

# 2022 Modern Slavery Statement

# Contents

- |                           |   |  |
|---------------------------|---|--|
| 1. Message from the Chair | 6. Assessing modern slavery risks in our supply chain | 9. Modern slavery within HBF operations          |
| 2. Introduction           | 7. Managing modern slavery risks in our supply chain  | 10. Priorities for the next financial year       |
| 3. About HBF              | 8. Modern slavery assessment process                  | 11. Measuring the effectiveness of HBF's actions |
| 4. Supply chain           |   |  |
| 5. Corporate governance   |   |  |

HBF acknowledges the traditional owners and custodians of country throughout Australia and acknowledges their continuing connection to land, waters and community. We pay our respects to them and their cultures and to elders past, present and emerging.



# Message from the Chair Modern Slavery Statement



**This Modern Slavery Statement (Statement) covers the activities of HBF Health Limited ABN 11 126 884 786 and each of its wholly owned entities (HBF) to understand and implement actions to minimise the risk of modern slavery and human trafficking in our operations and supply chain.**

This Statement is valid for the financial year to 30 June 2022 and has been drafted pursuant to the requirements of the *Modern Slavery Act 2018 (Cth)*.

### Rejecting modern slavery

As community and government expectations of corporate Australia continue to evolve, it is imperative that we understand the Environmental, Social and Governance opportunities and challenges HBF faces. One of these challenges is modern slavery. As Australia's fifth-largest private health insurer, HBF rejects any form of modern slavery and we have pledged to take action towards its global elimination.

This Statement – our third under Commonwealth-legislated requirements – outlines our approach to monitoring and mitigating modern slavery. It includes the activities completed during FY22, and our priorities in FY23 to ensure appropriate frameworks and processes are in place, are effective, and operate to eliminate or minimise the risk of modern slavery in our business operations and supply chain. While we have assessed our operations as having a low modern slavery risk, we are committed to continuous improvement.

The United Nations outlines 17 interlinked global goals to promote prosperity while protecting the planet. Its Sustainable Development Goals (SDGs) address challenges faced by all countries, including poverty and justice. In particular, we support and will drive advancement in respect to SDG 8 – Decent Work and Economic Growth – through a range of initiatives across the business. This includes enhancing the capabilities, frameworks and processes of our procurement function, strengthening the approach we take to ensure HBF contributes positively to the elimination of modern slavery practices. More detail is outlined within this Statement.

The Board of HBF is pleased to advise that on 1 December 2022, in accordance with Rule 10.6 of the Constitution, it resolved to approve this Modern Slavery Statement for the financial year and will provide annual updates of our progress to reduce modern slavery risk in our business operations and supply chain.

**Diane Smith-Gander AO**  
Chair



We are committed to UN SDG Goals

# Introduction

**As one of Australia’s largest private health insurance funds, we understand the community’s expectations in relation to our operations and efforts toward the elimination of modern slavery.**

HBF recognises that modern slavery is an umbrella term which covers many activities, including slavery, servitude, human trafficking, forced marriage, forced labour, debt bondage, child labour, and deceptive recruiting for labour or services (modern slavery), which affects every business, sector and country. HBF rejects any form of modern slavery.

The community’s expectations of large organisations are high and growing. We pride ourselves on doing the right thing by our members, employees, stakeholders and wider community.

We are committed to supporting and driving adoption of the UN Sustainable Development Goals (SDG), including Goal 5 (gender equality) Goal 8 (Decent Work and Economic Growth), Goal 10 (reduce inequalities), and will continue to support the advancement of these SDGs through our various initiatives and programs related to Corporate Social Responsibility (CSR) and supply chain improvement.

This is our third Modern Slavery Statement, developed in accordance with the *Australian Modern Slavery Act 2018 (Cth)*.

