Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

COAL LSL

ANNUAL REPORT 2022/23

SNAPSHOT

$2.1B
FUNDS UNDER MANAGEMENT

INVESTMENT RETURN
10.7%
1 YEAR

1,490
EMPLOYER AUDIT REPORTS PROCESSED

REIMBURSEMENTS
PAID
MORE THAN
$176M

ACTIVE
EMPLOYEES
59,687

MISSING SERVICE REVIEW
APPLICATIONS PROCESSED
444

TOTAL REGISTERED EMPLOYERS
1,250

ENTRUSTED WITH
64 MILLION
HOURS OF LEAVE

NEW EMPLOYERS REGISTERED
IN 2022–23
225

APPLICATIONS
FOR LONG SERVICE LEAVE
PROCESSED
17,967

MORE THAN 2.2M HOURS
LEAVE TAKEN

EMPLOYEE
RECORDS
149,751

LEVY FORMS
PROCESSED
22,033

OUR WORKFORCE
216

OVER
79,000
CLIENT INTERACTIONS

FINANCIAL YEAR FIGURES AT 30 JUNE 2023

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.

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

COAL LSL

7 September 2023

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

Dear Minister

I am pleased to submit the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL) Annual Report for the year ended 30 June 2023 for presentation to the Parliament.

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

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

Yours sincerely

C Langby

Christina Langby
Chair

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IT'S YOUR TIME.

APPROVAL OF 2022–23 ANNUAL REPORT BY ACCOUNTABLE AUTHORITY

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

- the Board of Directors (the Board) is the accountable authority of Coal LSL
- the Board is responsible for preparing and providing the annual report to the Minister for Employment and Workplace Relations in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*
- the Board met and approved the 2022–23 annual report for submission to the Minister for Employment and Workplace Relations by way of resolution on 7 September 2023.

C. Langby

Christina Langby
Chair

A MESSAGE FROM OUR CHAIR

On behalf of the Board of Coal LSL, I am pleased to present the 2022–23 Annual Report.

This year was a significant one for the organisation. Not only were foundations for a substantial transformation plan laid but important amendments to Coal LSL's governing legislation were advanced.

On 30 June 2023 the *Fair Work Legislation Amendment (Protecting Worker Entitlements) Act 2023* (the Act) received royal assent. Under the Act, a measure was included to implement Recommendation 4 of the KPMG Report: *Enhancing certainty and fairness: Independent Review of the Coal Mining Industry (Long Service Leave Funding) Scheme.*

This measure amends the *Coal Mining Industry (Long Service Leave) Administration Act 1992* and the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992* to ensure casual employees are treated no less favourably under the scheme than permanent employees.

These changes will come into effect from 1 January 2024.

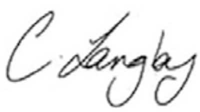
For Coal LSL, the passage of the legislation through parliament signified a recognition of the importance of the valuable portable entitlement the scheme provides for employees working in the black coal mining industry.

Another milestone this year was the increase to the employer payroll levy tax. Under our legislation, we must seek independent actuarial advice on the adequacy of the payroll levy rate at least once every 3 years. This was undertaken in late 2022. The advice provided to the Board recommended an increase to the payroll levy rate to meet the financial objectives set to safeguard the sustainability of the Fund. This was supported by the Minister for Employment and Workplace Relations, the Hon Tony Burke MP, and the payroll levy rate was increased from 2.0% to 2.7%.

Strong returns in volatile and challenging global investment markets were a highlight this year – a testament to our investment team's strategic and deft approach to safeguarding the Fund. This resulted in strong returns of 10.7% over the 12-month period.

Throughout the year, we continued to meet our purpose of ensuring employees are connected with their long service leave benefits. I would like to recognise and congratulate the entire Coal LSL team for doing so – for the collective staff's dedication, tenacity and commitment in what was a very busy and productive year.

I'd also like to thank my fellow Board members and advisers for their continued work and support.



Christina Langby
Chair

A MESSAGE FROM OUR CEO

As we draw the curtain on another year, it is an opportune moment to reflect upon our journey, celebrate our achievements, and reset firmly on the horizon. This year has been one of growth, innovation and resilience. Every challenge was an opportunity, and every opportunity was a stepping stone to better serve our community.

As the custodian and regulator of the black coal mining industry's nationwide portable long service leave scheme, Coal LSL's responsibility is significant.

Employers and eligible employees operating in Australia's black coal mining industry are important stakeholders in Coal LSL. Employers have obligations under our statute, and employees accrue the long service leave benefits Coal LSL safeguards.

The value of portable long service leave cannot be over-emphasised. More than 86% of employees in the scheme have had the benefit of a long service leave entitlement due to industry service continuity. This means that despite employees changing employers during their careers, the industry and community continues to benefit from the retention of skills.

This annual report offers insights into the progress we have made in 2022–23 and our performance against the strategic priorities we set for the year. Our operational performance was supported by our continued investment in people, systems and processes to successfully deliver on our priorities. Investment in a transformation program to further improve our operational effectiveness is required and we will begin implementation of this multi-year program in the 2023–24 financial year.

As the industry transitions in the medium to longer term, the Board and management team are attentive to the future landscape to ensure the Fund remains sustainable. Despite reporting strong financial results for FY23, the long-term sustainability of the Fund warranted an increase in payroll levy to 2.7% of eligible wages, effective from 1 July 2023. The Regulation was made in June this year.

In FY23, the number of employers registered in the scheme grew to more than 1,250, an increase of more than 10% from 2021–22. Importantly, at the time of publishing this annual report, there were more than 60,000 active eligible employees in the industry; an increase of more than 5,000 active employees from the prior year.

As we look ahead to the coming year, I want to extend my heartfelt gratitude to our dedicated staff, other government agencies, the Department of Employment and Workplace Relations, unions and employer groups, and, most importantly, the beneficiaries of the scheme. It is with you in mind that we envision a contemporary, sustainable, portable leave scheme; a scheme aligned with a changing industry and sustainable over the long term.

With gratitude and commitment,

Darlene Perks
Chief Executive Officer

PART 1: ABOUT COAL LSL

OVERVIEW

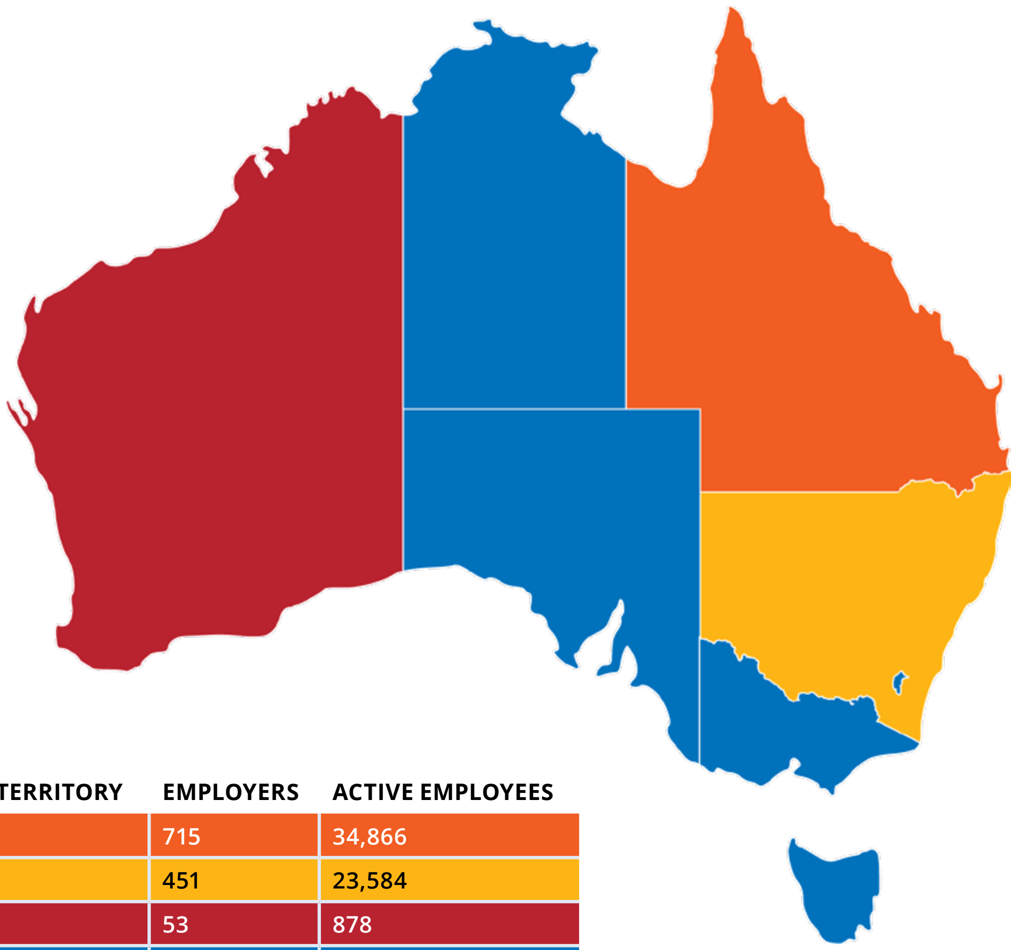
Coal LSL is the custodian and regulator of the long service leave scheme for employees within Australia's black coal mining industry.

