



Protect ANNUAL REPORT 2020/21

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.

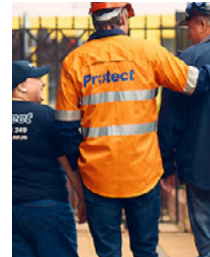
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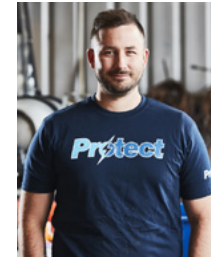
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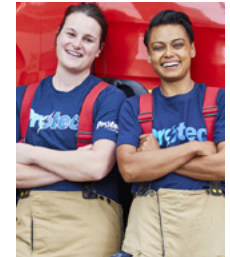
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SUE CARTER
PROTECT CHAIRMAN



CHAIRMAN'S REVIEW

I am pleased to present the Chairman's report for 2020-21 to all of our members in a growing number of industries, being the electrical, manufacturing, maritime, civil construction, furnishings and fire rescue industries. The past financial year featured lengthy periods in lockdown, especially in our home State of Victoria which impacted industry as well as our employees.

The most pleasing outcome of our lockdown experience of 2020 and 2021 was our ability to continue to service our membership base while working from home. The conservative approach to investment also saw the fund remain robust during the downturn while benefiting from the economic recovery with a 9.4% return for the financial year.

Maintaining our service levels throughout the year was a credit to all staff in difficult and uncertain times, with many months of the financial year spent working from home. Claims were paid for redundancy and hardship (stand-downs), contributions were collected from employers and phone calls and emails were all responded to from home. Thank you to CEO Michael Connolly and his team for an outstanding effort in difficult circumstances.

COVID-19 IMPACT AND RESPONSE

While we saw the onset of the pandemic in the previous financial year, the implications continued into this financial year, as did the initiatives we introduced.

As reported last year, we introduced instalment payments for severance/ redundancy claims. 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.

A conservative approach to investment saw the fund remain robust during the COVID downturn

Another change we introduced in 2020 and refined in 2021, was a hardship payment for workers who 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. In 2020 the ATO granted approval for two payments of \$2000 each, five weeks apart to workers who had been stood down without pay. This was a temporary arrangement initially due to expire in December 2020.

Due to the ongoing pandemic we worked with the ATO to extend this arrangement, first to September 2021 then again to June 2022. The ATO continue to emphasise that the arrangement is temporary. After the end of the financial year, Australia saw another sharp rise in COVID-cases, this time from the Delta strain, which among other things, saw the shut down of the Victorian construction industry. This prompted us to work again with the ATO and with the support of the ETU, we successfully extended the hardship payment program to allow for three payments instead of two and reduce the time between payments from five weeks to two.

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 \$340.3 million in total assets, which is sufficient to cover all liabilities of \$320.7 million – the major component of which is member's entitlements of \$307.5 million. The Board's objective is to maintain a 5% buffer above the value of members' entitlements to protect against unexpected movements in investment markets.



SUE CARTER

PROTECT CHAIRMAN



The Board has maintained very high levels of cash and holds a majority of funds in easily accessible (liquid) assets, which provides comfort in our ability to deal with the potential for rising redundancy claims through the various peaks triggered by lockdowns.

Under the current trust deeds, the trustees may distribute surplus earnings to the funds' sponsors. For the 2020-21 year, the trustees resolved to distribute a surplus after considering coverage of members entitlements, as described above. Distributions were declared of \$2.15 million for ETU Victoria, \$0.71 million for NECA Victoria and \$0.52 million for the AMWU. The ETU and NECA use the proceeds for training and welfare initiatives for the benefit of the broader industry.

Protect operates a relatively conservative investment portfolio, with 70% of assets allocated to more conservative asset classes such as cash and fixed interest. This ensures funds remain accessible to pay workers' severance claims each year.

FACILITY AGREEMENTS

The Board has in place agreements 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 2021.

BOARD CHANGES

During the financial year, we saw one change on the Board. Maurice Graham retired in December 2020. We thank Maurice for his insight and contribution to Protect since April 2019.

Maurice was replaced by Graeme Watson who comes to us with extensive industry experience of 50+ years as well as his involvement on many Committees and Boards.

The Board and its various sub-Committees continued to meet monthly during the pandemic, with meetings successfully held via video for most of the financial year and beyond.



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The Board's objective is to maintain a 5% buffer above the value of members' entitlements

MICHAEL CONNOLLY
PROTECT CEO



CEO REVIEW OF OPERATIONS

Looking at the financial year it was another tale of two halves

Many commentators described 2020 as a year like no other. 2021 turned out to be a year just like the last one.

