



Protect ANNUAL REPORT 2019/20

ABOUT US

Preferred by more than 40,000 workers and 1,200 employers throughout Australia, Protect is the leading industry severance scheme across the electrical, manufacturing, maritime, rail, fire rescue and construction industries.

Our primary purpose is to support employers, workers and their families during any period of unemployment, illness, injury or personal difficulty.

We achieve this by offering a range of services, including:

- administering a redundancy and severance scheme
- facilitating income protection insurance
- offering counselling services, and
- assisting employers with compliance obligations.

Protect

Working hard to provide vital financial security for workers when they need it most.

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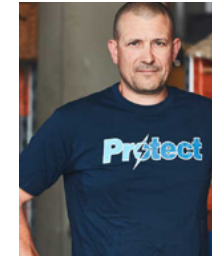
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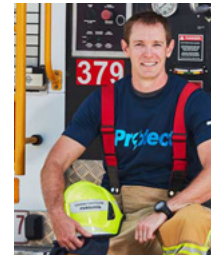
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SUE CARTER
PROTECT CHAIRMAN



CHAIRMAN'S REVIEW

I am pleased to present the Chairman's report for 2019-20 to all of our members in the electrical, manufacturing, maritime and fire rescue industries. Due to the conservative approach to investments in recent years, the Board has established a robust foundation which assisted Protect to avoid severe investment losses and to continue to operate well and pay severance claims, despite the onset of COVID-19.

I would particularly like to acknowledge the achievement of the Protect CEO, management team and staff in maintaining the level of service our members expect, in spite of the practical difficulties created by COVID-19 lockdowns in Victoria. Our management and staff worked from home for most of 2020, and although the impact on operations was minimal, this was of course only made possible by the extra effort, creativity and flexibility shown by all involved. Thank you to CEO Michael Connolly and his team.

COVID-19 IMPACT AND RESPONSE

In response to the pandemic emerging in February 2020, the Board introduced two key changes for this period, both temporary measures.

The first change was to assist members through the pandemic by offering a hardship payment where a worker had been stood down without pay but retained their employment. As these payments were not redundancy or severance payments but were in effect an early access to a member's redundancy fund, we required approval from the Australian Taxation Office. After considerable work in a short period by management, lawyers, the ATO and the Board, the ATO granted approval for two payments of \$2,000 each, five weeks apart, to workers who had been stood down without pay. Members' access to hardship payments has been extended to September 2021.

*Despite the onset of COVID-19, we continued to operate well.
A robust foundation meant we avoided severe investment losses.*

The second change was to adjust the timing of claim payments by introducing instalment payments. This was done in anticipation of a large spike in redundancies, which thankfully never reached those levels. Instalment payments allowed us to have a smoother cash flow and place less strain on the fund in the event of widespread redundancies, while still managing to pay workers over time in \$10,000 instalments, five weeks apart. Given the fund's high liquidity and cash levels and with redundancies at manageable levels, the Board agreed to remove instalments from 31 December 2020 and revert to the previous method of payment. We are grateful to our members for their understanding of the temporary change during 2020.

Due to the excellent operational and financial data and reporting, the Board and Management were able to keep a finger on the pulse at all times during the pandemic, to understand the trends in redundancies and the impact of the hardship claims and instalment payments.

FINANCIAL PERFORMANCE

Protect's foremost concern is to ensure there are sufficient funds available to pay members' entitlements. As at 30 June, Protect's funds held \$303.4 million in total assets, which is sufficient to cover all liabilities of \$300.1 million – the major component of which is members' entitlements of \$292.9 million.

A conservative approach to investment shielded the fund from the severe moves in investment markets early in 2020. The Board has maintained very high levels of cash and holds a majority of funds in easily accessible (liquid) assets, which provided comfort in our ability to deal with the potential for rising redundancy claims.



SUE CARTER

PROTECT CHAIRMAN



Under the current trust deeds, the trustees may distribute surplus earnings to the Funds' sponsors. For the 2019-20 year, the trustees resolved to distribute a surplus from one Fund to the other, in order to retain the surplus within the group, after considering coverage of members entitlements. A related entity, Protect Services Pty Ltd, which provides administrative services to the Funds, declared a distribution of surplus of \$0.678 million to the ETU and \$0.226 million to NECA.

Protect operates a relatively conservative investment portfolio. 70% of assets are allocated in more conservative asset classes such as cash and fixed interest. This ensures funds remain accessible to pay workers' severance claims each year. While a conservative portfolio protects from downside risk, it also results in more modest returns, with 5.08% achieved this financial year.

FACILITY AGREEMENTS

The Board has agreements in place with the founders of Protect, the ETU and NECA Victoria, to provide further protection for the funds. The agreements allow for funds to be drawn from our founders if further funding is required as a result of a shortfall due to severe investment market conditions. The facility has not been called upon.

PROPOSED LEGISLATION

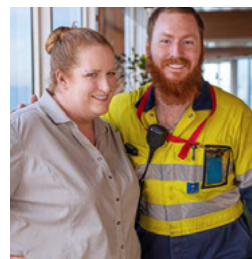
The Proper Use of Worker Benefits Bill was reintroduced to Parliament in 2019. The Bill seeks to regulate redundancy funds, formalise governance standards and place the funds under the jurisdiction of a regulator. There was no movement in the legislation in 2020.

BOARD AND MANAGEMENT

In this report last year, I reported on and thanked the retiring Chairman Michael Anderson. His formal retirement occurred in September 2019, and there were no further changes in the Board during the 2019-20 financial year.



Modest returns were achieved this financial year due to a conservative portfolio



MICHAEL CONNOLLY
PROTECT CEO



CEO REVIEW OF OPERATIONS

2019/20 highlighted the robustness of the Fund through the most difficult of times.

2019-20 was a year of two parts, pre and post COVID.

In the first part we saw continued growth and strengthening of the fund. In the second part we demonstrated the robustness of the fund and in our operations during the most testing of times.

The pandemic saw our Victorian office close from March 24 to 29 November 2020 with all staff working from home. During the work-from-home period, Protect staff answered over 9,200 phone calls, paid over 3,000 redundancy and severance claims, and dealt with 10,100 emails. Our field officers adapted by moving away from face-to-face meetings and site visits, to giving online presentations to members via video. The Board and its Sub Committees met via video on 13 occasions.

NEW MEMBERS

In the last two quarters of the 2019-20 financial year, we welcomed new members from the Civil Construction industry (covered by AWU Agreements) for severance benefits, as well as those covered by the CFMEU Furnishing Division agreements for income protection insurance. We look forward to a long association with those new members.

SEVERANCE TRENDS

As mentioned, the financial year was one of two parts. From June 2019 to February 2020, the number of workers with severance benefits increased by 5% - a strong increase reflecting the construction levels in Victoria. Once the pandemic impacted, the number of members with severance benefits declined by 3%. By June, the year ended higher than last year, although down from the peak in February 2020. For all workers and employers, this was a far better employment scenario than what we had been bracing ourselves for!

WORKING FROM HOME

The last quarter of the financial year will be remembered as the time that many people first worked from home for an extended period. What we initially expected to be a few weeks, turned into 8+ months in Victoria.

