

Defence
Health



**Defence Health
Modern Slavery
Statement 2019-2020**

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1. Who we are

Overview

This statement, pursuant to the Australian Modern Slavery Act 2018 (Cth), sets out the actions taken by Defence Health Ltd (“Defence Health”, “DHL”, “we”) to address modern slavery and human trafficking risks in our business and supply chain for the financial year ending 30 June 2020

DHL is a private health fund headquartered in Melbourne, Victoria, with the core purpose of supporting members of the ADF and wider Defence community to manage their personal and family health care, with 300,735 members covered by 143,072 policies as at 30 June 2020.

DHL 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.

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 of DHL (**Board**).

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

DHL has one wholly owned subsidiary, Defence Health Foundation Pty Ltd (ACN 143 629 752). 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 DHL's. Accordingly, the Board of DHL 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.
- Nomination and Remuneration Committee to oversee Board and executive appointments and remuneration.

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 through our Defence Health Term Life, accident and other insurances.

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

Additionally, DHL provides Defence Health travel insurance, underwritten by Allianz Australia Insurance Limited. However as of March 2020, we have temporarily suspended sales of our travel insurance due to the COVID-19 pandemic.

Regarding our supply chains, we have relatively simple supply chains and as a purchaser of goods and services, DHL is not a major client for most of our Tier 1 and Tier 2 suppliers.

A thematic review of DHL's 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.

DHL has contractual relationships with over 500 private hospitals in Australia, the hospitals provide services to our insured members, and Defence Health pays 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 2020, DHL's workforce of 221 people comprised of 150 full-time staff; 43 part-timers; 19 casuals and 9 directors.
- All our employees and operations are located 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

At DHL our supply chains are geographically diverse, with suppliers located within Australia, and globally. Our total annual spend in goods and services is under \$35 million¹ spent across approximately 250 direct active suppliers.

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

- Application and Systems Software
- Banks and Financial services
- Health Care Equipment and Services
- Insurance
- Information Technology & IT Consulting
- Managed Health Care
- Life, Travel and Health Insurance
- Multi-Line Insurance
- Research and Consulting Services
- Technology Hardware, Storage & Peripherals
- Telecommunications

¹ Includes major capital expenditure project

2. 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 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, which operate in the following associated sub-sectors that have a medium to very high risk of modern slavery:

- Health Care Equipment & Services
- Health Care Supplies
- Health Care Providers & 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 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.² 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 roles in Melbourne with about a dozen staff working remotely in community-based roles across Australia. Our employee protections are strong which include clear grievance policies and procedures, an anonymous independently managed whistleblower 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.

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

3. Actions

Overview

Defence Health has a strong commitment to social responsibility. Our corporate code of conduct provides clear guidance to staff on expected standards of behaviour, and all DHL 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 is cross-functional and that our internal business units work together, within DHL to embed our initiatives and supporting processes.

In recognition of the complexity of this global issue, DHL continues to build the capacity of our people on modern slavery risk management, including seeking external expert advice for guidance on our approach and developing a modern slavery framework to manage this risk.

Actions taken to address risks of modern slavery

Key areas of action FY2019/2020	
Setting up our governance and accountability framework	<i>A dedicated working group was established to ensure modern slavery compliance, comprised of senior members across the business including Compliance, Risk, HR and Procurement</i>
	<i>Specific responsibility for modern slavery compliance was assigned to the Procurement Manager who is charged with the responsibility to drive the effectiveness of DHL's approach to minimising risks of modern slavery practices as a core part of their role.</i>
Mapping of our supply chains	<i>A high-level scoping exercise of our business relationships and our direct supply chains was conducted to identify area of focus for further assessment.</i> <i>We then identified key modern slavery risks that exist within our supply chains based on desktop research such as the Global Slavery Index 2018 and other publicly available information on product/sector risks for modern slavery.</i>
Undertaken a risk and leverage assessment on certain suppliers and generate change in high risk suppliers through engagement	<i>We requested suppliers to complete a detailed supplier questionnaire, which audit their ethical business practices and modern slavery risks.</i> <i>We then analysed these results into our overall risk matrix to understand our key risk areas and based on those suppliers who had higher relative risk ratings, raised our concerns over identified risks, and encouraged those suppliers to improve their management of modern slavery risks.</i>
Established a Supplier Code of Conduct	<i>We introduced a Supplier Code of Conduct that sets out the minimum expectations for our suppliers related to ethical practices including addressing modern slavery risks in their business, to all Tier 1 and Tier 2 suppliers in June 2020. We have also established an expectation with our suppliers that they will engage with their suppliers on similar terms.</i>

