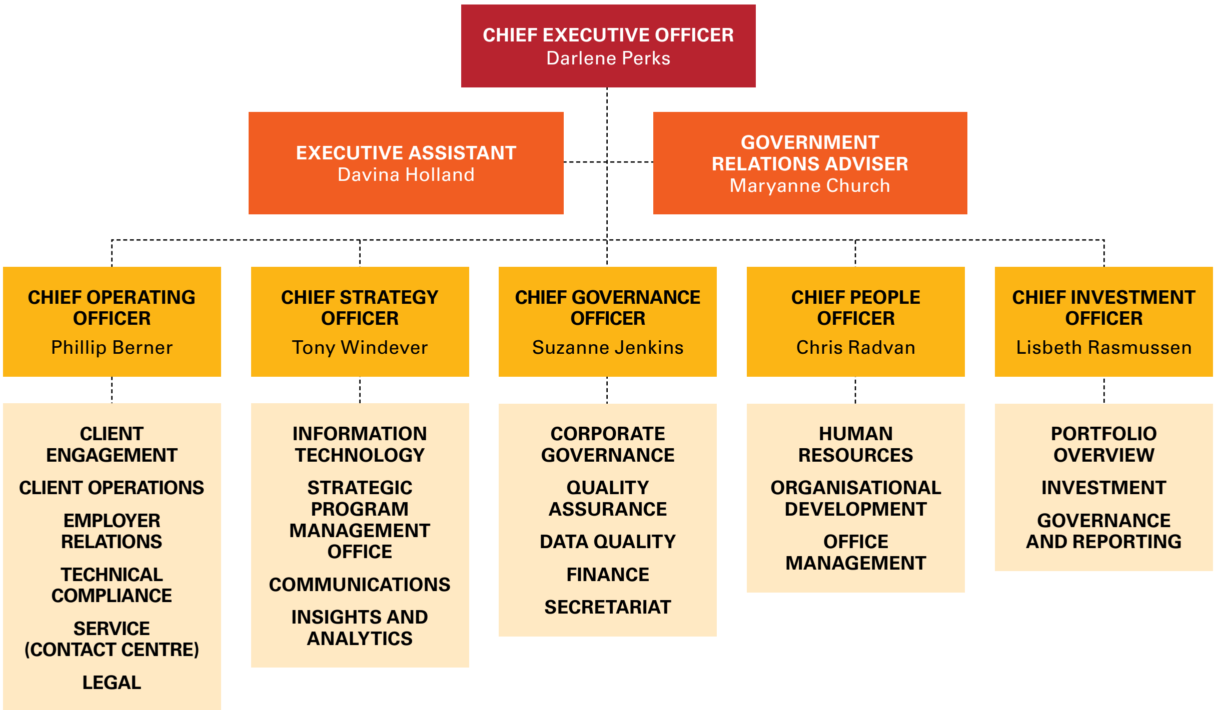
Tony Windever
Chief Strategy Officer

Tony is a senior leader with more than 20 years' experience in the technology industry. He has successfully led regional, national and global 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's role partners across the business to develop pathways for Coal LSL to achieve its strategic intent and vision.

ORGANISATIONAL STRUCTURE

Coal LSL continued its journey of growth in 2020–21, driving business process efficiencies and enhancing business frameworks. While this presented us with the opportunity to recruit diverse talent from across the Hunter and beyond, we also focused on the development of our existing people to further enhance the capability of our teams and individuals.

Underpinned by our values (Trust, Open, Respect, Care, Honest), we have a diverse, inclusive and people-first culture that enables us to deliver against our strategic goals and priorities.



PERFORMANCE

Our focus for performance this year targeted:

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

INVESTMENTS

The focus during the year was optimised strategic asset allocation for investments to ensure compliance with the long-term objective of obtaining 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.

During this financial year the investment portfolio benefited from a significant increase of 10 percentage points to listed equities (domestic and international) funded by a reduction in fixed income.

Meaningful allocations to listed equities combined with strong equity returns were the key reasons for the 17.1% return generated by the investment portfolio for the year ended 30 June 2021. This, in turn, boosted the average annual returns for three, five and eight years to 8.2%, 8.4% and 8.2% respectively.

The returns are well above the actuarial earnings rate of 5%, which was a key assumption in the most recent actuarial review. The excess returns resulted in an improved funding ratio for the Fund relative to the actuarial estimate.

For the eight-year period ended 30 June 2021, the average annual return of 8.2% was well above the long-term objective of CPI+3% of 4.8%. Therefore, the return exceeded the objective by on average 3.4% per year over that period.

The investment portfolio was valued at $2.1 billion at 30 June 2021, which compares with $1.8 billion at 30 June 2020.

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

2021	2020	2019	2018	2017
17.1%	0.7%	7.4%	8.3%	8.9%

OPERATIONAL ACTIVITIES

Coal LSL continued to advance its operational performance in 2020–21. We increased our investment in people, systems and processes to cater for ongoing growth and future business capability needs, maintaining our focus on progress despite the challenges presented by COVID-19.

We now have 1,075 employers registered in the Fund, an increase of almost 11% since last year. As a result, the number of employees in the Fund grew by almost 5% and we now hold long service leave records for more than 131,000 employees, of which around 53,000 are active in the industry today.

In addition to the growth in our client base, we also saw more employees accessing their long service leave year-on-year; and during 2020–21, we processed more than 18,000 employee leave applications, an increase of 18% on the prior year applications.

Regulation of registered employers was an increased focus throughout the year, including a targeted external audit of employers' reporting of declared hours and eligible wages for casual employees. The results of the audit will be received in 2021. Any resulting remediation activities will be prioritised in 2022.

Employer levy submissions grew by 23% in volume on the previous year. This is a significant increase and a direct result of the growth we have experienced in the registered employer base. We have increased resources dedicated to the corresponding workload increase in our levy processing function.

Additionally, we are clearing the backlog of levy returns created by Coal LSL's growth and we have allocated additional resources to finalising this in 2021.

At the same time we developed a portal incorporating automated data validation for standard levy form uploads. This was successfully piloted in June 2021 and will be progressively released to the full employer base during 2021–22. The portal will lead to a higher rate of single touch processing and create a more efficient and effective process for employers and Coal LSL, with an end result of employee records being updated in real time.

The deployment of an organisation-wide Client Relationship Management system was also completed during the year, streamlining internal processes to enable more responsive service delivery.

We continued to invest in developing a contemporary, scalable and secure technology environment to optimise operations and improve organisational productivity. This was achieved through enhancements to our core technology platforms, refinements to our cloud architecture and strengthening Disaster Recovery Planning. To safeguard our information and systems, and ensure business continuity, we undertook an assessment of our cyber security posture. Based on the findings of this assessment, we commenced implementation of a mitigation roadmap that is building the foundations for an end-to-end information security management system.

With an ambitious strategic and operational agenda, we have introduced improvements to business planning processes and internal alignment measures; and strengthened governance and delivery frameworks around strategic initiatives. To support this, we advanced our business intelligence capability to further our insights-based decision making and unlock operational efficiencies across the organisation.