If we measure success by our service to members, this period must be regarded as a success – with a seamless transition allowing us to answer phone calls, process employer contributions and process and pay severance claims. We even upgraded our phone system a few weeks into lockdown.

“

The pandemic saw our Victorian office close for 8 months with all staff working from home



MICHAEL CONNOLLY
PROTECT CEO



CHANGES TO THE SCHEME

HARDSHIP PAYMENTS

We introduced hardship payments, as referred to in the Chairman's report, as another option for workers to rely on to see them through a stand down. Further peace-of-mind is provided by the Income Protection Insurance, which provides coverage of illness from COVID-19; many other insurance policies contain an exclusion for a pandemic.

ONE ACCOUNT TYPE

In December 2019, the Board, with approval from the Australian Taxation Office, simplified our severance accounts to create a single account type. Previously, workers needed to nominate whether their account would be a 'severance' or a 'genuine redundancy' account – with different access to the funds associated with each account. Now, the termination event determines the type of payment to the worker and avoids the confusion associated with nominating an account type in advance. If a worker's position is made genuinely redundant, they will receive a genuine redundancy payment with a tax free component.

During the financial year, the number of severance and redundancy claims increased significantly...but not to record levels. The change in the account types removed a barrier to paying claims in some circumstances (where a position was terminated but the worker held a genuine redundancy account). This contributed marginally to paying more claims. The clear factor of course was the impact of the pandemic on employment. So, while the number of claims increased by 39% year on year, they did not reach the levels of 2014/15, 2015/16 and were in line with 2016/17.

SMARTPHONE APP & ONLINE SERVICES

The pandemic also accelerated our members' use of online services – website usage increased, as did the number of workers submitting claims online. During the restrictions in Victoria and elsewhere, members reduced their reliance on surface mail and form-filling and instead opted for website and smartphone app – for a quicker turnaround. For instance, where online claiming has risen from 72% last year to over 87% for the last quarter.

As we approach 2021 we look forward to more online services such as an electronic statement being sent to workers rather than a mailed document.

Our website, relaunched in January 2020 has a great deal of information available to members and is organised according to the industry you work in. At the height of concern at commencement of the pandemic, we can see that the website was heavily relied upon for information and managed to keep phone enquiries at a manageable level.

DIRECTORS, STAFFING AND SERVICE PROVIDERS

All achievements outlined in this report are a result of the work of our team of 22 people at Protect. More broadly, we rely on a range of external service providers for advice or service provision across a range of areas including investment, legal, audit, marketing and debt collection and we thank those organisations for their support during the year. Finally, I thank the Board for their continued direction and support of the management team during the year.

■ STRATEGY AND PURPOSE

*The Protect Board and management team reviewed and confirmed our statement of purpose during 2017/18
This statement formed the basis for establishing a strategic plan*

PROTECT'S PURPOSE

To support employers, workers and their families in our Sponsors' industries during any period of unemployment, illness, injury, personal difficulty, career transition or skill development.

WE AIM TO ACHIEVE OUR PURPOSE BY OFFERING A RANGE OF SERVICES INCLUDING:

- ▶ Administering a redundancy and severance scheme
- ▶ Facilitating income protection insurance
- ▶ Offering counselling services
- ▶ Assisting employers with their compliance obligations

PROTECT'S VISION AND STRATEGY

Our vision is to be the best Worker Entitlement Fund in Australia.

WE CAN ACHIEVE OUR VISION BY BEING:

▶ **The fund of choice for workers and employers**

- offering competitive services to existing and new customers, throughout Australia

To achieve this, our strategic plan outlines a GROWTH PLAN

▶ **Member focussed**

- by providing responsive, secure, accurate and efficient service
- contemporary technology and sensible processes
- appropriately resourced to deliver customer service

To achieve this, our strategic plan outlines a CUSTOMER AND EFFICIENCY PLAN

▶ **The best governed fund**

- up to date with IT security and member privacy
- compliant with legal obligations
- strong governance framework with comprehensive policies and business rules
- trustworthy and transparent

To achieve this, our strategic plan outlines a GOVERNANCE PLAN

▶ **Socially responsible, community minded, industry supportive and a great place to work**

- continue to support community organisations
- continuously improving, sustainable operation
- invest responsibly

To achieve this, our strategic plan outlines a PEOPLE AND COMMUNITY PLAN

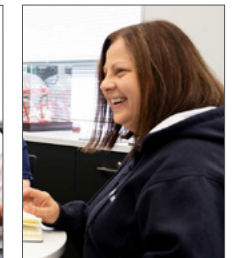
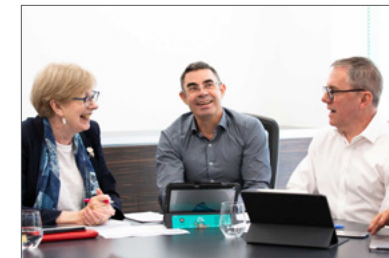
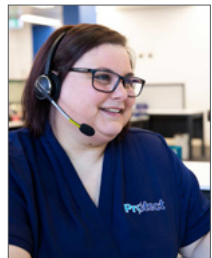
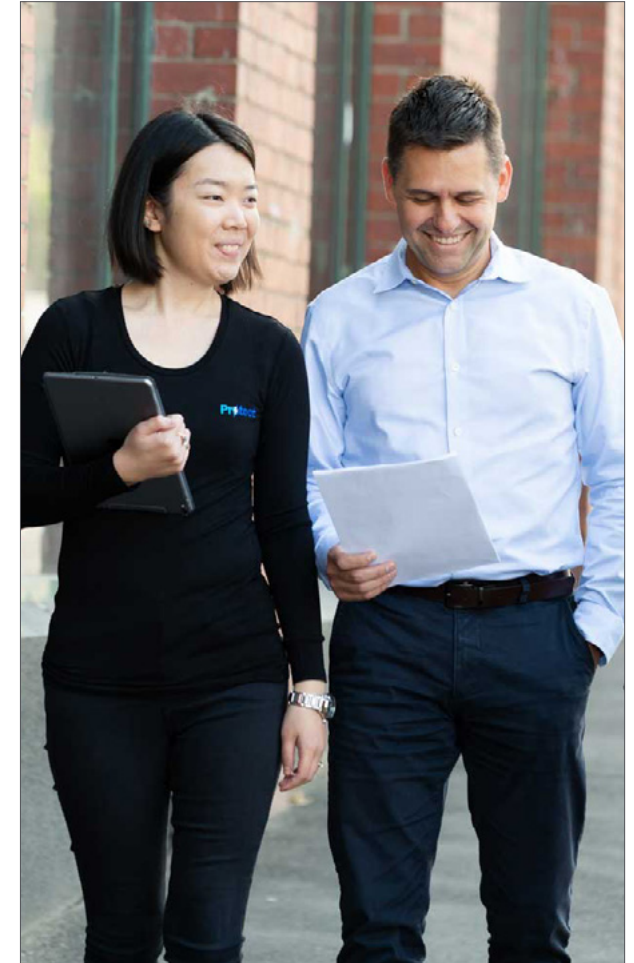
▶ **Preserving capital to protect members' funds, with income and capital growth applied to:**

- pay costs of administration
- investment strategy to protect against market fluctuations
- meet sponsor expectations

To achieve this, our strategic plan outlines an INVESTMENT AND FINANCE PLAN

■ OUR VALUES

*While the strategic plan articulates **what** we aim to achieve, our values set out **how** we go about it, in terms of our interactions with our members, stakeholders and between ourselves as employees of Protect.*



WE ARE SUPPORTIVE

Available and responsive



WE ARE RESPECTFUL

Courteous and fair



WE ARE A TEAM

Approachable



WE ARE ETHICAL

Doing what we say we will do



WE IMPROVE

Open to receiving feedback

Each of the values is accompanied by a series of guidelines and explanatory notes to show how we can demonstrate that value.