It covers activities of HBF Health and our recent acquisition CUA Health Pty Ltd for the financial year to 30 June 2022. This Statement details the approach and activities we have applied to identify and mitigate risks of modern slavery in our business operations and our direct supply chain.

This Statement does not cover the Life Ready physiotherapy business acquired in March 2022, HBF Dental Services, or hospitals and providers who deliver services to HBF’s members.



# About HBF

**Founded in Perth in 1941, HBF has provided private health insurance to generations of Western Australians. Today, HBF has expanded to become Australia’s second-largest not-for-profit health fund, providing hospital and ancillary insurance to more than one million members nationwide.**

HBF is a not-for-profit organisation incorporated as an Australian public company limited by guarantee under the *Corporations Act 2001* and is a private health insurer under the *Private Health Insurance Act 2007*. HBF and its subsidiaries maintain their registered office at 570 Wellington Street, Perth, Western Australia.

Our operational locations include our corporate offices in Perth, Melbourne and Brisbane, and a network of branches across Australia. HBF has no international locations.

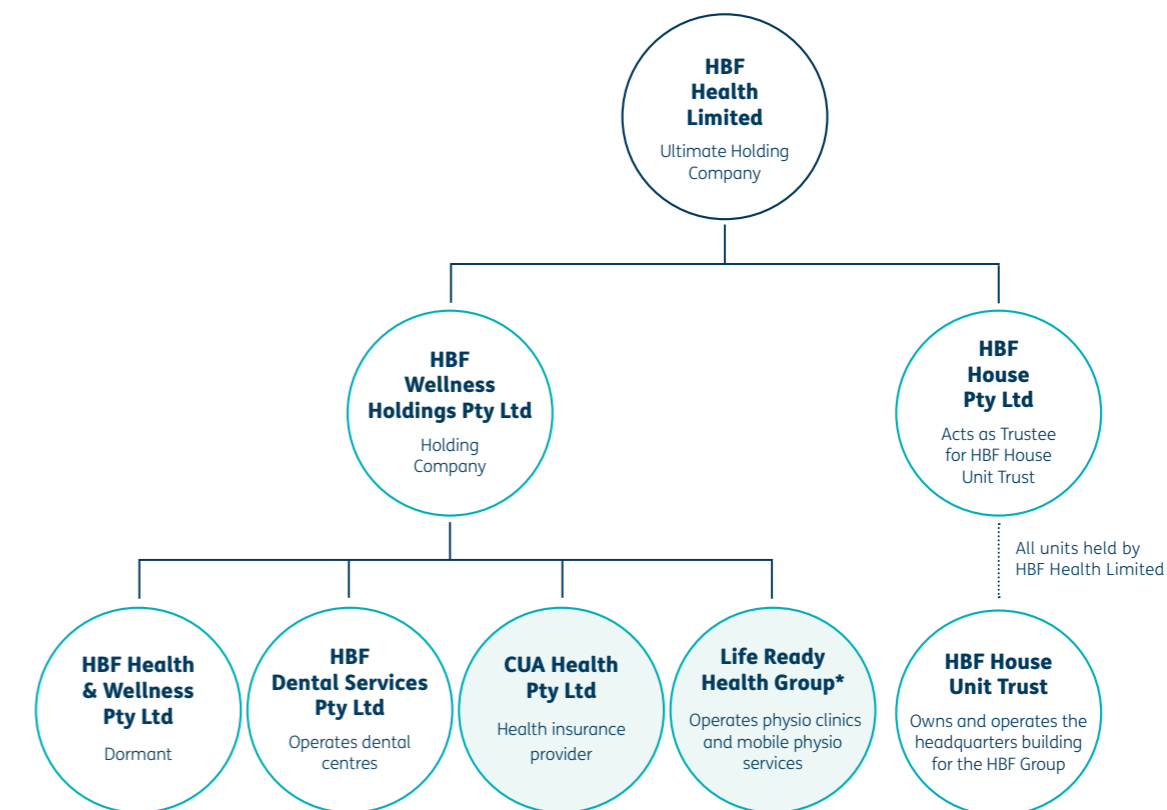
HBF has grown with the acquisition of CUA Health and Life Ready, with a combined workforce of 1,565 people across Western Australia, Victoria, Queensland and New South Wales (as of 30 June 2022).

