

A full-page background image showing four male workers standing on a high-rise rooftop steel framework. They are wearing dark blue t-shirts with the 'Protect' logo, black shorts, and white hard hats. The worker on the far right has visible tattoos on his legs. They are all smiling at the camera. In the background, a dense urban skyline is visible under a clear blue sky, with a large, modern building featuring a flat roof and many windows prominently on the right.

Protect

ANNUAL REPORT
2018/19

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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SUE CARTER
PROTECT CHAIRMAN



CHAIRMAN'S REVIEW

It is with pleasure that I present Protect's annual report for 2018-19 in my first year as Chairman. I thank the Protect directors for my appointment to the role from 30 September 2019, having joined the Board in February 2016. I look forward to continued service to our 41,000 severance and income protection members across Australia.

Firstly, I would like to thank outgoing Chairman, [Michael Anderson](#), on behalf of the Board and all members. Michael retired in September 2019, having been Chairman since 2016 and a director since 2010. Michael brought significant investment industry expertise to the board and his contribution will be missed.

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 the Registered Organisations Commission (ROC), as the regulator.

At the time of writing the Bill has been passed by the House of Representatives and is sitting in the Senate, following a Senate Committee Inquiry in September 2019. The Inquiry accepted submissions from 37 parties and conducted hearings with 26 parties, and despite many constructive suggestions for common-sense amendments, the Committee recommended that the Senate pass the Bill unamended.

Protect already operates with high standards of governance and has undertaken two independent reviews of its governance practices in 2015 and 2018. The 2018 review found that many of the requirements of the Bill are already in place, including independent directors, strong and extensive policies including a risk framework and auditing of accounts, to name a few.

The Proper Use of Worker Benefits Bill was reintroduced to Parliament to regulate redundancy funds

While Protect supports strong governance standards, the Board and management's concerns about the Bill relate to two significant matters. First, the Bill in its current form imposes significantly more onerous governance standards surrounding the operation of the scheme than standards applied elsewhere in the corporate sector. Second, in many clauses of the Bill, extensive power is provided to the Federal Minister to impose "Rules" on topics as broad and vague as governance and investment, without a transparent process outlining how such rules may be passed. This provides a very uncertain environment, which we strongly object to.

Schemes will need to be compliant 12 months from the time the legislation is passed, which will likely be in the 2021 financial year.

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 \$292.6 million in total assets, which is sufficient to cover all liabilities of \$290.3 million – the major component of which is member's entitlements of \$274.3 million.

Under the current trust deeds, the trustees may distribute surplus earnings to the funds' sponsors. For the 2018-19 year, the trustees resolved to distribute a surplus after considering coverage of members entitlements, as described above. Distributions were declared of \$3.97 million for the [ETU Victoria](#), \$1.69 million for [NECA Victoria](#) and \$1.35 million for the [AMWU](#). The ETU and NECA use the proceeds for training and welfare initiatives for the benefit of the broader



SUE CARTER
PROTECT CHAIRMAN



industry. The proposed legislation will remove the ability for distributions to the scheme's sponsors and will put at risk these industry programs provided by these associations.

Protect operates a relatively conservative investment portfolio, with 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

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



BOARD AND MANAGEMENT

In addition to the retirement of Michael Anderson, [Rod Dalglish](#) also retired during the financial year. The Board thanks Rod for his contribution as a director appointed by the ETU since 2015; Rod was replaced by [Maurice Graham](#) who commenced in February 2019 and whose profile is outlined later in this report.

[Mark Engeman](#) joined the Board in April as an Independent Director. Mark sat on the Board well in advance of the retirement of Michael Anderson to ensure a strong handover - resulting in an 'extra' independent director on the board for several months. Mark's profile is outlined later in this report.

Thank you to the CEO, [Michael Connolly](#), management and staff of Protect. The many achievements of all concerned are outlined throughout this report, particularly in registering over 3,000 Victorian firefighters as income protection members and conducting close to 100 visits to fire stations throughout the State.