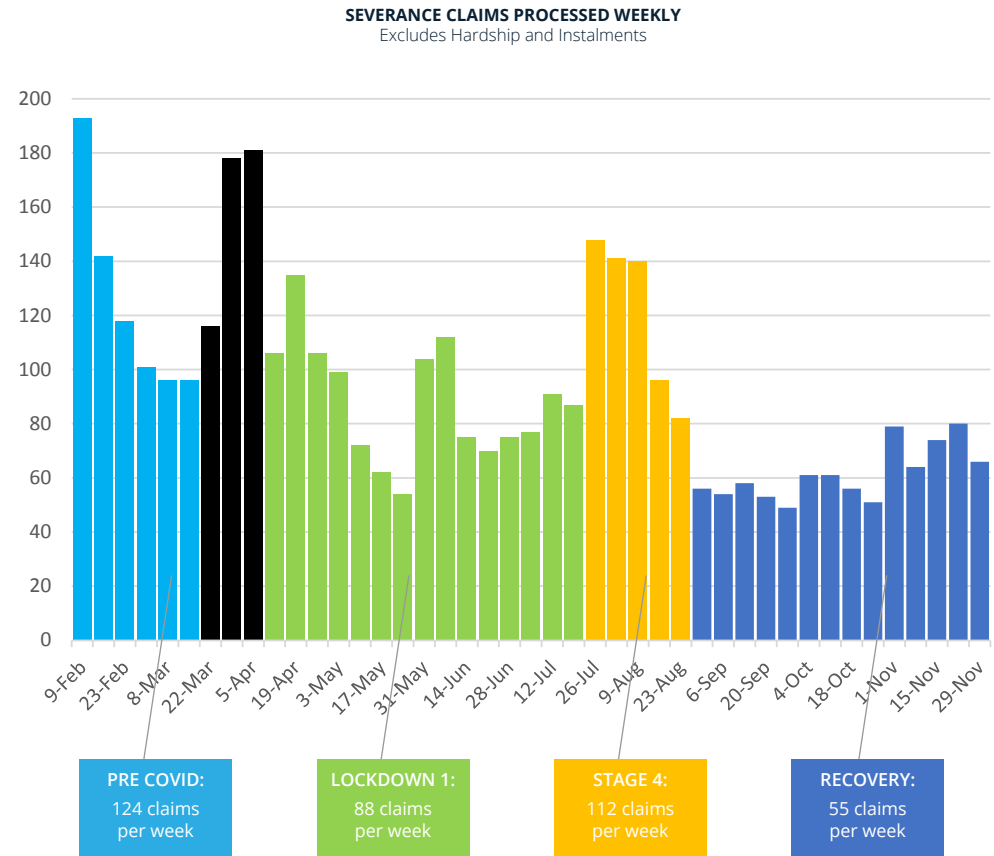
2020 AND COVID-19

The COVID-19 global pandemic was expected to have a major impact on employment. For a redundancy fund based in Victoria, this meant that we faced the potential for extreme levels of payments to our members.

Fortunately for all concerned, while redundancies increased, they did not occur at record levels. Hardship claims were introduced to assist those who had been stood down without pay, but we only saw a modest level of these payments. The records we keep on industry employment and redundancies provide a great insight into what occurred in the calendar year of 2020.

SEVERANCE AND REDUNDANCY PAYMENTS

The chart to the right looks at the Victorian Electrical industry to demonstrate what we saw at various stages of the Victorian restrictions. Interestingly, the busiest week in terms of severance and redundancy claim payments was well before the COVID restrictions were introduced. Aside from a three week period when the initial restrictions were announced in late March, the rest of the year generally saw redundancies below what we saw in the pre-COVID period.



2020 AND COVID-19

EMPLOYMENT

Most of Protect's employment data comes from the Victorian Electrical industry. In the chart at right we saw Victorian employment peak in February.

The chart shows that the decline has been steady rather than a 'cliff'. From the highpoint in February, employment then fell by 5.6% by November. The rate of decline from July to November has flattened.

Notably, the level of employment is still relatively high compared to the 2016 to 2018 levels. Employment at November 2020 is still 0.5% higher than at June 2019.

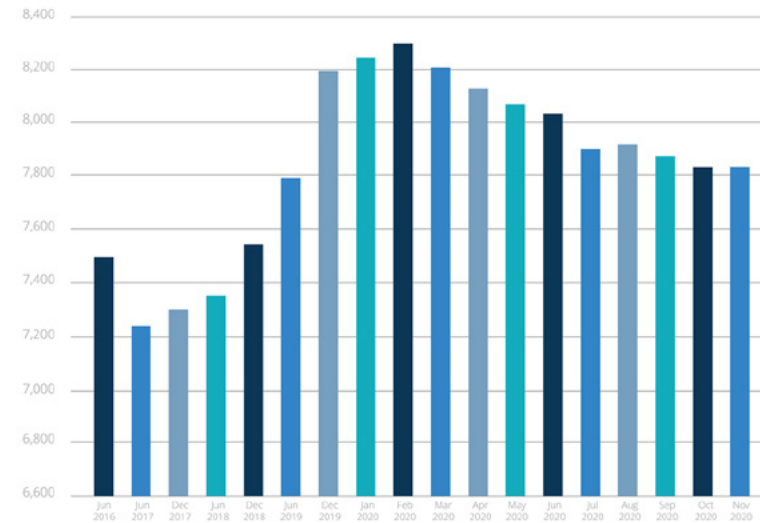
Workers working reduced hours due to the pandemic are not reflected in the graph.

HARDSHIP PAYMENTS

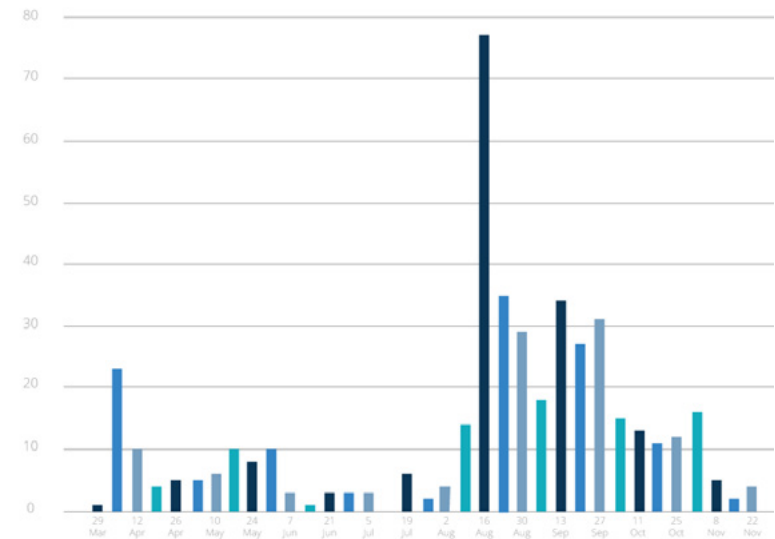
Hardship claims were introduced to provide members with additional (taxable) funding to deal with a stand down. Other alternatives such as Jobkeeper and access to superannuation may have impacted the demand for these payments.

