



Modern Slavery Statement 2022



We look after our own.



Modern Slavery Statement 2022

This statement, pursuant to the *Australian Modern Slavery Act 2018* (Cth), sets out the actions taken by Defence Health Ltd ('Defence Health', 'we') to address modern slavery and human trafficking risks in our business and supply chain for the financial year ending 30 June 2022.

Defence Health is a private health fund headquartered in Melbourne, Victoria. Its core purpose is to protect the health of those who protect our country. It provides private health insurance to 305,437 members who are covered by 144,724 policies as at 30 June 2022.

Defence Health continues its commitment to addressing the real and growing problem of modern slavery and trafficking. We recognise it can affect any industry and we take seriously our responsibility to be alert to the risks in our business and in our wider supply chain. We expect our people, partners and suppliers to share our commitment to ensuring modern slavery does not exist in these areas.

This Statement was approved by the Defence Health Board of Directors December 2022.



Mr Alan Beckett BEd FCA GAICD
Chairman of the Board

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Introduction

Defence Health has a strong commitment to social responsibility.

Our company code of conduct provides clear guidance to staff on expected standards of behaviour. All employees are responsible for knowing and following the ethical, legal, and policy requirements that apply to their jobs and for reporting any suspected breaches of law or our code.

Our executives and managers are accountable for creating and promoting a workplace environment in which compliance and ethical business conduct are expected and encouraged.

This includes addressing modern slavery risks and ensuring that our internal business units work together to embed our initiatives and support the processes.

In recognition of the complexity of this global issue, we continue to build the capacity of our people on modern slavery risk management, including seeking external advice for guidance on our approach and improving our modern slavery risk management framework.

Organisational structure

Defence Health Limited is a company limited by guarantee, incorporated, and operating in Australia. The 'members' of the company include the Chief of Army, Chief of Air Force and the Board of Directors (Board).

Defence Health is also registered under the Private Health Insurance (Prudential Supervision) Act 2015 as a restricted health insurer with no shareholders or borrowings.

The Board has ultimate accountability for the operation of the business. The following Board Committees assist the Board:

- ▶ Audit Committee to oversee the audit function and the financial condition of the company;
- ▶ Risk Committee to oversee the risk management and internal control frameworks of the company;
- ▶ Investment Committee to manage the company's investment portfolio; and
- ▶ Nomination and Remuneration Committee to oversee Board and executive appointments and remuneration.



Operations and supply chain

Defence Health has contractual relationships with over 500 private hospitals in Australia.

Operations

We are a not-for-profit, restricted access private health insurer, established in 1953 with the purpose of providing hospital and extras cover to the families of Australian Defence Force members and the wider Defence community.

We also provide support to existing policy holders of life insurance underwritten by Asteron and Clear View Life Solutions.

While we no longer accept applications for life insurance policies, we do provide a new life policy if the review of an existing policy requires.

Defence Health offers travel insurance, underwritten by Allianz Australia Insurance Limited.

We have relatively simple supply chains and tend not to be a major client for most of our Tier 1 and Tier 2 suppliers.

A thematic review of our direct supply chain also indicates a relatively low risk of modern slavery due to the nature of goods and services procured, the location of suppliers' operations and the industry they operate within.

Defence Health has contractual relationships with over 500 private hospitals in Australia. The hospitals provide services to our insured members and we pay benefits on behalf of insured members to the hospitals. These agreements are negotiated on our behalf, and 26 other health funds, by the Australian Health Services Alliance.

Our employees

- ▶ At 30 June 2022, DHL's workforce was comprised of 261 full-time staff; 41 part time; 9 casual employees and 9 directors
- ▶ All our operations and employees are based in Australia and New Zealand and are subject to those applicable workplace laws
- ▶ Our employees are engaged either by contract or under award agreements. We rarely, if ever, use unskilled, temporary, or seasonal labour
- ▶ We occasionally use outsourcing and short-term contracts, which from time to time includes workers on temporary working holiday visas
- ▶ We engage professional services firms that use skilled foreign workers
- ▶ We do not use recruitment strategies that target specific individuals and groups from marginalised or disadvantaged communities, other than diversity and inclusion initiatives
- ▶ We do not use any child labour
- ▶ Our operations only occasionally involve indirect engagement with children, and we do not facilitate any type of activity which may cause children to be at risk of exploitation.