“

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



MICHAEL CONNOLLY
PROTECT CEO



CEO REVIEW OF OPERATIONS

2018/19 was another year of expansion for Protect

We welcomed Victorian Firefighters as income protection insurance members. At the year's end, we had registered 2,956 firefighters and have since reached 3,000. This was a result of a strong, cooperative effort between our staff, [ATC Insurance Solutions](#), the [United Firefighters Union](#) and the employers: the [Metropolitan Fire Brigade](#) and the [Country Fire Authority](#).

The number of workers with severance benefits also increased by 5.6%. This is significant as the previous two years saw a decline of 4.5% in 2016/17 and a modest growth of 0.6% in 2017/18. This indicates employment growth in the Electrical industry, particularly in Melbourne where major infrastructure projects are underway.

Consistent with this is the low level of severance claims to 3,716 workers, down from 3,866 last year and from a high of 6,617 in 2014/15. When people are in work, there are fewer claims for severance benefits.

SMARTPHONE APP & ONLINE SERVICES

Where workers are making severance claims, there is increasing usage of online services – claiming via [our website](#) or via the [smartphone App](#).

Online claiming is available for 'initial' claims and 72% of workers now choose to claim either through the website or the app. This is an increase from 66% last year. Online claiming was introduced in 2016/17 so to achieve this level in such a short time is an excellent result and reflects the trend in all industries to transact online.

SENATE COMMITTEE SUBMISSION AND HEARING

Protect provided a [written submission](#) to and appeared before a Senate Committee inquiry into the proposed Proper Use of Worker Benefits Bill. Earlier in this report, the Chairman [commented](#) on the status of the Bill and our views.

“The increase in numbers of workers with severance benefits can be attributed to growth in the Electrical industry



MICHAEL CONNOLLY
PROTECT CEO



In terms of relevance to our membership, procedures for employer contributions, member entitlements and claims would be unchanged. The gist of the Bill relates to governance matters – dealing with record-keeping, disclosure and communication with members.

The Bill would formalise governance standards that we already have in place, such as independent directors (we have two), preparation of annual accounts, auditing of accounts and annual statements to members (we produce two per year). Disclosure of financial statements will be required by the end of October each year. New members would be provided with a copy of the constitution (trust deed) which is already [on our website](#). When the trust deed is amended, members are to be advised.

The Bill is of concern in creating the unusual requirement for individual directors to approve each transaction relating to training and welfare expenses and further requiring the disclosure of all directors' votes approving those transactions.

DIRECTORS, STAFFING AND SERVICE PROVIDERS

All achievements outlined in this report are a result of the work of our team of 21 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.

I will close by thanking the outgoing Chairman, Michael Anderson, for his contribution to the industries we service and for his strong and well considered leadership. I wish him well in his well-deserved retirement. We look forward to another chapter in Protect's story with our new Chairman, Sue Carter.



RELAUNCH OF WEBSITE

In January 2020 we launched a re-designed [website](#), in a new, more contemporary and responsive style. We have taken notice of the needs of our members in different industries and with different needs such as severance, income protection insurance or counselling. The new design aims to aid members to more quickly find the information required as well as establishing a better platform in readiness to provide disclosures required under the likely new legislation.

■ 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.

MEMBER PROFILES & MEMBER SERVICES

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

DIVISIONS

Protect's origins are in the electrical trades industry, which still forms the majority of our membership base. We experienced member growth in all industries this year as well as the introduction of income protection insurance for Victorian firefighters.

The movement in member numbers in the electrical industry reflects the industry cycle. We saw a modest increase in membership in 2017-18, followed by stronger growth in 2018-19, which along with other indicators, suggests a growth in industry employment, particularly in Protect's home state of Victoria.

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 and now firefighters.

