



adica
INSURANCE

Modern Slavery Statement
May 2023

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1 Adica's Statement and Commitment

This statement is made by Aioi Nissay Dowa Insurance Company Australia Pty Ltd ACN 132 524 282 (**Adica**) pursuant to the *Modern Slavery Act 2018* (Cth) (**Act**). It is made in relation to the financial year commencing 1 January 2022 and ending 31 December 2022 (**FY 2022**). This statement sets out the actions undertaken by ADICA to:

- assess the risks of modern slavery in its operations and supply chain; and
- address and reduce those risks.

Adica has identified that its modern slavery risk profile is low. Nevertheless, Adica recognises the importance of, and is committed to:

- preventing acts of modern slavery from occurring within in its operations and supply chains; and
- continuously developing its risk management framework to ensure that it is facilitating a collaborative and safe workplace for its employees and the workers in its supply chain.

Adica expects the same high standards from its contractors, suppliers, and other business partners.

2 Adica's Operations

Adica is an Australian proprietary limited company. It is a wholly owned subsidiary of Aioi Nissay Dowa Insurance Company Ltd (**Aioi Japan**), being a company that is incorporated in Japan. In addition, Aioi Japan previously operated as a branch in Australia (**Aioi Australia Branch**). Aioi Japan, Aioi Australia Branch, and Adica are part of the MS & AD Insurance Group Holdings, Inc. Adica does not own or control any other entities directly.

Adica's business is providing motor vehicle insurance products to Australian customers and managing its customers' insurance policies and claims.

Adica only conducts its operations within and for the Australian market. Adica's products are primarily distributed, sold, and marketed by Toyota Finance Australia and the Toyota dealership network.

Adica trades under three trading names:

1. Toyota Insurance;
2. Lexus Insurance; and
3. PowerTorque Insurance.

Additionally, Adica also underwrites a variety of wholesale insurance products (some in co-insurance arrangements) that include but are not limited to Motor Vehicle fleet insurance and Motor Vehicle Insurance for carshare arrangements.

Adica has approximately 200 direct employees who are all based in Australia. The majority of those are employed on a permanent full-time or part-time basis, and a small number are employed on a fixed-term contract or casual basis. At times, Adica hosts a small number of secondees and has other employment-related agreements with some of its business partners.

Each year, Adica completes two pay reviews to ensure all its employees and contractors are paid in accordance with all applicable wage standards and employment awards.

Furthermore, Aioi Japan has in place a management agreement with Adica pursuant to which Adica acts as the managing agent of its Aioi Australia Branch. Due to the management agreement, Adica considered it would be best practice to consult with the Aioi Australia Branch in preparing this statement to identify the suppliers engaged by the Aioi Australia Branch and to conduct a risk assessment of each of those suppliers.

Aioi Australia Branch's operations are limited. Prior to 2014 it issued wholesale insurance policies and retail insurance policies including motor vehicle, extended warranty, and finance gap protection, some of which remain active. However, Aioi Australia Branch stopped issuing policies in 2014 and has since operated in runoff. The Aioi Australia Branch is currently in the process of transferring its portfolio of insurance policies to Adica.

The policies previously issued by Aioi Australia Branch and the claims made against those policies are administered by Adica. As a result, the Aioi Australia Branch utilises only a small number of suppliers for its internal business operations. During the consultation process, six suppliers were identified as being engaged by Aioi Australia Branch and all had a low modern slavery rating.

Adica has carried out a modern slavery focussed review of its workforce and has determined that there is a low level of modern slavery risk arising in relation to its own employees and operations.

3 Adica's Supply Chains

Adica engages third parties to assist with Adica's day-to-day operations (**Suppliers**). These Suppliers are typically located in Australia and include the following:

- property managers;
- employee wellbeing services;
- office supplies and furniture providers;
- building maintenance contractors;
- social event personnel and caterers;
- rental car providers;
- car manufacturers and repairers;
- underwriters;
- external consultants, such as lawyers, accountants, auditors and loss adjusters;
- financial services (including investments);
- office cleaning providers;
- IT hardware and software providers; and
- printing and postal service providers.

Adica has carried out a modern slavery focussed review of its Suppliers and corresponding supply chains. In carrying out this review, Adica has considered the below factors for each type of Supplier (**Risk Analysis**) with a view to understanding the Supplier's overall modern slavery risk profile:

- **Industry Risk** – the modern slavery risks associated with the industry that the Supplier operates in;
- **Region Risk** – the modern slavery risks associated with the geographical region that the Supplier operates in; and
- **Dollar Value Risk** – the modern slavery risks based on the importance and value of the relationship between Adica and the Supplier.