Two major stakeholder surveys were undertaken in 2020–21 to inform the prioritisation of our future effort. These were a Staff Culture & Engagement Survey and a Client Satisfaction Survey. Both are important regular milestone activities for Coal LSL and are reported on in the relevant sections of this Annual Report.

CLIENT ENGAGEMENT

With a client base of more than 131,000 employees and 1,075 employers, our service delivery model is resourced to meet employer and employee needs.

With a commitment to personalised interactions, we increased our resources in the service delivery area to enable us to respond to client enquiries thoroughly and efficiently. We responded to 28,000 email enquiries during the year and took more than 5,500 online enquiries.

We held in excess of 2,700 client meetings in 2020–21, almost 40% more than in the previous year. In the second half of the year, many of these meetings were held online in accordance with COVID-19 travel restrictions.

To further enhance our communications with employees, we embedded a new role in 2020 to act as liaison for the members of employee organisations. The Employee Stakeholder Manager gives the members of these organisations a direct line of communication with Coal LSL.

More than 50 meetings were held with this client group during the year.

CLIENT ENGAGEMENT ACTIVITY

30,877
PHONE ENQUIRIES

28,291
EMAIL ENQUIRIES

5,517
ONLINE ENQUIRIES

2,788
CLIENT MEETINGS

PART 2: GOVERNANCE AND ACCOUNTABILITY

GOVERNANCE PRACTICES

Coal LSL's governance practices deliver robust, transparent and practical 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 staff, and preserve the reputation of Coal LSL as a responsible government entity that is committed to meeting legislative obligations in an accountable and transparent manner.

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 (ARCC) that receives tailored reporting on business assurance activities and on the adequacy of governance, risk and compliance frameworks.

RISK MANAGEMENT

The risk framework is aligned with the maturity and dynamics of business operations, and enables streamlined, practical management of risk by maximising engagement and deriving valuable business insights. As a corporate Commonwealth entity, we adopted the Commonwealth Risk Management Framework[1] as a best practice risk management framework. Incorporated within this framework is the Risk Management Maturity Model that consists of 9 key elements to assist in assessing business risk maturity and set target risk management maturity. To help achieve the target risk maturity, we delivered initiatives that improved risk management efficiency and effectiveness involving system and reporting enhancements, and streamlining risk information to provide awareness of emerging trends.

COMPLIANCE

There were no reported incidents of significant non-compliance with statutory requirements, including rules and instruments created under the PGPA Act. Coal LSL proactively stays abreast of changes to applicable legislation, and new legislative requirements, to ensure business readiness and timely reporting. Regular internal staff training and reporting ensures that there is knowledge, effective management and accountability for compliance obligations. The internal audit program applies a risk-based approach to review the internal controls environment that supports all aspects of Coal LSL's compliance arrangements and corporate governance.

There were no known instances of fraud committed against the entity in the 2020–21 financial year.

GOVERNANCE

Coal LSL has a program of review for all corporate governance frameworks and other business frameworks to ensure they remain fit for purpose and aligned with business operations or to reflect material business or legislative changes. Of particular note, the frameworks for project management, quality assurance, levy processing, cyber security, information management, procurement, business continuity, learning and organisational development, and workplace health and safety have been updated.

QUALITY

Coal LSL is strengthening the consistency and quality of administrative processes for core operations. The Quality Assurance Framework has delivered standardised procedural documentation and enables quality control and review activities that facilitate continuous improvement practices.

INFORMATION MANAGEMENT

Our information is a corporate and Commonwealth asset, vital both for ongoing operations and providing valuable evidence of business decisions, activities and transactions. We have established foundations for maintaining robust information management practices that add business value and align with stakeholder expectations. We have developed a framework (strategy, policy and guideline) that will ensure information is:

- Effectively governed and strategically managed in accordance with its risk and value
- Captured, organised, classified and named consistently so it can be found and understood
- Maintained in appropriate systems where it can be accessed, used and/or protected (as necessary)
- Trusted as accurate and reliable
- Retained for as long as legally required and disposed of accountably.

Implementation of the framework will commence in the 2021–22 financial year.

MODERN SLAVERY STATEMENT

As an entity with consolidated revenue exceeding $100 million for the reporting period, Coal LSL comes under the reporting obligations associated with the *Commonwealth Modern Slavery Act 2018*. During the reporting period, the first Modern Slavery Statement for Coal LSL was developed to set out the action taken in assessing potential slavery risks in our operations, supply chain and investment portfolio throughout the financial year ending June 2020. Priorities for action have been identified and forge our commitments for the current reporting period.

As required, the Statement was published on Coal LSL's website before 31 March 2021.

[1] Commonwealth Risk Management Policy (Risk Management Guideline 2011)

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 2020–21 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 2020–21 was as follows:

		Appointment Term		Board Meetings						
				2020				2021		
Director name	Nominated by	Start	End	7 July	8 Sep	12 Oct	1 Dec	19 Feb	16 Mar	15 June
Mr Mark Klasen	Employers	16.03.2016	31.12.2020	✓	X	✓	✓	N/A	N/A	N/A
Ms Anne Donnellan	Employees	30.05.2017	29.05.2021	✓	✓	✓	✓	✓	✓	N/A
Ms Christina Langby*	Employers	05.06.2017	04.06.2025	✓	✓	✓	✓	✓	✓	✓
Ms Jennifer Short**	Employees	01.07.2017	30.06.2025	✓	✓	✓	✓	✓	✓	✓
Mr Grahame Kelly	Employees	18.06.2018	17.06.2022	✓	✓	✓	✓	✓	✓	✓
Mr Scott Faragher	Employers	27.02.2020	26.02.2024	✓	✓	✓	✓	✓	✓	✓
Ms Marisa Whitington	Employees	30.05.2021	29.05.2025	N/A	N/A	N/A	N/A	N/A	N/A	✓
Mr Shane Stephan	Employers	13.05.2021	12.05.2025	N/A	N/A	N/A	N/A	N/A	N/A	✓

*Ms Langby was reappointed for a second term from 05.06.2021. **Ms Short was reappointed for a second term from 01.07.2021.

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

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE (ARCC)

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

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

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

Membership of this committee for 2020–21 included:

- Independent Chair: Mr Martin Matthews, Partner, PKF Australia Accountants and Business Advisers
- Board Director: Ms Anne Donnellan (retired from role as Director in May 2021)
- Board Director: Ms Jennifer Short
- Board Director: Mr Scott Faragher.

Member attendance at ARCC meetings for 2020–21 was as follows:

		ARCC Meetings				
		2020			2021	
Name	Role	4 Aug	16 Sep	10 Nov	16 Feb	11 May
Mr Martin Matthews	Independent Chair	✓	✓	✓	✓	✓
Ms Anne Donnellan	Director	✓	✓	✓	✓	✓
Ms Jennifer Short	Director	✓	✓	✓	✓	✓
Mr Scott Faragher	Director	✓	✓	✓	✓	✓

Refer to *Part 1, Section 5. Board of Directors* 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 2020–21 was Dr Jon Glass.

TECHNICAL COMPLIANCE COMMITTEE (TCC)

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

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

REMUNERATION COMMITTEE (RC)

The RC provides a forum for directors to discuss the 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.