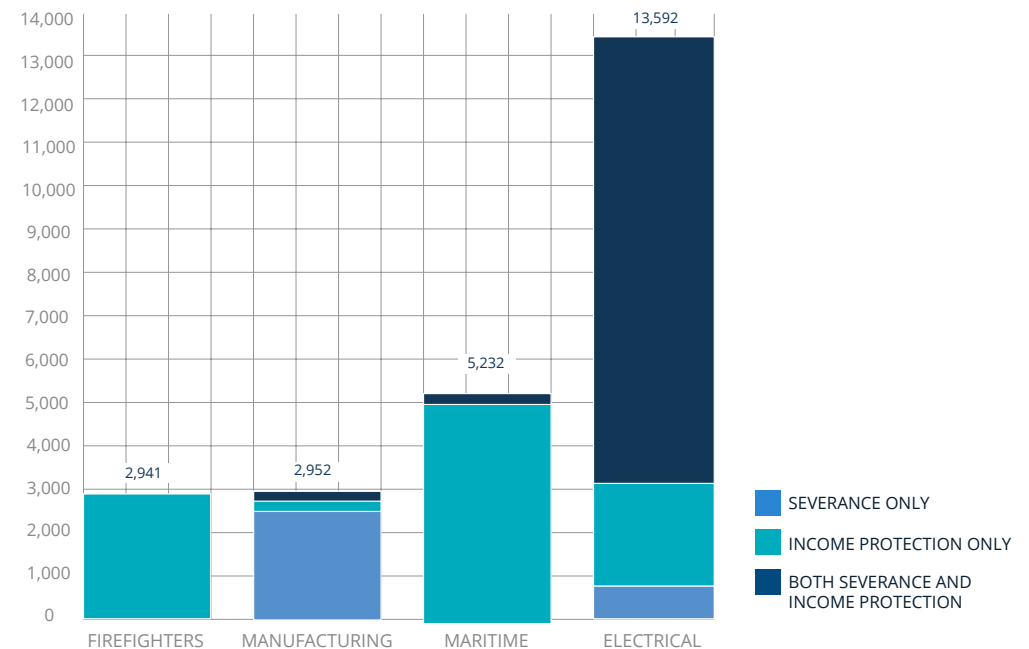
- ▶ In the **electrical** division, most workers are part of the redundancy and severance scheme and also receive income protection insurance.
- ▶ Most **manufacturing** workers are members of the redundancy and severance scheme.
- ▶ Most **maritime** workers and **firefighters** are members via income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

↑21%

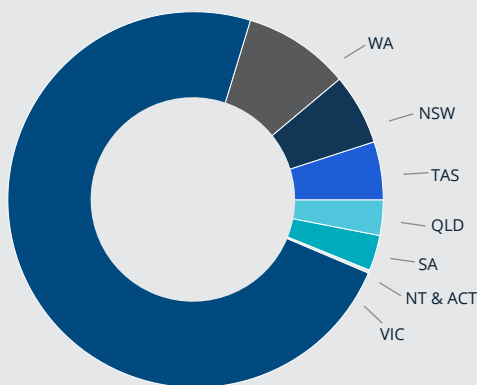
24,717
EMPLOYED WORKERS

40,375
OPEN ACCOUNTS

MEMBERS BY ACCOUNT TYPE BY INDUSTRY



This chart shows membership for each division and represents workers actively employed, totalling 24,717 workers, up 21.7% from 20,306 in the previous year. Growth excluding firefighters was 7.2%. In addition, there are a further 15,658 members on our records with an open account but not currently working with a Protect-contributing employer.



EMPLOYED WORKERS BY STATE: 2019

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 December 17, the 'election' was removed, 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.

INCOME PROTECTION INSURANCE

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

In 2017-18, [Hunterlink](#) counselling joined the Protect team, to provide counselling services. 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 and processing 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, with regular travel to all States and Territories.



MEMBER SERVICES SUPPORT

Our Member Services team are the frontline for employer and worker contact. Our team is available on 1300 444 249 and is a starting point for enquiries or arranging a visit from our field team.

The team is equipped to assist members with severance claims, changing contact details and checking account balances. With the introduction of our Smartphone App in September 2017, workers have had 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](#))





MICHAEL ANDERSON

Independent Chairman

(until 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.

