



Modern Slavery Statement 2023



We look after our own.

Modern Slavery Statement 2023

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 2023.

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 307,876 members who are covered by 146,485 policies as at 30 June 2023.

Defence Health continues its commitment to addressing 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 2023.



Mr Robin Burns FAICD
Chairman of the Board

Contents

Introduction	1
Organisational structure	1
Operations and supply chain	2
Operations	2
Our employees	2
Supply chains	2
Modern Slavery Risks	3
Sector/industry risks	3
Geographic risks	3
Specific entity risks	3
Product/service risks	3
Assessing our Modern Slavery risks	4
Defence Health Modern Slavery Journey	6
Supplier feedback examples	7
Assessing the effectiveness of our actions	8

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.

We continue to enhance and communicate our commitment to combating modern slavery as part of our corporate social responsibility by developing and delivering a compliance framework that ensures adherence to legal requirements and internal policies.

Collaboration among our internal business units is crucial for effectively addressing and reducing modern slavery risks within our organisation's operations and supply chain. Clear roles and responsibilities are assigned to the requisite business units and individuals.

By fostering collaboration among our internal business units, we create a holistic and effective approach to mitigating modern slavery risks and promoting ethical and responsible business practices throughout our operations and supply chains.

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.

While we no longer accept applications for life insurance policies, we do provide a new life policy if the review of an existing policy is required. The majority of these policies existing between two key suppliers: Asteron Life Ltd and ClearView Life Assurance Ltd.

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

We have a diverse but relatively simple supply chain. Although we tend not to be a major client for a number of our suppliers, we are still considered a valued client.

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 other health funds, by Australian Health Service Alliance.

Our employees

- ▶ At 30 June 2023, DHL's workforce was comprised of 214 full time staff; 54 part time; 7 casual employees and 9 directors.
- ▶ All our operations and employees are based in Australia 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 Defence Community Relationship Officers occasionally hold Defence community events, which may involve indirect engagement with children. We do not facilitate any type of activity which may cause children to be at risk of exploitation.

1. Includes major capital expenditure project.

Supply chains

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

Our total annual spend in goods and services is \$70.7 million¹ spent across 281 direct active suppliers. In addition, we also paid claim benefits of \$475.1 million to over 800 hospitals and over 50,000 medical providers throughout Australia.

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
- ▶ Labour hire
- ▶ Life, travel and health insurance
- ▶ Marketing services and merchandise
- ▶ Multi-line insurance
- ▶ Research and consulting services
- ▶ Technology hardware, storage and peripherals
- ▶ Telecommunications.

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.

Geographic risks

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

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

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.

All Defence Health staff are employed in Australia and we comply with national and state-based employment, health, and safety laws.

1. <https://www.globalslaveryindex.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. Our principal modern slavery risks exist within our indirect supply chain.

A review of Defence Health's direct supply chain 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 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.

