



# MODERN SLAVERY STATEMENT

UNDER THE MODERN SLAVERY ACT 2018 (CTH)

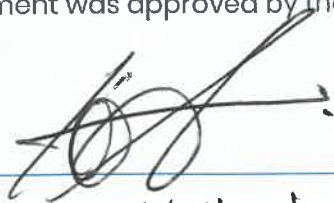
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## RACT INSURANCE

RACT Insurance Pty Ltd  
ABN 96 068 167 804

This Statement was approved by the Board of RACT Insurance Pty Limited

Signature



Date

10/03/2021

Name - Pieter Kolkert  
Director

# THIS REPORT OUTLINES:

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1. Structure, Operations and Supply Chain
2. Identifying Risks of Modern Slavery
3. Comprehensive Risk Assessment
4. Addressing Risks
5. Effectiveness of Actions
6. Appendix



# Structure, Operations and Supply Chains

## Mandatory Reporting Requirements

RACT Insurance Pty Ltd (“RACT Insurance”) is a reporting entity under the Modern Slavery Act 2018 (Cth) (“the Act”).

This Part provides a key overview of RACT Insurance as a mandatory reporting entity under the Act, which is further expanded upon throughout each of the subsequent sections of the Statement.

### *Identify the reporting entities*

RACT Insurance –ABN 96 068 167 804



## Structure, Operations and Supply Chain

### *Describe the reporting entity’s structure, operations and supply chains*

- ✓ RACT Insurance is a Tasmanian based general insurer.
- ✓ RACT Insurance is located at Level 1, RACT House, 179-191 Murray St, Hobart TAS 7000.
- ✓ RACT Insurance is a 50/50 joint venture between GIO Insurance Investment Holdings A Pty Limited (a member of the Suncorp Group) and RACT Holdings Pty Ltd (a member of the Royal Automobile Club of Tasmania) (RACT) and RACT is the distributor of RACT Insurance’s products.

- ✓ In accordance with guidance received from the Australian Border Force as to the scope of the Act’s operation in relation to ‘owned’ and ‘controlled’ entities, this statement only directly addresses the supply chains and operations of RACT Insurance, and not those other operations of the shareholders of RACT Insurance.
- ✓ The total revenue of RACT Insurance at the end of the financial year 30 June 2020 exceeded the \$100 million threshold for mandatory reporting entities under the Act.

## RACT Insurance issues a range of general insurance products in Tasmania



### Vehicle insurance – covering:

- Comprehensive Motor Vehicle;
- Collectors Car;
- Third Party Property Damage; and
- Caravan and Trailer;



### Home insurance – covering:

- Building;
- Contents; and
- Personal Effects;



### Boat Insurance



### Investor Insurance



### Strata Insurance

## Key achievements in FY19–20



Winners of the **Roy Morgan General Insurer of the Year** (5 years in a row).



Winners of the **ANZIIF Small to Medium General Insurance Company of the Year**.

Being the only locally based general insurer in Tasmania, community and advocacy are an important focus for RACT Insurance.

- ✓ In 2020 we have granted over \$200,000 assistance to over 85 organisations through our COVID-19 Community Support Fund.





# Risks of Modern Slavery in Supply Chain

## *Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns and controls*

The nature of RACT Insurance’s primary business operations means that the most significant potential risks of modern slavery are deep within our supply chains.

Our analysis of modern slavery risks is based on a supply-chain risk assessment which took into account the operational expenditure on our suppliers for the year as well as other factors which are identified below.

We acknowledge our reporting obligations require us to ensure that the scope of risk to be assessed is broad in nature and includes aspects of our supply chains and operations that might either ‘cause’, ‘contribute to’ or be ‘directly linked’ to modern slavery.

We have undertaken an operations-wide, in-depth assessment of our suppliers for the subject reporting period.