Michael retired from the Board on 30 September 2019.



SUE CARTER

Independent Director

(Independent Chairman from 30 September 2019)

Sue joined the Board in February 2016 and in October 2019 took over as Board Chair.

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 Director's Course facilitator in directors' duties, financial reporting, decision-making and Board processes.

A Fellow of the AICD (FAICD), Sue 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 (AICD), the Australian Institute of Superannuation Trustees (AIST) and a CPA.



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

The Training and Development Manager of the Electrical Trade Union Victorian Branch, Maurice was appointed to the Protect Board in April 2019.

Previously ETU Vic Organiser and President, Maurice also worked in the electrotechnology sector as CEO of 370 degrees for over 13 years. Executive Officer of EPIC ITB / Future Energy Skills, Maurice has managed several national VET projects including E-Oz Energy Skills, developing an electrical trade integrated competency-based training model.



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.



ROD DALGLISH
Director representing the ETU

*(Rod retired from the Board in March 2019
and was replaced by ETU Representative Maurice Graham)*

Rod was the General Manager Business Services for the Electrical Trade Union and was appointed to the Board of Protect in 2015 and retired in March 2019.

■ 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, Carter, Anderson, Dalglish (until March 2019) Engeman (replacing Dalglish) 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. Sue Carter chaired this committee during the year.

HR & REMUNERATION COMMITTEE

Directors Carter, Anderson, Engeman, Purnell and Filazzola sit on this committee. The committee discusses remuneration of directors, management and staff as well as policies. Michael Anderson 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	11/11	7/7	3/3	1/1
Carter	9/11	5/7	3/3	1/1
Mighell	9/11	6/7		
Dalglish	7/7	4/4	1/1	
Filazzola	10/11	7/7		1/1
Purnell	11/11	7/7		1/1
Smith	9/11	5/7	2/3	
Graham	4/4	3/3	2/2	
Engeman	3/3	2/2	1/1	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 CoINVEST 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.



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 \$292.6 million which is adequate to cover member entitlements of \$274.3 million, as well as other operating liabilities.

If claims were to continue being paid to members at the current rate of \$33.1 million per year, total assets represent over 8 years' worth of claims.

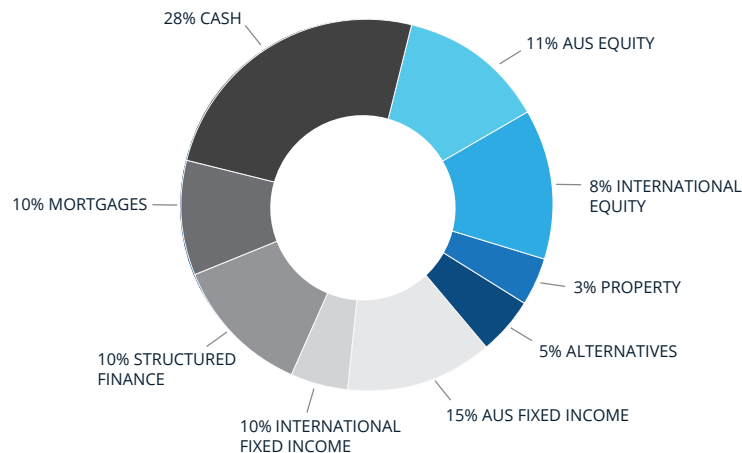
In addition, the schemes are able to draw funds from our sponsors, via a facility agreement, to ensure any shortfall of members funds in the future would be covered.

INVESTMENTS

ASSET ALLOCATION & ASSET CLASS PERFORMANCE

At 30 June 2019, 28% of assets were allocated in 'growth' categories (blue) and 72% 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.