Supply chains

Our supply chains are geographically diverse, with suppliers located within Australia, and globally.

Our total annual spend in goods and services is approximately \$52.6 million¹ spent across approximately 280 direct active suppliers.

The type of goods and services that most of our suppliers provide include:

- ▶ Application and systems software
- ▶ Banking and financial services
- ▶ Health care equipment and services
- ▶ Insurance
- ▶ Information technology and IT consulting
- ▶ Managed health care
- ▶ Life, travel and health insurance
- ▶ Marketing services and merchandise
- ▶ Multi-line insurance
- ▶ Research and consulting services
- ▶ Technology hardware, storage and peripherals
- ▶ Telecommunications.

¹ Includes major capital expenditure project.

Modern Slavery Risks

Sector/industry risks

As a financial services entity we consider the risk of modern slavery within our business to be very low in accordance with the Global Industry Classification Standard (GICS) risk rating. The private health insurance industry has not been identified as a high-risk industry based on publicly available information.

However, as a private health insurer, Defence Health does make significant benefits payments on behalf of its members to hospitals and healthcare providers. These providers operate in the following associated sub-sectors that have a medium to very high risk of modern slavery:

- ▶ Health care equipment and services
- ▶ Health care supplies
- ▶ Health care providers and services
- ▶ Health care distributors
- ▶ Health care facilities
- ▶ Managed health care

Product/service risks

The provision of health insurance and other financial services products is inherently low risk. That said, the procurement of products and services presents some modern slavery risk in our supply chain, particularly where our suppliers do not have a high degree of visibility over their own supply chains and associated risks. Some key product risks relate to the IT equipment procured to facilitate our operations such as laptops, computers, and mobile phones manufactured overseas, although this represents a small portion of our overall procurement spend.

Geographic risks

Defence Health does not have any overseas operations. As a country, Australia is considered very low risk for modern slavery in the GISC ratings.

The principal vulnerable worker classes in Australia relate to foreign workers, agricultural labourers, construction, domestic workers, cleaning, hospitality, and food service¹. Other than some foreign workers on temporary visa and contracted cleaning services, Defence Health does not employ these types of workers.

From time to time, Defence Health hires temporary visa holders to fulfil customer service roles. These workers are engaged under the same employment and pay conditions as their permanent Australian counterparts. We are confident that any risk of modern slavery in this regard is appropriately mitigated with strong worker protections and entitlements.

Specific entity risks

All Defence Health staff are employed in Australia and New Zealand and we comply with national and state-based employment, health, and safety laws. Our staff work in office-based/remote roles in Melbourne with about a dozen staff working remotely in community-based roles across Australia. Our employee protections are strong and include clear grievance policies and procedures; an anonymous independently-managed whistle-blower hotline; and our customer service staff are employed under an Employee Bargaining Agreement approved by the Fair Work Commission on a triennial basis.

As a result, we assess modern slavery risk within our direct operations as very low.



1 <https://www.globallslaveryindex.org/2018/findings/country-studies/australia/>

Actions

Key actions

In addition to last year's completed actions, key actions addressed in 2021-2022 include:

Action	Description	Comments
Mapping of operational modern slavery risk	Undertake a detailed scoping exercise of our operations including our relationships with our employees and contractors to identify any opportunities to further embed strong control in employment and recruitment practices to prevent modern slavery.	<p>Identified a potential risk when recruiting a temporary contractor through a recruitment agency.</p> <p>The agency is responsible for paying the temporary contractor, as such we cannot be sure if the contractor is being paid above the minimum amounts as per the relevant Award or Agreement.</p> <p>Our agreements with recruitment agencies, which we use for temporary recruitment are transparent with their fee structures and what they pay their contractors however it will be important to ensure this continues with new agencies.</p>
Updating company policies	Update procurement policies, manual and contract management system to introduce safeguards for modern slavery risks in our procurement practices.	Modern Slavery is now covered under its own Policy and as well as a Reporting Procedure. It's also referenced in our Company Code of Conduct, our Procurement and Outsourcing Policy, Procurement Partnership Manual and Supplier Code of Conduct.
Training	Conduct targeted training for relevant staff in procurement, recruitment, contract relationship managers, to raise awareness of modern slavery risks and how they may arise in our business.	<p>Defence Health developed a Modern Slavery training module and provided targeted training throughout 2021/22. All contract owners have completed the relevant modules</p> <p>Working with marketing to develop an internal/external facing video around modern slavery risks and what we and our suppliers can do to combat those risks.</p>
Update our standard form contract terms	Incorporate modern slavery terms in all new contracts and renewals.	<p>Modern Slavery clauses have been inserted into our contract templates and have been used without fail since inception.</p> <p>Clauses have been developed for insertion into new supplier agreements. Any and all supplier agreements with even a low risk of Modern Slavery, have these clauses embedded within the proposed agreement.</p>
Engage with suppliers	Write to relative high-risk suppliers to encourage supplier to assess and address supply chain risks.	<p>Provided a bespoke response to any supplier who was identified as, including and above 'medium' risk.</p> <p>Rather than disengaging with suppliers we looked to work with them to improve their supply chain knowledge and Modern Slavery risk controls by:</p> <ul style="list-style-type: none"> ➤ Encouraging non assignment clauses within third party agreements; ➤ Improving approach and training within business; ➤ Increased knowledge and investigation of supply chain; and ➤ Encouraging and assessing adoption of sourcing Australian Made goods where possible.
	Establish as part of procurement process relevant modern slavery questions for suppliers during quote/tender process to assess if full modern slavery risk survey completion is required.	<p>A section has been added to our evaluation matrix template to incorporate Modern Slavery risk as a factor.</p> <p>Modern Slavery questions have been added to our RFT template. These questions will also be added to RFQ documentation on an as needs basis. We now also assess Modern Slavery category risk immediately at the commencement of the supplier relationship.</p>

Assessing our modern slavery risks

Overview

A thematic review of our operational risks indicates our direct modern slavery risk is very low due to the nature of our workforce, the services we provide, the region in which we provide them, and the strong worker protections in place within our organisation and at a regulatory level. We believe that our principal modern slavery risks exist within our indirect supply chain.

Supply chain risk

An initial review of Defence Health's direct supply chain also indicates a low risk of modern slavery due to the nature of goods and services procured from our suppliers and the industries they operate within. Further, approximately 90% of our expenditure is on reimbursement to our members in relation to visits of hospital and medical providers within Australia.

To date, a limited consideration of hospitals' modern slavery risk has been factored into our modern slavery risk profile, due to the unique nature of the supply chain. While we have contractual relationships with over 500 private hospitals in Australia, these contracts are negotiated on our behalf by the Australian Health Service Alliance, one of our Tier 1 suppliers. Hospitals provide services to our insured members, and Defence Health pays benefits to the hospitals on behalf of our insured members. But the hospitals do not provide any products or services directly to Defence Health.

However, we are aware that modern slavery risks are associated with the healthcare industry, particularly with respect to the manufacture of healthcare equipment and supplies.