PROCUREMENT

The procurement framework provides for accountability and transparency, promoting the proper use and management of public resources, and employs principles such as achieving value for money, encouraging competition and non-discrimination.

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 that facilitates the awareness of potential matters for escalation and external reporting. This system includes alerts, workflows, approval processes and reporting mechanisms.

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 2021 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.

On 1 June 2021, the Government announced an independent review of Coal LSL (Long Service Leave Funding) Corporation. KPMG Australia was engaged to undertake the review.

The terms of reference, published on the Attorney-General's Department website, state the review will look at Coal LSL's legislative framework to ensure the ongoing success of the scheme, taking into account the need for:

(i) the highest levels of public sector accountability
(ii) a strong and effective compliance and enforcement framework
(iii) prudent investment management of the Fund
(iv) client responsiveness.

PART 3: ANNUAL PERFORMANCE STATEMENTS

The annual performance statements have been completed as per s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2020–21 financial year and accurately presents Coal LSL's performance in accordance with s39(2) of the PGPA Act.

GOAL 1
PRUDENT FINANCIAL MANAGEMENT

DELIVER SUSTAINABILITY OF THE FUND AND DEMONSTRATE ROBUST FINANCIAL DISCIPLINE

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

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 18)

RESULTS AGAINST PERFORMANCE CRITERION
The actuarial assessment based on June 2020 data calculated a funding ratio of 136% (assets were 1.36 times liabilities). The strong investment return for the 2020–21 period boosted the funding ratio, resulting in a projected fund surplus in excess of 115%.

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

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 18)

RESULTS AGAINST PERFORMANCE CRITERION
The Fund remains in a strong position with an 8.2% p.a. return over the rolling 8-year period ended 30 June 2021, which is more than the CPI +3% objective of 4.8% p.a. over the same period.

PERFORMANCE CRITERION 3 – OPERATIONAL AND CAPITAL EXPENDITURE WITHIN BUDGET

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 18)

RESULTS AGAINST PERFORMANCE CRITERION

Operational and capital expenditure were within the Board-approved budget for the year ended 30 June 2021. Operational expenditure was $26.112m, $3.577m below budget while capital expenditure was $1.088m, $1.597m below budget.

ANALYSIS OF PERFORMANCE

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

As part of this, we review the strategic asset allocation (SAA) of our investments at least annually. In 2020–21 our review informed an increased exposure to listed equities, which significantly contributed to the annual portfolio return of 17.1% and the 8-year rolling return of 8.2%. It also extended the Fund's surplus well beyond the 136% assessed by the actuary at 30 June 2020.

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

GOAL 2
EASY TO DO BUSINESS WITH

ADVANCE THE CLIENT EXPERIENCE

PERFORMANCE CRITERION 1 – CLIENT SATISFACTION: Employers

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 19)

RESULTS AGAINST PERFORMANCE CRITERION

During the year we continued to invest effort into more efficient client service. We delivered:

- A greater capacity to service the increasing number of newly registering employers, while maintaining support for existing registered employers
- Improved processing time for leave applications and levy returns
- Piloting of online levy submission technology in preparation for full rollout to all registered employers during 2021–22
- Implementation of a client relationship management system, which supports more streamlined responses to client enquiries
- Provision of additional educational information on various matters through the website
- Strategic communications about operational developments.

The Client Satisfaction Index for employers for 2021 was 74/100, a stable result compared to the baseline measure.

In the 2021 Client Satisfaction Survey, employers rated our people interactions as a key strength and flagged heightened demand for streamlined services and online solutions as priority areas for improvement.

Feedback from employers indicates a high level of satisfaction with Coal LSL's service.

'I really appreciate the time taken to step us through everything we need to do. It is such a breath of fresh air to work with an organisation like Coal LSL. I've dealt with a number of different schemes/organisations and none of them have done what you did.' Registering employer

PERFORMANCE CRITERION 2 – CLIENT SATISFACTION: Employees

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 19)

RESULTS AGAINST PERFORMANCE CRITERION

During the year we continued to invest effort into more efficient client service. We delivered:

- Implementation of a client relationship management system, which supports more streamlined responses to employee enquiries
- Improved response times
- Enhanced website information for self-education support.

Our efforts resulted in employees rating us 78/100 in the Client Satisfaction Index for 2021, which is an improved result compared to the baseline measure.

The 2021 Client Satisfaction Survey provided valuable insights into employee satisfaction and future needs:

- Employees reported positive feedback about their interactions with the Coal LSL team
- Improvements in our online support were highlighted
- Making information and services clearer are the priority needs of employees into the future.

Feedback from employees indicates a high level of satisfaction with Coal LSL's service.

'Service is excellent and the existence of the LSL entitlement and the LSL organisation is fantastic. I appreciate this initiative and the time it has allowed me to spend with my family recently and will in the future.' Employee

ANALYSIS OF PERFORMANCE

The overall improvement in client satisfaction is pleasing and supports our investment in enhancing service delivery functions, capability and capacity over the past year to grow our value to the industry.

The Coal LSL scheme does hold complexities for some employers and employees, and our focus on providing personalised assistance and support for our clients is well reflected in the levels of satisfaction achieved.

The identified improvement opportunities in transactional functionality are clearly recognised and captured in our strategic agenda.

GOAL 3
CONNECTED, CAPABLE PEOPLE

ENABLE AN INFORMED, ALIGNED AND ENGAGED WORKFORCE

PERFORMANCE CRITERION 1 – ENGAGED AND SATISFIED WORKFORCE

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 20)

RESULTS AGAINST PERFORMANCE CRITERION
2021 saw an increase across both of the staff satisfaction measures when comparing the Net Promotor Scores (NPS) versus the previous survey in 2019. A detailed review of the survey results is underway to ensure that insights shape our organisational culture and enable us to deliver against our strategic goals.

	2019 NPS	2021 NPS
How likely is that you would recommend Coal LSL as an organisation to do business with?	22.4	39.6
How likely is it that you would recommend Coal LSL to a friend or colleague as a place to work?	20	51.8

'Coal LSL is a fantastic place to work and I genuinely believe myself fortunate to work for such inspiring leaders during a very exciting period of growth and change. I feel supported and empowered every day in my role; we have an excellent leadership and executive team.' Coal LSL employee

ANALYSIS OF PERFORMANCE

The Coal LSL team successfully navigated a challenging year through ongoing pandemic impacts, organisational growth and establishing new models of operating.

Coal LSL continued to adapt its working model to comply with the COVID-19 pandemic public health orders as they were issued. We ensured the safety of our staff and our clients through registration, social distancing and hygiene measures while working in the office, and by temporary working-from-home arrangements when required.

Significant workforce expansion during the lengthy initial pandemic lockdown period required a partial refit of the premises to accommodate the increased headcount upon return to the office. While in the office, we have a shared desk arrangement with COVIDSafe measures in place until Coal LSL relocates to its new premises in 2022.

We strengthened our commitment to safety and wellbeing by reviewing and modernising the workplace health and safety framework.

We successfully transitioned from an outsourced to in-house recruitment function.

The establishment of an HR Business Partnering model has enabled teams to work more effectively and efficiently to deliver on organisational goals, particularly since many of those goals require cross-team collaboration.