Looking at the financial year it was another tale of two halves. From July to December 2020, employment in the Victorian Electrical industry saw a steady decline in each month. From January through to June 2021 employment steadily increased each month – which has continued into the latter half of 2021.

Our main concern during difficult times is ensuring there are funds available to pay severance and redundancy claims when they are needed most. Despite the fears we all experienced in 2020, the construction industry continued to operate, sometimes with restrictions. An operating industry combined with the Government's Jobkeeper allowance, meant employment remained well above expectations and there was never any noticeable 'spike' which strained the fund. Employment fell 7% from its peak in February 2020 but it is recovering throughout 2021.

Like other office-based businesses, we were dealt with a range of restrictions which required staff to work from home and then return in limited numbers or on rosters. It has been well publicized that Melbourne has had six lockdowns, which has meant frequent changes to working arrangements, sometimes every few weeks. I have great admiration for the staff at Protect who have adapted to these changes while managing to provide seamless customer service to our members.

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Employment fell 7% from its peak in February 2020 but it is recovering throughout 2021

As I write in late 2021, we are navigating yet another plan to return to work in the office in a COVID-Safe way.

OFFICE RELOCATION

We have relocated our office to Level 7, 380 Docklands Drive, Docklands after 20+ years in North Melbourne. While in many ways the move was made more difficult due to Melbourne's lockdowns, any disruption was minimized by the fact that staff were already working from home.

In terms of member service, the Protect staff, mostly from home:

- answered over 11,400 phone calls, (last year 14,500)
- paid over 4,100 redundancy and severance claims (last year 5,100),
- dealt with 12,700 emails

The Board and its Sub Committees met on 11 occasions, of which seven took place via video during COVID restrictions.

As referred to in the Chairman's report, we introduced hardship payments in early 2020, as an option for workers who had been stood down due to COVID restrictions. 587 such payments have been made since inception, with a further peak occurring after the financial year when the Victorian construction industry was shut down.

After the 2019-20 year saw relatively high (but not record levels of) severance and redundancy claims at 5,152, this year saw a reduction back to 4,038 – about the same as 2017 -2018.

MICHAEL CONNOLLY
PROTECT CEO



INCOME PROTECTION INSURANCE

We administer income protection insurance on behalf of various unions. We continue to assist members to understand the policy and the process for lodging a claim.

COUNSELLING, ALCOHOL AND DRUG AWARENESS

Protect's long standing relationship with Hunterlink continues as 'Protect Counselling'. This is a free, confidential service available to members and their families.

This year, we added a new complimentary service with Alcohol and Drug Awareness Australia (ADA). Protect members have access to online educational videos as well as a 'friendly ear' telephone support line.

SMARTPHONE APP & ONLINE SERVICES

The pandemic and the temporary closure of offices has forced the growth of online services. The use of our Smartphone App continues to grow and provides workers with the convenience of lodging a claim from their phone.

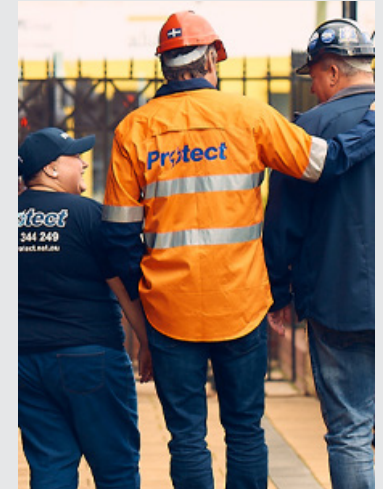
2021 was the first year we have provided workers with their six-monthly statement online instead of by mail. Likewise, our newsletter *The Buzz* is emailed to members and available on our [website](#).

DIRECTORS, STAFFING AND SERVICE PROVIDERS

As I have mentioned, Protect's staff have worked outstandingly well throughout the year to maintain our service levels and to continue to support our members, even while working from home.

I am grateful for the support and understanding of the Board who remained concerned both for our members and our staff.

We continue to 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.



■ 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 and other services which support the wellbeing of members, and
- ▶ 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



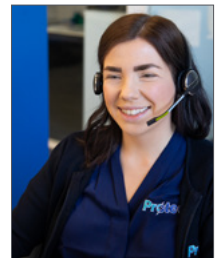
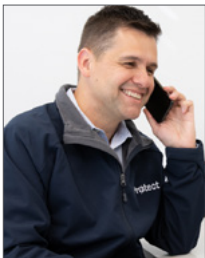
WE ARE ETHICAL

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.

2021 AND COVID-19

The COVID-19 continued to affect operations and the industries which we support in 2020-21, with further impact seen after the end of the financial year with construction industry lockdowns.