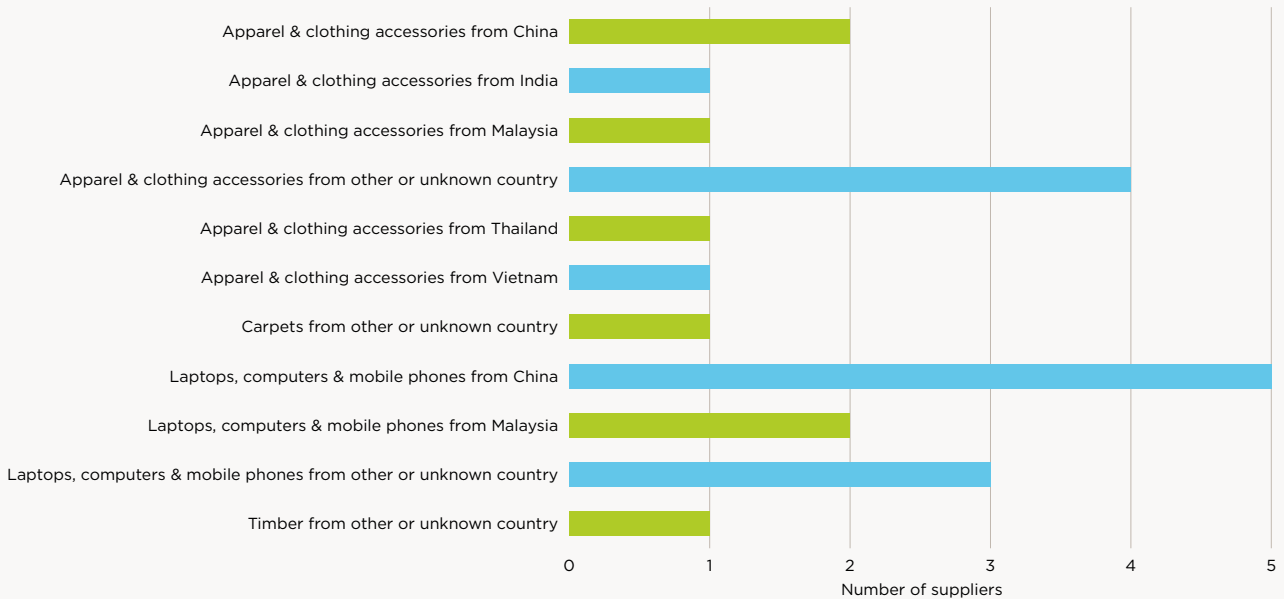
Of the remaining expenditure of the fund, a more detailed assessment of our supply chain risk was conducted, and we undertook a targeted Modern Slavery Risk approach on our Tier 1, 2 and a **select group of Tier 3 suppliers**. We issued a modern slavery risk survey to these suppliers, covering their core operations, policies and procedures, supply chain management, ethical recruitment practices, human rights and modern slavery training.

The survey had an 84% response rate, a slight increase in last year's rate. However, a greater number of suppliers across all tiers were surveyed.

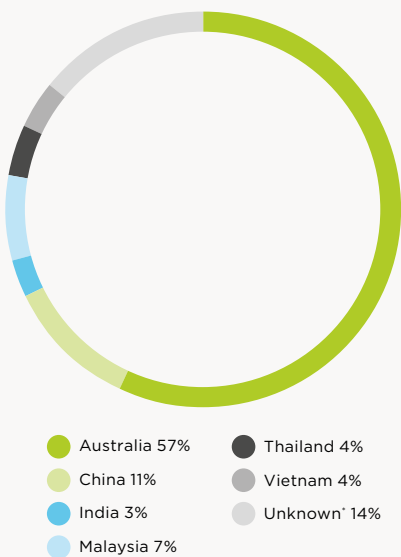
Although the majority of our expenditure is for services, responses to our survey indicate that our suppliers source a small number of products from five main countries outside of Australia: China, India, Malaysia, Thailand and Vietnam.



High risk products sourced by Defence Health suppliers



Supply chain risk



*Note: Unknown category refers to a number of low risk countries, providing goods or services of a high risk nature.

Overall our suppliers' survey responses indicate they have low modern slavery risk within their own operations, particularly those operating exclusively in Australia. As a result of our consistent approach, we've also been able to track a 7% improvement in our suppliers knowledge of their supply chains and had no recorded incidents of Modern Slavery. Our suppliers have key worker protection policies in place and there was no evidence they engage in practices that would be strong indicators for modern slavery.