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

- collect funds from employers by way of levy
- invest funds and ensure fund sufficiency to finance reimbursements of long service leave
- ensure accurate and compliant record keeping
- reimburse employers' authorised payments of long service leave
- enable recognition of long service leave entitlements for eligible employees.

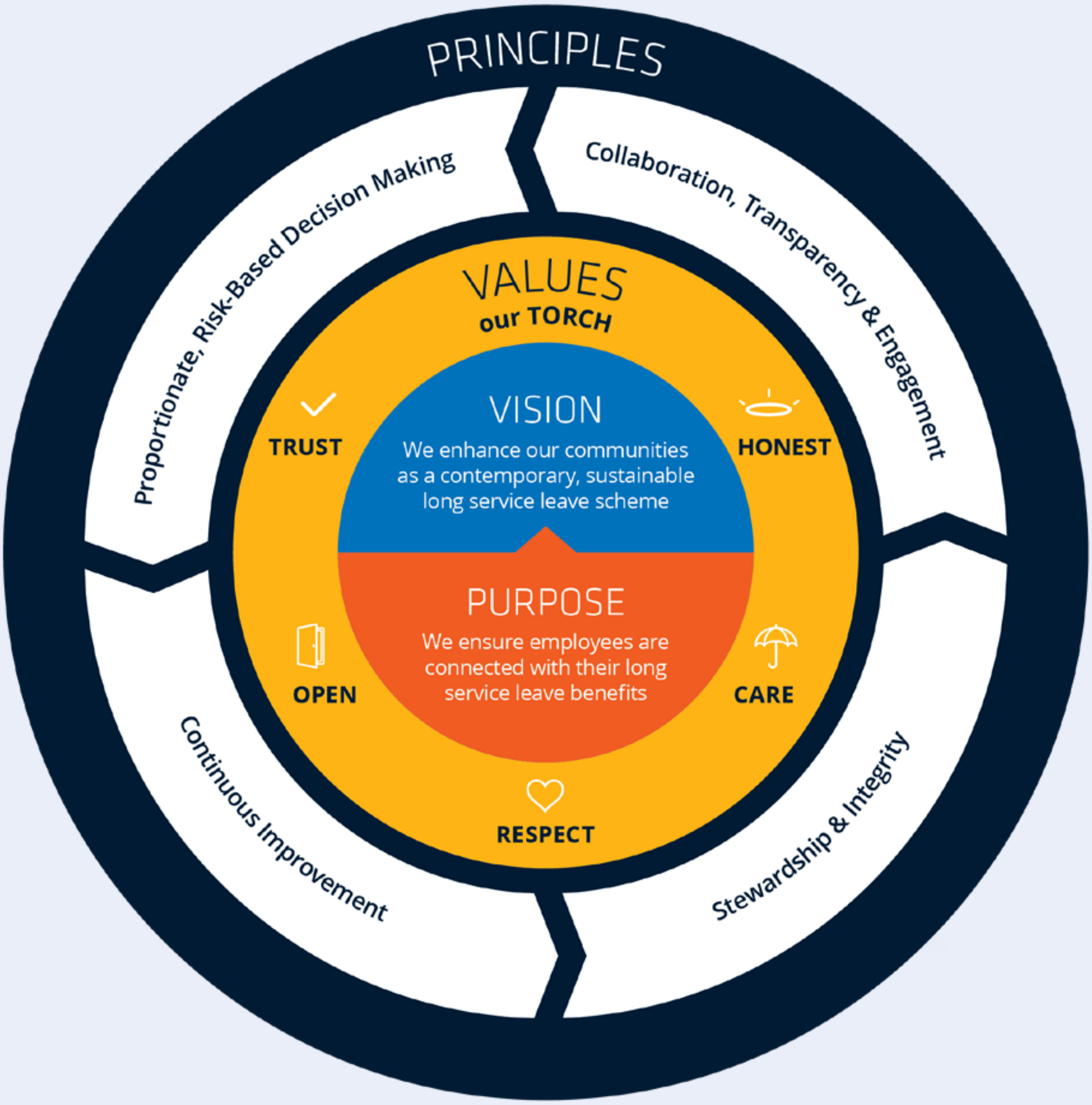
Coal LSL's governing legislation also includes the *Coal Mining Industry (Long Service Leave) Payroll Levy Act 1992* and the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*.

At 30 June, more than 59,000 active employees in the Australian black coal mining industry were accruing long service leave benefits through the scheme. Coal LSL is the custodian of 64 million hours of leave for employees and, at 30 June, our funds under management were $2.1 billion.



STATE/TERRITORY	EMPLOYERS	ACTIVE EMPLOYEES
QLD	715	34,866
NSW	451	23,584
WA	53	878
OTHER	31	359
TOTAL	**1,250**	**59,687**

WE ARE THE CUSTODIAN AND REGULATOR OF THE SCHEME



VISION AND PURPOSE

Coal LSL has 2 important roles: we are the custodian of the portable long service leave scheme for the Australian black coal mining industry and the regulator of the scheme.

One purpose sits at the heart of both roles and that is to ensure employees are connected with their long service leave benefits. Equally, our vision is to enhance our communities as a contemporary, sustainable long service leave scheme.

WE ARE GUIDED BY OUR VALUES

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

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

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

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

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

RESPONSIBLE MINISTER

Our responsible Minister during the reporting period was:

The Hon. Tony Burke MP

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

BOARD OF DIRECTORS

As per Section 13 of the *Coal Mining Industry (Long Service Leave) Administration Act 1992*, the Board comprises 6 directors who collectively act 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 Act).

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 strategies and asset allocation
- authorise the Chief Executive Officer and other employees to act for/on behalf of Coal LSL in performing delegated responsibilities.

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

Christina is the CFO, Director of Finance and Operations, Company Secretary at the NSW Minerals Council, Director and Chair of Mine Super, and Director of Mine Super Services Pty Ltd. Christina is a member of the Australian Institute of Company Directors, the Australian Institute of Superannuation Trustees, and Chartered Accountants Australia and New Zealand. Christina holds a Bachelor of Economics from the University of Sydney and has worked in several international banks and financial institutions within the finance and audit divisions. In addition to Christina's accounting and finance background, Christina 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 the General Secretary of Mining and Energy Union (MEU), Director of Mine Super, Director of Mine Super Services Pty Ltd, and Director of Unity Bank Limited. Grahame spent many years working in the Hunter Valley and served as District Secretary of the Northern Mining and NSW Energy District for more than a decade before being elected to the role of General Secretary.

Jennifer Short, Director
Director since July 2017

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

Scott Faragher, Director
Director since February 2020

Scott is an experienced corporate affairs adviser and manager. Scott has held various roles across both the iron ore, and oil and gas sectors, including at Chevron Australia and Australian Premium Iron JV. Prior to this, Scott held various senior policy and advisory roles within the Federal Government. Scott has extensive experience in policy development and advocacy, government relations, reputation management and stakeholder engagement. Scott holds a Bachelor of Arts (Hons) 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. In this time Shane worked as an underground coal miner, cadet mine manager, undermanager and mines inspector. Shane held numerous executive positions in Queensland coal mining companies, and an executive position with an international investment bank. Shane 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. Shane holds a Bachelor of Business from the Queensland University of Technology, an MBA from the University of New South Wales, a Certificate in Mining (Coal) and a First Class Mine Managers Certificate of Competency (Coal).

Marisa Whitington, Director
Director from May 2021 to November 2022

Marisa has extensive industrial and employment law experience advocating for employee rights and entitlements across several jurisdictions. Marisa's experience spans diverse industries including social and community services, airlines, manufacturing, rail and coal mining. Marisa holds a Bachelor of Laws from Charles Darwin University and Cergy-Pontoise University. Marisa is a graduate and member of the Australian Institute of Company Directors. Marisa was recently a member of the Unions NSW Workplace Health and Workers Compensation Committee, a position Marisa held for over 5 years.

Robert Coluccio, Director
Director since April 2023

Robert is the Senior Legal Officer of the Collieries' Staff and Officials Association where Robert represents the interests of supervisory, professional, administrative and technical workers in the black coal mining industry. Robert holds a Bachelor of Laws (Hons) and a Bachelor of Business and Commerce from Western Sydney University, and is currently studying a Master of Laws at the University of Sydney. Robert has extensive industrial relations experience, having represented members at several trade unions across different industries.

EXECUTIVE LEADERSHIP TEAM

Darlene Perks
Chief Executive Officer

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

Tony Windever
Chief Executive, Operations and Deputy CEO

Tony has more than 25 years' experience in the technology, financial services, and not-for-profit sectors. Tony has led regional, national and global organisations in growth and transformation environments. Tony holds a Bachelor of Economics and is a graduate of the Australian Institute of Company Directors. Tony also serves on the board of Lifeline Australia. Responsible for the delivery of high-quality services to external and internal clients and stakeholders, Tony joined Coal LSL in September 2020 and leads the Operations division. This division aims to advance scheme administration activities and core operational functions of the organisation.

Lisbeth Rasmussen
Chief Executive, Investments

Lisbeth has more than 30 years' experience in managing large, complex funds. Lisbeth is a member of the Australian Institute of Company Directors and a Director and Investment Committee member of State Super (SAS Trustee Corporation). Lisbeth is a former Director of EquipSuper and Togethr Trustees, and 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 Investments division; responsible for overseeing the management of the investment portfolio and the Fund's ability to meet the beneficiaries' entitlements.