In response to a growing and transforming workplace, an Organisation Development function was established to develop the capabilities of our workforce and position our people for success. Team Management Profiles™ were delivered across the organisation to enhance personal and team performance, collaboration and engagement. Key frameworks and processes were developed, aimed at increasing alignment between individual roles and organisational goals, and providing clarity of role responsibilities and expectations around personal and team outcomes. These frameworks will be implemented and integrated into our operations during 2021–22.

These activities aimed to deliver on our connected, capable people strategic goal. The high engagement rate of our 2021 Staff Culture Survey, combined with the high rates of positive feedback, indicate our efforts towards this goal are being rewarded.

GOAL 4
OPTIMISED OPERATIONS

DELIVER EFFICIENT OPERATIONS THROUGH INNOVATION AND STREAMLINED PROCESSES

PERFORMANCE CRITERION 1 – LEVY PROCESSING

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 21)

RESULTS AGAINST PERFORMANCE CRITERION
Historically, all levy forms have required manual processing within our operations. In 2020–21 we implemented the first stage of automated levy uploads, initially enabling 12% of all standard monthly levy returns to be processed with a single touch. The proportion of transactions processed in this way will grow as further enhancements are released.

PERFORMANCE CRITERION 2 – BUSINESS FRAMEWORKS

CRITERION SOURCE: 2020–21 Corporate Plan (Performance section, page 21)

RESULTS AGAINST PERFORMANCE CRITERION
During the year we implemented two new frameworks: Quality Assurance and Behavioural Competency.

We also reviewed and enhanced the following existing frameworks: Project Delivery; Risk Management; Procurement; Business Continuity Management; Levy Processing; Information Management; Information Technology Security; Work Health and Safety.

Our new Quality Assurance Framework delivers standardisation across our procedural documentation suite, establishing consistency across operational activities to increase quality outcomes and prevent errors. The framework is being expanded by the addition of quality control, quality review and reporting activities that will promote a continuous improvement cycle across our operations.

Our new Behavioural Competency Framework describes the standards required for each leadership role in the organisation to deliver on our strategic and operational goals. It supports improved recruitment outcomes, capability development, career planning and performance. This framework will be extended to include all roles within the organisation.

Our Information Technology (IT) Security Framework aims to protect the confidentiality, integrity and availability of corporate and personal information. During the year we conducted a cyber security assessment and developed a cyber security roadmap to strengthen our cyber security protocols in line with guidelines from the Australian Signals Directorate. The roadmap of initiatives commenced in April 2021 and are on track for delivery by December 2021.

We enhanced our Scheme Administration (Levy Processing) Framework during the year because we recognise the need for improvement to the end-to-end levy reporting process. Levy reporting is one of the most critical services of our business, with data errors the largest contributing factor to delayed processing of levy reports. The Levy Loader project, which commenced this year, will improve the quality of data received from employers and streamline the levy form submission process.

We continued to implement an Information Management Framework as part of compliance with the National Archives of Australia's *Building trust in the public record: managing information and data for government and community policy*, which builds on the Digital Continuity 2020 Policy to support agencies to effectively manage information assets.

'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

ANALYSIS OF PERFORMANCE

Supporting our clients has been paramount as the business progressively delivered process and system efficiencies to levy processes over the reporting period. Similarly, improvements to business frameworks have been equally important to ensure we have robust strategies, policies and procedures to underpin the organisation's ability to continue to manage growth and change effectively.

Delivery of the first stages of levy submission and processing automation has been a significant milestone in streamlining this process for employers.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

On review, Coal LSL performed strongly during the 2020–21 reporting period in meeting its purpose of connecting employers and employees in the Australian black coal mining industry with long service leave.

During the year our performance focus spanned the various functions of the business – the investment portfolio; compliance and regulation; and operations – and we made significant advancements in the delivery of our strategic and operational plans.

Once again, our financial management of the Fund has been excellent. Informed by regular reviews of our strategic asset allocation, we increased our exposure to listed equities, resulting in a 17.1% return on investment for this reporting period, and funds under management at $2.1 billion on 30 June 2021.

When it came to advancing the client experience as the main focus of our goal of being easy to do business with, we progressed considerably in enhancing service delivery functions, capability and capacity.

It was another year of adapting our working model to comply with COVID-19 public health orders. As we did so, and committed to a culture of continuous improvement, we also successfully established an Organisational Development function to develop the capabilities of our workforce and create stronger alignment with our people between individual role and organisational purpose. The high engagement rate of our recent Staff Culture Survey confirmed our success toward our commitment to being a people first organisation, and our goal of connected, capable people.

In line with our goal of optimised operations, Coal LSL advanced its position as we continued on a strategic path of enhancing client services and operational effectiveness. The successful pilot of the automated levy submission process is a highlight and just one example of how far we've come.

Our progress in delivering against our strategic and operational plans has required investment to balance resources and effort with outcomes to mature our business systems as well as our compliance programs. The transformation of Coal LSL's operations is already yielding positive outcomes for the scheme's client base and, as this program advances in the new financial year, we expect further significant benefits to be generated for internal and external stakeholders.

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 2021 of the Coal Mining Industry (Long Service Leave Funding) Corporation ("Coal LSL") comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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

Christina Langby
Chair

Darlene Perks
Chief Executive Officer

Kat Cowie
General Manager Finance

Newcastle
10 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Expenses			
Employee benefits	1.1 (a)	15,581	10,682
Professional services		3,513	2,885
Directors' remuneration and expenses	1.1 (b)	148	152
Depreciation and amortisation	3.1	1,963	1,391
Other expenses	1.1 (c)	4,907	3,693
Increase in provision for reimbursements	5.1	205,002	320,737
Total expenses		231,114	339,540
Own-source revenue			
Investment revenue	1.2 (a)	308,615	15,074
Other revenue		9	9
Total own-source revenue		308,624	15,083
Net contribution by/(cost of) services		77,510	(324,457)
Revenue from government	1.2 (b)	139,610	147,349
Surplus/(deficit) on continuing operations		217,120	(177,108)
Other comprehensive income		-	-
Total comprehensive income/(loss)		217,120	(177,108)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

ASSETS	Note	2021 $'000	2020 $'000
Financial assets			
Cash and cash equivalents	2.2	101,272	36,287
Trade and other receivables	2.3	23,599	16,005
Unit trusts	2.4	1,994,136	1,799,665
Total financial assets		2,119,007	1,851,957
Non-financial assets[1]			
Prepayments		564	-
Property, plant and equipment	3.1	6,796	7,242
Software	3.1	2,569	3,523
Total non-financial assets		9,929	10,765
Total assets		2,128,936	1,862,722
LIABILITIES			
Payables			
Trade and other payables	2.7	2,400	2,142
Total payables		2,400	2,142
Interest-bearing liabilities			
Leases	2.8	5,199	5,804
Total interest-bearing liabilities		5,199	5,804
Provisions			
Employee provisions	4.1	1,659	1,197
Provision for reimbursements	5.1	1,760,001	1,711,022
Total provisions		1,761,660	1,712,219
Total liabilities		1,769,259	1,720,165
Net assets		359,677	142,557
EQUITY			
Retained surplus		359,677	142,557