HBF acquired the Life Ready physiotherapy business in March 2022. HBF is working to implement controls and activities to assess and manage modern slavery risk in the Life Ready business.

HBF has contractual arrangements with hospital, medical and ancillary providers who deliver services to its members. HBF will work further with these providers to understand their modern slavery risks.

## HBF Dental Services

HBF Dental is a wholly owned subsidiary with commercial operations (including supply chain management) delivered under a management services agreement with Pacific Smiles Group (PSG) ABN: 42 103 087 449. Accordingly HBF is reliant on PSG implementing their stated modern slavery controls. PSG will submit its own statement for 2022.



\*All units held by HBF Health Limited ● Acquired during the period

# Supply chain

## The principal activities of HBF are to:

- Provide health insurance
- Deliver other health-related activities

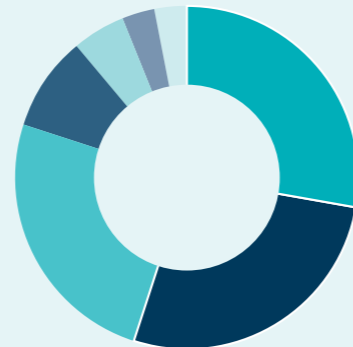
HBF's supply chain used 477 suppliers in FY22 in support of its Group operations – of these, 152 were new suppliers from the previous reporting period.

There has been minimal change in the past 12 months to HBF's supply chain risk profile. Our annual spend was approximately \$194 million.

The HBF supplier spend profile highlights that HBF is predominantly a service-based organisation with 93 per cent of its supply chain made up of services.

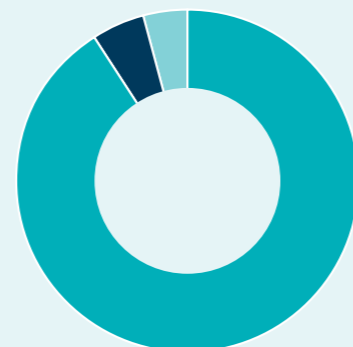


HBF direct procurement spend in Australian dollars, excluding claims expenditure



- Information technology 28%
- Professional services 27%
- Marketing services 25%
- Property management services 9%
- Financial services 5%
- Human resources services 3%
- Others 3%

Geographical distribution by number of suppliers



- Australia 91%
- United States 5%
- Others 4% (Canada, Ireland, Israel, Netherlands, Poland, Singapore, Spain, United Kingdom)

# Corporate governance

## HBF's Board is ultimately responsible for risk management, supported by the Risk Committee, a sub-committee of the HBF Board.

The Risk Committee provides objective, non-executive oversight of the implementation and operation of HBF's Risk Management Framework (RMF). The Risk Committee meets a minimum of four times annually and makes recommendations to the Board on managing strategic and operational risks including modern slavery risk.

The Executive Committee is the overseeing body at the management level to oversee risk.

### HBF Property and Procurement

Policy and Procedure sets HBF's minimum requirements to mitigate the risk of modern slavery in its supply chains. The Property and Procurement function administers the policy and is primarily responsible for assessing, monitoring and reporting on modern slavery risk across our supplier network.

The operational implementation of these processes is a shared responsibility.

- Our risk team owns and administers the RMF, provides risk advice, and facilitates risk workshops
- Our procurement team manages the procurement processes that apply the modern slavery risk controls during supplier engagement, contract management and offboarding
- Our legal team designs our model contracts and templates to ensure our modern slavery controls and expectations are clearly articulated in our supplier agreements
- Our compliance team advises on the underlying modern slavery obligations and monitors how HBF may meet them
- Contract owners and managers are responsible for applying the modern slavery processes when they engage suppliers

Our corporate governance documents provide a foundation for guiding our staff on our commitment to modern slavery and how to operate with appropriate conduct which, directly or indirectly, impacts the behaviour and approach HBF takes to addressing modern slavery risk.