ASSET ALLOCATION: 30 JUNE 2019

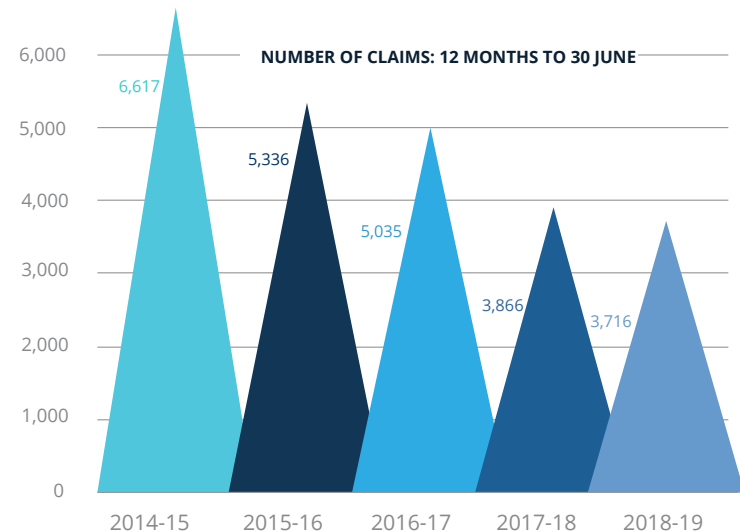


At the current rate of \$33.1 million claims paid per year, Protect's total assets represent over 8 years' worth of claims

SEVERANCE CLAIMS

The number of claims has fallen moderately by 4%. Lower claim levels reflect stronger employment.

The total value of claims paid out during the year was \$33.1 million, \$5 million lower than the previous year.



KEY INDICATORS

↑ 36%

\$58.9M
CONTRIBUTIONS

\$33.1M
CLAIMS PAID

CONTRIBUTIONS

Employers contributed \$58.9 million to the severance scheme, up from \$43.1 million the previous year. This reflects a pickup in employment, resulting in higher Protect membership.

The value of contributions (\$58.9 million) exceeded the value of claims paid (\$33.1 million). This is yet another indicator of improving employment as contributions are held until a future severance or redundancy. During a downturn year, such as 2014-15, claims paid out were \$8 million higher than contributions received.

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 new Smartphone App.

ALL CLAIMS	ONLINE	PAPER
2016-17	28%	72%
2017-18	48%	52%
2018-19	52%	48%

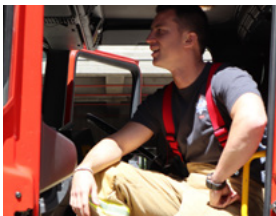
INITIAL CLAIMS	ONLINE	PAPER
2016-17	40%	60%
2017-18	66%	34%
2018-19	72%	28%

Contribution increase reflects a pickup in employment and higher Protect membership



KEY INDICATORS

MEMBER GROWTH



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. After some moderate membership declines in recent years, membership numbers have increased, mainly driven by the commencement of major infrastructure projects in Victoria.

MANUFACTURING INDUSTRY

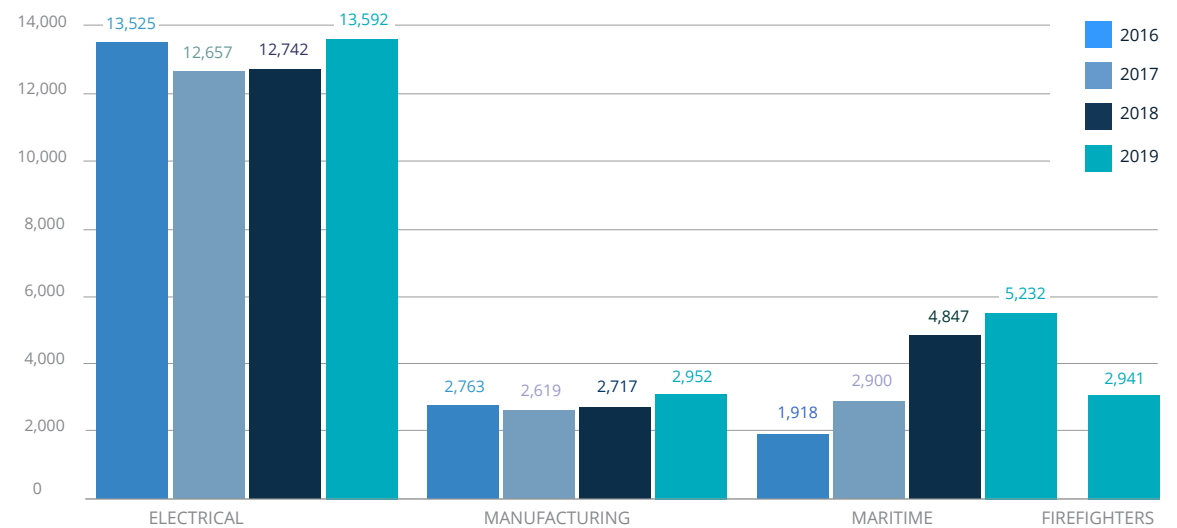
Membership numbers are relatively flat. Most members have a severance / redundancy account.