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 2021

RETAINED SURPLUS	2021 $'000	2020 $'000
Balance carried forward from previous period	142,557	307,942
Adjustment on initial application of AASB 1058	-	11,734
Adjustment on initial application of AASB 16	-	(11)
Adjusted balance at the beginning of the financial year	142,557	319,665
Net surplus/(deficit) for the year	217,120	(177,108)
Other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year	217,120	(177,108)
Closing balance at the end of the financial year	359,677	142,557

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	2021 $'000	2020 $'000
OPERATING ACTIVITIES		
Cash received		
Investment income	12,222	10,046
Receipts from government	141,827	145,998
Other revenue	9	9
Net GST received	766	838
	154,824	156,891
Cash used		
Employees	14,877	10,012
Reimbursements to employers	156,023	135,664
Other expenses	8,695	7,142
	179,595	152,818
Net cash (used by)/from operating activities	(24,771)	4,073
INVESTING ACTIVITIES		
Cash received		
Sale of property, plant and equipment	4	2
Sale of investments	678,202	426,064
	678,206	426,066
Cash used		
Purchase of property, plant and equipment	1,351	3,020
Purchase of investments	586,494	569,875
	587,845	572,895
Net cash from/(used by) investing activities	90,361	(146,829)
FINANCING ACTIVITIES		
Cash used		
Principal payments of lease liabilities	605	525
	605	525
Net cash (used by) financing activities	(605)	(525)
Net increase/(decrease) in cash held	64,985	(143,281)
Cash and cash equivalents at the beginning of the reporting period	36,287	179,568
Cash and cash equivalents at the end of the reporting period	101,272	36,287

Non-cash investing activities

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

	2021 $'000	2020 $'000
Reinvestment of distributions and manager fee rebates	77,011	59,620
Management fees paid by redemptions	-	2
Total non-cash investing activities	77,011	59,622

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

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.

CRITICAL ESTIMATES AND JUDGEMENTS

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

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant include:

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

CORONAVIRUS (COVID-19) IMPACT

In March 2020, the World Health Organization declared a world-wide 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 2021, Coal LSL's revenue from investments was significantly higher than the previous financial year as a result of impacts that included COVID-19. The COVID-19 impacts were a contributor to the reduction in fair value of investments held in the prior year as detailed in notes 1.2 (a) and 2.4 (a). There was no material impact on revenue from government (levy collections from employers) as a result of COVID-19 in either reporting period.

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

FUNDING

Levies payable by employers for the period 1 July 2020 until 30 June 2021 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 2019 until 30 June 2020: 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

EVENTS AFTER THE REPORTING PERIOD

On 23 August 2021 Coal LSL signed an operating lease for a new head office premises in Newcastle. The lease will commence on 1 February 2022 for an initial period of ten (10) years with a five (5) year renewal option. Included in this lease is an annual fixed increase of 3.25% over the initial lease period, with a market review should the option be exercised. It is estimated that the undiscounted contractual cash flows in relation to the initial term will be as follows:

Maturity analysis – contractual undiscounted cash flows	$'000
Within 1 year (due on or prior to 30 June 2022)	875
Between 1 to 5 years	8,934
More than 5 years	14,535
Total leases	24,344

A right-of-use asset and lease liability will arise in respect of the lease agreement. At the date of signing of the financial statements, no decision had been made in relation to the future use of the current head office premises. Refer to notes 2.8 and 3.1 for further details. A lease incentive of $6.0m is receivable by Coal LSL as a contribution from the lessor for the fit-out of the office premises.

COMPARATIVE AMOUNTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

1. STATEMENT OF COMPREHENSIVE INCOME

1.1 EXPENSES	2021 $'000	2020 $'000
(a) Employee benefits		
Wages and salaries	13,661	9,281
Superannuation	1,408	898
Leave and other entitlements	512	503
Total employee benefits	15,581	10,682

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.

	2021 $'000	2020 $'000
Remuneration paid or payable to directors	98	97
Directors' expenses	50	55
Total directors' remuneration and expenses	148	152

The total number of directors that are included in the above table is **8** (2020: 7).

(c) Other expenses

	2021 $'000	2020 $'000
Technology costs	2,255	1,484
Employment-related costs	1,476	1,147
Insurance	446	235
Operating expenses	730	827
Total other expenses	4,907	3,693

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

1.2 REVENUE	2021 $'000	2020 $'000
(a) Investment revenue		
Unit trust distributions	95,325	64,719
Deposit interest	213	1,167
Investment manager fee rebates	3,909	2,591
Changes in fair value of investments held at balance date	200,539	(56,050)
Net realised gains on sale of investments	8,629	2,647
Total investment revenue	308,615	15,074

Investment revenue is materially impacted by the performance of equity markets. The 2021 financial year saw a strong recovery in equity markets from the previous year which has been reflected in the changes in fair value of investments. COVID-19 impacts were a contributor to the reduction in fair value of investments held in the prior year 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 2021, the balance in this levy account was **$10,868,881** (2020: $13,085,876). This amount was remitted to Consolidated Revenue on 1 July 2021 and has been recognised as a receivable which is disclosed in note 2.3.

	2021 $'000	2020 $'000
Levy collections from employers	139,610	147,349
Total revenue from government	139,610	147,349

ACCOUNTING POLICY

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

2. FINANCIAL ASSETS AND LIABILITIES

2.1 CATEGORIES OF FINANCIAL INSTRUMENTS	2021 $'000	2020 $'000
Financial assets		
Amortised cost		
Cash and cash equivalents	101,272	36,287
Trade and other receivables	23,599	16,005
Total at amortised cost	124,871	52,292
Fair value through profit or loss		
Unit trusts	1,994,136	1,799,665
Total financial assets	2,119,007	1,851,957
Financial liabilities		
Amortised cost		
Trade and other payables	2,400	2,142
Total financial liabilities	2,400	2,142

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

ACCOUNTING POLICY

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

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

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

2.2 CASH AND CASH EQUIVALENTS	2021 $'000	2020 $'000
Cash at bank	101,198	36,281
Deposits at custodian	74	6
Total cash and cash equivalents shown in statement of cash flows	101,272	36,287

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	2021 $'000	2020 $'000
Receivable from Attorney-General's Department	10,869	13,086
Accrued income from investments	12,574	2,373
Accrued bank interest	30	18
GST paid and claimable	126	87
Prepayments	-	441
Total trade and other receivables	23,599	16,005

At 30 June 2021, no trade or other receivables were overdue or impaired (2020: nil).

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 2021

2.4 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2021 $'000	2020 $'000
(a) Investments		
As at 1 July	1,799,665	1,649,635
Purchases	663,505	629,495
Sales	(678,202)	(426,062)
Realised and unrealised gains/(losses)	209,168	(53,403)
Total as at 30 June	1,994,136	1,799,665

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 2.6.