### Our key governance documents include:

- Code of Conduct
- Risk Management Framework
- Risk Management Strategy
- Risk Appetite Statement (RAS)
- Third Party Risk Management Framework
- Whistle-blower Policy

Over the past 12 months, HBF has embedded our control framework into our contract management system to identify and mitigate modern slavery risk within our supply chains. Key initiatives include:

- **Procurement procedure:** HBF has made enhancements to its enterprise resource planning system to enable modern slavery risk screening during the creation of all purchase requisitions for transactional procurement. Scopes of works with identifiable modern slavery risk are escalated to Procurement for further due diligence and application of risk controls as appropriate
- **Code of conduct:** The HBF Code of Conduct sets out clear expectations for all employees to ensure everyone adheres to the required standards of behaviour

HBF has embedded our third-party risk management controls in our procurement operating procedures including refining our modern slavery governance framework, with a continued focus on:

- embedding our risk controls to manage third-party risk including modern slavery risk
- ensuring all modern slavery risk is assessed prior to entering into any new contract
- increased engagement with our suppliers to ensure awareness of and continued compliance to our modern slavery risk controls
- improving training and awareness for our staff
- active involvement on industry working groups for modern slavery



477 suppliers across 10 countries in FY22



\$194 million annual spend in FY22



## Managing modern slavery risks in our supply chain

HBF has implemented controls and activities to manage modern slavery risk in our supply chain.

### Grievance mechanisms

Concerns about breaches of HBF policy and adherence to regulation are best raised through our risk management system in accordance with the Incident Response Procedure. However, should HBF staff or our suppliers feel uncomfortable raising their concerns through regular business channels, they can access the HBF whistle-blower services. Reporting channels include an independent reporting channel through the HALO platform, where disclosures can be completed safely and with confidence that they will be protected and supported.

### Contract terms and conditions

HBF standard contract terms for the supply of goods and services contain modern slavery provisions. These provisions detail supplier obligations and our expectations pertaining to human trafficking and modern slavery controls. This will include:

- Compliance to relevant statutory and regulatory laws – including the prohibition of modern slavery practices by the supplier or its subcontractors
- Rights of access for HBF to conduct audits
- Requirements for suppliers to notify modern slavery breaches
- Periodical evidence and independent verification of compliance to supplier modern slavery controls (this includes independent certification to international standards and/or audits by recognised international bodies)
- Supplier performance reporting
- Rights of termination provisions for breaches of modern slavery controls

### Contract scope delivery

For contracts considered a heightened risk for modern slavery risks, our Procurement Procedure prescribes post-award controls. These include:

- Supplier mobilisation: Evidence that modern slavery controls and activities are operational prior to the commencement of scope delivery
- Supplier performance management defines the reporting obligations, key performance indicators (KPIs) and assurance activities to monitor modern slavery risk during scope delivery
- Supplier offboarding: closes out the contract and captures lessons learnt

We will work collaboratively with our suppliers to manage modern slavery risk within our supply chain.

## Assessing modern slavery risks in our supply chain

HBF has adopted the Minderoo Foundation's Walk Free Initiative Global Slavery Index (GSI) along with guidance provided by the Modern Slavery and Human Trafficking Branch of the Australian Border Force as the basis in which we assess scope of works and supply chains for inherent modern slavery risk.

Our approach considers:

**1. Product and service** – is there a prevalence of modern slavery risk associated with the goods or services being provided, as guided by GSI?

**2. Sector and industry** – is there a prevalence of modern slavery risk in the industry or sector within the country where the supply chain resides, as guided by GSI?