EMPLOYMENT

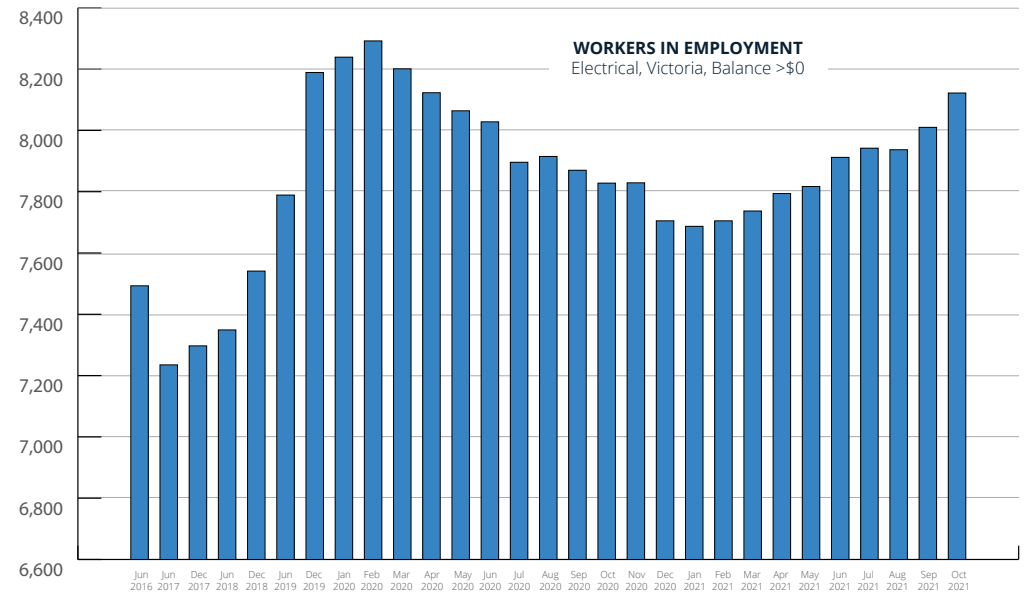
Most of Protect's employment data comes from the Victorian Electrical industry. While not ignoring the other industries we support, the information on the Electrical industry provides an insight into the impact of COVID on a major industry.

In the chart below we saw Victorian employment peak prior to the pandemic in February 2020. Then, through the rest of the 2020 calendar year, employment slowly declined to its low point in January 2021, a decline of 7.3% from the peak. Through this time, the Victorian construction industry was mostly able to continue operating, although with periods when numbers of workers on site were restricted.

Such a decline of over 7%, although not ideal, was far better than what was feared by most at the start of the pandemic. However, workers working reduced hours due to the pandemic are not reflected in the graph

Workers were able to stay employed with assistance provided by (i) construction mostly remaining open (ii) the Federal Government's Jobkeeper scheme (iii) early access to superannuation savings and (iv) early access to redundancy accounts through Protect's hardship payments for stand downs.

From February 2021 through to October 2021, each month's employment level was higher than the last, other than August when restrictions again tightened. From the low point in January 2021 to the high point in October 2021, employment recovered by 5.7% and is trending towards pre-pandemic levels.