Sharife Rahmani
Chief Executive, Regulation

Sharife has more than 20 years' experience in financial services and regulation. Sharife has led functions spanning strategy, transformation, operations, governance and regulation. Sharife holds qualifications in economics, commerce, statistics and public administration and is a member of the Australian Institute of Company Directors. Sharife serves on the Trustee Board of EquipSuper. In 2022 Sharife was awarded the Garry Weaven Emerging Trustee Scholarship, which recognises emerging talent in the superannuation trustee space. Sharife joined Coal LSL in February 2022 to lead the Regulation division, stewarding the evolution of Coal LSL's regulatory capabilities.

ORGANISATIONAL STRUCTURE

Each division of Coal LSL is led by a chief executive. The executive is collectively responsible for the delivery of Coal LSL's strategic plan and performance.

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

INVESTMENTS

Guided by our Strategic Asset Allocation (SAA), the Fund continued with its disciplined long-term investment strategy in 2022–23 and returns recovered strongly from -5.3% for the year ended 30 June 2022 to 10.7% for the year ended 30 June 2023.

The 2023 financial year saw inflation remain at elevated levels despite sharp interest rate increases by central banks and the easing of supply chain bottlenecks. Multiple economic indicators pointed towards recession in the major economies, which proved more resilient than anticipated. Geopolitical tensions remained high with no end to the war in Ukraine and tensions between China and the US growing.

The Australian share market generated a return of 15%, largely driven by technology and resources. International shares returned 18% in local currency terms, which was boosted to around 23% in Australian dollar terms given the Australian dollar fell in value relative to the US dollar during the year. The returns were largely driven by Japanese, European (ex. UK) and US shares. US shares benefitted from a rebound in the mega-cap technology stocks, as ChatGPT and anything AI attracted strong investor interest.

It was a challenging year for property, both listed and unlisted, due to the increases in interest rates combined with flexible working arrangements putting pressure on demand for office space globally. In contrast, unlisted infrastructure assets performed well as the global economy proved more resilient than anticipated.

Returns from fixed income stabilised during FY23 and the term deposit rates available on short-term cash proved very attractive. The allocations to cash and fixed income have been increased, which will provide some protection and optionality should the investment environment deteriorate during FY24.

The Fund's investment objective is to generate an average annual return of CPI+3% p.a. over 8 year rolling periods. For the 8 years ended 30 June 2023, the return averaged 6.2% p.a. compared with an objective of 5.7% p.a. and an actuarial earnings rate of 6% p.a.

The strong investment return for FY23 boosted the value of the investment portfolio from $1.95 billion at 30 June 2022 to $2.11 billion at 30 June 2023. The funding ratio improved from 133% (actuarial assessment based on 30 June 2022 data) to around 135%.

The portfolio achieved the following annual returns in each of the past 5 years (ending 30 June), averaging 5.9% p.a.:

2023	2022	2021	2020	2019
10.7%	-5.3%	17.1%	0.7%	7.4%

PART 2: GOVERNANCE PRACTICES

As a corporate Commonwealth entity, public financial corporation and custodian and regulator, the onus is on Coal LSL to build confidence and trust with stakeholders through high standards of integrity and accountability.

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

- a framework that assesses adherence to policies and compliance requirements
- embedding risk management practices in day-to-day operations
- identifying and responding to emerging risk and compliance requirements
- identifying areas for improvement through audit, quality assurance and incident reporting practices that embrace the principles of collaboration, engagement and transparency
- ensuring best practice governance.

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

We adopt a strategic risk management approach to align the Board's priorities and risk appetite with the way Coal LSL operates. This is enabled through a comprehensive risk management framework that works to further build a culture of risk awareness across the organisation. Material risks or changes in our environment are managed and reported to the ARCC and Board.

BOARD AND SUBCOMMITTEES

Our Board operates in accordance with the *Coal Mining Industry (Long Service Leave) Administration Act 1992* (Admin Act) and accompanying legislation and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Directors are appointed pursuant to the Admin Act.

The performance of the Board, subcommittees and independent advisers is regularly reviewed. In 2022–23 the performance review process was facilitated by the Remuneration Committee through 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 2022–23 was as follows:

	Appointment Term		Board Meetings						
			2022				2023		
Name	Start	End	11 Aug	13 Sep	31 Oct – 1 Nov	6 Dec	14 Mar	12 Apr	13 Jun
Ms Christina Langby	05.06.2017	04.06.2025	✓	✓	✓	✓	✓	✓	✓
Ms Jennifer Short	01.07.2017	30.06.2025	✓	✓	✓	✓	✓	✓	✓
Mr Grahame Kelly	18.06.2018	17.06.2026	✓	✓	✓	✓	✓	✓	✓
Mr Scott Faragher	27.02.2020	26.02.2024	✓	✓	✓	✓	✓	✓	✓
Ms Marisa Whitington	30.05.2021	17.11.2022	✓	✓	✓	N/A	N/A	N/A	N/A
Mr Shane Stephan	13.05.2021	12.05.2025	✓	✓	✓	✓	✓	✓	✓
Mr Robert Coluccio	24.04.2023	23.04.2027	N/A	N/A	N/A	N/A	N/A	N/A	X

The Board maintains a high level of corporate governance through its 4 subcommittees.

The subcommittees of the Board meet regularly during the year, adhering to their individual terms of reference which are set by the Board.

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE (ARCC)

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

The ARCC's Terms of Reference is available on the Coal LSL website:
https://www.coallsl.com.au/overview/operations-overview/#Board%20of%20Directors

Members of the ARCC include not less than 2 Board directors and an Independent Chair. Membership of this committee for 2022–23 included:

- Committee Chair/Non-Director: Mr Martin Matthews
- Director: Ms Jennifer Short
- Director: Mr Scott Faragher.

Member attendance at ARCC meetings for 2022–23 was as follows:

			ARCC Meetings					
			2022				2023	
Name	Role	Qualifications & Experience	2 Aug	29 Aug	8 Nov	23 Nov	12 Feb	16 May
Mr Martin Matthews	Independent Chair	• BCom (Merit) UNSW • Registered Company Auditor • Fellow of Chartered Accountants Australia and New Zealand (CA ANZ) • Member of the Institute of Internal Auditors Australia • Over 30 years of experience, specialising in external audit, internal audit, and risk management • Audit & Assurance Partner, PKF Newcastle; Member, Finance & Audit Committee, Life Without Barriers; Audit and Governance Committee, Business Hunter	✓	✓	✓	✓	✓	✓
Ms Jennifer Short	Director	Refer to page 11 (Board of Directors)	✓	✓	✓	✓	✓	✓
Mr Scott Faragher	Director	Refer to page 12 (Board of Directors)	✓	✓	✓	✓	✓	✓

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

INVESTMENT COMMITTEE (IC)

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

The IC's Terms of Reference is available on the Coal LSL website:
https://www.coallsl.com.au/overview/operations-overview/#Board%20of%20Directors

Members of the IC include not less than 2 Board directors and at least one other member with expert investment skills. Membership of this committee for 2022–23 included:

- Committee Chair/Non-Director: Dr Jon Glass
- Director: Ms Christina Langby
- Director: Mr Grahame Kelly.

TECHNICAL COMPLIANCE COMMITTEE (TCC)

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

The TCC's Terms of Reference is available on the Coal LSL website:
https://www.coallsl.com.au/overview/operations-overview/#Board%20of%20Directors

Members of the TCC include not less than 2 Board directors and at least one other member. Membership of this committee for 2022–23 included:

- Committee Chair/Director: Ms Jennifer Short
- Director: Mr Shane Stephan
- Non-Director/other member: Mr Brad Neven.

REMUNERATION COMMITTEE (RC)

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

The RC's Terms of Reference is available on the Coal LSL website: https://www.coallsl.com.au/overview/operations-overview/#Board%20of%20Directors

Members of the RC include not less than 2 Board directors and at least one other member. Membership of this committee for 2022–23 included:

- Committee Chair/Director: Mr Grahame Kelly
- Director: Ms Christina Langby
- Director: Mr Scott Faragher.

PROCUREMENT

Our objectives are to maintain independence and integrity through procurement practices that:

- achieve value for money in the procurement of goods and services
- promote a transparent, honest, competitive, fair, efficient and ethical procurement framework
- comply with our legislative obligations as well as community expectations of us as a corporate Commonwealth entity.

The procurement framework will continue to meet the evolving needs of the organisation while ensuring our procurement principles are upheld.

STATEMENT OF NON-COMPLIANCE

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

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

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

EXTERNAL SCRUTINY

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

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

- the Auditor-General (with the exception of the external audit of the annual financial statements)
- any committee of the Houses of Parliament
- the Commonwealth Ombudsman
- the Office of the Australian Information Commissioner.

PART 3: ANNUAL PERFORMANCE STATEMENTS

The annual performance statements have been completed as per s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2022–23 financial year and accurately present Coal LSL's performance in accordance with s39(2) of the PGPA Act.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

On review, Coal LSL performed well in meeting its core purpose of connecting employees with their long service leave benefits. Our operational performance in 2022–23 was supported by continued investment in people, systems and processes to deliver on our priorities.