The HBF Procurement Procedure defines how to apply the modern slavery risk assessments and subsequent controls throughout the contract life cycle.

Where a scope of work has been assessed as having potential medium or high modern slavery risk, an internal assessment of the supplier's supply chain is undertaken using a pre-qualification questionnaire.

On completion of the supplier assessment, suppliers are tiered and appropriate risk controls are applied dependent on the risk tier.

This may include requiring suppliers to provide evidence of their internal risk control framework and modern slavery controls.

## Modern slavery assessment process

Ongoing assessment of the HBF supply chain during 2022 highlighted the following procurement categories with potential modern slavery risk:

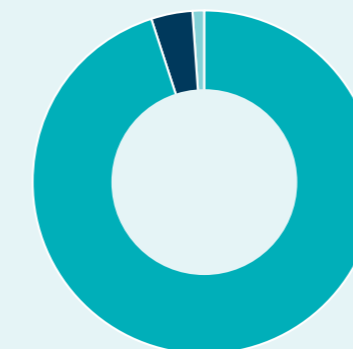
- Marketing apparel and merchandise products
- Technology consumables and hardware products
- Personal protective equipment
- Cleaning products and consumables used in our corporate office and branch network.

During FY22, 477 suppliers had completed modern slavery risk screening which resulted in one per cent classified as high risk and four per cent classified as moderate risk.

Medium- and high-risk suppliers were evaluated against the GSI criteria, engaged, and requested to complete a modern slavery pre-qualification questionnaire and evidence their supply chain and risk control framework.

In addition to the suppliers engaged during FY22, HBF had disqualified and terminated four suppliers for failure to meet HBF preliminary modern slavery risk assessment.

FY22: Supplier modern slavery risk (Desktop assessment)



