

WORKING TOWARDS A FAIRER WORLD FOR ALL

**TEACHERS
HEALTH** 

We're for teachers

Teachers Health Modern Slavery Statement
Under the Modern Slavery Act 2018 (Cth)

Teachers Federation Health Limited ABN 86 097 030 414

This report outlines:

1. Introduction
2. Structure, operations and supply chains
3. Risks of Modern Slavery practices
4. Risk assessment
5. Measuring effectiveness framework
6. Methodology summary



What is Modern Slavery?

The word “slavery” is loaded with images from history about sailing ships, colonialism and stories of heroism and cruelty. But many people are shocked to know it’s still around and is, in fact, worse now than at any other time in history.

There are an estimated 40.3 million¹ people – more than three times the figure during the transatlantic slave trade – living in some form of modern slavery.

What are Modern Slaves being used for?

According to the Australian Government “modern slavery occurs where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom”.² The Modern Slavery Act 2018 (Cth) (the Act) requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. The Act defines modern slavery as including eight types of serious exploitation: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour. The worst forms of child labour mean situations where children are subjected to slavery or similar practices, or engaged in hazardous work.

Women and girls comprise 71% of all modern slavery victims. Children make up 25% and account for 10 million of all the slaves worldwide. Most people work in the private sector; from cleaning houses and producing clothes, to digging for minerals or working in construction.



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Why is it important to Teachers Health?

At Teachers Health (THF), we want to ensure we never encourage, support, or contract any form of modern slavery across all our supply chains. This report explains our position and audits our findings across our business supply chains.

¹ Figures from UN's International Labour Organization (ILO) and the Walk Free Foundation.

² Guidance for Reporting Entities, Australian Border Force Modern Slavery Business Engagement Unit.

Structure, operations and supply chains

Teachers Federation Health Limited (“Teachers Health” or “THF”) is a reporting entity under the Modern Slavery Act 2018 (Cth) (“the Act”).

This Part provides a key overview of each of the mandatory reporting entities under the Act, which are further expanded upon throughout each subsequent section of the Statement.

Identify the reporting entity

Teachers Federation Health Limited ABN 86 097 030 414

Describe the reporting entity’s structure, operations and supply chains

We’re for Teachers – and more

Teachers Health is an Australian Not-for-Profit Public Company and Registered Private Health Insurer.

Our members are, as always, at the heart of everything we do, and we continue to work hard to retain current members – making sure they recognise both the value of private health insurance and the qualities that set Teachers Health apart from other funds.

Teachers Health is comprised of a group of entities, including the following subsidiaries that are wholly owned by the parent company, Teachers Federation Health Limited:

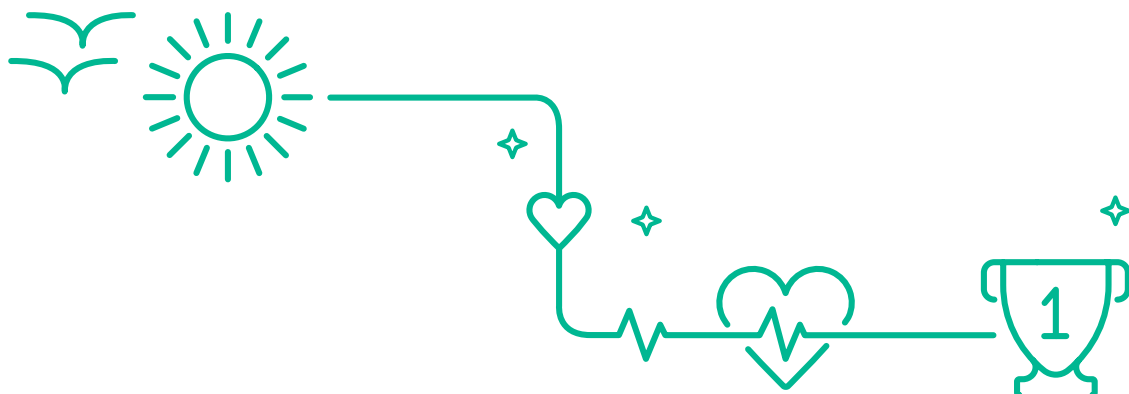
- **Nurses & Midwives Health Pty Limited (“NMH”)**
- **Teachers Healthcare Services Pty Limited**
- **Teachers Federation Health Foundation Pty Limited**

Teachers Health is limited by guarantee and has no contributed equity.