Our focus for performance against our purpose this year targeted:

1. PRUDENT FINANCIAL MANAGEMENT

One of the most gratifying elements of this year has been our strong investment returns. Despite the challenging economic backdrop, our dedicated investment team has remained prudent, strategic and agile. Their adept navigation through volatile market conditions has yielded strong returns of 10.7% over the 12-month period and 6.2% over the 8-year period. This achievement speaks not only to our fiscal discipline but also to our unwavering commitment to position the Fund to meet the long-term financial objectives.

2. OUR REGULATORY PROGRAM

Regulation is the bedrock upon which trust is built in our sector. This year saw us enhance our regulatory posture with the publication of our regulatory strategy; a commitment to ensuring we not only meet, but exceed, the standards it sets. Our team has been proactive in engaging with regulated entities, seeking feedback and progressing our program to implement best practices in line with the commitments made in our Statement of Intent.

3. CORE PROCESS IMPROVEMENTS

Recognising the dynamic nature of our sector and the evolving needs of our stakeholders, we progressed with a number of initiatives during the period aimed at reimagining our systems and processes for the future. This program is not just about replacing legacy systems and harnessing the latest technologies but also about revisiting our core processes, understanding emerging challenges and reshaping our strategies to be more aligned with the future landscape of workplace benefits. This work underscores our commitment to being forward-thinkers, ensuring that our stakeholders can interact with us in the most effective manner.

Operational efficiency remains one of our paramount objectives. This year, we have taken several steps forward in streamlining our processes, optimising our workflows and embracing technological innovations that enhance our service delivery. This is underpinned by a continued investment in maturing our cybersecurity posture, and by remaining focussed and committed to protecting the records and data of employees and employers in the scheme.

As a result, employees in the scheme have experienced faster response times and clearer communication channels. This journey towards operational excellence continues, and we are dedicated to pursuing every avenue that brings greater value to our stakeholders.

Operational efficiency remains one of our core objectives. We have reviewed our internal core processes and agreed on a road map to remove duplicated processes and introduce more efficient methods of reducing processing times. These efficiencies will directly benefit employees and employers of the scheme by accelerating the speed and accuracy of our services.

With all registered employers onboarded into Online Services (the platform for the submission of levy returns) during 2022–23, the percentage of levies processed without manual intervention increased from 26% in 2021–22 to 43% in the reporting period. Further investment in Online Services has been made and is key to realising the strategic priorities of Easy to Do Business With and Effective Operations.

4. OUR PEOPLE

Our investment in technologies is tailored to our operations. But beyond these operational advancements we recognise that our staff are at the heart of our organisation. For the third consecutive year our annual client surveys (CSAT) have confirmed our people are our greatest asset, providing informed and timely responses to scheme enquiries.

Our annual staff engagement survey also identified opportunities for an improvement of our employee value proposition (EVP). This feedback suggested evolution of employee initiatives like reward and recognition programs, extending the leadership development program more broadly, and nurturing an empowered, skilled workforce were important.

The year was demanding, with our staff responding to both external and internal challenges. Change management skills and individual and collective resilience are required of our people and these areas will remain a focus for us as we seek to improve staff engagement and retention.

PRIORITY 1
PRUDENT FINANCIAL MANAGEMENT

COAL LSL IS AN EXEMPLAR FOR HOW TO MANAGE A PORTABLE LONG SERVICE LEAVE SCHEME

- **PERFORMANCE CRITERION 1 – FUND SURPLUS:** 115% (+15% / -5% tolerance)

  CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 19)

  RESULTS AGAINST PERFORMANCE CRITERION
  Coal LSL's fund surplus remained relatively stable and above its performance target. An updated actuarial assessment based on June 2022 data was performed during the year and calculated a funding ratio of 133% (assets were 1.33 times liabilities).

  As at 30 June 2023, the funding ratio was estimated at 135%.

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

  CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 19)

  RESULTS AGAINST PERFORMANCE CRITERION
  The 8-year average annual return to 30 June 2023 was 6.2% p.a., which exceeded the objective of CPI + 3% (5.7%).

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

  CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 19)

  RESULTS AGAINST PERFORMANCE CRITERION
  Operational and capital expenditure were within the Board-approved budget for the year ended 30 June 2023. Operational expenditure was $43.52 million, $8.73 million below budget while capital expenditure was $0.22 million, $0.20 million below budget. Capital expenditure excludes right-of-use assets.

ANALYSIS OF PERFORMANCE

Coal LSL's commitment to prudent financial management is achieved through the active management of investment funds and an ongoing commitment to robust financial discipline. The Fund delivered on all the KPIs as required over 1 year and 8 years ended June 2023.

Prudent financial management measures	KPI	Status
Fund surplus	115% (+15/-5% tolerance)	~135% June 2023
Investment portfolio return	CPI + 3% pa Over rolling 8-year periods (5.7% p.a. June 2023)	6.2% p.a. June 2023
Investment objective	One year rolling return no worse than -12%	10.7% June 2023
Portfolio volatility (8 years)	8.5% for the 2022 SAA (based on Frontier assumptions used to calibrate the 2022 strategic asset allocation)	6.6% June 2023
Operational and capital expenditure	Within budget	Within budget for FY23

During the year the strategic asset allocation and the manager combinations in each asset class were reviewed. At the total portfolio level, the growth exposure was in line with the strategic allocation of 72.3%. Within the growth allocation, there was a modest exposure to unlisted assets such as property and infrastructure, which accounted for around 15% of the portfolio. No manager was replaced during the year.

The portfolio performed well during FY23, with the manager/strategy combinations across equities, bonds and cash generating out-performance relative to the respective sector benchmarks. The out-performance was generated without exceeding any of the Fund's risk controls. The Fund operates with an extensive risk management framework, which include 2 Trigger Action Response Plans. Each plan consists of 9 triggers that are monitored on a regular basis through the year.

The prior year return of -5.3% for FY22 caused a decline in asset values and a sharp decline in the funding ratio, which triggered a full actuarial review based on June 2022 data. The review determined that the funding ratio was stable. However, it would be gradually eroded, even if the portfolio returned an average of 6% p.a. To slow the erosion of the funding ratio, the actuarial review recommended that the payroll levy be increased from 2.0% to 2.7% effective from 1 July 2023.

The regulation prescribing the new levy rate came into effect on 1 July 2023. This increase, combined with the positive investment performance during FY23, positions the Fund to meet the ongoing liabilities of the scheme. Coal LSL's robust discipline in financial practice by delivering operational and strategic initiatives within the Board-approved budget further bolsters the sustainability of the Fund.

PRIORITY 2
EASY TO DO BUSINESS WITH

WE MAKE IT SIMPLE FOR EMPLOYEES TO ACCESS THEIR ENTITLEMENTS AND EMPLOYERS TO COMPLY WITH THEIR OBLIGATIONS

PERFORMANCE CRITERION 1 – CLIENT SATISFACTION: Employers

CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 19)

RESULTS AGAINST PERFORMANCE CRITERION

During the year we continued investment in our Online Services offering by transitioning all employers to online levy return services, supported by ongoing education. Further, we invested in the underlying technologies as a key enabler for the provision of an enhanced suite of digital services.

To support connection and engagement with scheme employers and eligible employees, we conducted a Client Satisfaction Survey. The results showed that overall employer satisfaction with Coal LSL was 67%, which was lower than the baseline established in 2018 (74%). While the survey results acknowledged the strength of our people in providing positive interactions and improved digital offerings, they reinforced the need for better digital capability, streamlined processes and more mature regulatory tools.

The results have strengthened our insight into where we should be focusing our priorities while validating our key strategic initiatives.

PERFORMANCE CRITERION 2 – CLIENT SATISFACTION: Employees

CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 19)

RESULTS AGAINST PERFORMANCE CRITERION

A continuing focus during the year was the availability and currency of employee leave balances. This was achieved through improvements in levy processing timeframes supported by Online Services, leveraging the leave balance verification tool implemented in 2021–22, and providing high quality support to employees through our Service team.

Employee overall satisfaction with Coal LSL in the Client Satisfaction Survey was 79%, which was above the baseline established in 2018 (78%). This result highlights the strength of our people in providing positive interactions and high-quality services and support. It also reinforced the demand for increased availability of online services.

ANALYSIS OF PERFORMANCE

The Client Satisfaction Survey results demonstrate the value of an engaged and knowledgeable workforce in delivering outcomes for our clients. While we have made progress in advancing key aspects of our business processes and service offerings, a sustained focus on digital delivery of those services is required. The ongoing re-engineering of client-facing processes to provide true digital engagement capability is a key priority of our business transformation program over the coming years.

PRIORITY 3
CONNECTED, CAPABLE PEOPLE

COAL LSL IS A HIGH-PERFORMING AND ENGAGED TEAM WITH SPECIALISED TECHNICAL SKILLS AND PRIDE IN THE WORK THEY DO

PERFORMANCE CRITERION 1 – STAFF SATISFACTION

CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 20)

RESULTS AGAINST PERFORMANCE CRITERION
The importance of maintaining an engaged workforce is recognised as a key contributor to our strategic priorities. Coal LSL conducts an annual culture and engagement survey to gain an understanding of how connected our staff are feeling and to gain insight into cultural drivers. The results are used to help us shape a positive, inclusive and high-performing workforce.