The results of this Risk Analysis, have enabled Adica to conclude that:

1. The majority of its Suppliers and their respective supply chains present a low level of modern slavery risk.
2. There are a small number of Suppliers that present a medium level of modern slavery risk. These Suppliers include the following:
 - a. providers of office furniture and IT hardware, who procure or manufacture their products from regions where the risks of modern slavery occurring are reported to be comparatively higher, but have provided their own modern slavery assessments to address how they are reducing their modern slavery risk;
 - b. small Australian businesses, such as “smash repairers”, who might from time to time procure their replacement parts from third parties who have manufactured these parts in, or obtained them from, higher risk regions; and
 - c. an online job board service which operates in high-risk countries,
3. There are a small number of Suppliers that present a high level of modern slavery risk. These Suppliers include the following:
 - a. Manufacturers of office furniture and electronic IT equipment which is an inherently high-risk industry due to the geographical regions they operate in; and
 - b. A strategic partnership with a motor vehicle manufacturer which manufacturers vehicle and operates in high-risk countries.

4 Adica’s Responsibility

In the event that one of our Suppliers is involved in a modern slavery complaint, Adica is committed to working with all affected parties to address the issue in a fair and timely manner.

In the event of this occurring, Adica would take steps to review its relationship with the Supplier and determine the necessary next steps. This may include, for example, working with the Supplier to ensure that appropriate remediation steps are taken, and consideration given to whether it should end its relationship with the Supplier in light of the conduct. This latter step will be particularly relevant in circumstances where the Supplier has not taken reasonable steps to address and remediate the conduct that led to the issue as well as ensuring measures are put in place to prevent the issue from re-occurring.

5 Adica's Actions to Detect and Combat Modern Slavery Risks

Adica has the following safeguards in place to detect and combat modern slavery risks, including:

1. supplier due diligence;
2. annual reviews of corporate policies and overall modern slavery risk; and
3. employee training and protections.

These examples are discussed in detail below.

5.1 Supplier due diligence:

Adica's Risk & Compliance Committee consists of Adica's non-executive directors. Adica's Chief Risk Officer (**CRO**) reports directly to the Risk & Compliance Committee and maintains day-to-day oversight of the risk management framework, with assistance from the Risk and Governance Department. The CRO and the Risk and Governance Department work closely with each department within Adica to ensure they identify and assess potential risks that new and existing suppliers may pose to Adica.

As part of Adica's risk management framework, and before Adica engages another entity, that entity must satisfy Adica's due diligence process, the Adica Procurement Policy, and procurement framework which requires a full risk assessment of potential Suppliers to be undertaken, including a modern slavery risk assessment.

5.2 Annual reviews of corporate policies:

Adica has a framework of corporate policies that assist Adica to maintain a strong governance culture. The Risk and Governance Department, along with other accountable business units, annually review Adica's corporate policies and processes to ensure they are effectively protecting Adica from a variety of risks. Adica's framework of corporate policies include but are not limited to:

- Anti-Fraud Policy
- Incident Management Policy
- Information Security Policy
- Whistleblower Policy
- Procurement Policy
- Change Management Policy
- Code of Ethics Policy
- Conflicts of Interest Policy
- Risk Management Strategy
- Risk Appetite Statement
- Third-Party Oversight Policy

Whilst these policies are not specific to modern slavery, they encourage transparency and accountability and enhance Adica's ability to monitor and identify modern slavery risks. Further, Adica promotes a "speak up" culture, which enables all staff to feel comfortable to raise issues and concerns across all areas (including modern slavery risks). Adica continues

to engage with external consultants to assist with the review of Adica's risk management framework and corporate policies to ensure Adica is continually applying best practice and the highest industry standards to identify and mitigate material risks including modern slavery risks.

5.3 ADICA's employees:

To protect against modern slavery risks in its organisation:

- Adica conducts regular work, health and safety checks on its employees and contractors (including both at home in the current remote working environment and when they are on Adica premises); and
- ADICA conducts bi-annual pay reviews to assess remuneration against changes in the market and applicable legislation.

6 Additional Actions to Combat Modern Slavery Risks Undertaken in FY 2022

In its FY2021 Modern Slavery Statement, Adica committed to further develop its modern slavery program to help enhance Adica's ability to detect and combat modern slavery risk. During FY2022, Adica implemented and reviewed the following safeguards:

- Introduction of a Modern Slavery policy;
- Introduction of a Third-Party Oversight policy;
- Introduction of a Third-Party Management software;
- Review of the effectiveness of modern slavery risk detection actions; and
- Review and updating the Adica modern slavery assessment processes.

These actions are explained in more detail below.

6.1. Modern Slavery Policy

To continue to educate its employees and raise awareness of the risks of modern slavery, Adica implemented a Modern Slavery Policy (**MS Policy**). The MS Policy compliments the modern slavery training that was introduced in FY2021 that is compulsory for all Adica employees to complete. Like the modern slavery training, the MS Policy applies to all Adica staff and aims to maintain employees awareness of what modern slavery is, how to identify the key signs that could indicate slavery is being used by a supplier or within a supply chain, an explanation of the obligations of employees to be aware of the risks associated with modern slavery, and how to raise a concern regarding modern slavery risks.

The MS Policy will be reviewed at least annually along with the annual modern slavery training provided to all Adica staff.