While most of our surveyed suppliers had a limited understanding of their supply chains, others have shown a marked improvement. Based on these responses and the complexity involved in downstream supply chains, our suppliers' supply chain

is Defence Health's principal modern slavery risk.

In maintaining our consistent approach of monitoring, assistance and training, along with the rigorous implementation of our Modern Slavery controls, we'll continue seeing a reduction in Defence Health supply chain risk.

We understand that our suppliers who are large multinational corporations are working to develop their own frameworks for compliance. And our smaller local suppliers are now beginning to understand the expectations imposed on them by clients that are required to report.

Where we were, where we are

Defence Health Modern Slavery journey

	2019-2020	2020-2021	2021-2022
Governance	<ul style="list-style-type: none"> ➤ Org Commitment and Approach ➤ Modern Slavery Committee Created ➤ Risk identification and mapping ➤ First Modern Slavery Statement submitted 	<ul style="list-style-type: none"> ➤ Modern Slavery Committee pivoted to Adhoc Modern Slavery Working Group ➤ Strategy commitment including review of Whistle-blower and Human Rights policies ➤ Worked with design partner to uplift, update and expand Modern Slavery Statement 	<ul style="list-style-type: none"> ➤ Modern Slavery questions added to our Request for Tender and Request for Quote templates ➤ Updated Evaluation Matrix to assess Modern Slavery risk factor of potential supplier
Supply Chain	<ul style="list-style-type: none"> ➤ Modern Slavery policy formed ➤ Modern Slavery clauses created for supplier agreements 	<ul style="list-style-type: none"> ➤ Modern Slavery Clauses embedded into supplier agreements, suppliers required to attest to the absence of Modern Slavery risk ➤ Worked with suppliers to ensure commitments to reducing Modern Slavery risk were followed through 	<ul style="list-style-type: none"> ➤ Suppliers assessed at initial engagement for Modern Slavery risk and noted for survey in/exclusion ➤ Suppliers disengaged after repeated attempts at uplifting/justifying survey response ➤ Engaged with our external investment manager to assess potential risks arising from our investment portfolio and discussed options to reduce our exposure to particular high-risk industries. Obtained assurances around a genuine ESG agenda
Internal Capability	<ul style="list-style-type: none"> ➤ Board and executive advised of new requirement 	<ul style="list-style-type: none"> ➤ Training and education for Procurement, Risk and Compliance - shared learning and collaboration ➤ Training rolled out to all Contract Owners 	<ul style="list-style-type: none"> ➤ Sought to increase scope of training ➤ Met with Benevolent Society to glean best operational practice for managing Modern Slavery risk
Sector Collaboration	<ul style="list-style-type: none"> ➤ None 	<ul style="list-style-type: none"> ➤ Partnered with Private Health Insurers Consortium 	<ul style="list-style-type: none"> ➤ Continued strong partnership and input into Private Health Insurers Consortium ➤ Regularly attend multiple forums and seminars on Modern Slavery
Modern Slavery Survey	<ul style="list-style-type: none"> ➤ A brief survey that allowed suppliers to upload their Modern Slavery Statement ➤ Created and released survey through Contract Management System 	<ul style="list-style-type: none"> ➤ A comprehensive survey for all suppliers across all Tiers ➤ Created classifications and categories for supplier Modern Slavery Risk ➤ Engaged with suppliers with unjustified or questionable survey responses 	<ul style="list-style-type: none"> ➤ Tracked improvement/change across survey responses year on year ➤ Instituted an abridged survey for previously identified 'Role Model' suppliers



Supplier feedback examples

▶ We have reviewed your request and have determined that this survey is not appropriate for the relationship we have with Defence Health. We have published a statement as per below, let me know if you need anything further.