2021 AND COVID-19

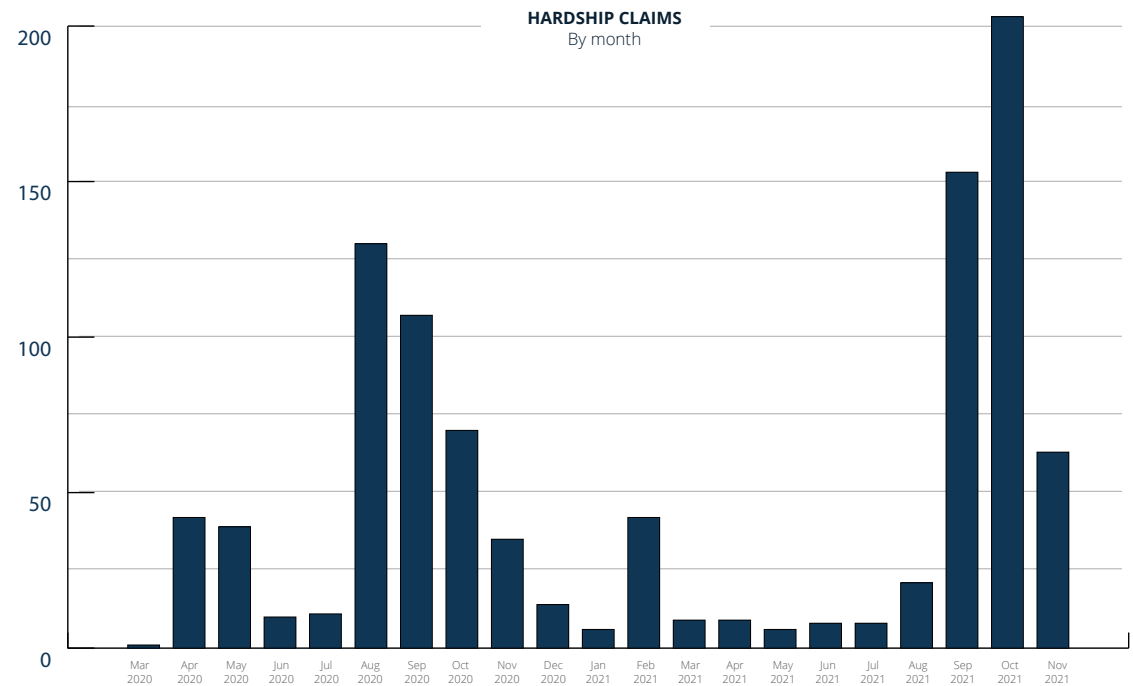
HARDSHIP PAYMENTS

Hardship claims were introduced in March 2020 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.

The graph shows the patterns of payments which coincide with the extent of restrictions/lockdowns in Victoria.

Through most of the 2020-21 financial year, the amount of claims was light, reflecting the continuation of construction work. In September 2021, after the end of the financial year in question, the construction industry faced a complete shutdown for a period of weeks. At this point, hardship claims spiked to unprecedented levels. To further support the industry at this critical time, Protect worked with the Australian Taxation Office and Electrical Trades Union to extend the arrangements for payments – allowing for an additional third payment of \$2,000 and reducing the time between payments from five weeks to two.

While it is unfortunate that circumstances necessitated the stand downs of many workers late in 2021, it is pleasing to see that Protect's hardship payments were of benefit to hundreds of workers.



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.

Overall membership in Protect grew by 2.4% to 26,181 employed members. This is a positive outcome during a pandemic and reinforces the demand for a severance fund and income protection during the most difficult times.

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.

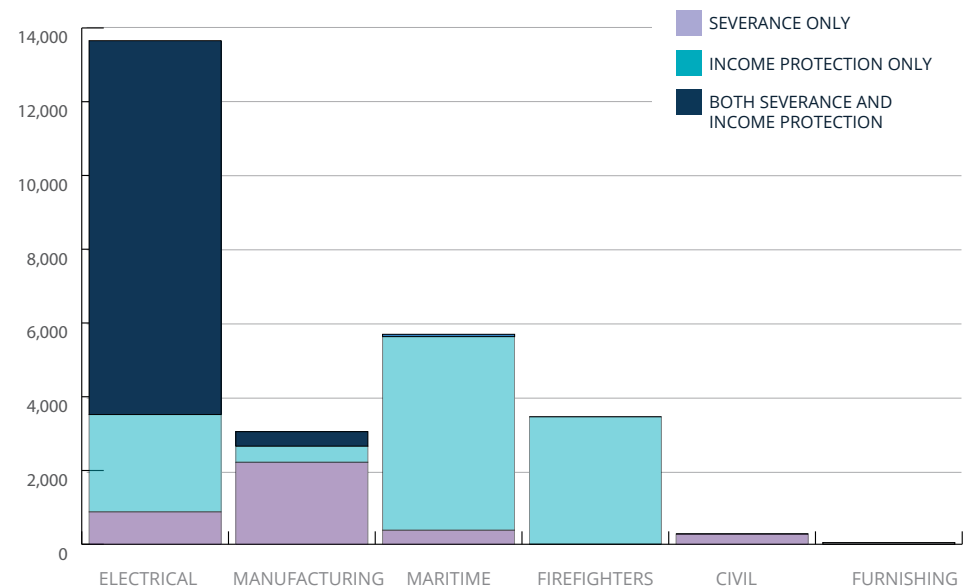
↑ 24%

26,181
EMPLOYED WORKERS

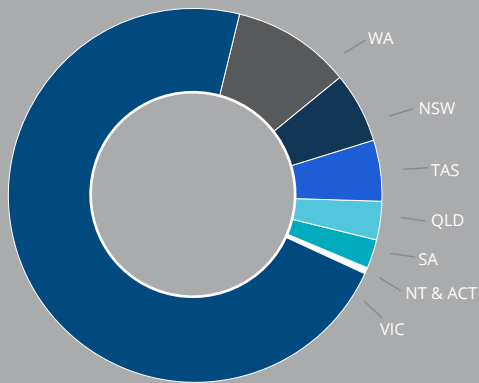
41,619
OPEN ACCOUNTS

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. In addition to the 26,181 employed members, there are a further 15,438 members on our records with an open account but not currently working with a Protect-contributing employer.