What we do

- Teachers Health employs over 400 people throughout Australia and is proud of the culture and team spirit.
- Teachers Health was started by teachers, for teachers and it's the teaching community that remains at the centre of our business philosophy and strategy. Knowing what motivates those working in education, and priding ourselves on having a deep understanding of our members' needs, we're also proud to support relationships with partner education unions and stakeholders in the wider education community.
- Teachers Health has also been involved in significant international development projects. In December 2018, Teachers Health launched a partnership with Australia for UNHCR aimed at transforming the lives of refugee mothers and babies in the Democratic Republic of the Congo. This partnership takes positive action and extends the reach of health and wellbeing support, making a real and positive global impact where it's urgently needed and saving the lives of refugee mothers and their babies.
- As at 30 June 2020, Teachers Health had 165,931 policyholders with 349,030 lives covered.
- Teachers Health has offices and facilities including its registered office and principal place of business and health centre locations and satellite offices in Australia.
- Through our subsidiary, Nurses & Midwives Health Pty Limited, Teachers Health owns and operates the Nurses & Midwives Health fund, which provides private health insurance to the nursing and midwifery community and their families. Nurses & Midwives Health has over 6,000 policyholders, covering over 12,000 lives.
- Teachers Healthcare Services Pty Limited provides care coordination services to Teachers Health and Nurses & Midwives Health members, including hospital substitute programs and chronic disease management programs.
- In 2014, Teachers Health established the Teachers Health Foundation, the trustee of which is Teachers Federation Health Foundation Pty Limited. The Teachers Health Foundation provides grants for medical research in respect of conditions that effect the health and wellbeing of the teaching community.



Risks of Modern Slavery practices

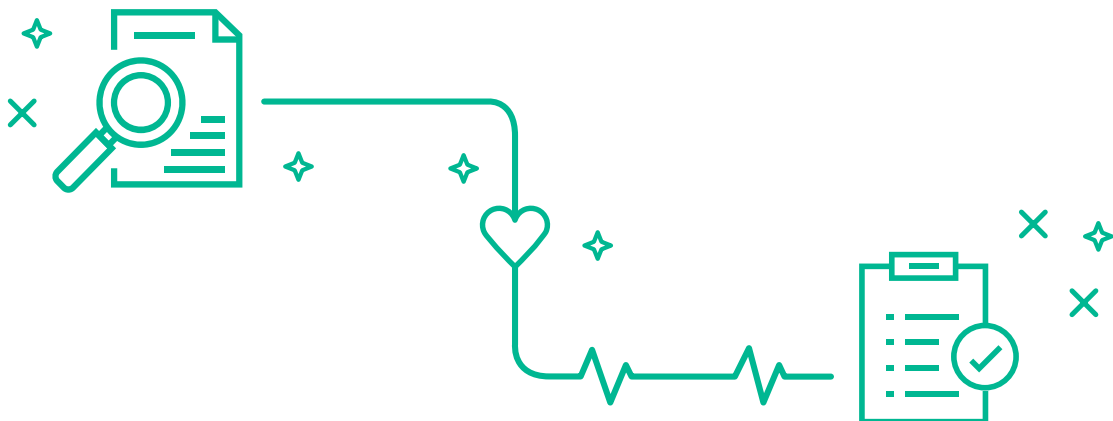
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns and controls

Naturally, as a provider of private health insurance coverage, the day-to-day operations of Teachers Health are relatively removed from the most widely recognised risks of modern slavery – such as raw materials intensive industries, or physical products that have a predominant overseas manufacturing and sourcing component. Nonetheless, Teachers Health recognises that real modern slavery risks may be present throughout its supply chains and operations and that the need for vigilant assessment, due diligence, and remediation remains ever-present.

To counter these risks, we have undertaken an operations-wide assessment of all its suppliers for the subject reporting period.

There's a complex network of issues that interact to create potentially increased modern slavery risk, including:

- Total supplier spend amount (i.e. the value of its direct supplier contracts).
- Industry category, including the industries that, in turn, feed into particular categories further down the supply chain pipeline.
- Geographic area of operation.
- Depth or 'tiering' within the supply chain(s) – recognising that direct suppliers have in turn their own supply chain (second tier), who in turn have their own supply chain (third tier) and so on.



3. Risks of Modern Slavery practices

Relative Modern Slavery risks

We worked with external subject matter experts to look into the relative modern slavery risk associated with over 600 of our direct suppliers, based on current spend/contract data for the subject reporting period.

We found that the highest relative slavery risk occurs at the third tier, and remains significant in the fourth and fifth tiers. While it's not entirely surprising that the highest risk is concentrated beyond first tier suppliers, it has informed our planned strategy for future effective modern slavery due diligence and remediation action. This means future efforts need to be targeted at measures that can effectively reach beyond those organisations that Teachers Health is in a direct contractual relationship with.