	<i>We advised our Tier 1 and Tier 2 suppliers that all forthcoming contract renewals would incorporate the Supplier Code of Conduct as a contract term to all contract renewals.</i>
Established a Modern Slavery Policy	<i>We obtained executive level endorsement for a Modern Slavery Policy that establishes our commitment to addressing modern slavery risks in our business and driving accountability for ethical business practices across our organisation. The Policy was approved by the Board in September 2020.</i>

4. Assessing our modern slavery risks

Overview

A thematic review of our operational risks indicate that 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 DHL'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.

A more detailed assessment our supply chain risk was conducted on our Tier 1 and 2 suppliers. We issued a modern slavery risk survey to all Tier 1 and 2 suppliers covering their core operations, policies and procedures, supply chain management, ethical recruitment practices, human rights and modern slavery training. The survey had a 90% response rate.

Survey responses indicate that our suppliers operate in at least 49 countries, across a dozen industries. The countries our suppliers operate in that are high or very high risk are:

- China
- Colombia
- India
- Indonesia
- Mexico
- Morocco
- Peru
- Philippines
- Russia
- Thailand
- Turkey
- Vietnam

Overall our suppliers' survey responses indicate that they have low modern slavery risk within their own operations, particularly those operating exclusively in Australia, with key worker protection policies in place and no evidence that they engage in practices that would be strong indicators for modern slavery. However, most of our surveyed suppliers had a limited understanding of their supply chains. Based on these responses and the complexity involved in downstream supply chains, our suppliers' supply chain is Defence Health principal modern slavery risk.

We anticipate that some of this risk will ameliorate with time as the first Modern Slavery Statement reporting period has just concluded.

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 beginning to understand the expectations imposed on them by clients that are required to report.

Hospitals as suppliers

To date, a limited consideration of hospitals' modern slavery risk has been factored into DHL's modern slavery risk profile due to the unique nature of the supply chain. Whilst DHL has contractual relationships with over 500 private hospitals in Australia, these contracts are negotiated on our behalf by the Australian Health Service Alliance, a Tier 1 supplier of DHL. Hospitals provide services to our insured members, and Defence Health pays benefits on behalf of insured members to the hospitals but, they do not provide any products or services to DHL directly. However, we are aware that significant modern slavery risks are associated with the healthcare industry, particularly with respect to the manufacture of healthcare equipment and supplies.

5. Assessing the effectiveness of our actions

DHL is working to understand the impact of the initiatives detailed in this Statement, and on an ongoing basis we will review the effectiveness of our modern slavery risk management program using the following measures:

Workstream	Activity	Measurement
Governance	Board Oversight	Establishment of our Modern Slavery Committee tasked with assessing and addressing risks of modern slavery practices across our operations and supply chain. Their work is reported to, and monitored by, DHL'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 DHL	Maturity assessments of processes and protocols
	DHL staff training on modern slavery risks	% of staff training complete
Risk Management	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"> Supplier self-assessment questionnaire Instances where Modern slavery incidents have been identified 	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.

6. 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;
- The establishment of a Modern Slavery Committee to oversee and address modern slavery risk with DHL's operations and supply chain.
- Obtaining Board approval for our Modern Slavery Policy.
- The incorporation of our Supplier Code of Conduct and other modern slavery risk terms into new and renewed contracts; and
- Encouraging our suppliers to better understand their supply chains and manage the associated modern slavery risk.

This Statement was approved by the Defence Health Board of Directors on 11 December 2020.




Mr Alan Beckett BEc FCA GAICD

Chairman of the Board