(b) As at 30 June 2021, a total of **$1,994.1m** (2020: $1,799.7m) 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:

	2021 $'000	2020 $'000
AMP Capital – Shopping Centre Fund	26,447	26,943
AMP Capital – Wholesale Office Fund	64,234	60,031
Barings	113,580	50,198
Bridgewater Associates	106,817	90,996
Challenger	57,721	53,886
First Sentier Investors	100,602	11,718
GQG Partners	165,985	49,637
Hyperion Asset Management	93,059	103,757
Independent Franchise Partners	168,330	49,212
Lazard Asset Management	96,138	54,138
Macquarie Investment Management – True Index	49,575	50,104
Macquarie Investment Management – Pure Index	77,508	66,774
MFS Investment Management	128,971	97,161
Palisade Investment Partners	91,013	82,912
PIMCO	85,174	117,256
QIC – Cash Fund	40,747	132,516
QIC – Fixed Interest	-	169,770
Resolution Capital	115,376	95,014
Schroders	-	70,209
Stone Harbor Investment Partners	78,497	74,992
Vanguard International Shares (Hedged)	132,368	97,384
Vanguard International Shares	129,187	195,057
Yarra Capital Management	72,807	-
Total unit trusts	1,994,136	1,799,665
JPMorgan Chase Bank N.A. Cash Account	74	6
Cash held directly by Coal LSL	101,198	36,281
Total investments	2,095,408	1,835,952

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 2021, the return on the investment of funds was **17.1%** (2020: 0.7%).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

Sector exposure	2021 $'000	2020 $'000
Australian fixed interest	49,575	219,874
Overseas fixed interest	85,174	187,465
Australian equities	339,512	224,669
Overseas equities	724,841	488,451
Alternatives	356,615	270,072
Infrastructure	191,615	94,630
Property	206,057	181,988
Cash and cash equivalents	142,019	168,803
Total investments	2,095,408	1,835,952

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

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

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

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

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

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

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 2021

2.5 FINANCIAL RISK MANAGEMENT

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

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

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

Risk management is conducted by Coal LSL's investment team in conjunction with Coal LSL's asset consultant, Frontier. The portfolio is regularly monitored by both parties and the monitoring is presented and discussed with the Investment Committee quarterly. The trigger action response plan (TARP), which currently consists of seven 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. The SAA target allocation to foreign currency exposure is 22.5%, via the unhedged international equities investments. Coal LSL's other international investments, which are held across the remaining asset classes (fixed income, property, infrastructure and alternatives), are 100% hedged within the unit trusts. Coal LSL's overall policy in foreign currency risk management remains unchanged from the previous reporting period.

Interest rate risk

At 30 June 2021, Coal LSL had no long-term borrowings; it is subject to cash flow and interest rate risk on its cash and cash equivalents. With all other variables held constant, a 1.0% decrease in interest rates would decrease the operating result and equity by **$1.0m** (2020: $0.4m). 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 2021:

	%	$'000	%	$'000
Australian fixed interest	3.3	1,611	(3.3)	(1,611)
Overseas fixed interest	3.5	2,981	(3.5)	(2,981)
Australian equities	17.0	57,717	(17.0)	(57,717)
Overseas equities	17.0	123,223	(17.0)	(123,223)
Alternatives	12.0	42,794	(12.0)	(42,794)
Infrastructure	10.0	19,162	(10.0)	(19,162)
Property	13.5	27,818	(13.5)	(27,818)

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 **$104.8m** and **$314.3m** respectively (2020: $91.8m and $275.4m).

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

(c) Liquidity risk

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

Coal LSL's investment portfolio allocation profile is determined by the Board in conjunction with advice from external professional investment consultants and the Investment Committee. It is structured to ensure sufficient funds are held in investments that can be converted to cash to meet its obligations as they fall due. Equities, other listed securities, cash and short-term debt securities constitute the significant components of Coal LSL's financial instruments. The liquidity risk of unlisted securities is managed through holding a diversified portfolio of assets with known investment horizons, different expected exit dates, and ensuring the total exposure of this class is maintained at a level whereby forced sales will not be required. At balance date, **$1,320.1m** 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

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 2021. 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	2021 $'000	2020 $'000
Financial asset			
Unit trusts	2	1,654,119	1,564,175
Unit trusts	3	340,017	235,490
Total unit trusts		1,994,136	1,799,665

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

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

Recurring fair value measurements

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

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

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

Investment balances are inherently subjective as they are based on valuer assumptions which are considered their best estimate as at 30 June 2021. 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 2021, 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 2021

2.7 TRADE AND OTHER PAYABLES	2021 $'000	2020 $'000
Trade creditors and accruals	1,507	1,363
Other payables	893	779
Total trade and other payables	2,400	2,142

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	2021 $'000	2020 $'000
Buildings	5,199	5,798
Plant and equipment	-	6
Total lease liabilities	5,199	5,804

Total cash outflow for leases for the year ended 30 June 2021 was **$0.6m** (2020: $0.5m).

Maturity analysis – contractual undiscounted cash flows		
Within 1 year	590	627
Between 1 to 5 years	2,806	2,711
More than 5 years	2,094	2,832
Total leases	5,490	6,170

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

ACCOUNTING POLICY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

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 2020				
Gross book value	7,484	1,137	4,047	12,668
Accumulated depreciation, amortisation and impairment	(958)	(421)	(524)	(1,903)
Total as at 1 July 2020	6,526	716	3,523	10,765
Purchases	-	680	408	1,088
Transfers	(65)	65	-	-
Impairment recognised in net cost of services	-	-	(519)	(519)
Depreciation and amortisation	(745)	(375)	(843)	(1,963)
Disposals	-	(6)	-	(6)
Total as at 30 June 2021	5,716	1,080	2,569	9,365
Total as at 30 June represented by				
Gross book value	7,420	1,771	3,788	12,979
Accumulated depreciation, amortisation and impairment	(1,704)	(691)	(1,219)	(3,614)
Total as at 30 June 2021	5,716	1,080	2,569	9,365
Carrying amount of right-of-use assets	4,563	-	-	4,563

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 2021, 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 2021, 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 2021.

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 2021. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Net realised gains or losses on sale of assets

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

Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives range from 3 to 5 years (depending on assessment of the individual asset's useful life). All software assets were assessed for indications of impairment at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

4. PEOPLE AND RELATIONSHIPS

4.1 EMPLOYEE PROVISIONS	2021 $'000	2020 $'000
Leave	1,659	1,197
Superannuation	-	-
Total employee provisions	1,659	1,197

ACCOUNTING POLICY

Leave

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

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

Superannuation

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

4.2 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Executive Leadership Team and Board of Directors. Remuneration of key management personnel (excluding the Board of Directors which is disclosed in note 1.1(b)) is reported in the table below:

	2021 $'000	2020 $'000
Short-term employee benefits	1,654	1,174
Post-employment benefits	142	108
Other long-term employee benefits	26	23
Termination benefits	-	78
Total key management personnel remuneration expenses[1]	1,822	1,383

The total number of key management personnel that are included in the above table is **6** (2020: **7**).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

4.3 RELATED PARTY DISCLOSURES

(a) Related party relationships

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

The directors of Coal LSL during the year were:

- Ms Christina Langby, Chair
- Mr Grahame Kelly, Deputy Chair
- Mr Mark Klasen (term of appointment ended 31 December 2020)
- Ms Anne Donnellan (term of appointment ended 29 May 2021)
- Ms Jennifer Short
- Mr Scott Faragher
- Mr Shane Stephan (appointed 13 May 2021)
- Ms Marisa Whitington (appointed 30 May 2021)

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
- Mr Phillip Berner, Chief Operating Officer
- Mr Chris Radvan, Chief People Officer
- Mr Tony Windever, Chief Strategy Officer (appointed 1 September 2020)

(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.