Beyond the Australian operations of many of our direct suppliers, the risk analysis indicates that existing supply chains with components in India and China posed the highest relative slavery risk. These components are in the lower tiers of our supply chain.

Industries at higher risk

When looking deeper, we realised that the entire first tier supply chain further confirmed that the most significant slavery risks lie beyond the reach of its direct operations. Some of the industry categories that feature most prominently in the first tier (which are all low-risk in the immediate tiers) include:



Computer and technical services



Services to finance and investment



Market research and other business management services



Accounting services

Clearly, these are all industries that, by and large, are constituted by tertiary-educated professionals. Such a workforce is far less likely to be the direct victims of modern slavery, especially when located within Australia (as is the case with most of Teachers Health's direct suppliers). To develop an effective, long-term modern slavery response, there is a need for visibility and influence beyond the direct contractual relationships that we have with our suppliers.

In addition to the above, through its Health Centres, Teachers Health does contract with suppliers of optical frames, lenses and other supplies used in its dental and eye clinic, which may potentially be higher risk from a modern slavery perspective and require further investigation.

Further details of the methodology and technology, through external subject matter experts that we deployed for our modern slavery risk assessment, are set out in section 6 of this Statement.

Risk assessment

Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.

Teachers Health is against any form of modern slavery – and is committed to carrying out targeted steps to address identified modern slavery risks, both internally and externally.

We used this inaugural reporting period to focus on the following areas:

1. Internal education
2. Policy and Internal Governance updates
3. Developing a reporting mechanism as a means of reporting modern slavery risks which will be available in the next reporting period.

1. Internal education

An online training module was rolled out to all staff across the organisation, and as at 30 June 2020 the module was still in the process of being completed. The module contained the following information:

- Compliance and reporting obligations under the Act
- Types of modern slavery and what it entails
- The risk factors increasing the potential for modern slavery
- Corporate responsibilities relating to modern slavery
- The incidence of modern slavery in Australia
- How to identify the existence of modern slavery
- Transparency within supply chains and operations

Through staff training, we also raised awareness of how to identify the existence of modern slavery.

4. Risk assessment

2. Policy and internal governance updates

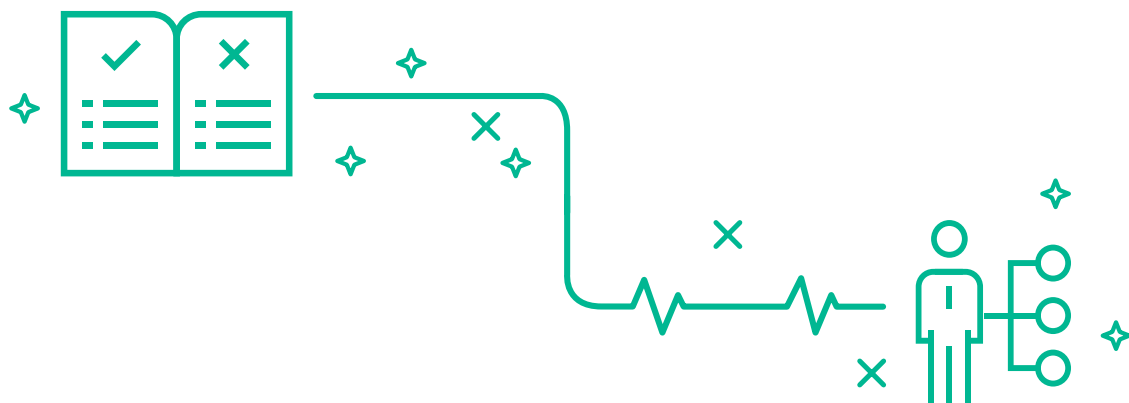
Using a risk-based approach, we started updating its direct supplier contracts to incorporate provisions directly addressing modern slavery issues. This includes an express requirement for suppliers to notify Teachers Health of reasonably suspected and known instances of modern slavery in their own supply chains and operations.

The Teachers Healthcare Services contract template was updated to include a standard Modern Slavery clause.

We undertake general due diligence on each first tier supplier prior to onboarding, and are working towards building a high-level assessment to determine the modern slavery risk exposure based on supplier location, industry and contract value.

We're in the process of developing a Supplier Code of Conduct. In addition to reflecting Teachers Health's expectations of suppliers, this will expressly address modern slavery concerns.