MARITIME INDUSTRY

Income protection insurance for Maritime workers across Australia was a major source of increase in member numbers. The number of members covered by Protect is now 2 ½ times that of 2015-16.

FIRE RESCUE INDUSTRY

Victorian Firefighters joined Protect from late 2018 and early 2019, as Income Protection members.



EMPLOYED WORKERS BY INDUSTRY

■ 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 began when a group of Protect employees identified the environment, sustainability and the community as areas of importance and concern to them.

The employees involved quickly established a working group and, with the support of the CEO and Board, 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.

Over the following 12 months 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](#)'.

In December 2019, the Department of the Environment confirmed that Protect has achieved, for the third year in a row, the Carbon Neutral Organisation certification.

One of our significant achievements over the last three years was to reach the 30% reduction target on Protect's carbon emissions.

Over the last three years Protect has avoided the emission of 142 tonnes of CO2



FINANCIAL SUMMARY

*The Statement of Profit and Loss shows a profit of \$10.3 million
The major source of income is investment revenue*

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 request to the Company Secretary via admin@protect.net.au

The Protect Group has \$292.6 million in assets, with \$290.2 million in total liabilities, including \$274.3 million in 'Members Funds' – being the amounts owing to all workers in the event of severance or redundancy.

The Trust Deeds of the entities allow for the Trustee to distribute surpluses to the funds' sponsors. The Trust distributions are comparable to companies paying dividends to their shareholders. 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.

Due to strong investment performance, 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. As a result, the Trustees declared trust distributions of \$7.0 million during the year to the [ETU Victoria](#), [NECA Victoria](#) and [AMWU Victoria](#) as detailed in Note 2. Trust distributions have not impacted the ability of the fund to pay worker entitlements or other liabilities.

Unions and employer associations are best equipped to re-invest in the industry through training and welfare programs, something Protect is not resourced to do. A distribution is a valid method we have available to re-invest in industry, albeit indirectly. The trustees do not impose a condition on the distribution such as how the proceeds are used. Use of the proceeds is a matter for the recipients.

ETU DISTRESS, HARDSHIP, WELFARE AND TRAINING FUND

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. 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

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. The funds are directed to investing in training for the industry and NECA members. We are informed that recent examples of expenditure include establishment of training colleges, development of training courses in business management, development of training facilities and development of technical training in new technologies, participation in the development of industry standards such as AS3000, roadshows to support and educate industry participants in those standards (varying between 2,000 and 3,500 participants per annum), development of wellness courses, OH&S training and systems recognising the need for safe sites and the many legislative requirements.