## Causes of Potential Increased Risks

RACT Insurance recognises that a complex network of issues interact to create potentially increased modern slavery risk, including:



Total supplier spend amount (i.e. the value of our direct supplier contracts);



Industry category, including the industries that, in turn, feed into particular categories further down the supply chain pipeline;



Geographic area of operation; and



Depth or ‘tiering’ within the supply chain(s) – e.g. 3rd tier supplier, 5th tier supplier, etc

# Comprehensive Risk Assessment

Our comprehensive risk assessment <sup>1</sup> has identified the following potential risk areas of modern slavery within the more traditional physical product and services supply chains in our insurance claims operations (which is our primary business operation and comprise a large proportion of total spend).

## Product categories of this kind in our supply chains and operations include:

- Builders;
- Carpet / floor coverings; and
- Motor vehicle repairers

Our risk analysis of these products and services indicates that the potentially elevated modern slavery risk is not at the 'end product' stage (i.e. the goods or services that we are directly purchasing) but rather at a much earlier tier of manufacture or production.

Raw materials such as cotton, paper, mineral-based non-synthetic oils, are all of a kind that have been recognised, in less developed nations, as posing particular modern slavery risks.

## Identified Potential Risk Areas

In supply chains relating to business operations (as opposed to our insurance claims operations):



**IT** – including computer and technical services, and electronic equipment



**Consultancy Services** – market research and other business management services



**Advertising services**



**Digital Development** – computer and technical services



**Uniforms**



**Stationery**

<sup>1</sup> What is contained here is only a high-level summary. If further detail of the specific results of our risk assessment is required for compliance purposes, these can be provided to ABF.

# Analysis of Risk Assessment



## 1. The slavery risk

In the Australian context, these industries have workforces that are primarily comprised of educated professionals in relatively high-paid positions.

It follows that, in practical terms, any elevated slavery risk does not lie with our direct supplier activities, but is rather in far more remote tiers, including where there may be a significant overseas manufacturing and/or raw materials component.

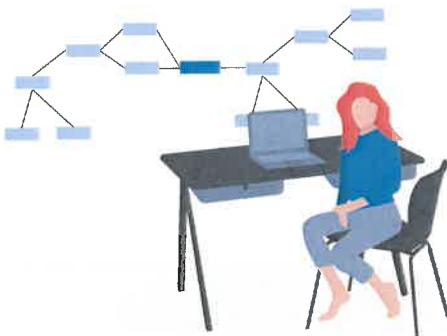
Given the potential risk of modern slavery deep within such supply chains, we intend to focus on the actions which can reasonably be taken including the updating of supplier contracts and the operationalisation of a Supplier Code of Conduct (see page 8).



## 2. Higher spend on suppliers

The primary reason that the supply chains for the above industry categories have been identified as having a potentially elevated risk of modern slavery is attributable to the relative higher amount that we spend on those categories of suppliers.

We recognise that this underscores the importance of developing meaningful, long-term collaboration with our suppliers, who can then influence positive change down their own supply chains.



## 3. The 'multiplier effect'

Another key feature of our risk assessment is that many of those suppliers with whom we are in a direct contractual relationship that (largely due to gross spend value) have been identified as containing potentially elevated risks of modern slavery in their supply chains are, themselves, mandatory reporting entities under the Act.

We view this is a very positive feature, as the 'multiplier effect' of many entities working under a common reporting regime is plainly advantageous to coordinated modern slavery due diligence.

Further details of the methodology and technology, through external subject matter experts, utilised for our modern slavery risk assessment is set out in the Appendix to this statement.

# Addressing Modern Slavery Risks

**Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.**

We are committed to carrying out targeted steps to address identified modern slavery risks, both internally and externally.

RACT Insurance has partnered with external subject matter experts to prepare a holistic, organisation-wide modern slavery response.

A summary of the actions undertaken to date, and those planned for subsequent reporting periods, is set out below.

## Actions undertaken

We have used this inaugural reporting period to focus on the following key areas:



### 1. Comprehensive supply chain mapping for modern slavery risks



### 2. Developing various key framework documents that are specifically focused on addressing modern slavery issues:

- Human Rights Policy and Procedure
- Grievance Policy and Procedure
- Supplier Code of Conduct



### 3. Updating existing policies that potentially interface with modern slavery issues, including:

- Material and Contract Management Policy and Procedures
- Whistleblowing Policy
- Fraud Policy
- Code of Conduct
- Work Order Terms



### 4. Developing appropriate anti-slavery provisions for new supplier contracts

- Developing supplier questionnaires, designed not only to further assess identified areas of potential modern slavery risk, but also to stimulate a dialogue and long-term process of collaboration with relevant suppliers around coordinated modern slavery due diligence steps.
- Internal education and awareness raising, with efforts particularly targeted at those in our workforce who are most likely to encounter circumstances that can give rise to, or be indicative of, modern slavery risk factors.