Payments were negligible until the Stage 4 restrictions in early August and mostly remained above 20 per week afterwards. In November we saw a reduction as the construction industry returned to 85% onsite workforce (for large sites).

WORKERS IN EMPLOYMENT
Electrical, Victoria, Balance >\$0



HARDSHIP CLAIMS
Processed weekly



MEMBER PROFILES & MEMBER SERVICES

DIVISIONS

Protect's origins are in the electrical trades industry, which still forms the majority of our membership base. Despite the COVID-19 pandemic, member numbers grew marginally during the year, although they fell after peaking in February as COVID restrictions impacted, particularly in Victoria.

The movement in member numbers in the electrical industry reflects the industry cycle. We saw a modest increase in membership of 1.2% in the electrical industry in 2019-20, following on from the stronger growth we saw in 2018-19 of 6.7%.

In more recent years, Protect's services have been provided to industries outside of electrical trades, namely metals and manufacturing workers as well as maritime workers, firefighters and now civil construction and furnishing trades.

- ▶ In the **electrical** division, most workers are part of the redundancy and severance scheme and also receive income protection insurance.
- ▶ Most **manufacturing** workers are members of the redundancy and severance scheme.
- ▶ Most **maritime** workers and **firefighters** are members via income protection insurance.

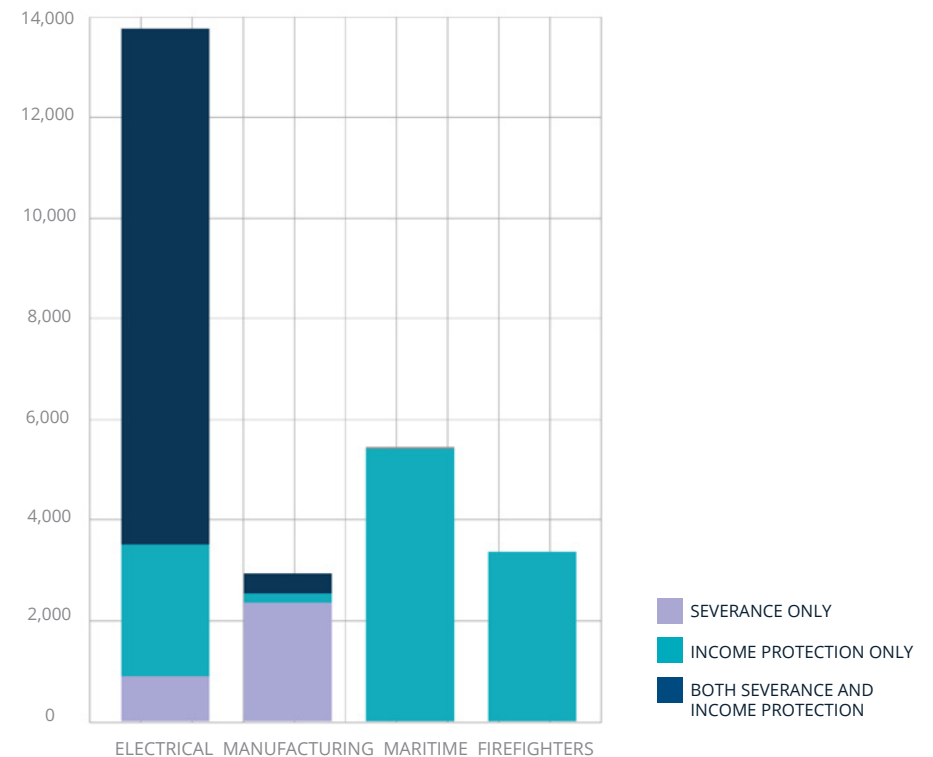
↑ 3.4%

25,568
EMPLOYED WORKERS

41,195
OPEN ACCOUNTS

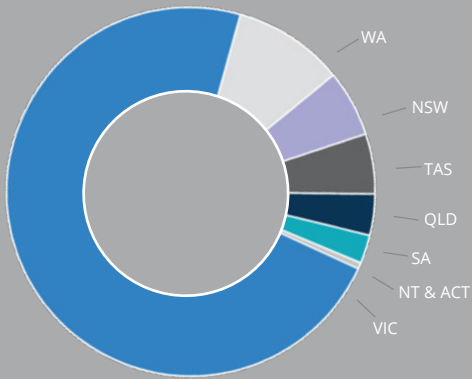
Protect's origins are in the electrical trades industry, which still forms the majority of our membership base.

MEMBERS BY ACCOUNT TYPE BY INDUSTRY



This chart shows our membership for each division and represents workers actively employed, totalling 25,568 workers, up 3.4% from 24,717 in the previous year. In addition, there are a further 15,627 members on our records with an open account but not currently working with a Protect-contributing employer.

As a result of a new tax ruling, workers no longer need to select an account type in advance of a severance event.



EMPLOYED WORKERS BY STATE: 2020

AUSTRALIA-WIDE

Protect has members in all Australian States and Territories. While our home State is Victoria, we have a strong presence in Western Australia and at least 500 members in six states.

SEVERANCE AND REDUNDANCY SCHEME

A tax ruling late in 2019 now enables payments to be made to workers based on the event which caused their employment to terminate. If a worker is made redundant, a redundancy payment will be applicable. If a worker's employment is terminated or the worker resigns, a termination payment applies.

This avoids the sometimes confusing arrangement requiring workers to permanently elect whether to have a termination or a redundancy account. This permanent election sometimes disadvantaged workers depending on their circumstances. From 17 December 2019, the 'election' was removed and the circumstances now determine how the worker is paid.

A Genuine Redundancy payment provides a tax-free redundancy component, with a higher claim limit than under the termination payment.

A genuine redundancy claim may only be made in limited circumstances such as a redundancy, retirement or upon death.

A Termination payment is available in a wider range of circumstances, although with a limit on the initial claim and with income tax applicable on the payment.

As a result of the tax ruling, workers no longer need to select an account type in advance of the severance event.

INCOME PROTECTION INSURANCE

Protect administers a range of income protection policies, tailored for members in the electrical, manufacturing, maritime and fire rescue industries.

The insurance policies are held by the relevant union and are issued by ATC Insurance Solutions.

Protect's role is to register new members and collect insurance premiums from employers which are then passed onto ATC Insurance Solutions. Protect's field officers visit work sites and employers to inform workers and employers of the policy benefits and the claiming process.

ATC Insurance Solutions develops the policy together with the policy holder and Lloyds of London. ATC Insurance Solutions administers the claims process and pays the claims.