We're also in the process of reviewing our broader governance framework to determine which charters and internal policies should be updated to best support effective implementation of a comprehensive modern slavery response.



3. External-focussed actions

Externally-focussed actions are designed to create effective, lasting measures over coming reporting periods. These include:

- Engagement with an industry working group of health insurers with a focus on collaborative approaches to addressing modern slavery; the development of an industry-specific supplier questionnaire to be provided to individual suppliers to assess the risk of modern slavery; the availability of a platform to facilitate this process (Informed 365) and the consideration of other types of governance and framework documents (e.g. Supplier Codes of Conduct) that may be useful in addressing modern slavery.
- The distribution of an initial round of supplier questionnaires, which has largely been aimed at trialling the effectiveness of the questionnaire process
- Collaboration is key – and Teachers Health will continue to share information (where permitted) with other reporting entities in the industry.

Measuring effectiveness framework

Describe how the reporting entity assesses the effectiveness of these actions

As Teachers Health continues to address modern slavery, we recognise the need to regularly review the actual impact of any implemented measures to ensure they're working as effectively as possible.

To achieve this, we're in the process of developing a comprehensive Measuring Effectiveness Framework as part of its modern slavery response.

Key features of the framework may include:

- Training across the entire organisation as well as included in induction training for new employees.
- Onboarding of suppliers will be assessed for potential for Modern Slavery as part of our due diligence process.
- Continue the process of engaging with existing suppliers.
- Development of a Supplier Code of Conduct.
- Ongoing communication with the Board.
- Educating suppliers around what is Modern Slavery and how to address it (potentially through webinars).
- Continued roll-out of Modern Slavery clauses in direct contracts on a risk-based approach.
- Consider potential for Modern Slavery in its indirect supply chain.
- Review and update internal policies as relevant.

5. Measuring effectiveness framework

Describe the process of consultation with any entities the reporting entity owns or controls

As noted above, Teachers Health is comprised of a group of separate corporate entities. Consultation on modern slavery issues has occurred across the full scope of the Group.

In particular, as Teachers Health operates Nurses & Midwives Health, the Nurses & Midwives Health Board has received communications in relation to the steps taken to identify, assess and address modern slavery in Teachers Health's operations and supply chains.

Any other relevant information

Impact of the COVID-19 pandemic

We understand that COVID-19 has increased the risk of modern slavery of vulnerable workers in its operations and supply chains. We'll ensure that training modules are updated during the next reporting period to raise awareness of this impact.

We've also ensured that our regular procurement processes and checks and balances have remained in place throughout the pandemic.



Methodology summary

What we have achieved so far

We've carried out an initial risk assessment to identify any elevated areas of modern slavery risk in our supply chains. This baseline exercise will be the foundation for ongoing due diligence and remediation initiatives over the next few years.

Incorporating company spend data throughout global markets, we also utilised external consultants with proprietary technology to trace the economic inputs required to produce products and services sourced from Tier 1 suppliers to Tier 2 suppliers, Tier 2 suppliers to Tier 3 suppliers, and so on, all the way to Tier 10 suppliers of the supply chain of Teachers Health's over 600 direct suppliers by spend.

This supply chain mapping was performed using a balanced, global Multi-Regional Input-Output (MRIO) table that links supply chain data from 190 countries, and 15,909 industry sectors.

This MRIO table is assembled using the following sources:

- i. The United Nations' (UN) System of National Accounts;
- ii. UN COMTRADE databases;
- iii. Eurostat databases;
- iv. The Institute of Developing Economies, Japan External Trade Organisation (IDE/JETRO); and
- v. Numerous National Agencies, including the Australian Bureau of Statistics.

The MRIO is then examined against the following international standards:

- i. The UN Guiding Principles on Business and Human Rights;
- ii. The Global Slavery Index;
- iii. International Labour Organisation (ILO) Global Estimates of Modern Slavery; and
- iv. The United States' Reports on International Child Labour and Forced Labour.

6. Methodology summary

A proprietary algorithm has then been applied to synthesise publicly available risk data against the exclusively licensed MRIO table. The result of this process is the creation of a modern slavery risk profile to Tier 10 for each supplier for Teachers Health.

The information obtained in the Initial Assessment was for purposes of risk identification under Section 16(1)(c) of the Act. No information confirms the actual existence or non-existence of slavery in Teachers Health's supply chains or operations. Analysis was undertaken at the industry and country level. It does not account for variances at the entity, region or product level.

The Initial Assessment resulted in a low probability of Modern Slavery in the Teachers Health supply chain.