We did not meet this objective in 2022–23 and Coal LSL's Net Promoter Scores (NPS) were lower than the baselines established in 2019. Insights gained through the survey results have been valuable to influence and validate our organisational priorities and key strategic initiatives.

	2019 NPS	2023 NPS
How likely is it that you would recommend Coal LSL to a friend or colleague as a place to work?	20	-8.1
How likely is it that you would recommend Coal LSL as an organisation to do business with?	22.4	-9.2

ANALYSIS OF PERFORMANCE

During 2022–23 the internal environment for our staff was characterised by significant circumstances of change. As we realigned our strategic vision and purpose, embarked on the first year of our transformation program, enhanced our regulatory strategy and better aligned our organisational structure to deliver that strategy, the change has impacted staff engagement. The resilience of our workforce to stay motivated and engaged through this continued period of change is front of mind.

Despite these influences, the insights from our results indicate there is continuing commitment to the organisational purpose. This has provided assurance that the forward agenda is focused on the right priorities and will drive progress and outcomes. The in-depth knowledge gathered from the staff engagement surveys will continue to inform and underpin future people initiatives, designed to support and enhance engagement in the longer term.

PRIORITY 4
EFFECTIVE OPERATIONS

WE ARE A RISK-BASED AND FUTURE-FOCUSED ORGANISATION DELIVERING QUALITY AND TIMELY OUTCOMES

PERFORMANCE CRITERION 1 – CORE PROCESS IMPROVEMENTS

CRITERION SOURCE: 2022–23 Corporate Plan (Performance section, page 20)

RESULTS AGAINST PERFORMANCE CRITERION
During the year Coal LSL continued to make improvements in its core processes through investment in our Online Services platform and process re-engineering. These improvements supported our ability to process higher volumes of levy returns, deliver faster processing times, support the experience of employees and employers in engaging with us and maintain quality standards.

Key highlights include:

- Our Online Services platform delivered efficiency improvements and supported a significant increase in standard levy returns.
- Leave application acceptance rates increased significantly (up 8%) and are now consistently above 90%, which has contributed to improved application processing timeframes.
- There was a 30% improvement in time taken to resolve missing service review claims.

ANALYSIS OF PERFORMANCE

Our online services capability was first implemented in late 2020–21. It supports the monthly levy submission process for employers by providing levy form validation and error checking in real time through a secure portal.

In 2022–23 we continued our investment in the supporting technologies, processes and employer education to improve and better leverage this capability.

As a result:

- The average processing time for standard levy returns is just over 3 days, down from more than 10 days prior to the introduction of our online services capability.
- Registered employers using Online Services for standard levy submissions increased by 20% to 1,043.
- The number of standard levy returns processed through Online Services with little or no manual intervention increased 30%.
- The proportion of standard levy returns processed with no manual intervention increased to 43% compared to 26% the prior year.

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 2023 of the Coal Mining Industry (Long Service Leave Funding) Corporation ("Coal LSL") comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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

Christina Langby
Chair

Darlene Perks
Chief Executive Officer

Kat Cowie
General Manager Finance

Sydney
7 September 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Expenses			
Employee benefits	1.1 (a)	**25,474**	22,402
Professional services	1.1 (b)	**4,091**	3,546
Directors' remuneration and expenses	1.1 (c)	**147**	109
Depreciation and amortisation	3.1	**4,755**	3,195
Interest on lease liabilities		**431**	198
Write-down and impairment of other assets	2.8	**-**	1,163
Other expenses	1.1 (d)	**8,617**	6,125
Increase in provision for reimbursements	5.1	**274,480**	77,992
Total expenses		**317,995**	114,730
Own-source revenue			
Investment revenue	1.2 (a)	**206,437**	(107,657)
Other revenue		**382**	52
Total own-source revenue		**206,819**	(107,605)
Net (cost of) services		**(111,176)**	(222,335)
Revenue from government	1.2 (b)	**164,078**	146,241
Surplus/(deficit) on continuing operations		**52,902**	(76,094)
Other comprehensive income		**-**	-
Total comprehensive income/(loss)		**52,902**	(76,094)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

ASSETS	Note	2023 $'000	2022 $'000
Financial assets			
Cash and cash equivalents	2.2	**113,829**	94,395
Trade and other receivables	2.3	**16,112**	16,168
Unit trusts	2.4	**1,991,337**	1,857,339
Total financial assets		**2,121,278**	1,967,902
Non-financial assets[1]			
Prepayments		**1,320**	1,182
Property, plant and equipment	3.1	**26,900**	30,828
Software	3.1	**1,071**	1,711
Total non-financial assets		**29,291**	33,721
Total assets		**2,150,569**	2,001,623
LIABILITIES			
Payables			
Trade and other payables	2.7	**2,671**	2,317
Total payables		**2,671**	2,317
Interest-bearing liabilities			
Leases	2.8	**23,578**	25,946
Total interest-bearing liabilities		**23,578**	25,946
Provisions			
Employee provisions	4.1	**3,034**	2,482
Provision for reimbursements	5.1	**1,784,801**	1,687,295
Total provisions		**1,787,835**	1,689,777
Total liabilities		**1,814,084**	1,718,040
Net assets		**336,485**	283,583
EQUITY			
Retained surplus		**336,485**	283,583
Total equity		**336,485**	283,583

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 2023

RETAINED SURPLUS	2023 $'000	2022 $'000
Balance carried forward from previous period	**283,583**	359,677
Net surplus/(deficit) for the year	**52,902**	(76,094)
Other comprehensive income	**-**	-
Total comprehensive income/(loss)	**52,902**	(76,094)
Closing balance as at 30 June	**336,485**	283,583

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	2023 $'000	2022 $'000
OPERATING ACTIVITIES		
Cash received		
Investment income	**19,218**	11,560
Receipts from government	**158,624**	149,064
Lease incentive	**-**	6,600
Other revenue	**405**	54
Net GST received	**1,288**	1,486
	179,535	168,764
Cash used		
Employees	**24,776**	21,559
Reimbursements to employers	**176,974**	150,698
Interest payments on lease liabilities	**431**	198
Other expenses	**13,852**	12,745
	216,033	185,200
Net cash (used by) operating activities	**(36,498)**	(16,436)
INVESTING ACTIVITIES		
Cash received		
Sale of investments	**92,300**	481,582
	92,300	481,582
Cash used		
Purchase of property, plant and equipment	**471**	11,159
Purchase of investments	**33,497**	459,362
	33,968	470,521
Net cash from investing activities	**58,332**	11,061
FINANCING ACTIVITIES		
Cash used		
Principal payments of lease liabilities	**2,400**	1,502
	2,400	1,502
Net cash (used by) financing activities	**(2,400)**	(1,502)
Net increase/(decrease) in cash held	**19,434**	(6,877)
Cash and cash equivalents at the beginning of the reporting period	**94,395**	101,272
Cash and cash equivalents at the end of the reporting period	**113,829**	94,395

Non-cash investing activities

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

	2023 $'000	2022 $'000
Reinvestment of distributions and manager fee rebates	**44,388**	93,477
Total non-cash investing activities	**44,388**	93,477

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

OVERVIEW

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

BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with:

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

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

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

CRITICAL ESTIMATES AND JUDGEMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

NEW ACCOUNTING STANDARDS

Adoption of New Australian Accounting Standard Requirements
Two amending standards (AASB 2021-2 and AASB 2021-6) were adopted earlier than the application date as stated in the standard. These amending standards have been adopted for the 2022-23 reporting period.

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

Standard / interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* and	AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate.
AASB 2021-6 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2.

FUNDING

Levies payable by employers for the period 1 July 2022 until 30 June 2023 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 2021 until 30 June 2022: 2.0%).

TAXATION

Coal LSL is exempt from all forms of income taxation.

ECONOMIC DEPENDENCY

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

EVENTS AFTER THE REPORTING PERIOD

Levies payable by employers under the provisions of the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992* were increased from 2.0% to 2.7% of "eligible wages" paid from 1 July 2023. Independent actuarial advice provided to Coal LSL's Board of Directors in late 2022 recommended an increase to the payroll levy rate to meet the financial objectives set to safeguard the sustainability of the Fund. This recommendation was approved as a Regulation in June 2023.

Other than that noted above, there were no other specific events subsequent to 30 June 2023 that had the potential to significantly affect the ongoing structure and financial activities of the entity.

COMPARATIVE AMOUNTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

1. STATEMENT OF COMPREHENSIVE INCOME

1.1 EXPENSES	2023 $'000	2022 $'000
(a) Employee benefits		
Wages and salaries	**22,193**	19,325
Superannuation	**2,489**	2,079
Leave and other entitlements	**792**	998
Total employee benefits	**25,474**	22,402

ACCOUNTING POLICY

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

(b) Professional services

	2023 $'000	2022 $'000
Legal fees	**633**	743
Audit of the financial statements – ANAO	**71**	71
Internal audit – BDO	**112**	22
Internal audit – PwC	**-**	24
Investment management and advice	**938**	926
Other professional services and consultants	**2,337**	1,760
Total professional services	**4,091**	3,546

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

1. STATEMENT OF COMPREHENSIVE INCOME (CONT.)

(c) Directors' remuneration and expenses

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

	2023 $'000	2022 $'000
Remuneration paid or payable to directors	**90**	91
Directors' expenses	**57**	18
Total directors' remuneration and expenses	**147**	109

The total number of directors that are included in the above table is **7** (2022: 6).