Tier 2 | Insurance Services
(Operations Risk Manager)

▶ Given that this information is found in our public response. [XX] does not tolerate modern slavery in any form, including forced labour or human trafficking. [XX] is required to report under the Modern Slavery Act 2018 and our Statement is available on our publications page and via the Australian Government register. Our approach is underpinned by relevant policies and frameworks, informed by Australian law and international standards, including our Modern Slavery Standard and our Supplier Code of Conduct. Our commitments are articulated in key strategies including our Corporate Responsibility Plan.

Tier 3 | Mail and Postal services
(Account Executive)

▶ We are committed to open and transparent reporting on the challenges we face. We are addressing risks in our own operations, and our supply chain, including risks associated with modern slavery and we are also doing great work on CSR. We probably have not communicated well with our customers. We already have a detailed document in works and I will be able to share with you in due course.

Tier 3 | Office Services
(Director)



Next Steps

- ▶ Supplier and Defence Health Community facing Modern Slavery guides. Informing the steps Defence Health has taken and what they can do to assist in fighting the risk
- ▶ Continue working together with our suppliers to uplift our approach to Modern Slavery and supply chain knowledge through individually tailored survey responses and tracking
- ▶ Mapping and tracking survey responses year on year for improvement or significant deviation
- ▶ Supplier consolidation and disengagement with repeat offenders e.g. low confidence in the accuracy of survey response, breaches of the act or lack of participation.
- ▶ Create Supplier and Staff facing Modern Slavery training video

- ▶ Internal campaigns e.g. CEO 'on the couch' communications to keep Modern Slavery in forefront/spotlight of all employees
- ▶ Continue risk assessments on Tier 1 and Tier 2 direct suppliers based on our high-level thematic assessments
- ▶ Continued strong partnership and input into PHI Community of Interest (COI) including sponsorship of PHI Modern Slavery webinar for suppliers

COVID-19 impact and approach

- ▶ Whilst not as difficult as last year we still acknowledge the challenges our suppliers are facing with global stock shortages, increased sourcing, and delivery times

- ▶ We provided additional time to gather crucial due diligence insights and extended this year's Modern Slavery survey completion date
- ▶ We don't believe in disengaging with suppliers with a heightened Modern Slavery risk rating through COVID-19 but rather, work with the supplier to improve their approach and develop policies which seek to minimise Modern Slavery Risk
- ▶ A comprehensive review of supplier performance and Modern Slavery control implementation/uplifts between surveys will form a part of next year's review. In order to assess COVID-19 impacts along with potential impact to Modern Slavery Risk.

Assessing the effectiveness of our actions

Overview

Defence Health is working to understand the impact of the initiatives detailed in this Statement. We will continue to review the effectiveness of our modern slavery risk management program using the following measures:

Workstream	Activity	Measurement
Governance	Board Oversight	Further utilising our Modern Slavery Working Group to assess and address risks of modern slavery practices across our operations and supply chain. Their work is monitored by Defence Health's Executive Leadership Team, and ultimately, the Board.
	Policy reviews	Completed policy reviews in line with our Modern Slavery Framework and Policy Register review schedule.
	Embed processes and practices specifically developed to minimise Modern Slavery risks across Defence Health.	Maturity assessments of processes and protocols.
	Staff training on modern slavery risks.	100% of key staff training complete.
Risk Management	Supplier onboarding and risk segmentation.	100% of due diligence performed against our Tier 1 and Tier 2 suppliers.
	Identifying trends from risk data.	Number of identified risks without a treatment plan in place.
	<ul style="list-style-type: none"> ▶ Supplier self-assessment questionnaire; and ▶ Instances where Modern slavery incidents have been identified. 	Number and percentage of non-conformances by materiality. Improvement or decline in suppliers' understanding and management of their supply chain as indicated by survey results.

Insights drawn from these measurements will inform our immediate and longer-term risk management approach and procurement practices. We will assess the practicality of these measurements, identify gaps, and incorporate changes into a broader effectiveness and evaluation framework. Over time we aim to report on the impact of our activities.

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