EMPLOYED WORKERS BY STATE: JUNE 2021

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 enabled 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.

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 and maritime 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 AND ALCOHOL AND DRUG AWARENESS SUPPORT

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.

New for Protect Members in 2021 is access to video and support services through Alcohol and Drug Awareness Australia (ADA). This free service allows members to access a range of videos providing education and awareness about alcohol and drug addiction. The service is conducted by people with 'lived' experience in these areas. The videos allow for members (and their family members) to become more educated about addiction but with the privacy and convenience of watching a video presentation. Also on offer for members is access to ADA's friendly ear support service – a confidential phone line where you can speak with a counsellor with real-life experience.



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. 2020-21 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 Director, Independent Chairman

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 at ANZ Funds Management in senior finance roles. She is a past ASIC Regional Commissioner for Victoria and past director of several companies including the Professional Indemnity Insurance Company Australia, Aware Super, ANZ Australian Staff Superannuation and Treasury Corporation of Victoria.

Sue is currently a director of the Medical Indemnity Protection Society and Odyssey House Victoria. 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

Appointed to the Protect Board as an Independent Director in April 2019, Mark Engeman's background is in financial markets. As of October 2019, Mark is Chair of Protect's Audit and Risk Committee.

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.



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.



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. Danny sits on the ETU FARR (The Finance, Audit, Risk and remuneration) Committee and is a Director and Principal Officer of the Centre for U.

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. He also sits on several State Government Committees.



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 September 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. Dean is a qualified Psychotherapist (PACFA Registered) and works with horses as assistants in his therapy model.



GRAEME WATSON

Director representing the ETU

Appointed to the Protect Board in February 2021, Graeme has over 50 years industry experience in Australian and International electricity sectors and competency-based training standards. Graeme is a qualified company Director.

As a Lineworker delegate Graeme was elected as a ETU Vic State Organiser and Councillor in 1978. He was Managing Director of the union owned training and development business from 1999 then re-elected onto State Council in early 2000's, State Executive in 2010 then Treasurer in 2012. Graeme is a member of the ETU Vic Finance & Risk Committee and a Director for the Centre for U.



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 a NECA Councillor and a Life Member of the NECA Victorian Branch.

As a Director, Mike currently serves on several Boards in the commercial and not-for-profit environment. He is an experienced Director, General Manager, Regional Chief Financial Officer, and Corporate Advisor. Much of that experience was as a General Manager in the electrical contracting industry with Nilsen (Vic) for 13 years. He has a finance/accounting background being a CPA and is a member of the Australian Society of Accountants and Australian 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 Carter, 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
Carter	11/11	10/10	03/04	01/01
Mighell	10/11	10/10		
Filazzola	10/11	10/10	01/01	01/01
Purnell	08/11	7/10		01/01
Smith	11/11	10/10	04/04	
Graham	06/06	07/10	01/01	
Engeman	11/11	10/10	04/04	01/01
Watson	05/05	04/04	02/02	

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 \$340.3 million which is adequate to cover member entitlements of \$307.5 million, as well as other operating liabilities.

If claims were to continue being paid to members at the current rate of \$49.3 million per year, total assets represent 6.2 years' worth of claims.

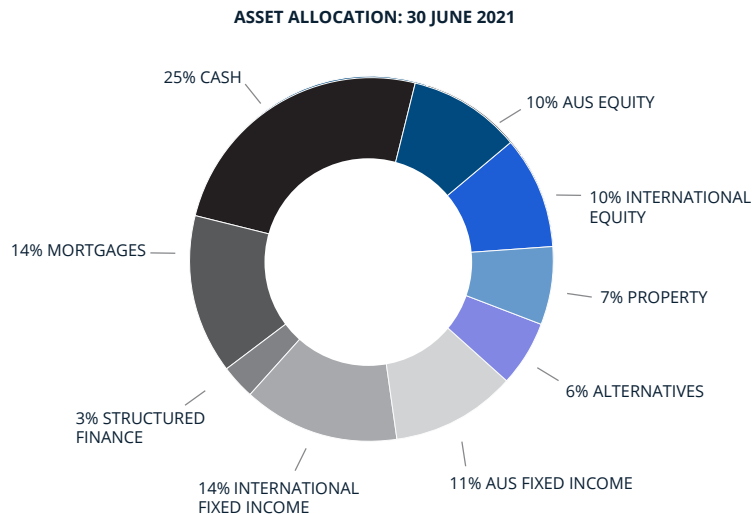
In addition, the schemes are able to draw funds from our founders, via a facility agreement, to ensure any shortfall of members funds in the future would be covered.