COUNSELLING 1300 725 881

Protect's members engage with us when they are experiencing a difficult time, such as loss of work, potential loss of work or an injury or illness affecting their work or livelihood. These circumstances can then trigger relationship issues, drug and alcohol dependency and financial problems. It therefore makes sense for Protect to offer a counselling service to assist workers in difficult times.

Protect counselling is an independently run support program that provides 24/7 access to professionals, at no cost to members. The service is available to Protect employers, workers and their immediate families.

Hunterlink counselling provides independent counselling services to Protect members and their families. Outsourcing this important service ensures trained professionals are available and that any counselling sessions are in no way linked to Protect.

A Hunterlink counselling portal is available on Protect's website or direct contact can be made with counsellors on the free call line 1300 725 881.

FIELD TEAM SUPPORT

Protect has a team of [six field officers](#) who provide support to employers and workers at their workplace.

Our Employer Relations Manager works with employers to assist with the registration process and to help employers and their staff with the monthly online contribution process.

The remaining members of the field team visit workers, employers and unions to provide information about the benefits of Protect's services including severance, insurance and counselling, and the methods of claiming.

At times, the field team will visit workers at home or in hospital at their request, to support them in the claiming process.

Five team members are based in Melbourne and one in Perth. 2020 saw a move to video conferences due to COVID-19 related travel restrictions to service our members around Australia.



MEMBER SERVICES SUPPORT

Our Member Services team are the frontline for employer and worker contact. The team is available on 1300 344 249 and is a starting point for enquiries or arranging a visit from our field team.

Member Services is equipped to assist members with severance claims, changing contact details and checking account balances. Our Smartphone App provides workers with the ability to view balances and edit some contact details themselves.



■ BOARD AND GOVERNANCE

The Protect entities operate under the same Board of Trustees and comprise of:



Two independent Directors,
including an independent Chairman



Two Directors are nominated to represent
the National Electrical and Communications
Association Victorian Chapter (NECA)



Three Directors represent the Electrical Trades
Union in Victoria (ETU)





SUE CARTER
Independent Chairman
(Independent Chairman from 30 September 2019)

Sue joined the board in February 2016 and was Chair of Protect's Audit and Risk Committee, before assuming the role of Chairman of the Board in 2019.

A Chartered Accountant, Sue previously worked with KPMG in the UK and is a past ASIC Regional Commissioner for Victoria and past director of the Professional Indemnity Insurance Company Australia and Treasury Corporation of Victoria.

Sue is also a director of First State Super, ANZ Australian Staff Superannuation Pty Ltd. and the Medical Indemnity Protection Society.

Sue is a past Australian Institute of Company Directors (AICD) Company Directors' Course facilitator in directors' duties, financial reporting, decision-making and Board processes.

She is a Fellow of the AICD (FAICD) and holds a Masters Degree in Organisation Psychology from RMIT and a Graduate Diploma in Applied Finance and Investment.

[View the Chairman's Review](#)



MARK ENGEMAN
Independent Director
(from 30 April 2019)

Appointed to the Protect Board as an Independent Director in April 2019, and Chair of Protect's Audit and Risk Committee on 30 September, 2019.

Mark's experience comes from a range of financial market and technology roles with CRA Limited, State Bank Victoria, Australian Wheat Board and SunGard data systems. He is currently the Deputy Managing Director and Corporation Secretary at Treasury Corporation Victoria.

Holding both a Bachelor of Economics from Monash University and an MBA from Melbourne Business School, Mark is also a member of the Australian Institute of Company Directors (GAICD), the Australian Institute of Superannuation Trustees (GAIST) and a CPA.



MICHAEL ANDERSON
Independent Chairman - retired
(Retired 30 September 2019)

Michael joined the Board in 2010 and became Chairman in 2016. He has extensive experience in finance and investment and has held Chief Executive and Senior Executive positions at National Australia Bank, Victorian Funds Management Corporation and Transport Accident Commission among others.



DANNY FILAZZOLA

Director representing the ETU

Danny was appointed to the Protect Board in October 2017, the same year he was elected President of the Electrical Trade Union Victorian Branch. Previously a shop steward, Training Officer and Organiser, Danny chairs the ETU State Council and serves as a Divisional and National Councillor.

Additionally, Danny is the Joint Chair of Future Energy Skills a not-for-profit industry led organisation serving and working in partnership with Victoria's electro-technology, electricity generation and supply, gas supply and new energy technology sectors.



DEAN MIGHELL

Director representing the ETU

Dean Mighell was an A Grade electrician, ETU Shop Steward and OHS Representative when he became a full-time ETU Organiser in 1988.

Dean was elected State Secretary of the ETU Victorian Branch from 1995 to 2013.

In 2015, Dean established a charity called 'The Path of the Horse' located in Trentham Victoria that provides therapy services to veterans, emergency service workers and those seeking better mental health. He utilises horses as assistants in his therapy model. Dean is a Gestalt Counsellor and is completing qualifications to become a Psychotherapist.



MAURICE GRAHAM

Director representing ETU - retired

(Retired 15 December 2020)

Maurice was appointed to the Protect Board in April 2019.

Maurice previously worked for the ETU Victorian Branch as an Organiser and as President. Maurice has worked in the electrotechnology sector as CEO of 370 degrees, EO of EPIC ITB and Future Energy Skills and has managed a number of national VET projects.



PETER SMITH
 Director representing NECA

Peter has had fifty years' experience in the Building and Construction Specialist Subcontracting Industry in the areas of electrical and fire protection services.

His experience has ranged from construction site to general management roles, he has also had responsibility for a business with sales in excess of \$140 million and 400 staff.



MICHAEL PURNELL
 Director representing NECA

Mike was appointed as a Director of Protect in July 2015. He is an experienced General Manager in the electrical contracting industry, with 13 years as General Manager of Nilsen (VIC) and is also a Life Member of the National Electrical Contractors Association Victorian Chapter.

Mike is an experienced Board Director in commercial and not-for-profit environments as well as experienced General Manager, Regional CFO and Corporate Advisor. He has a finance / accounting background being a CPA and is a member of the Australian Society of Accountants and Institute of Company Directors.

■ COMMITTEES

*Protect's Board operates several sub-committees.
Each operates within a documented charter outlining the committee's composition and role.*

Protect's board operates several sub-committees. Each operates within a documented charter outlining the committee's composition and role.

Committees generally do not have decision making authority, unless a specific delegation is provided by the board.

Recommendations are made by the committee to the board.

The [CEO](#) and the [Company Secretary / Chief Financial Officer](#) attend all meetings. Meetings provide for an 'in-camera' session to allow for directors' discussion without management present.

INVESTMENT AND FINANCE COMMITTEE

All seven members of the board sit on this committee which currently meets monthly. An advisor from Pitcher Partners Investment Services attends most meetings to update the committee on investment performance and recommend changes in investments. Dean Mighell is Chair of this Committee.

INVESTMENT SUB COMMITTEE

Directors Anderson (until September 2019), Carter (from September 2019) Smith and Mighell sit on this committee which deals with urgent investment matters requiring action in between formal board meetings, via correspondence. Decisions of the committee are tabled at the following board meeting.