## Internal Education

The Board, Senior Management and compliance staff have been provided with information on the modern slavery requirements.

As the policy framework outlined above is implemented further training will be completed with those staff who are responsible for administering the policies (including procurement).

## Model Contract Provisions

The framework of model contract provisions that we are developing for new supplier contracts impose a number of substantive modern slavery expectations on suppliers that RACT Insurance has a direct relationship with.

## Policy and Internal Governance Updates

External experts on modern slavery issues have reviewed RACT Insurance's internal policy framework.

RACT Insurance will request its suppliers comply with the provisions and principals contained in a Supplier Code of Conduct.

RACT Insurance also expects suppliers to its subsidiaries to take reasonably practicable steps towards the implementation of these requirements throughout their own supply chains. (see below)

**The following are some aspects which our Supplier Code of Conduct will address modern slavery issues:**

- Safe and healthy workplace for all workers
- Fair working conditions
- Child labour issues
- Working hour restrictions
- Wages and benefits
- Humane treatment
- Anti-discrimination
- Freedom of association and collective bargaining
- Grievance, whistleblowing and management issues



# Effectiveness of Actions Undertaken

## *Describe how the reporting entity assesses the effectiveness of these actions*

RACT Insurance recognises that, as addressing modern slavery within private business is a relatively recent feature of the good corporate citizenship landscape, it is particularly important to regularly and comprehensively review the actual impact of implemented measures to ensure an appropriate deployment of effort and resources.

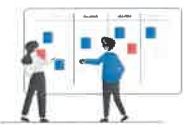
In order to achieve this, we are developing a framework to measure the effectiveness of our modern slavery response.



### **Key features of the Framework will include:**



Completion of supplier self-assessment surveys that are provided to high-risk suppliers, and the subsequent supplier engagement following the completion of such surveys, including the provision of modern slavery educational resources;



Increasing industry collaboration;



All staff administering contracts having undergone training on RACT's modern slavery policies and procedure;



Details of investigations undertaken into reports of possible modern slavery, including any remedial actions taken.

## Reporting Entities

### *Describe the process of consultation with any entities the reporting entity owns or controls*

RACT Insurance does not own or control any other entities.

Any other relevant information –

### **Impact of the COVID-19 Pandemic**

- ✓ RACT Insurance acknowledges that increases in worker vulnerability from the COVID-19 pandemic has potentially elevated modern slavery risks across a broad range of areas.
- ✓ In January 2020, RACTI moved quickly to establish a COVID-19 response team which developed and executed RACTI's three phase COVID-19 operational plan.
- ✓ This involved improving social distancing practices around the workplace and implementing Phase 3 working from home arrangements to comply with the level 3 COVID-19 restrictions.
- ✓ The majority of staff do not require face to face contact to undertake their roles, and the disruption to date is relatively minor compared with many industries. At time of writing this report, the majority of staff are working part time in the office and part time from home. The overall response has been a success with no significant disruption to operations or member services.
- ✓ We have also sought to engage with our key suppliers to better understand the impacts COVID-19 is having on their business and workers.

## Key Initiatives

Our key initiatives to support workers through their operations and supply chains include:



Maintaining our supplier relationships through open communication about COVID-19 risks.



Ensuring the expedient payment of invoices to support supplier cashflows.



The implementation of a community response package to assist suppliers, customers and the broader community impacted by COVID-19.

The small scale of the Tasmanian market means that RACT Insurance is potentially exposed to undersupply of repairer and builder capacity, a risk which has been heightened by the economic disruption of COVID-19.

This could be further heightened if a large claims event was to arise and there were challenges in sourcing interstate resourcing due to travel restrictions and demand surge.