Mr Robert Coluccio is included in the above table however, he received no remuneration for the year as he attended no board or committee meetings from the date of his appointment on 24 April 2023 to 30 June 2023.

(d) Other expenses

	2023 $'000	2022 $'000
Technology costs	**3,668**	2,838
Employment-related costs	**2,130**	1,810
Contractors	**980**	182
Property-related costs	**603**	287
Insurance	**599**	547
Operating expenses	**637**	461
Total other expenses	**8,617**	6,125

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

1. STATEMENT OF COMPREHENSIVE INCOME (CONT.)

1.2 REVENUE	2023 $'000	2022 $'000
(a) Investment revenue		
Unit trust distributions	**50,585**	95,334
Deposit interest	**2,770**	288
Investment manager fee rebates	**4,669**	4,775
Changes in fair value of investments held at balance date	**143,146**	(174,215)
Net realised gain/(loss) on sale of investments	**5,267**	(33,839)
Total investment revenue	**206,437**	(107,657)

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 Department of Employment and Workplace Relations via Consolidated Revenue and is transferred back from Consolidated Revenue to Coal LSL 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 2023, the balance in this levy account was **$13,498,748** (2022: $8,045,278). This amount was remitted to Consolidated Revenue on 3 July 2023 and has been recognised as a receivable which is disclosed in note 2.3.

	2023 $'000	2022 $'000
Levy collections from employers	**164,078**	146,241
Total revenue from government	**164,078**	146,241

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 2023

2. FINANCIAL ASSETS AND LIABILITIES

2.1 CATEGORIES OF FINANCIAL INSTRUMENTS	2023 $'000	2022 $'000
Financial assets		
Amortised cost		
Cash and cash equivalents	**113,829**	94,395
Trade and other receivables	**16,112**	16,168
Total at amortised cost	**129,941**	110,563
Fair value through profit or loss		
Unit trusts	**1,991,337**	1,857,339
Total financial assets	**2,121,278**	1,967,902
Financial liabilities		
Amortised cost		
Trade and other payables	**1,764**	1,556
Total financial liabilities	**1,764**	1,556

Net gains and losses on financial assets and financial liabilities are disclosed in note 1.2(a).

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 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.2 CASH AND CASH EQUIVALENTS		
Cash at bank		94,339
Deposits at custodian		56
Total cash and cash equivalents shown in statement of cash flows		94,395

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	2023 $'000	2022 $'000
Receivable from Attorney-General's Department	**-**	8,045
Receivable from Department of Employment and Workplace Relations	**13,499**	-
Accrued income from investments	**1,986**	7,891
Accrued bank interest	**397**	74
GST paid and claimable	**230**	158
Total trade and other receivables	**16,112**	16,168

At 30 June 2023, no trade or other receivables were overdue or impaired (2022: nil).

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

ACCOUNTING POLICY

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.4 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2023 $'000	2022 $'000
(a) Investments		
As at 1 July	**1,857,339**	1,994,136
Purchases	**77,885**	552,839
Sales	**(92,300)**	(481,582)
Realised and unrealised gains/(losses)	**148,413**	(208,054)
Total as at 30 June	**1,991,337**	1,857,339

(b) As at 30 June 2023, a total of **$1,991.3m** (2022: $1,857.3m) 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:

	2023 $'000	2022 $'000
AMP	**25,186**	27,212
Mirvac	**48,539**	52,231
Barings	**84,478**	77,657
Bridgewater Associates	**88,424**	90,756
Challenger	**93,445**	86,825
GQG Partners	**173,448**	176,906
Hyperion Asset Management	**83,414**	68,474
Igneo Infrastructure Partners	**137,959**	108,759
Independent Franchise Partners	**191,832**	179,629
Lazard Asset Management	**106,796**	92,848
Macquarie Investment Management - True Index	**60,938**	44,464
Macquarie Investment Management - Pure Index	**83,077**	72,642
Palisade Investment Partners	**98,825**	94,025
PIMCO	**60,433**	76,463
QIC	**16,557**	40,944
Resolution Capital	**99,532**	107,083
Skerryvore Asset Management	**125,618**	103,143
Stone Harbor Investment Partners	**72,475**	64,609
Vanguard	**269,156**	230,331
Yarra Capital Management	**71,205**	62,338
Total unit trusts	**1,991,337**	1,857,339

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 2023, the return on the investment of funds was **10.7%** (2022: -5.3%).

Sector exposure	2023 $'000	2022 $'000
Australian fixed interest	**60,938**	44,464
Overseas fixed interest	**60,433**	76,463
Australian equities	**344,492**	296,302
Overseas equities	**760,054**	690,009
Alternatives	**338,822**	319,847
Infrastructure	**236,784**	202,784
Property	**173,257**	186,526
Cash[1]	**130,386**	135,339
Total investments	**2,105,166**	1,951,734

1. Sector exposure to Cash includes funds held in unit trusts as well as Cash and cash equivalents. Refer to note 2.2 for further details.

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.4 continued

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 listed real estate and Australian unlisted property including shopping centres and office space primarily in Sydney and Melbourne.

The portfolio allocation to Russia/Belarus/Ukraine was immaterial at an estimated **0.02%** as at 30 June 2023 (2022: 0.05%).

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 have 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 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.5 FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Market risk

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

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

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

Currency risk

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

Interest rate risk

At 30 June 2023, 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 1.1% decrease in interest rates would decrease the operating result and equity by **$1.3m** (2022: 1.0%, $0.9m). An increase of 1.1% would have an equal but opposite effect on the result and equity position.

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.5 continued

Other price risks

The following table demonstrates the sensitivity to a reasonably possible change in market prices of the underlying asset classes, with all other variables held constant as at 30 June 2023:

	%	$'000	%	$'000
Australian fixed interest	3.4	2,072	(3.4)	(2,072)
Overseas fixed interest	3.4	2,055	(3.4)	(2,055)
Australian equities	17.0	58,564	(17.0)	(58,564)
Overseas equities	17.0	129,209	(17.0)	(129,209)
Alternatives	10.0	33,882	(10.0)	(33,882)
Infrastructure	10.0	23,678	(10.0)	(23,678)
Property	13.5	23,390	(13.5)	(23,390)

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 **$105.3m** and **$315.8m** respectively (2022: $97.6m and $292.8m).

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, **$1,528.4m** of Coal LSL's total investments could be converted to cash within 10 business days.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.6 FAIR VALUE MEASUREMENTS

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

(a) Fair value hierarchy

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

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

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

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

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 30 June 2023. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy. Coal LSL had no assets classified as level 1.

	Fair value hierarchy	2023 $'000	2022 $'000
Financial asset			
Unit trusts	2	**1,587,383**	1,488,287
Unit trusts	3	**403,954**	369,052
Total unit trusts		**1,991,337**	1,857,339

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 fairly 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 2023. 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 2023, 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 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.7 TRADE AND OTHER PAYABLES	2023 $'000	2022 $'000
Trade creditors and accruals	**1,408**	1,296
Other payables	**356**	260
Salaries and wages	**455**	361
Superannuation	**52**	-
Provision for make good	**400**	400
Total trade and other payables	**2,671**	2,317

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).

The accounting policy for provision for make good is disclosed in note 3.1.

2.8 LEASES

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

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

Coal LSL intends to sublet its previous head office premises; however, at 30 June 2023, no sublet arrangement has been entered into. The corresponding right-of-use asset was impaired by $1.2m in the previous financial year. The impairment was calculated by comparing the present value of the future cash flows expected to be derived under several probability-weighted sublet scenarios against the value of the right-of-use asset. The scenarios were determined based on available market data. There were no further impairment adjustments as at 30 June 2023 as the future cash flows under the previously determined probability-weighted sublet scenarios have not materially changed.

Lease liabilities	2023 $'000	2022 $'000
Buildings	**23,526**	25,897
Plant and equipment	**52**	49
Total lease liabilities	**23,578**	25,946

Total cash outflow for leases for the year ended 30 June 2023 was **$2.8m** (2022: $1.7m).

Maturity analysis – contractual undiscounted cash flows		
Within 1 year	**2,678**	2,581
Between 1 to 5 years	**12,554**	12,162
More than 5 years	**10,160**	13,447
Total leases	**25,392**	28,190

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

2. FINANCIAL ASSETS AND LIABILITIES (CONT.)

2.8 continued

ACCOUNTING POLICY

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

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

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

3. NON-FINANCIAL ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

Reconciliation of opening and closing balances	Buildings[1] $'000	Plant & equipment $'000	Software $'000	Total $'000
As at 1 July 2022				
Gross book value	31,559	5,032	3,904	40,495
Accumulated depreciation, amortisation and impairment	(4,452)	(1,311)	(2,193)	(7,956)
Total as at 1 July 2022	**27,107**	**3,721**	**1,711**	**32,539**
Purchased or internally developed	**-**	**186**	**69**	**255**
Depreciation and amortisation	**(2,992)**	**(1,103)**	**(660)**	**(4,755)**
Disposals	**-**	**(19)**	**(49)**	**(68)**
Total as at 30 June 2023	**24,115**	**2,785**	**1,071**	**27,971**
Total as at 30 June represented by				
Gross book value	**31,559**	**4,986**	**3,766**	**40,311**
Accumulated depreciation, amortisation and impairment	**(7,444)**	**(2,201)**	**(2,695)**	**(12,340)**
Total as at 30 June 2023	**24,115**	**2,785**	**1,071**	**27,971**
Carrying amount of right-of-use assets	16,321	53	-	16,374

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

3. NON-FINANCIAL ASSETS (CONT.)

3.1 continued

ACCOUNTING POLICY

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

Asset recognition threshold

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

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions taken up by the entity where there exists an obligation to restore leased premises. As at 30 June 2023, it was the opinion of the directors that Coal LSL did have a future obligation for the make good of leased premises as it is uncertain if Coal LSL will exercise the option periods and therefore the ability to waive the obligation to make good the site under the lease contract.