AUDIT AND RISK COMMITTEE

Four directors, Engeman, Carter, Graham and Smith sit on this committee. This committee meets with Protect's auditors and discusses matters of governance, risk management and policy. The committee meets three to four times per year. Mark Engeman chaired this committee during the year.

HR & REMUNERATION COMMITTEE

Directors Carter, Engeman, Purnell and Filazzola sit on this committee. The committee discusses remuneration of directors, management and staff as well as policies. Sue Carter chaired this committee which meets one or two times per year.

MEETING ATTENDANCE

	MEETINGS ATTENDED / MEETINGS HELD			
	Board	I&F	A&R	HR&R
Anderson	3/3	3/3	0/0	0/0
Carter	13/13	10/10	3/3	1/1
Mighell	13/13	10/10		
Filazzola	12/13	9/10		0/1
Purnell	12/13	9/10		1/1
Smith	12/13	9/10	3/3	
Graham	13/13	10/10	2/3	
Engeman	11/13	8/10	3/3	1/1

CONFLICT MANAGEMENT

Protect has a conflict management policy which was reviewed and confirmed by the board during the year. Following our 2015 and 2018 governance reviews, undertaken by an independent contractor, a small number of recommendations to improve the policy were adopted.

A register of conflicts of interest is tabled at each board meeting and directors sign an annual declaration confirming the register is accurate. Each board and committee meeting agenda has a standing item to allow for directors to declare any actual or potential conflicts.

RISK MANAGEMENT

A risk management policy, framework and register have been developed to ensure appropriate management and board oversight of risk. A risk paper on various topical risks is presented at most board and committee meetings to allow for a detailed report on the matter and ensure that adequate risk mitigation controls and activities in place.



MICHAEL CONNOLLY
Chief Executive Officer

Appointed in April 2017, Michael has extensive experience in the worker entitlements industry, having previously been Company Secretary and Manager Corporate Strategy of ColINVEST Ltd for over a decade.

His experience covers corporate governance, strategy and information technology including leadership of several major projects.

Michael has previously held a management role in the finance team of an international manufacturer and has also worked in the investment industry.

Michael holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors.

[View the CEO's Review](#)



SELENE SHARP
Chief Financial Officer
and Company Secretary

Selene joined Protect in January 2010 when Protect's administration was brought in-house. Selene holds a Bachelor of Business and is a Chartered Accountant. Prior to working at Protect, Selene worked for two of Australia's top accounting firms achieving the level of Client Director.

Selene was appointed Company Secretary on 14 March 2017.



GARY ROBB
Industry Liaison Officer

Gary joined Protect in November 2011 to lead the Field Officer team with the aim of growing the Scheme, specifically targeting the manufacturing division (AMWU).

Previously elected Assistant State Secretary/Metal Secretary of the AMWU Victorian Branch, Gary also served as a Director on the Board of a similar organisation for two years and was an Executive of the Victorian Trades Hall for six years.



GERARD NICOLLE
Business Manager

Gerard joined Protect in June 2017 after being the Operations & IT Manager at a similar organisation for over 12 years. He has experience managing several projects including the successful development and implementation of online contribution and client management software.

Gerard holds a Bachelor of Business (Administration and Marketing).

KEY INDICATORS

MEMBERS FUNDS

The Protect schemes have total assets of \$303.4 million which is adequate to cover member entitlements of \$292.9 million, as well as other operating liabilities.

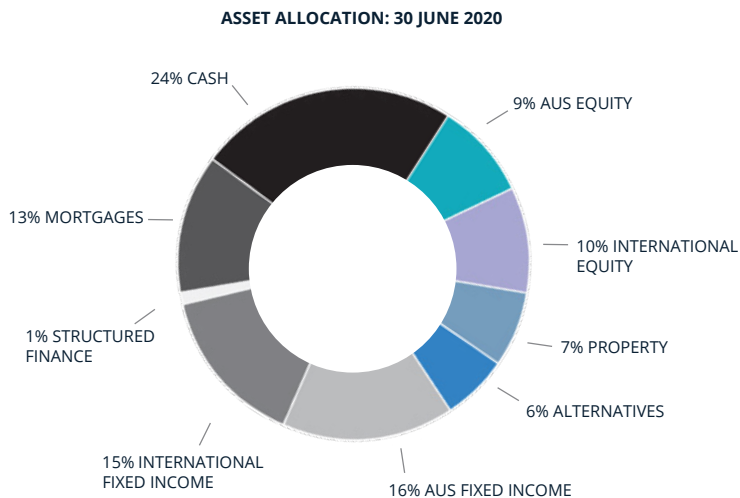
If claims were to continue being paid to members at the current rate of \$45.4 million per year, total assets represent 6.7 years' worth of claims.

In addition, the schemes are able to draw funds from our founders, via a facility agreement, to ensure any shortfall of members funds in the future would be covered.

INVESTMENTS

ASSET ALLOCATION & ASSET CLASS PERFORMANCE

At 30 June 2020, 32% of assets were allocated in 'growth' categories (blue) and 68% in income categories (grey), compared to the Board's targets of 30% and 70% in growth and income assets respectively. This conservative approach aims to provide a stronger protection on members' funds and better protection from the risk of severe downturns in equities markets.

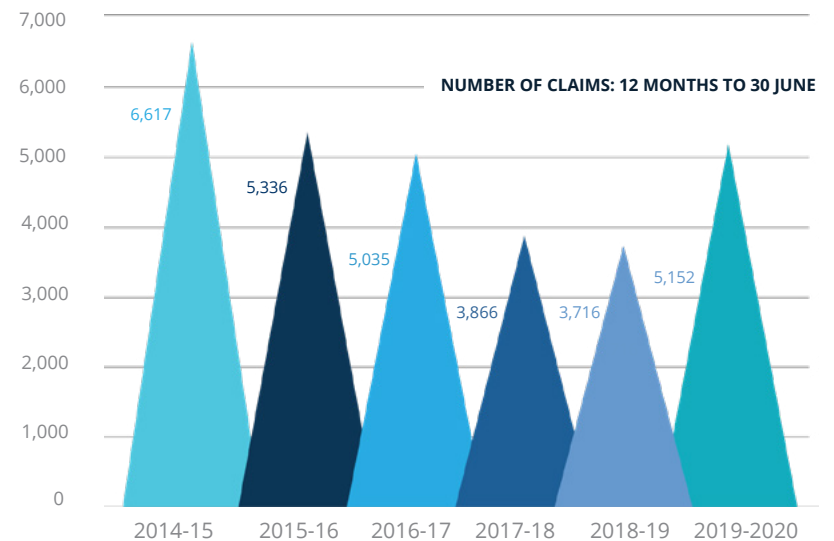


The total value of claims paid out during the year was \$45.4 million

SEVERANCE CLAIMS

The number of claims has increased sharply in 2019-20 due to the pandemic, although the prior year would be considered as a low base. It is significant to note that although claim levels were high compared to last year, it did not reach the levels we saw in 2014-15 and 2015-16.

The total value of claims paid out during the year was \$45.4 million, \$12.3 million higher than the previous year. Although this was a large increase, it is still below the levels paid out in the 2015, 2016 and 2017 financial years.