5. PROVISIONS

5.1 PROVISION FOR REIMBURSEMENTS	2021 $'000	2020 $'000
Current	1,473,829	1,412,591
Non-current	286,172	298,431
Total provision for reimbursements	1,760,001	1,711,022
As at 1 July	1,711,022	1,525,949
Reimbursements paid	(156,023)	(135,664)
Additional provisions recognised	238,424	266,003
Increase/(decrease) in provision due to change in discount rate	(33,422)	54,734
As at 30 June	1,760,001	1,711,022

The current portion of the provision includes unconditional entitlements where employees have met the eligibility requirements for long service leave. However, based on experience, current leave obligations expected to be reimbursed to employers in the next 12 months is **$153.5m** (2020: $137.1m).

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 2021. There were no material changes to these assumptions as a result of COVID-19.

Salary growth

At 30 June 2021, the actuarial salary growth rate assumptions were **2.25%** for long service leave balances with an expected payment date of within 2 years (2020: 2.25%), **2.75%** for 3 years (2020: 2.25%), **3.0%** for 4 years (2020: 2.75%) and **3.0%** for all other payments periods (2020: 3.0%). With all other variables held constant, a 1.0% increase in salary growth rates used in the calculation would increase the present value of the provision for reimbursements by **$92.2m** (2020: $90.4m). A 1.0% decrease would decrease the present value by **$87.9m** (2020: $86.2m).

Probability factors

At 30 June 2021, the probability factors utilised ranges from **48.4%** to **100.0%** depending on the type and category of long service leave (2020: 49.0% 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 2021, the discount rate utilised was **0.77%** for all categories of long service leave (2020: 0.41%). 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 **$88.7m** (2020: $87.2m). A 1.0% decrease would increase the present value by **$94.9m** (2020: $93.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2021

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 2021 Coal LSL has an estimated contingent liability of **$1.6m** (2020: $2.2m).

Coal LSL has an estimated contingent asset of **$6.0m** at 30 June 2021 (2020: $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 because, at balance date, these amounts are unknown and are not reliably measurable. A contingent asset will also arise in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" who previously did not contribute to the Fund for unrecognised service. No asset will be raised for unknown claims as these amounts are unknown and are not reliably measurable.

Disputes and legal actions

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

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

- An employer had commenced proceedings in the Federal Court of Australia against Coal LSL, seeking declaration regarding eligibility of a category of employees
- Coal LSL had commenced proceedings against an employer regarding failure to comply with a notice issued pursuant to s52A of the *Coal Mining Industry (Long Service Leave) Administration Act 1992*
- Coal LSL had commenced proceedings in the Federal Court against an employer who has refused to acknowledge that it employs eligible employees.

Although contingent assets and/or liabilities may arise as a result of these proceedings, these amounts are not reliably measurable at 30 June 2021 given proceedings are in the early stages. Future legal fees in relation to the proceedings are estimated at **$0.4m** (2020: nil).

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 2021

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	2021 $'000	2020 $'000
Not later than one year	-	90,834
Later than one year and not later than five (5) years	-	-
Total investment commitments	-	90,834

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

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

ASSETS EXPECTED TO BE RECOVERED IN:	2021 $'000	2020 $'000
No more than 12 months		
Cash and cash equivalents	101,272	36,287
Trade and other receivables	23,599	16,005
Prepayments	564	-
Total no more than 12 months	125,435	52,292
More than 12 months		
Unit trusts	1,994,136	1,799,665
Property, plant and equipment	6,796	7,242
Software	2,569	3,523
Total more than 12 months	2,003,501	1,810,430
Total assets	2,128,936	1,862,722
LIABILITIES EXPECTED TO BE SETTLED IN:		
No more than 12 months		
Trade and other payables	1,962	1,712
Leases	523	552
Employee provisions	952	689
Provision for reimbursements	153,544	137,052
Total no more than 12 months	156,981	140,005
More than 12 months		
Trade and other payables	438	430
Leases	4,676	5,252
Employee provisions	707	508
Provision for reimbursements	1,606,457	1,573,970
Total more than 12 months	1,612,278	1,580,160
Total liabilities	1,769,259	1,720,165

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 2021:

(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 2021 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 2021 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 2021, 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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Phone (02) 6203 7300 Fax (02) 6203 7777

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:

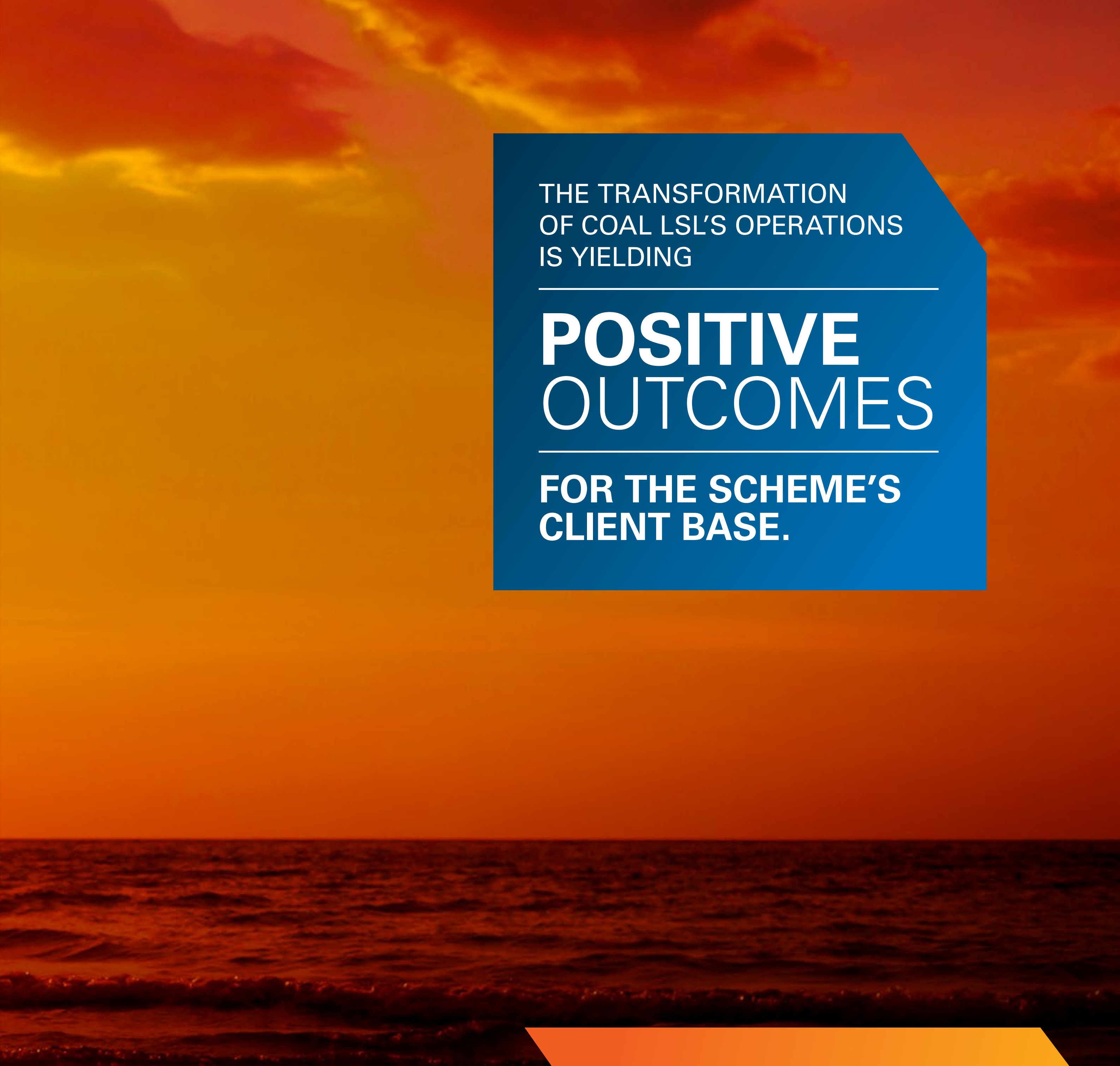
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
10 September 2021