INVESTMENTS

ASSET ALLOCATION & ASSET CLASS PERFORMANCE

At 30 June 2021, 33% of assets were allocated in 'growth' categories (blue) and 67% 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. To provide further protection through diversification, funds are invested across in multiple investments in each category.

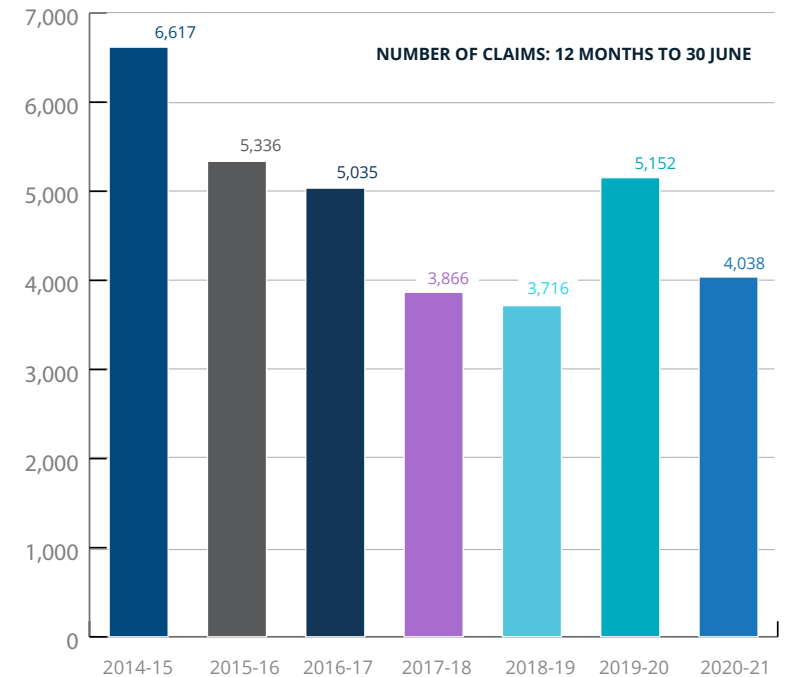
For the past two financial years, the Board has maintained a very high proportion in cash, as well as other 'liquid' assets in order to mitigate the risk of a significant call on funds triggered by the pandemic. Such a call did not eventuate to anywhere near the extent we had planned for and the Board is now aiming to reduce cash holdings back to the target level of 15% by investing in the other asset categories.



SEVERANCE CLAIMS

The number of severance and redundancy claims has returned to a more normal range in 2020-21, similar to what we saw in 2017-18 and 2018-19. The main impact of the pandemic was felt in 2019-20, although that peak did not reach the levels of redundancies we saw between 2014-15 and 2015-16.

The total value of claims paid out during the year was \$49.3 million, \$3.9 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

\$60.4M
CONTRIBUTIONS

\$49.3M
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 the first half of the financial year, 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. This arrangement was regularly reviewed against the trend in claims and as a result the Board determined this was no longer necessary and instalment payments ceased in December 2020. We thank our members for their patience and understanding of this temporary change during this extraordinary year.

CONTRIBUTIONS

Employers contributed \$60.4 million to the severance scheme, down from \$65.2 million the previous year. This reflects the slight decline in the number of employed workers but also indicates that workers had for a time, been stood down.

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. The pandemic, which restricted face to face contact, resulted in significant increase in reliance on online lodgement of workers' severance and redundancy claims. For Initial claims, where online services are available, online lodgement of claims increased from 73% to 88% over the course of the year.

ALL CLAIMS	ONLINE	PAPER
2016-17	28%	72%
2017-18	48%	52%
2018-19	52%	48%
2019-20	53%	47%
2020-21	67%	33%

INITIAL CLAIMS	ONLINE	PAPER
2016-17	40%	60%
2017-18	66%	34%
2018-19	72%	28%
2019-20	73%	27%
2020-21	88%	12%



KEY INDICATORS

MEMBER GROWTH



Despite the onset of the pandemic, the number of Protect members increased during the financial year – up by 2.4%. Our largest division, Electrical, fell by just 0.8% or 104 members which is a reasonable outcome in the pandemic.

Members in the Manufacturing and Maritime Divisions both increased by over 4%, the number of Firefighters increased again, this year by 2.7% while we welcomed over 300 members from Civil Construction (AWU) and CFMEU Furnishing trades.



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 and this year is another example. While the number of members fell by 104 over the year, this was made up of a membership fall of 591 in the first seven months of the financial year, followed by an increase of 487 the last five months as the economy recovered.



MANUFACTURING INDUSTRY

Membership increased by 121 from last year after being relatively stagnant in recent years. Most members have a severance/redundancy account.