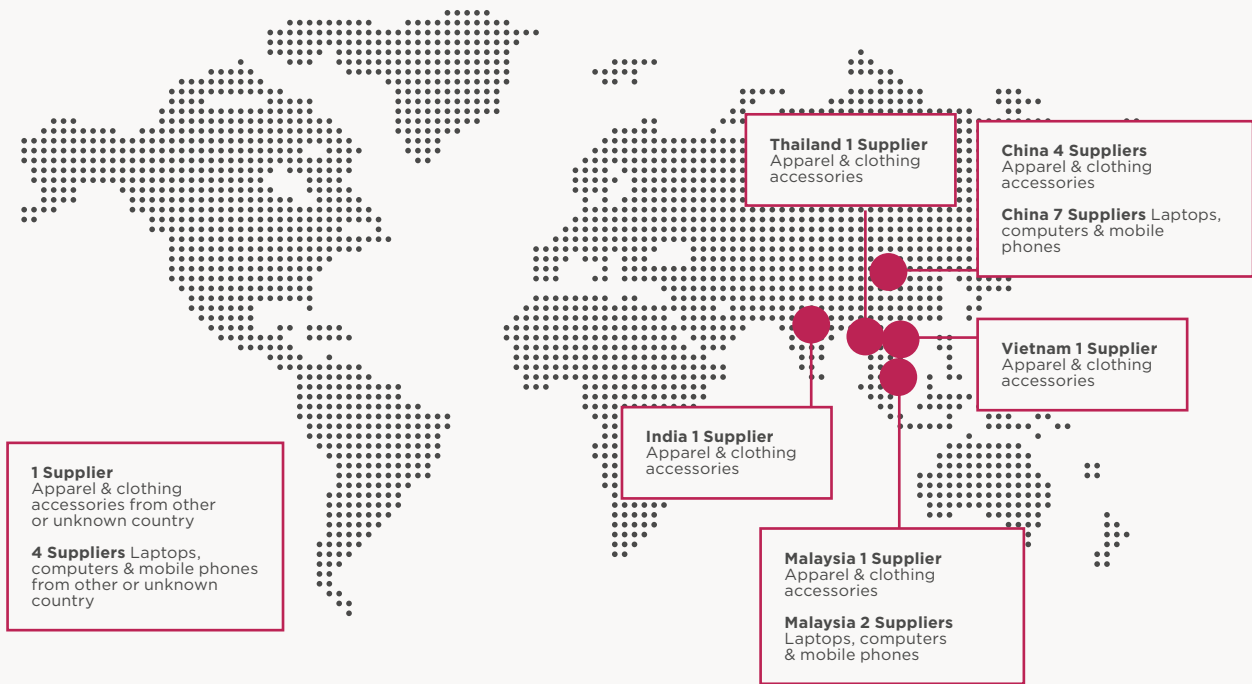
Of the remaining expenditure of the fund, a more detailed assessment of our supply chain risk was conducted. We issued a modern slavery risk survey to these suppliers, covering their core operations, policies and procedures, supply chain management, ethical recruitment practices, human rights and modern slavery training.

The survey had a response rate of 92% which constitutes an 8% increase from last year. We believe this indicates our suppliers increased familiarity with our annual survey and our ongoing expressed expectation for completion.

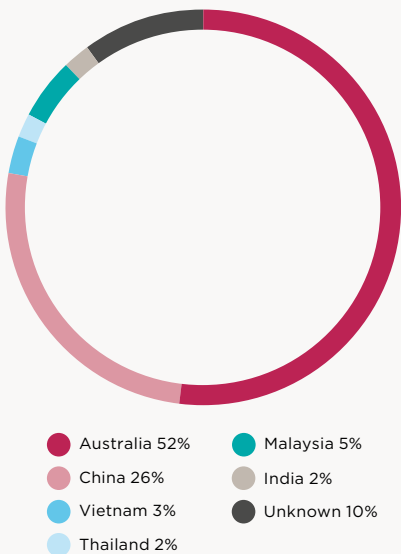
Although the majority of our expenditure is for services, responses to our survey indicate that our suppliers source a small number of products from five main countries outside of Australia: China, India, Malaysia, Thailand and Vietnam. It's important to note that our direct spend within these product categories is minimal.



High risk products sourced by Defence Health suppliers



Countries supplier products sourced from



* Suppliers who haven't completed the total mapping of their supply chains have responded 'Unknown' within both product category and countries per the Global Industry Classification Standard (GICS) risk rating system.

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 11% improvement in our suppliers knowledge of their supply chains and had no recorded incidents of modern slavery. The majority of our surveyed 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's supply chain risk.

We have observed that our suppliers who are large multinational corporations have been working diligently to further develop their compliance frameworks. Smaller/local suppliers have shown a marked improvement in the quality of their Modern Slavery Statements and the implementation of controls to mitigate modern slavery risk in their businesses.