6.2. Third Party Oversight Policy

Adica implemented a Third Party Oversight Policy (**TPO Policy**). The TPO Policy forms part of Adica's Third Party Oversight (**TPO**) framework, which includes, amongst other things, Adica's Procurement Policy.

The objectives of the TPO are to provide Adica with greater visibility of the strength of a Third Party's (TP) policies, processes, and controls for managing and mitigating risks, and the nature of the risks inherent to the goods and/or services they are delivering to Adica.

Inadequate risk management of a TP could lead to a failure to meet Adica's operational business requirements, impact Adica's customers and/or employees, lead to compliance impacts, cause damage to shareholder value and/or to reputation, or result in a business loss and/or disruption and/or breach of Adica's regulatory obligations.

Adica's TPO, sets out management of the TP Lifecycle which is comprised of:

- Scope
- Risk Assessment
- Due Diligence
- Background Checks
- Review
- Contract
- Ongoing Monitoring
- Renewal, Extension, Variation and Termination

The TPO Policy and associated procedures outline the requirements for assessment and ongoing monitoring of TP risks, which includes modern slavery risks. These additional requirements enable Adica to ensure it has better oversight of the ongoing modern slavery risks of its suppliers and ensures these are reviewed in line with the risk they present to Adica.

6.3. Introduction of a Third-Party Management (TPM) software

Adica has commenced the implementation of a TPM software. This software compliments Adica's TPO Policy and framework and systemises many of the requirements of the TP lifecycle (including the risk assessment, due diligence, review, ongoing monitoring, renewal, extension, variation, and termination).

The key feature of the software is the systemisation of the risk assessment phase which requires the users to answer a series of questions that will then determine the suppliers risk score. This risk score then drives the level of due diligence required before onboarding a new supplier.

This process ensures that TP risk (including modern slavery risk) is identified, captured, and addressed in a consistent way across the business. Adica expects that as this software is implemented, it will greatly assist Adica to monitor and report on its TP risk and simplify reporting on the Modern Slavery risks in Adica's supply chain.

Adica has taken a phased approach to the implementation with Adica's claims department being the first area of the business to transition their suppliers onto the software. It is planned that all areas of the business will be utilising this software by the end of 2025.

6.4. Review of the effectiveness of modern slavery risk detection actions

Adica has reviewed its effectiveness in detecting and combating modern slavery risks within its organisation and supply chains. This review established that Adica's actions were effective as there was no increase to Adica's level of modern slavery risk.

In reviewing areas where Adica could enhance its modern slavery risk assessment processes, Adica established that there were some areas for improvement to ensure that Adica's modern slavery program remains effective.

To further strengthen and embed processes to complete modern slavery risk assessments Adica has identified that it needs to:

- Complete the implementation of Adica's TPM Software;
- Provide further training on the TPO framework and processes to ensure they are fully embedded in daily practice; and
- Continue to review Adica's modern slavery risk training to understand if the current training can be enhanced.

6.5. Review and updating of the Adica modern slavery assessment process

Adica has reviewed and updated its modern slavery (**MS**) assessment process. This review was completed using information provided by the Supplier relationship owners which was required to be gathered at the time of procurement. In reviewing the MS assessment process, Adica identified a number of suppliers that were not the subject of a modern slavery risk assessment prior to Adica utilising their services (for example, suppliers engaged on a one-off basis or contracted for a definitive amount of time). These suppliers were retrospectively reviewed and were all found to be low risk, apart from one which was medium risk due to the industry they operate in.

The implementation of the TPM software is an example of how the modern slavery assessment process has been updated so that suppliers are not engaged prior to the appropriate due diligence being conducted.

The review of the modern slavery assessment process is ongoing. See the below paragraph 7.1.

7 Future Actions to Be Undertaken in The Next Reporting Period

Adica remains committed to continuing to develop its modern slavery program and, in addition to the improvement areas identified in Section 5. above, will implement the following actions during the next reporting period (FY 2023):

- Continual monitoring and review of modern slavery assessment safeguards.

This action is explained in further detail below:

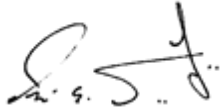
7.1. Continual monitoring and review of modern slavery assessment safeguards

As mentioned above under ‘Review and updating of the Adica modern slavery assessment process’, not all suppliers were subject to a modern slavery risk assessment prior to Adica utilising their services. As a result, Adica will continue to monitor and review the effectiveness of its modern slavery assessment safeguards to ensure they are still achieving the desired outcome and make any changes that become necessary.

This will include consideration of the threshold for modern slavery risk assessments, the controls to ensure these assessments are completed when required, and consideration of the current training provided to staff involved in the use of these suppliers.

This statement was approved on 23 May 2023 by the Board of Directors of Aioi Nissay Dowa Insurance Company Australia Pty Ltd ACN 132 524 282.

Approved by the Adica Board on 23 May 2023



Peter Daly AM – Chairman of the Board