Summary of initial risk assessment

A summary of the results of some of the data analysis and other key components of the Initial Assessment is set out below.

The multi-faceted approach to modern slavery risk assessment that Teachers Health has undertaken has included examination and analysis of the following:

- The individual suppliers and industries with the most elevated risk of modern slavery
- Supply chain plots to provide a visual representation of the supply chain for Teachers Health's top 3 first tier industries
- Plotting the relative slavery risk in the supply chain by tier, up to tier 10
- Geographical depiction of the cumulative risk of modern slavery across the supply chain around the world
- An overview of the classification of the first tier of Teachers Health's supply chain by country and industry, including relative modern slavery risk

The top 50 suppliers in Teachers Health's supply chains and operations that posed the highest calculated risks in relation to modern slavery were identified. These ranged widely from various professional services firms (where the elevated risk lies deep within that own organisation's supply chains), commercial real estate services, information technology industries, and optical products manufacturers.

6. Methodology summary

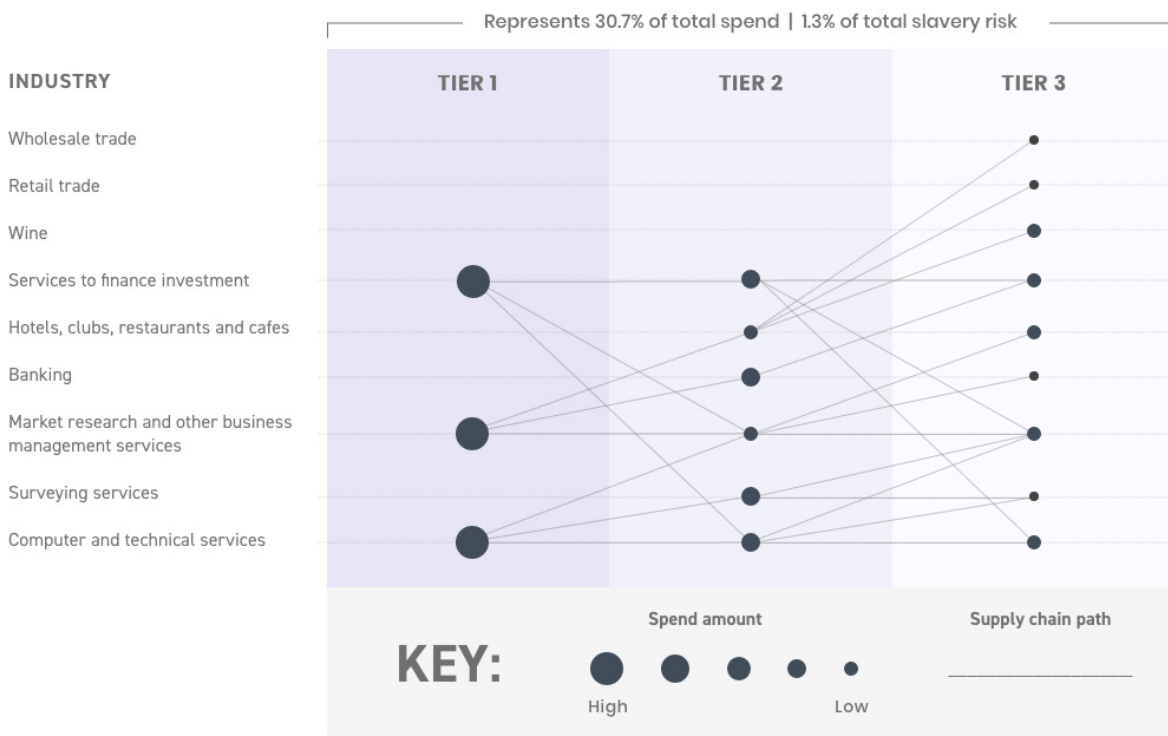
Further graphical depictions of Modern Slavery risk assessment

The following plot shows the supply chains of the industries in the first tier of Teachers Health's supply chain. The graph represents only a segment of the complete value chain mapped by Fair Supply's algorithm from which the risk values were derived.

The 'Value' and 'Slavery risk' percentages indicate what percentage of the total value chain and the industries and tiers that appear on the plot represent the relative slavery risk.

The size of the hollow circles are proportional to the estimated relative slavery risk at the given industry and tier based on the value shown in the plot.

The following plot indicates the tier of Teachers Health's supply chain where the greatest relative risk of modern slavery has been estimated to occur:



This Modern Slavery Statement was approved by the Board of Teachers Federation Health Limited on 10 February 2021.

Helen MacGregor
Chairperson



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