THE TRANSFORMATION OF COAL LSL'S OPERATIONS IS YIELDING

POSITIVE OUTCOMES

FOR THE SCHEME'S CLIENT BASE.

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 2020–21 we had zero notifiable incidents and were not involved in any statutory enforcement 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 2020–21.

ECOLOGICALLY 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
- Re-use of uniforms
- Recycling and proper disposal of e-waste (computers and accessories)
- Recycling of coffee capsules, writing instruments, batteries, 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 2021 Financial Statements, no further related party transactions occurred between Coal LSL and the accountable authority.

INDEMNITIES AND INSURANCE PREMIUMS

For 2020–21 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 2020–21 was $148,674 (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 insurance does not cover any wilful breach of duty.

There were no claims against our liability insurances for 2020–21.

WORKFORCE PROFILE

The following table represents our **workforce profile for the period 2020–21**.
All employees were based in NSW, Australia.

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

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	0	31	51	13	64
Non-ongoing	2	2	4	6	2	8

EXECUTIVE REMUNERATION

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

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

Coal LSL operates a competitive remuneration framework to attract and retain the right talent. When setting or reviewing remuneration for a role, market medians, internal benchmarks, trends and conditions for similar roles, remuneration surveys and other factors deemed relevant are taken into consideration to determine the total fixed remuneration (TFR) of employees other than directors. TFR includes base salary plus superannuation and any benefits salary sacrificed by the employee.

The remuneration framework for the 2020–21 reporting period 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, under its Terms of Reference, provides a forum for discussion on the remuneration frameworks and policies, making recommendations to the Board for approval. An outcome of this forum is a decision of the Board to cease the short-term incentive program, with effect for the financial year 2021–22.

REMUNERATION OF COAL LSL KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL REMUNERATION		Short term benefits			Post employment benefits	Other long term benefits		Termination benefits	Total remuneration
Name	Position title	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long term benefits		
Ms Darlene Perks[1]	Chief Executive Officer	319,256	37,812	480	28,512	1,636	-	-	387,696
Ms Lisbeth Rasmussen[2]	Chief Investment Officer	274,361	17,927	189	25,772	5,275	-	-	323,524
Ms Suzanne Jenkins[2]	Chief Governance Officer	215,717	9,624	572	19,668	3,920	-	-	249,501
Mr Phillip Berner[2]	Chief Operating Officer	268,944	12,653	163	23,123	5,405	-	-	310,288
Mr Chris Radvan[2]	Chief People Officer	226,189	12,221	690	21,626	5,023	-	-	265,749
Mr Tony Windever[2,3]	Chief Strategy Officer	240,803	16,863	306	23,083	4,438	-	-	285,493
Ms Christina Langby	Chair/ Director	23,546	-	-	2,249	-	-	-	25,795
Mr Grahame Kelly	Deputy Chair/ Director	15,067	-	-	-	-	-	-	15,067
Mr Mark Klasen[4]	Director	2,920	-	-	277	-	-	-	3,197
Ms Anne Donnellan[5]	Director	16,586	-	-	-	-	-	-	16,586
Ms Jennifer Short	Director	17,403	-	-	-	-	-	-	17,403
Mr Scott Faragher	Director	16,235	-	-	1,548	-	-	-	17,783
Mr Shane Stephan[6]	Director	1,168	-	-	117	-	-	-	1,285
Ms Marisa Whitington[7]	Director	1,168	-	-	-	-	-	-	1,168
Total key management personnel remuneration		**$ 1,639,363**	**$ 107,100**	**$ 2,400**	**$ 145,975**	**$ 25,697**	**$ -**	**$ -**	**$ 1,920,535**

1. An at-risk incentive payment of 25% of total fixed remuneration was available. 57.5% of the at-risk portion relating to established strategic business objectives which had been met prior to 30 June 2021 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 67.5% of the at-risk portion relating to established strategic business objectives which had been met prior to 30 June 2021 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 1 September 2020. 4. Term of appointment ended 31 December 2020. 5. Term of appointment ended 29 May 2021. 6. Appointed 13 May 2021. 7. Appointed 30 May 2021.

REMUNERATION OF COAL LSL SENIOR EXECUTIVES

SENIOR EXECUTIVE REMUNERATION		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of senior executives	Average base salary	Average bonuses[1]	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long term benefits	Average termination benefits	Average total remuneration
$0 – $220,000	10	149,473	(748)	209	15,918	3,088	-	-	167,940
$220,001 – $245,000	1	200,791	-	437	20,308	4,326	-	-	225,862

1. Bonuses include an adjustment to at-risk incentive payments over-accrued in the previous financial year. There were no at-risk incentives available to senior executives during the year ended 30 June 2021.

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 2020–21:

Member name[1]	Role	Total annual remuneration (Super and GST inc.)	Super paid[2]
Mr Martin Matthews	Independent Chair	$33,000	No
Ms Anne Donnellan	Director	$6,424	No
Ms Jennifer Short	Director	$6,424	No
Mr Scott Faragher	Director	$6,395	Yes

1. All committee members are entitled to travelling and other expenses incurred while fulfilling their duties as members of the ARCC. These costs are paid in addition to the remuneration included in the table above. 2. Superannuation is not payable by Coal LSL where director fees are paid to a sponsoring organisation.

GLOSSARY AND ACRONYMS

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

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

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

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

Eligible employee means a person:

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

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

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

The industry means Australian black coal mining industry and includes:

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

LIST OF REQUIREMENTS

The following 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	If applicable, mandatory
17BE(g)	Part 3: Annual performance statements	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Part 2: Governance 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	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee.	Mandatory
17BE(ta)	(e) Part 5: Appendices | Disclosures | Executive remuneration	Information about executive remuneration.	Mandatory
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.

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