MARITIME INDUSTRY

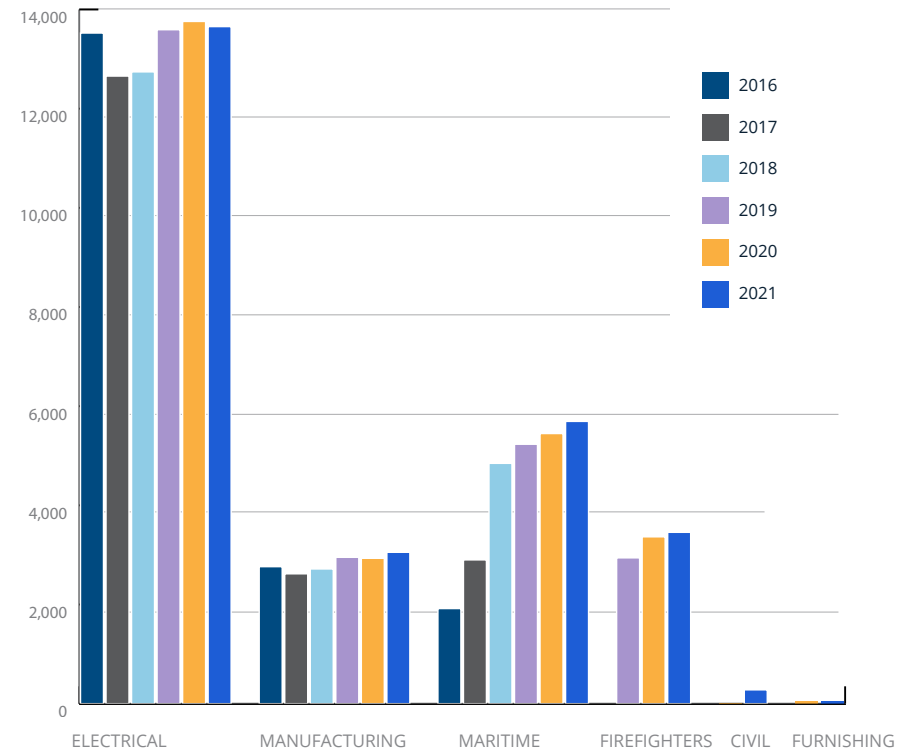
Protect mainly provides income protection insurance for Maritime workers across Australia, which saw 4.5% growth in numbers over the financial year, including growth severance account numbers.

FIRE RESCUE INDUSTRY

Victorian Firefighters joined Protect from late 2018 as Income Protection members and have continued to grow since. Membership in this division increased a further 2.7% in the financial year to 3,456 members.

In 2019-20 Protect welcomed members from the civil construction sector as well as furnishing trades with membership across these two now at over 300 workers

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. It was extremely pleasing to see several of the Victorian players represent Australia's "Steelers" wheelchair rugby team at the Tokyo Paralympics.

BALLARAT CYCLE CLASSIC

Protect continues to sponsor the Ballarat Cycle Classic, a ride-run-walk event each February. 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 to them.

A working group was established with the support of the CEO and Board, which identified the Climate Active Carbon Neutral Standard (Formerly the National Carbon Offset Standard), Carbon Neutral Program, as a program of credibility that would help Protect work toward desired changes in the three areas. Climate Active is a partnership between the Australian Government and Australian businesses encouraging voluntary climate action.

Over 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 2021, Climate Active confirmed that Protect has achieved, for the fifth year in a row, the Climate Active Organisation certification. Over that time we have made a 50% reduction on Protect's carbon emissions, avoiding the emission of 370 tonnes of CO2.

FUTURE ENERGY SKILLS

Protect sponsors Future Energy Skills, a not-for-profit organisation who provide training, assessment and consultation services which ensure electricians enter the trade safely and with a high standard of skills.

Through this sponsorship, an annual award is provided to the student who has overcome significant barriers in attaining their qualification.



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 \$340.3 million in assets, with \$320.7 million in total liabilities, including \$307.5 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 \$19.7 million. The major source of income is investment revenue, which was a result of significant recovery of investment markets after the first year of the pandemic. Protect's Board of Trustees has a conservative investment approach, as well as retaining high levels of cash in anticipation of rising redundancies.

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 to 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 \$0.112 million to ETU Victoria and \$0.039 million to NECA Victoria.