- Low risk 95%
- Medium risk 4%
- High risk 1%



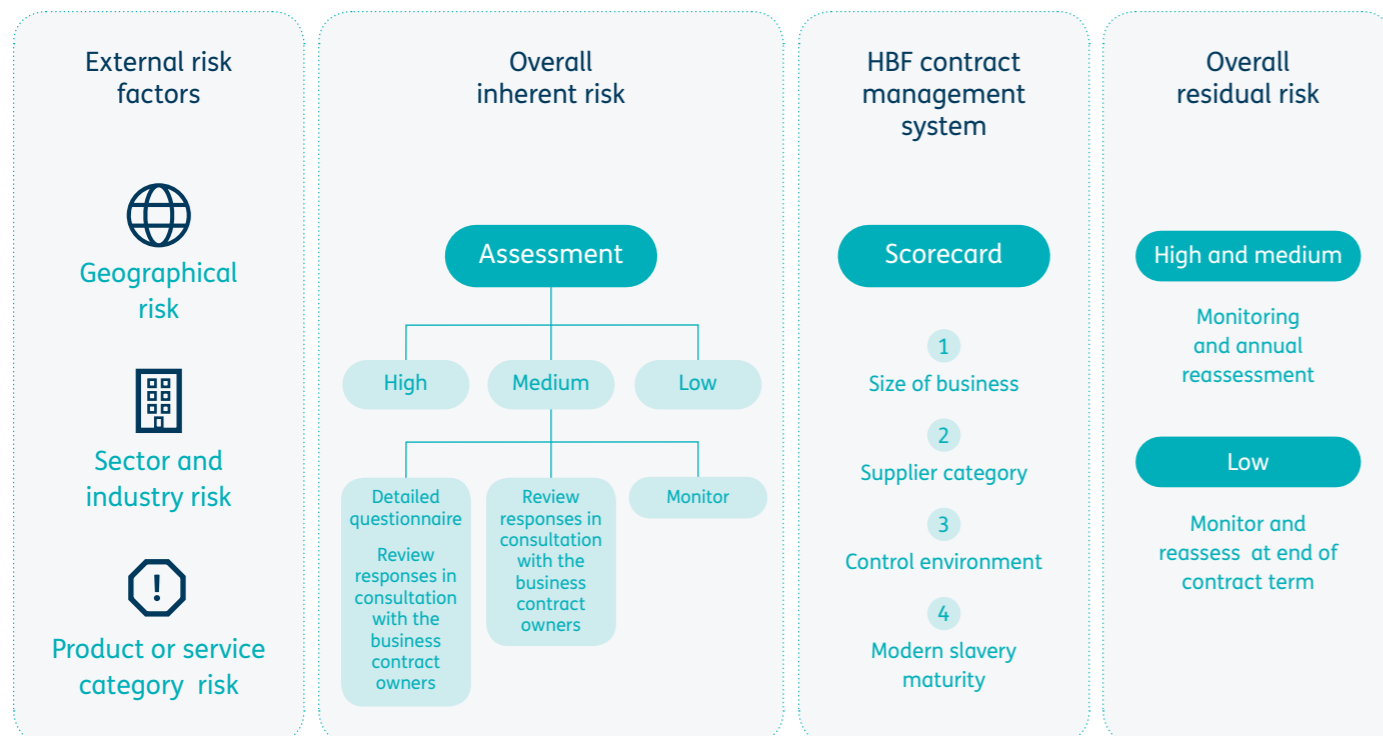
# Modern slavery within HBF operations

HBF has assessed its own operations as having a low modern slavery risk. Key considerations in our assessment:

- Operationally, the HBF workforce is Australian-based in workplace environments that meet relevant statutory and regulatory requirements
- Our employee remuneration and entitlements meet or exceed Australian statutory and regulatory minimum employment conditions
- HBF welcomes feedback from suppliers' employees regarding modern slavery risks in their organisations
- The composition of the HBF operational workforce is predominantly professional services and member-facing services
- Our grievance mechanism (HBF whistle-blower hotline) is available for employees to report incidents of modern slavery

## 100% of HBF operations are based in Australia

### Modern slavery assessment process



## Priorities for the next financial year

We are committed to continuous improvement to enhance our approach to identify and manage modern slavery risks within our business. Our future activities include:

- Continue to embed our systems based third party risk management control framework in our Contract Management System (CMS)
- Continue our ongoing training programme for Contract Owners and Contract Managers
- Continue with supplier reviews for all supplier contracts against our modern slavery controls
- Embed reporting of modern slavery issues for our CUA Health business
- HBF will work further with the hospital, medical and ancillary providers who deliver services to its members to understand their modern slavery risks
- Apply modern slavery controls to the Life Ready business for suppliers with a high risk rating
- Embed reporting of modern slavery issues for the Life Ready business
- Review the modern slavery controls operated by Pacific Smiles Group on behalf of HBF Dental
- Active engagement in the PHI modern slavery industry working group



PHI Industry working group seminar

## Measuring the effectiveness of HBF's actions

To ensure the effectiveness of HBF's approach to manage modern slavery risk:

- The Board of HBF, through the Risk Committee, is responsible for monitoring the effectiveness of HBF's RMF, which includes reviewing activities associated with eliminating or mitigating modern slavery risks. As part of its accountabilities, management will report to the Risk Committee on a regular basis
- This reporting includes notification of operational incidents which have fallen outside of legislative requirements or risk appetite. Near-miss reporting on any subject may also be included in regular management reports
- Operational activities, including procurement and contract management activities, are subject to these same reporting requirements, which include monitoring and reporting modern slavery risks
- Specific indicators to truly measure whether our efforts are contributing to the reduction of modern slavery risk are challenging to define. Notwithstanding those challenges, we anticipate that the success of our actions will be measurable by:
  - The engagement received from our supplier base
  - Our ability to influence the supply chains of our suppliers to address modern slavery risks
  - Our ability to modify our supply chain in response to identified modern slavery risks