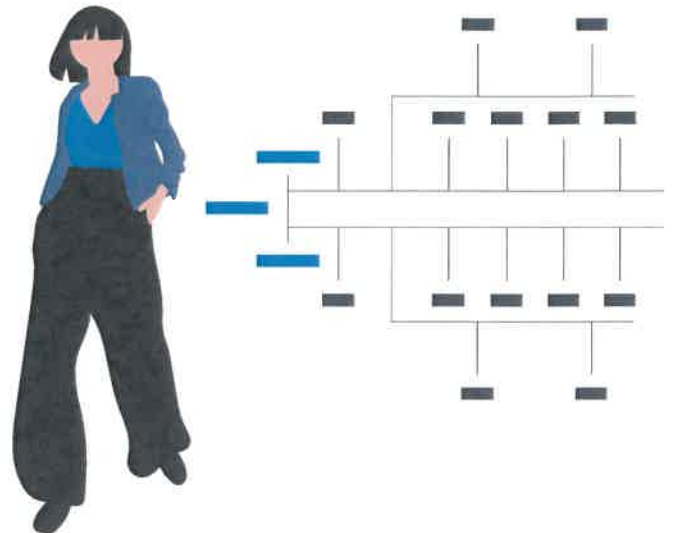
# Appendix

## Methodology Summary






RACT Insurance has carried out initial risk assessment to identify the elevated areas of modern slavery risk in our supply chains. This baseline exercise provides the foundation for our subsequent focus for ongoing due diligence and remediation activities across not only the present reporting period but for upcoming years.

Incorporating company spend data throughout global markets, we have utilised external consultants with proprietary technology to trace the economic inputs required to produce products and services sourced from Tier 1 suppliers to Tier 2 suppliers, Tier 2 suppliers to Tier 3 suppliers, and so on, all the way to Tier 10 suppliers of the supply chain of RACT Insurance.

This supply chain mapping was performed using a balanced, global Multi-Regional Input-Output (MRIO) table which links supply chain data from 190 countries, and in relation to 15,909 industry sectors.



### This MRIO table is assembled using the following sources:

-  i. The United Nations' (UN) System of National Accounts;
-  ii. UN COMTRADE databases;
-  iii. Eurostat databases;
-  iv. The Institute of Developing Economies, Japan External Trade Organisation (IDE/JETRO); and
-  v. Numerous National Agencies including the Australian Bureau of Statistics.

### The MRIO is then examined against the following international standards:

- i. The UN Guiding Principles on Business and Human Rights;
- ii. The Global Slavery Index;
- iii. International Labour Organisation (ILO) Global Estimates of Modern Slavery; and
- iv. The United States' Reports on International Child Labour and Forced Labour.



## Applied Algorithm

A proprietary algorithm has then been applied to synthesise publicly available risk data against the exclusively licensed MRIO table. The result of this process is the creation of a modern slavery risk profile to Tier 10 for each supplier for RACT Insurance.

This analysis was performed for the purposes of risk identification under Section 16(i)(c) of the Act.

No information confirms the actual existence of non-existence of slavery in RACT Insurance's supply chains or operations. RACT Insurance is not aware of any actual instances of modern slavery in its supply chains, or those of any of its direct suppliers.

Analysis was primarily undertaken at the industry and country level. It does not account for variances at the entity, region or product level.

## Examination and Analysis of Risk Assessment

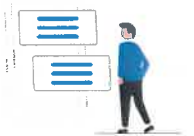
The multi-faceted approach to modern slavery risk assessment that we have undertaken has included examination and analysis of the following:



The individual suppliers and industries with the most elevated risk of modern slavery.



Supply chain plots to provide a visual representation of the supply chain for RACT Insurance's top 3 first tier industries.



Plotting the relative slavery risk in the supply chain by tier, up to tier 10.



Geographical depiction of the cumulative risk of modern slavery across the supply chain around the world.



An overview of the classification of the first tier of our supply chain by country and industry, including relative modern slavery risk.

The top 50 actual suppliers in our supply chains and operations that posed the highest calculated risks in relation to modern slavery were identified. The Top 50 risk spend categories of modern slavery were also identified.