Leased right-of-use assets

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

Revaluations

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

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

It is the opinion of Coal LSL that, as at 30 June 2023, 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 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

3. NON-FINANCIAL ASSETS (CONT.)

3.1 continued

Depreciation

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

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

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

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

Impairment

All assets were assessed for impairment at 30 June 2023. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Net realised gains or losses on sale of assets

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

Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives range from 3 to 6 years (depending on assessment of the individual asset's useful life). All software assets were assessed for indications of impairment at 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

4. PEOPLE AND RELATIONSHIPS

4.1 EMPLOYEE PROVISIONS	2023 $'000	2022 $'000
Leave	**3,034**	2,482
Total employee provisions	**3,034**	2,482

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.

4.2 KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2023 $'000	2022 $'000
Short-term employee benefits	**1,587**	1,602
Post-employment benefits	**140**	151
Other long-term employee benefits	**39**	38
Termination benefits	**-**	-
Total key management personnel remuneration expenses[1]	**1,766**	1,791

The total number of key management personnel that are included in the above table is **11** (2022: 13). Mr Robert Coluccio is included in the above table however, he received no remuneration for the year as he attended no board or committee meetings from the date of his appointment on 24 April 2023 to 30 June 2023.

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 2023

4. PEOPLE AND RELATIONSHIPS (CONT.)

4.3 RELATED PARTY DISCLOSURES

(a) Related party relationships

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

The directors of Coal LSL during the year were:

- Ms Christina Langby, Chair
- Mr Grahame Kelly, Deputy Chair
- Ms Jennifer Short
- Mr Scott Faragher
- Mr Shane Stephan
- Ms Marisa Whitington (resigned 17 November 2022)
- Mr Robert Coluccio (appointed 24 April 2023).

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

Executive Leadership Team employed by Coal LSL during the year were:

- Ms Darlene Perks, Chief Executive Officer
- Mr Tony Windever, Chief Executive, Operations – Deputy CEO
- Ms Lisbeth Rasmussen, Chief Executive, Investments
- Mr Sharife Rahmani, Chief Executive, Regulation.

(b) Transactions with related parties

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

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

5. PROVISIONS

5.1 PROVISION FOR REIMBURSEMENTS	2023 $'000	2022 $'000
Current	**1,477,480**	1,424,558
Non-current	**307,321**	262,737
Total provision for reimbursements	**1,784,801**	1,687,295
As at 1 July	**1,687,295**	1,760,001
Reimbursements paid	**(176,974)**	(150,698)
Additional provisions recognised	**345,790**	315,905
Increase/(decrease) in provision due to change in discount rate	**(71,310)**	(237,913)
As at 30 June	**1,784,801**	1,687,295

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 **$171.5m** (2022: $153.6m).

The Fair Work Legislation Amendment (Protecting Worker Entitlement) Bill 2023 received Royal Assent on 30 June 2023 and will make amendments to the *Coal Mining Industry (Long Service Leave) Administration Act 1992* and the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*. Under the amendments, from 1 January 2024, where a casual employee's industrial instrument specifies they are to be paid a casual loading and the loading can be quantified, a casual employee's casual loading would be applied to the payment of employees' long service leave entitlements. The estimated impact of these changes on the provision for reimbursements has been included at 30 June 2023. The application of casual loading increased the provision by $14.8m. The changes are not expected to have a future material effect on the entity's financial statements.

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 2023.

Salary growth

At 30 June 2023, the actuarial salary growth rate assumptions were **3.75%** for long service leave balances with an expected payment date of 1 year (2022: 2.5%), **3.75%** for 2 years (2022: 3.0%), and **3.5%** for all other payments periods (2022: 3.25%). 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 **$108.9m** (2022: $86.4m). A 1.0% decrease would decrease the present value by **$102.9m** (2022: $82.4m).

Probability factors

At 30 June 2023, the probability factors utilised ranges from **47.5%** to **100.0%** depending on the type and category of long service leave (2022: 48.2% to 100.0%). An increase in the probability factors used in the calculation would increase the present value of the provision for reimbursements. A decrease in probability factors would decrease the present value.

Discount rates

At 30 June 2023, the discount rate utilised was **4.02%** for all categories of long service leave (2022: 3.36%). With all other variables held constant, a 1.1% increase in discount rates used in the calculation would decrease the present value of the provision for reimbursements by **$111.3m** (2022: 1.0%, $81.4m). A 1.1% decrease would increase the present value by **$120.9m** (2022: 1.0%, $87.0m).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2023

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 2023 Coal LSL has an estimated contingent liability of **$0.5m** (2022: $0.5m).

Coal LSL has an estimated contingent asset of **$7.2m** at 30 June 2023 (2022: $4.9m) arising in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" in relation to applications received. The accounting policy for revenue from government is disclosed in note 1.2 (b).

Unquantifiable contingencies

Unknown claims

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

Data management

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

Disputes and legal actions

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

At the date of signing the financial statements, 4 legal proceedings were in progress:

- Orica Australia Pty Limited had commenced proceedings in the Federal Court of Australia against Coal LSL, seeking declaration regarding eligibility of a category of employees.
- Coal LSL had commenced proceedings in the Federal Court of Australia against Hitachi Construction Machinery (Australia) Pty Limited who had refused to acknowledge that it employs eligible employees. Following a hearing, a judgment from the court was issued on 8 February 2023. The court ruled in Coal LSL's favour. As a result, additional employee entitlements have been included in the provision for reimbursements at 30 June 2023 and additional revenue from government has also been included in the year in respect of levies paid by the employer. A judgment with respect to civil penalties and costs is pending. A 28-day appeal period in relation to the proceedings will commence once the final orders are handed down.
- Workpac Pty Limited had commenced proceedings in the Federal Court of Australia against Coal LSL, seeking declaration regarding Coal LSL's published guidance on levy calculation for casual employees.
- Coal LSL had commenced proceedings in the Federal Court of Australia against Payne (QLD) Pty Limited as trustee for the Undamine Unit Trust trading as Undamine Industries for repeated non-compliance in relation to late submissions of levy returns and audit reports along with non-payment of levy amounts.

Although contingent assets and/or liabilities may arise as a result of these proceedings, these amounts are not reliably measurable at 30 June 2023. Future legal fees in relation to the proceedings are estimated at **$0.5m** (2022: $0.6m).

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. Furthermore, 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 2023

6. CONTINGENCIES AND COMMITMENTS (CONT.)

6.2 COMMITMENTS

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

Investment commitments	2023 $'000	2022 $'000
Not later than one year	-	17,500
Later than one year and not later than five (5) years	-	-
Total investment commitments	-	17,500

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:	2023 $'000	2022 $'000
No more than 12 months		
Cash and cash equivalents	**113,829**	94,395
Trade and other receivables	**16,112**	16,168
Prepayments	**1,320**	1,182
Total no more than 12 months	**131,261**	111,745
More than 12 months		
Unit trusts	**1,991,337**	1,857,339
Property, plant and equipment	**26,900**	30,828
Software	**1,071**	1,711
Total more than 12 months	**2,019,308**	1,889,878
Total assets	**2,150,569**	2,001,623
LIABILITIES EXPECTED TO BE SETTLED IN:		
No more than 12 months		
Trade and other payables	**2,191**	1,858
Leases	**2,287**	2,150
Employee provisions	**1,390**	1,478
Provision for reimbursements	**171,539**	153,624
Total no more than 12 months	**177,407**	159,110
More than 12 months		
Trade and other payables	**480**	459
Leases	**21,291**	23,796
Employee provisions	**1,644**	1,004
Provision for reimbursements	**1,613,262**	1,533,671
Total more than 12 months	**1,636,677**	1,558,930
Total liabilities	**1,814,084**	1,718,040

At 30 June 2023, assets expected to be recovered in no more than 12 months are less than liabilities expected to be settled in no more than 12 months. It is the intention of Coal LSL to fund this shortfall through revenue from government expected to be received within the next 12 months. Should revenue from government be insufficient to fund the expected liabilities over the coming 12 month period, investments in unit trusts will be converted to cash to fund this shortfall. Further detail in relation to liquidity risk is included in note 2.5 (c).

INDEPENDENT AUDITOR'S REPORT

To the Minister for Employment and Workplace Relations

Opinion

In my opinion, the financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation (the Entity) for the year ended 30 June 2023:

(a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2023 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 2023 and for the year then ended:

- Statement by the 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 2023 but does not include the financial statements and my auditor's report thereon.

