

# We look after our own.







# Modern Slavery Statement 2021

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 2021.

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 306,878 members who are covered by 146,324 policies as at 30 June 2021.

Defence Health is committed 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 2021.



**Mr Alan Beckett BEc 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 supporting 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 expert 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.

Defence Health Foundation Pty Ltd (ACN 143 629 752) is the only wholly owned subsidiary of the fund. Defence Health Foundation Pty Ltd is the trustee of the Defence Health Foundation, a registered charitable trust that funds medical research designed to improve the health and wellbeing of serving and ex-serving ADF members and their families (**Foundation**). The Foundation's supply chains are limited in nature and are similar to those of Defence Health. Accordingly, the Board of Defence Health is responsible for the Foundation's modern slavery initiatives, policies, and processes.

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

## 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.

The sale of Defence Health travel insurance, underwritten by Allianz Australia Insurance Limited has been suspended since March 2020 due to the COVID-19 pandemic.

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 2021, DHL's workforce of 302 people comprised of 235 full-time staff; 45 part time; 12 casual employees and 10 directors
- ▶ All our employees and operations are in Australia, subject to Australian 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 \$56.4 million<sup>1</sup> spent across approximately 311 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
- ▶ Multi-line insurance
- ▶ Research and consulting services
- ▶ Technology hardware, storage and peripherals
- ▶ Telecommunications.

<sup>1</sup> 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.

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

## Geographic risks

Defence Health does not have any overseas operations or employees. 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 service.<sup>1</sup> 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 fulfill 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 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.



# Actions

## Key actions

In addition to last year's completed actions, key actions addressed in 2020-2021 include:

Action	Description	Comments
<b>Mapping of operational modern slavery risk</b>	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>
<b>Updating company policies</b>	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 Procurement and Outsourcing Policy, Procurement Partnership Manual and Supplier Code of Conduct.
<b>Training</b>	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 in 2020. 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>
<b>Update our standard form contract terms</b>	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>
<b>Engage with suppliers</b>	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"> <li>➤ Encouraging non assignment clauses within third party agreements;</li> <li>➤ Improving approach and training within business;</li> <li>➤ Increased knowledge and investigation of supply chain; and</li> <li>➤ Encouraging and assessing adoption of sourcing Australian Made goods where possible.</li> </ul>
	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.</p>

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



# 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

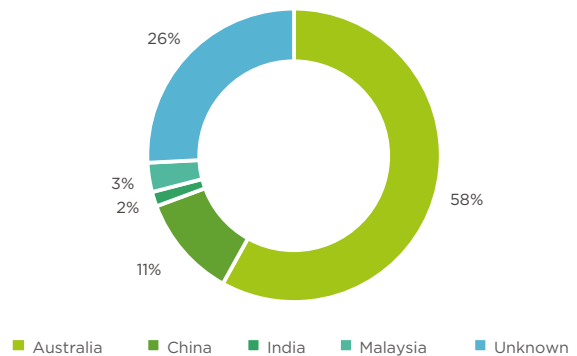
An initial review of Defence Health's direct supply chain also indicates a low risk of modern slavery due to the nature of goods and services procured from our suppliers and the industries they operate within. Further, approximately 90% of our expenditure is on reimbursement to our members in relation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

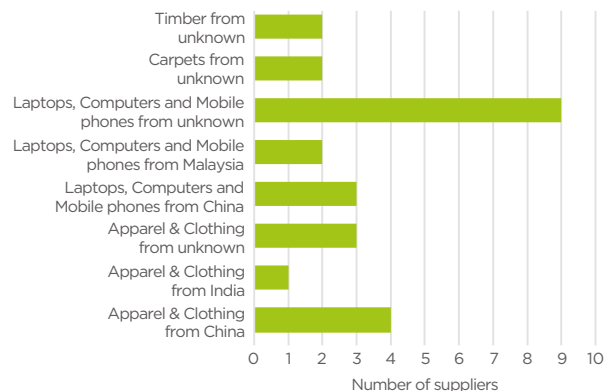
Of the remaining expenditure of the fund, a more detailed assessment of our supply chain risk was conducted, and we undertook a targeted Modern Slavery Risk approach on our Tier 1, 2 and a **select group of Tier 3 suppliers**. We issued a modern slavery risk survey to these suppliers, covering their core operations, policies and procedures, supply chain management, ethical recruitment practices, human rights and modern slavery training. The survey had an 83% response rate, a slight reduction 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 three main countries outside of Australia: China, India and Malaysia:

Countries products sourced from



High Risk Products sourced by DHL Suppliers



Overall our suppliers' survey responses indicate they have low modern slavery risk within their own operations, particularly those operating exclusively in Australia. They 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.

We believe that with a consistent approach, continued monitoring and assistance, and the rigorous implementation of our Modern Slavery controls, we'll see a continuing 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 only now beginning to understand the expectations imposed on them by clients that are required to report.



# 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
<b>Governance</b>	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.	% of staff training complete.
<b>Risk Management</b>	Supplier onboarding and risk segmentation.	% of assessments and 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"> <li>▶ Supplier self-assessment questionnaire; and</li> <li>▶ Instances where Modern slavery incidents have been identified.</li> </ul>	Number and % 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.

## Supplier feedback examples

Some examples of the feedback we received from suppliers can be found below. The survey prompted one supplier to review and draft a new internal policy. And two examples of supplier refusal to complete a survey response.

- ▶ Thanks for your email. The survey did bring to light our attention to the risks and thus we have since had our lawyers pull together a document which has been shared with all our vendors in early May. **Tier 2 | Health Services Association Partner** – (Partnerships Lead)
- ▶ Whilst XX itself is not required to report under the modern slavery legislation, we can confirm that as a part of our roll out of risk assessments of third parties (CPS234 Assurance), we have taken a step in mapping our supply chains further. This process will become more granular as the process of undertaking third party risk assessments matures. It should be noted that the multinational businesses that supply XX, such as Microsoft and HP are probably the same businesses that supply Defence Health, so you will be well aware of the challenges in trying to vary the contents of their standard agreements or getting full visibility over their supply chains. **Tier 1 | IT Software** – (Head of Corporate Services & Governance)
- ▶ Please refer to the XX APAC Standard Due Diligence Pack which I hope will provide further reassurance in regards to XX integrity. It is safe to assume that XX intention to complete the survey in the future will not change which I outlined directly to XX last year. I am more than happy to provide you with resources available should you need it to assist in completing the survey. **Tier 2 | Wealth Management** (Account Manager).

## Next steps

Defence Health is committed to continuous improvement in all aspects of the governance, risk management and the operation of our business. Building on the activities undertaken in the past reporting period, we will continue to execute our action plan, including:

- ▶ The ongoing development and implementation of our modern slavery risk framework into our operations;
- ▶ Attendance and contribution to the PHA Modern Slavery Community of Interest meetings;
- ▶ Undertake a scoping exercise of our business relationships of our indirect supply chains. Such as those with healthcare providers and hospitals;
- ▶ Create Defence Health's next '3-year Modern Slavery Action Plan' to reflect learnings and key ABF/Defence Health objectives;
- ▶ Establish a framework, criteria, and triggers to regularly monitor and report on modern slavery risk internally;
- ▶ Engage with our external investment manager to better understand risks of modern slavery practices that may arise via our investment portfolio and discuss options to reduce our exposure to particular high-risk industries; and

- ▶ Uplift in supplier approach and supply chain knowledge between 2020-21 and 2021-22 survey response:
  - Including non-assignment clauses within new 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.

## COVID-19 impact and approach

- ▶ Acknowledged 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.





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