ETU DISTRESS, HARDSHIP, WELFARE AND TRAINING FUND

When trust distributions are declared, Protect's trust distribution payments to 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. 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 2000 and 3,500 participants per annum), development of wellness courses, OH&S training and systems recognizing 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 2021

	2021	2020
Revenue and other income		
Investment revenue	32,365,363	9,893,008
Other income	546,845	2,721,054
	32,912,208	12,614,062
Operating expenses		
Administration fees	4,338,371	4,529,604
Advertising & promotion	608,114	610,073
Depreciation and amortisation	111,868	98,489
Technology expenses	305,933	375,431
Directors fees	465,670	483,934
Interest paid	107,266	213,529
Investment advisor fees	437,271	423,759
Other expenses	1,073,391	850,271
	7,447,884	7,585,090
Operating profit for the year before tax	25,464,324	5,028,972
Tax expense	5,747,595	523,330
Transfers to reserves	-	2,179,720
Profit for the year after tax	19,716,729	2,325,922

FINANCIAL SUMMARY

Protect Group Consolidated Statement of Financial Position For the year ended 30 June 2021

	2021	2020
Current assets		
Cash and cash equivalents	77,515,900	77,738,539
Receivables	13,204,930	8,444,522
Investments <i>NOTE 1</i>	244,340,778	212,440,910
Current tax assets	-	941,551
Other assets	4,686,229	3,234,659
Total current assets	339,747,837	302,800,181
Non-current assets		
Intangible assets	547,910	463,564
Total non-current assets	547,910	463,564
Total assets	340,295,747	303,263,745

	2021	2020
Current liabilities		
Trade & other payables	5,056,032	5,603,581
Tax liabilities <i>NOTE 2</i>	4,686,835	1,464,878
Beneficiary entitlements <i>NOTE 3</i>	3,394,504	-
Members funds <i>NOTE 4</i>	307,529,226	292,893,563
Total current liabilities	320,666,597	299,962,022
Total liabilities	320,666,597	299,962,022
Net assets	19,629,150	3,301,723
Trust Funds		
Settled sum	11	11
Reserves	2,179,720	2,179,720
Accumulated surplus	17,449,419	1,121,992
Total trust funds	19,629,150	3,301,723

FINANCIAL SUMMARY

Protect Group Notes to Financial Statements For the year ended 30 June 2021

NOTE 1 - INVESTMENTS	2021	2020
Shares in listed corporations	66,486,993	52,971,246
Managed funds	87,498,673	80,711,810
Unlisted property trusts	30,971,810	22,843,767
Other investments	34,446,607	51,914,087
Mortgages	16,736,695	-
Structured finance	8,200,000	4,000,000
Total investments	244,340,778	212,440,910

NOTE 2 - TAX LIABILITIES	2021	2020
Provision for tax payable	322,295	1,464,878
Provision for deferred tax	4,364,540	-
Total investments	4,686,835	1,464,878

Income tax is payable at trustee tax rates of 47%

NOTE 3 - BENEFICIARY ENTITLEMENTS	2021	2020*
<i>Distributions owing to beneficiaries at year end</i>		
ETU Victorian Branch	2,151,751	-
NECA Victorian Chapter	717,250	-
AMWU Victoria	525,503	-
Total beneficiary entitlements	3,394,504	-

* No distribution was made at 30 June 2020

NOTE 4 - MEMBERS FUNDS	2021	2020
Electrical Division	250,297,871	244,208,129
Manufacturing (Metals) Division	49,286,004	47,598,453
Maritime Division	5,368,814	1,040,063
Civil Division	2,576,536	46,918
Total members funds	307,529,226	292,893,563

FINANCIAL SUMMARY

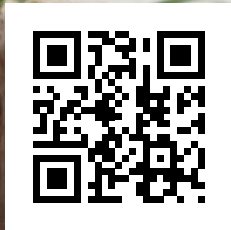
NOTE 5 - DIRECTORS FEES

	2021	2020
<i>Total meetings for the financial year</i>		
ETU Victoria (2 Directors)	118,144	118,144
NECA Victoria (2 Directors)	118,144	118,144
Dean Mighell (ETU representative & Finance Committee Chair)	67,937	67,937
Michael Anderson (Independent Chair) <i>retired</i>	-	26,882
Susan Carter (Independent Chair)	93,508	87,110
Mark Engeman (Independent & Audit Chair)	67,937	65,716
Total Directors fees	465,670	483,934

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

NOTE 6 - OTHER RELATED PARTY TRANSACTIONS

	2021	2020
Administration fees paid to Protect Services Pty Ltd	4,338,371	4,529,604
Industry sponsorship fees paid to NECA Victoria	69,000	60,500
Industry sponsorship fees paid to ETU Victoria	165,000	132,000
Industry sponsorship fees paid to AMWU	199,286	173,250
Distributions paid out to ETU Victorian Branch	-	3,965,444
Distributions paid out to NECA Victorian Chapter	-	1,321,816
Distributions paid out to AMWU	-	1,350,481



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