KEY INDICATORS

↑10.7%

\$65.2M
CONTRIBUTIONS

\$45.4M
CLAIMSPAID

INSTALMENT PAYMENTS

Assisting our cashflow in the interests of all members was the temporary change to pay claims in instalments. Without affecting members' entitlements or tax position, the instalments provided us with the ability to manage 'peaks' in redundancy claims and pay our claims to all members in a smoother and more predictable pattern.

During most of 2020 redundancy payments were made by instalments, five weeks apart. This was to assist in managing our cash flow during what was expected to be a significant peak in redundancy payments. The Board has determined this is no longer necessary and any remaining instalments will be paid out in December 2020 and January 2021. We thank our members for their patience and understanding of this temporary change during this extraordinary year.

CONTRIBUTIONS

Employers contributed \$65.2 million to the severance scheme, up from \$58.9 million the previous year. This reflects a pickup in employment through most of the financial year until February, when COVID-19 began to impact employment from March to June (and beyond).

ONLINE SERVICES

Demand for online services continues to increase with over half of all claims now submitted online.

When looking at 'initial claims', where online claiming is available, nearly three-quarters of workers choose to lodge their claims electronically either via Protect's website or the Smartphone App. While 2019-20 saw only a 1% increase in online claims to 73%, during the last quarter when COVID restrictions limited movement, online claims rose 87% for each of those three months.

ALL CLAIMS	ONLINE	PAPER
2016-17	28%	72%
2017-18	48%	52%
2018-19	52%	48%
2019-20	53%	47%
INITIAL CLAIMS	ONLINE	PAPER
2016-17	40%	60%
2017-18	66%	34%
2018-19	72%	28%
2019-20	73%	27%

Online claims peaked at 87%

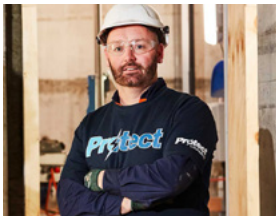


KEY INDICATORS



MEMBER GROWTH

Despite the onset of the pandemic, Protect membership increased during the financial year in three of the four divisions. Only Manufacturing membership fell – by just 20 members.



ELECTRICAL INDUSTRY

Most members have both a severance/redundancy account as well as income protection insurance. The Electrical division is Protect's largest and original sector. The industry movements generally reflect changes in the broader construction industry cycle. In the eight months to February, membership grew by 4.8% before the pandemic impacted and the year finished 1.2% up on the prior year – a far better outcome than what was feared at the start of COVID-19.

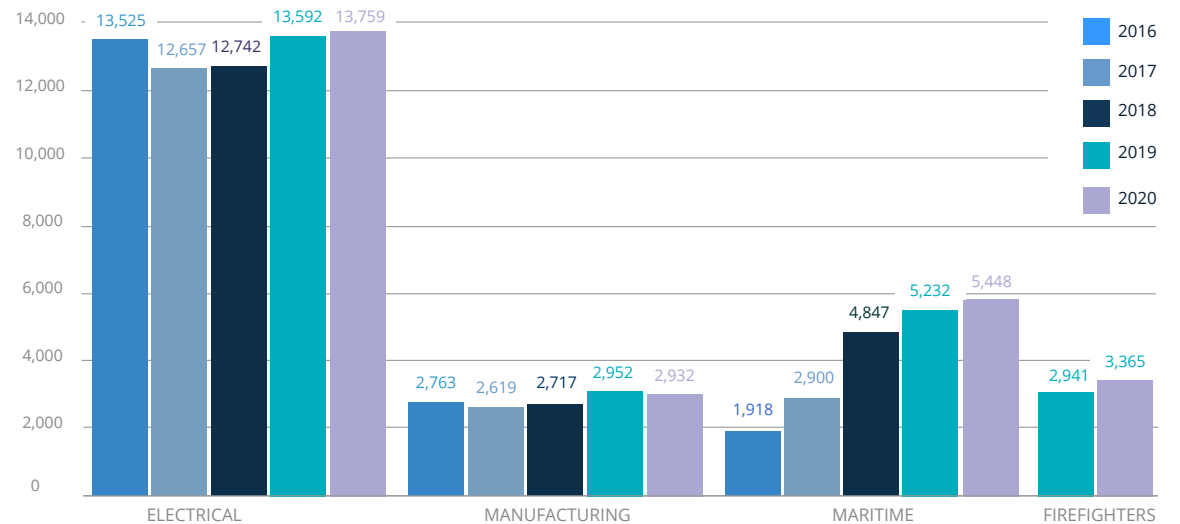


MANUFACTURING INDUSTRY

Membership numbers are relatively flat, with the 2019-20 year seeing a very small decline of -0.7% for the year. Most manufacturing members have a severance/redundancy account.



EMPLOYED WORKERS BY INDUSTRY



MARITIME INDUSTRY

Protect provides income protection insurance for Maritime workers across Australia, which saw 4% growth in numbers over the financial year.

FIRE RESCUE INDUSTRY

Victorian Firefighters joined Protect from late 2018 as Income Protection members. Membership in this division increased a further 14% in the financial year to 3,365 members.

In 2019-20 Protect welcomed members from the civil construction sector as well as furnishing trades.

■ PROTECT IN THE COMMUNITY

Protect is the proud official sponsor of the Victoria Thunder Wheelchair Rugby team and the Victoria Wheelchair Rugby Cup

DISABILITY SPORT AND RECREATION

Disability Sport and Recreation is the health-promoting peak organisation for the disability sport and recreation sector in Victoria.

Their mission is to provide and promote positive health outcomes for Victorians with a disability, through participation in sport and recreation.

Protect is the proud official sponsor of the [Victoria Thunder Wheelchair Rugby team](#) and the [Victoria Wheelchair Rugby Cup](#).

BALLARAT CYCLE CLASSIC

Protect continues to sponsor the Ballarat Cycle Classic, a ride-run-walk event around the Victorian Regional city of Ballarat each February. A Protect team of staff, families and Protect members participates each year. The annual event raises funds for the Fiona Elsey Cancer Research Institute in Ballarat.

Protect sponsors the Alex McCallum Perpetual Trophy, awarded to the team which collectively covers the most distance during the event. The trophy is named after the late Alex McCallum, a former CEO of Protect and a keen cyclist.

CARBON NEUTRAL

In 2016, an internal initiative identified the environment, sustainability, and the community as areas of importance and concern to Protect employees.

The staff quickly established a working group, supported by the CEO and Board, and set about identifying ways Protect could meaningfully improve its standing and increase its involvement in the three areas.

After much investigation, the group identified the National Carbon Offset Standard (NCOS), Carbon Neutral Program, as a program of credibility that would help Protect work toward the desired changes.

The team established Protect's carbon footprint, an arduous task achieved with the assistance of an external auditor. Additionally, the team discovered a community based, sustainability focused, Timor-Leste carbon offset initiative, 'WithOneSeed'.

The Department for the Environment has confirmed that Protect achieved Carbon Neutral Organisation certification for three consecutive years, with the process underway for a fourth year of certification under the revamped Climate Active program.

A significant achievements over the first three years was reaching the 30% reduction target on Protect's carbon emissions, avoiding emission of around 47 tonnes per year of CO2.



FINANCIAL SUMMARY

The financial summary provides the consolidated financial results of two severance funds: *The Protect Severance Scheme* and the *Protect Severance Scheme No 2*, collectively referred to as the *Protect Group*.