Defence Health Modern Slavery Journey

	2023	2024 - 2025
Governance	<ul style="list-style-type: none"> ➤ Tier 1 & Tier 2 Performance Scorecards now require modern slavery incident reporting ➤ Quarterly Risk Report requiring modern slavery risks to be identified 	<ul style="list-style-type: none"> ➤ Guides for members, suppliers and communities ➤ Partnerships with Benevolent Society or like minded (ESG focussed) organisations ➤ Targeted/selective Tier 1/2 onsite audits
Supply Chain	<ul style="list-style-type: none"> ➤ Hosted: 'Top tips to help your business tackle modern slavery webinar' for suppliers featuring key industry experts; <ul style="list-style-type: none"> - Robin Mellon: CEO at Better Sydney, Project Manager - Property Council of Australia Modern Slavery Working Group - Nicholas Bernhardt: CEO at Informed 365, Technology and ESG expert - Prof. Jennifer Burn: Director at Anti-Slavery Australia (former NSW Anti-Slavery Commissioner) 	<ul style="list-style-type: none"> ➤ Continue working together with our suppliers to uplift approach to modern slavery and supply chain knowledge ➤ Supply chain reduction and consolidation where possible ➤ Disengage with repeat offenders where we have little confidence in survey response, breaches of the act or lack of cooperation ➤ Increased focus and attention will be placed on our hospital provider network due to the unique nature and inherent risk of their supply chains
Internal Capability	<ul style="list-style-type: none"> ➤ Created Modern Slavery Training Video - advertised to internal staff, customers and suppliers ➤ Implemented systems for tracking increased or reduced specific supplier compliance and risk over time 	<ul style="list-style-type: none"> ➤ Seeking to increase scope of training beyond contract owners to all staff ➤ Director and employee on-boarding and induction ➤ Board and executive training ➤ Continued internal campaigns ➤ Additional organisational resources ➤ Reviewing 'Role Model' Modern Slavery Statements for opportunities to improve Defence Health's approach
Sector Collaboration	<ul style="list-style-type: none"> ➤ Continued partnership and input into Private Health Insurance Consortium 	<ul style="list-style-type: none"> ➤ Continued partnership and input into Private Health Insurance Consortium ➤ Continue to regularly attend multiple forums and seminars on modern slavery trends, changes and best practice
Modern Slavery Survey	<ul style="list-style-type: none"> ➤ Amending supplier survey to include question: 'What more have they done to progress modern slavery risk identification since last reporting period?' 	<ul style="list-style-type: none"> ➤ Track improvement/change across survey responses year on year ➤ Keep scoring consistent and complete annual reconciliation of modern slavery risk categorisations



Supplier feedback examples

▶ Until this year, this supplier had refused all requests for a response to our survey. In the last year the supplier has indicated they've implemented Modern Slavery Awareness Training for all staff, completed an ESG/Modern Slavery Attestation Survey and reviewed their high-risk category spending over the past 12 months e.g., corporate clothing, branded/unbranded goods, transport, and accommodation.

Professional Services Supplier

▶ This supplier no longer purchases uniforms through certain suppliers, whilst they are Australian based companies the majority source their products from China and other high-risk countries. They now only purchase items of clothing that are Australian made and are then taken to a small Australian owned embroidery business that embroiders their business logo onto the clothing.

Property Services Supplier

▶ Whilst not required to report (produce an annual Statement) this supplier has created a questionnaire that collects all the relevant information in relation to modern slavery for new and existing suppliers which is updated on a periodic basis. They also request their suppliers to have Business Social Compliance Initiative (BSCI) and Sedex Members Ethical Trade Audit (SMETA) audits. In their terms and conditions, they have requested the supplier adheres by their supplier code of conduct. Several members of their modern slavery working group also attended webinar training and engaged with subject matter experts within their customer and supplier network. They have also conducted targeted training for all sales staff, category managers and leadership positions to raise awareness of modern slavery risks and how they arise in their operations and supply chains.

Office Services Supplier



Assessing the effectiveness of our actions

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	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.

Contact Us



Phone

1800 335 425

Monday to Friday
8:30am to 5:00pm AEDT/AEST



Web

defencehealth.com.au



Email

info@defencehealth.com.au



Post/Street Address

PO Box 7518
Melbourne, Victoria 3004

7/380 St Kilda Road
Melbourne, Victoria 3004