FINANCIAL SUMMARY

Protect Group Consolidated Statement of Profit & Loss For the year ended 30 June 2019

	2019	2018
Revenue and other income		
Investment revenue	16,986,130	14,741,250
Other income	559,273	11,519,564
	17,545,403	26,260,814
Operating expenses		
Administration fees	(4,486,189)	(4,227,901)
Advertising & promotion	(528,648)	(678,581)
Depreciation and amortisation	(85,936)	(93,492)
Technology expenses	(360,756)	(280,154)
Directors fees	(452,712)	(450,205)
Interest paid	(259,467)	(9,508)
Investment advisor fees	(402,731)	(397,529)
Other expenses	(622,312)	(671,865)
	(7,198,751)	(6,809,235)
Operating profit for the year before tax	10,346,652	19,451,579
Tax expense	-	-
Profit for the year after tax	10,346,652	19,451,579

FINANCIAL SUMMARY

Protect Group Consolidated Statement of Financial Position For the year ended 30 June 2019

	2019	2018
Current assets		
Cash and cash equivalents	69,467,170	76,442,045
Receivables	11,203,980	5,717,811
Investments <i>NOTE 1</i>	203,749,825	182,649,005
Current tax assets	-	11,596
Other assets	7,976,270	5,777,582
Total current assets	292,397,245	270,598,039
Non-current assets		
Intangible assets	209,447	271,744
Total non-current assets	209,447	271,744
Total assets	292,606,692	270,869,783

	2019	2018
Current liabilities		
Trade & other payables	8,631,417	4,454,860
Provision for doubtful debts	660,393	-
Beneficiary entitlements <i>NOTE 2</i>	6,637,740	18,392,815
Members funds <i>NOTE 3</i>	274,331,562	246,464,285
Total current liabilities	290,261,112	269,311,960
Total liabilities	290,261,112	269,311,960
Net assets	2,345,580	1,557,823
Trust Funds		
Settled sum	11	11
Accumulated surplus	2,345,569	1,557,812
Total trust funds	2,345,580	1,557,823

FINANCIAL SUMMARY

Protect Group Notes to Financial Statements For the year ended 30 June 2019

NOTE 1 - INVESTMENTS

	2019	2018
Shares in listed corporations	53,456,377	57,230,571
Managed funds	67,156,438	50,225,208
Unlisted property trusts	9,066,650	9,066,650
Other investments	46,868,346	34,597,526
Structured finance	27,202,014	31,529,050
Total investments	203,749,825	182,649,005

NOTE 2 - BENEFICIARY ENTITLEMENTS

	2019	2018
ETU Victorian Branch		
Opening Balance	11,207,453	11,841,555
Distribution for the year	3,965,444	31,524,324
Amounts Paid	(11,207,453)	(32,158,426)
	3,965,444	11,207,453
NECA Victorian Chapter		
Opening Balance	4,065,331	3,947,185
Distributions for the year	1,694,095	10,506,270
Amounts Paid	(4,437,610)	(10,388,124)
	1,321,816	4,065,331
AMWU Victoria		
Opening Balance	3,120,031	615,801
Distributions for the year	1,350,481	3,121,935
Amounts Paid	(3,120,031)	(617,705)
	1,350,481	3,120,031
Total beneficiary entitlements	6,637,741	18,392,815

FINANCIAL SUMMARY

NOTE 3 - MEMBERS FUNDS

	2019	2018
Electrical Division	227,995,089	207,290,856
Manufacturing (Metals) Division	45,497,628	38,637,137
Maritime Division	838,846	536,289
Total members funds	274,331,563	246,464,282

NOTE 4 - DIRECTORS FEES

	2019	2018
ETU Victoria (2 Directors)	107,926	107,926
NECA Victoria (2 Directors)	107,926	107,926
Dean Mighell (ETU representative & Finance Committee Chair)	62,058	62,058
Michael Anderson (Independent Chair)	99,254	99,254
Susan Carter (Independent & Audit Chair)	62,058	62,058
Mark Engeman (Independent - appointed 8 April 2019)	13,490	-
Total Directors fees	452,712	439,222

(directors are also paid fees from a related entity, Protect Services Pty Ltd)

NOTE 5 - OTHER RELATED PARTY TRANSACTIONS

	2019	2018
Administration fees paid to Protect Services Pty Ltd	4,486,189	4,227,901
Industry sponsorship fees paid to NECA Victoria	71,500	55,000
Industry sponsorship fees paid to ETU Victoria	132,000	100,000
Industry sponsorship fees paid to AMWU	173,250	165,000



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Protect