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

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

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

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Directors, Chief Executive Officer and General Finance Manager are also responsible for such internal control as the Directors, Chief Executive Officer and General Finance Manager determines 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, Chief Executive Officer and General Finance Manager 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, Chief Executive Officer and General Finance Manager 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 skepticism throughout the audit. I also:

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

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

Australian National Audit Office

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
7 September 2023

PART 5: APPENDICES

DISCLOSURES

WORK HEALTH AND SAFETY

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

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

- an Employee Assistance Program (EAP) to support them in times of personal challenges
- annual health and wellbeing presentations and workshops
- connection and collaboration initiatives and activities.

In 2022–23, Health, Safety and Wellbeing remained a key focus. We have remained adaptable and responsive to the changing environment. The majority of our people indicate they feel safety issues are addressed promptly and the organisation effectively supports staff wellbeing.

During this period the Work Health and Safety Committee convened regularly to:

- discuss emerging hazard and safety risks and ensure mitigation strategies are effective
- actively promote a culture of physical and psychosocial hazard identification and reporting in the workforce
- encourage regular discussions around safety matters in team meetings
- conduct regular safety walkthroughs to identify potential hazards or risks.

In addition, we:

- revised COVID-19 protocols to cover infectious disease generally, continuing the focus on preventive measures in the workplace while reducing the focus on COVID-19 specifically
- maintained a low injury rate
- conducted organisation-wide training on harassment, bullying and discrimination
- enhanced the wellness offering to our people through programs around resilience and change readiness
- trained 21 First Aid Officers and 10 Fire Wardens to ensure we have adequate support and coverage in the case of an emergency
- offered an influenza vaccination program
- reviewed and enhanced our Employee Assistance Program offering
- actively managed all hazards and incidents, implementing appropriate controls to mitigate further risk
- implemented an emergency response plan
- recognised the increasing importance of psychological safety and hazard identification in response to the heightened legislative environment
- introduced questions to our annual culture survey to understand how our staff feel we support safety and wellbeing.

Notifiable Incidents and Investigations

Under the *Work Health and Safety Act 2011* (WHS Act) we are required to report certain information. During 2022–23 we had zero notifiable incidents and were not involved in any statutory enforcement or investigations.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

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

The Investment Portfolio

Our Environmental, Social and Governance (ESG) Statement guides the management of the investment portfolio.

Coal LSL believes that risks and opportunities relating to ESG issues will impact the long-term investment objectives of the investment portfolio. The areas of perceived risks and opportunities will evolve over time.

Coal LSL will work with its service providers to manage such risks and capture opportunities on an active basis.

Coal LSL is committed to integrating the consideration of ESG into its selection and performance monitoring of investment managers and advisers.

Coal LSL invests in pooled investment trusts. It is therefore acknowledged that explicit mitigation of specific ESG risks is difficult either through voting or engagement. Coal LSL believes that investment managers are typically in the best position to analyse governance matters concerning the entities in which they invest.

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

During the year, we continued to operate from the new office following a relocation in 2021–22 to a 5 Star Green-Star rated building designed to improve environmental outcomes with a 5 Star NABERS Energy and a 4 Star NABERS Water rating. This enabled us to reduce our carbon footprint by:

- using renewable energy sources (solar to power our operations)
- using environmentally sustainable finishes and fixtures like FSC (Forest Stewardship Council) timber
- timing shut down of computers and electrical equipment outside working hours
- using energy efficient lighting, including sensor lighting throughout the office
- using sensor cooling/heating for energy efficiency
- developing our emissions reporting to align to APS Net Zero 2020.

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

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

GREENHOUSE GAS EMISSIONS INVENTORY – LOCATION-BASED METHOD 2022–23

Greenhouse gas emissions reporting has been developed with methodology that is consistent with the Whole-of-Australian Government approach as part of the APS Net Zero 2030 policy.

Emission source	Scope 1 kg CO2-e	Scope 2 kg CO2-e	Scope 3 kg CO2-e	Total kg CO2-e
Electricity (location based approach)	N/A	140,940	11,584	152,524
Natural gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	9,401	9,401
Other energy	-	N/A	-	-
Total kg CO_2-e	-	140,940	20,985	161,925

Note: the table above presents emissions related to electricity usage using the location-based accounting method. CO_2-e = Carbon Dioxide Equivalent.

Disclaimer: The emissions data in this report has been prepared within current reporting capacity, maximising the current resources available to the entity. APS Net Zero has set an ambitious pace in the reinstating of public reporting in the first year of the program, and as the program expands and capacity is enhanced, reporting accuracy will improve.

RELATED PARTY TRANSACTIONS OF ACCOUNTABLE AUTHORITY

Apart from the remuneration of the directors as disclosed in the notes to the 30 June 2023 Financial Statements, there were no further related party transactions with the Accountable Authority.

FRAUD AND CORRUPTION

The agency's Fraud Control Plan aligns with the Commonwealth Fraud Control Framework through the ongoing review, enhancement and implementation of a range of fraud prevention, detection and response strategies. The plan meets our responsibility for compliance with section 10 of the PGPA Rule and emphasises the prevention of fraud.

INDEMNITIES AND INSURANCE PREMIUMS

In 2022–23 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 2022–23 was $138,454 (including GST).

The insurances provide coverage for all staff. Directors' and officers' liability insurance covers the consequences of any wrongful act of these officers but does not cover any wilful breach of duty.

There were no claims against our liability insurances for 2022–23.

WORKFORCE PROFILE

The following table represents our workforce profile for the period 2022–23.
All employees were based in NSW, Australia.

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
Ongoing	73	1	74	121	16	137	0	0	0	0	0	0	0	0	0	211
Non-ongoing	2	0	2	2	1	3	0	0	0	0	0	0	0	0	0	5

The following table represents our workforce profile for the period 2021–22.
All employees were based in NSW, Australia.

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
Ongoing	65	1	66	119	19	138	0	0	0	0	0	0	0	0	0	204
Non-ongoing	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	2

EXECUTIVE REMUNERATION

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

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

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

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

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

REMUNERATION OF COAL LSL KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL REMUNERATION		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Name	Position title	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long-term benefits		
Ms Darlene Perks	Chief Executive Officer	399,142	-	948	42,922	13,329	-	-	456,341
Ms Lisbeth Rasmussen	Chief Executive, Investments	330,564	-	454	26,109	10,074	-	-	367,201
Mr Tony Windever	Chief Executive, Operations	355,755	-	625	38,558	8,370	-	-	403,308
Mr Sharife Rahmani	Chief Executive, Regulation	397,092	-	17,061	27,091	7,609	-	-	448,853
Ms Christina Langby	Chair/ Director	19,300	-	-	2,035	-	-	-	21,335
Mr Grahame Kelly	Deputy Chair/ Director	16,140	-	-	-	-	-	-	16,140
Ms Jennifer Short	Director	19,080	-	-	-	-	-	-	19,080
Mr Scott Faragher	Director	16,140	-	-	1,701	-	-	-	17,841
Mr Shane Stephan	Director	11,640	-	-	1,228	-	-	-	12,868
Ms Marisa Whitington[1]	Director	2,880	-	-	252	-	-	-	3,132
Mr Robert Coluccio[2]	Director	-	-	-	-	-	-	-	-
Total key management personnel remuneration		**1,567,733**	**-**	**19,088**	**139,896**	**39,382**	**-**	**-**	**1,766,099**

1. Resigned 17 November 2022. 2. Appointed 24 April 2023. No remuneration was paid during the year as no meetings were attended from the date of appointment to 30 June 2023.

REMUNERATION OF COAL LSL SENIOR EXECUTIVES

SENIOR EXECUTIVE REMUNERATION		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of senior executives	Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long-term benefits	Average termination benefits	Average total remuneration
$0 – $220,000	-	-	-	-	-	-	-	-	-
$220,001 – $245,000	1	105,084	-	398	8,116	7,442	-	102,240	223,280
$245,001 – $270,000	-	-	-	-	-	-	-	-	-
$270,001 – $295,000	4	242,040	-	657	26,153	6,223	-	-	275,073
$295,001 – $320,000	1	273,995	-	581	29,088	5,683	-	-	309,347

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 2022–23:

Member name[1]	Role	Total annual remuneration (Super and GST inc.)[2]	Super paid[3]
Mr Martin Matthews	Independent Chair	$55,000	No
Ms Jennifer Short	Director	$6,864	No
Mr Scott Faragher	Director	$6,895	Yes

1. Total annual remuneration for ARCC directors is included in the Key Management Personnel total remuneration figures (on p. 64). 2. All committee members are entitled to travelling and other expenses incurred while fulfilling their duties as members of the ARCC. These expenses are paid in addition to the remuneration included in the table above. 3. 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*.

PGPA Rule means the *Public Governance, Performance and Accountability Rule 2014*.

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

The industry means Australian black coal mining industry and includes:

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

LIST OF REQUIREMENTS

The following tables outline the mandatory requirements for our annual report and where the information was included in Coal LSL's 2022–23 annual report.

PART A – PUBLIC GOVERNANCE, PERFORMANCE AND ACCOUNTABILITY ACT 2013

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

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

PART B – OTHER LEGISLATION

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

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