Members may request a full set of accounts of both entities by contacting the Company Secretary via info@protect.net.au

The Protect Group has \$303.4 million in assets, with \$300.1 million in total liabilities, including \$292.9 million in 'Members Funds' – being the amounts owing to all workers in the event of severance or redundancy.

The Statement of Profit and Loss shows a profit figure of \$2.77 million. The major source of income is investment revenue, which was significantly down as investment markets suffered globally due to the pandemic. In addition, Protect's Board of Trustees aimed for a more conservative investment approach, as well as retaining high levels of cash in preparation for rising redundancies. This impacted the return on funds.

The Trust Deeds of the entities allow for the Trustee to distribute surplus income to the funds' sponsors. The surplus income is the amount in excess of the amount needed to fund severance payments to workers. The Trust distributions are comparable to companies paying dividends to their shareholders. The distribution decisions will only be made to the extent that workers' funds are not eroded. In other words, the remaining assets are at least 100% of the liabilities.

The Protect fund generated surpluses, which accumulated in excess of the amounts needed to fund workers' entitlements and cover the costs of administering the funds. The Trust had a surplus of assets over the liabilities owing to workers. The Trustees declared trust distributions which were distributed within the Protect Group from PSS to PSS2. No distributions were made from the Funds during the year to the ETU Victoria, NECA Victoria and AMWU Victoria as detailed in Note 3**

A separate entity, Protect Services Pty Ltd, which provides administrative services to the funds, declared a distribution of surplus of \$0.678 million to the ETU and \$0.226 million to NECA.

ETU DISTRESS, HARDSHIP, WELFARE AND TRAINING FUND

When trust distributions are declared, Protect's trust distribution payments to the ETU Victoria are directed into the ETU's special purpose trust, the 'distress, hardship, welfare and training fund' – which operates under a trust deed which prevents it from expenditure on political or industrial matters. Instead, we understand the fund is utilised to provide benefits such as ambulance cover, funeral benefits, domestic violence and autism support and training. This support mechanism is in place for tens of thousands of workers and their families. This is an excellent example of funds being used to reinvest in the electrical industry by providing genuine services.

NECA VICTORIAN EDUCATION FUND

To our knowledge, NECA directs its distributions from Protect into a Victorian Education Fund. That fund is governed by an investment charter and policy and an investment committee. We understand that Fund also acts as security for the facility agreement in place. We are advised that NECA Victoria has expenditure criteria for that fund. The funds, we understand, are directed to investing in training for the industry and NECA members for training colleges, training courses in business management, development of training facilities and development of technical training in new technologies.

FINANCIAL SUMMARY

Protect Group Consolidated Statement of Profit & Loss For the year ended 30 June 2020

	2020	2019
Revenue and other income		
Investment revenue	10,383,907	16,314,531
Other income	2,681,136	1,230,873
	13,065,043	17,545,403
Operating expenses		
Administration fees	4,881,683	4,583,492
Advertising & promotion	610,073	528,648
Depreciation and amortisation	98,489	85,936
Technology expenses	330,315	314,915
Directors fees	483,934	464,030
Interest paid	213,529	-
Investment advisor fees	423,759	402,730
Other expenses	543,309	818,999
	7,585,091	7,198,751
Operating profit for the year before tax	5,479,952	10,346,652
Tax expense	523,330	-
Transfers to reserves	2,179,720	
Profit for the year after tax	2,776,902	10,346,652

FINANCIAL SUMMARY

Protect Group Consolidated Statement of Financial Position For the year ended 30 June 2020

	2020	2019
Current assets		
Cash and cash equivalents	77,738,439	69,467,170
Receivables	5,549,099	11,203,980
Investments	<i>NOTE 1</i> 212,440,910	203,749,825
Current tax assets	941,548	-
Other assets	6,248,899	8,976,270
Total current assets	302,918,895	293,397,245
Non-current assets		
Intangible assets	463,564	209,447
Total non-current assets	463,564	209,447
Total assets	303,382,459	293,606,692

	2020	2019
Current liabilities		
Trade & other payables	5,721,650	9,291,810
Tax liabilities	<i>NOTE 2</i> 1,464,878	-
Beneficiary entitlements	<i>NOTE 3</i> -	7,637,740
Members funds	<i>NOTE 4</i> 292,894,206	274,331,562
Total current liabilities	300,080,734	291,261,112
Total liabilities	300,080,734	291,261,112
Net assets	3,301,725	2,345,580
Trust Funds		
Settled sum	11	11
Reserves	2,179,720	-
Accumulated surplus	1,121,994	2,345,569
Total trust funds	3,301,725	2,345,580

FINANCIAL SUMMARY

Protect Group Notes to Financial Statements For the year ended 30 June 2020

NOTE 1 - INVESTMENTS

	2020	2019
Shares in listed corporations	52,971,246	53,456,377
Managed funds	80,711,810	67,156,438
Unlisted property trusts	22,843,797	9,066,650
Other investments	51,914,087	46,868,346
Structured finance	4,000,000	27,202,014
Total investments	212,440,940	203,749,825

NOTE 2 - TAX LIABILITIES

	2020	2019
Provision for tax payable	1,464,878	-
Total investments	1,464,878	-

Income tax is payable at trustee tax rates of 47%

NOTE 3 - BENEFICIARY ENTITLEMENTS

	2020	2019
<i>Distributions owing to beneficiaries at year end</i>		
ETU Victorian Branch	-	3,965,444
NECA Victorian Chapter	-	1,321,816
AMWU Victoria	-	1,350,481
Total beneficiary entitlements	-	6,637,741

NOTE 4 - MEMBERS FUNDS

	2020	2019
Electrical Division	244,208,772	227,995,089
Manufacturing (Metals) Division	47,598,453	45,497,628
Maritime Division	1,040,063	838,846
Civil Division	46,918	-
Total members funds	292,894,206	274,331,563

FINANCIAL SUMMARY

NOTE 5 - DIRECTORS FEES

	2020	2019
<i>Total meetings for the financial year</i>		
ETU Victoria (2 Directors)	118,144	107,926
NECA Victoria (2 Directors)	118,144	107,926
Dean Mighell (ETU representative & Finance Committee Chair)	67,937	62,058
Michael Anderson (Independent Chair) <i>retired</i>	26,882	99,254
Susan Carter (Independent Chair)	87,110	62,058
Mark Engeman (Independent & Audit Chair)	65,716	13,490
Total Directors fees	483,934	452,712

(Directors are also paid fees from a related entity, Protect Services)

NOTE 6 - OTHER RELATED PARTY TRANSACTIONS

	2020	2019
Administration fees paid to Protect Services Pty Ltd	4,881,683	4,486,189
Industry sponsorship fees paid to NECA Victoria	60,500	71,500
Industry sponsorship fees paid to ETU Victoria	132,000	132,000
Industry sponsorship fees paid to AMWU	173,250	173,250
Distributions paid out to ETU Victorian Branch	3,965,444	11,207,453
Distributions paid out to NECA Victorian Chapter	1,321,816	4,437,610
Distributions paid out to AMWU	1,350,481	3,120,031



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