

MODERN SLAVERY STATEMENT FY20



PURPOSE STATEMENT

This Modern Slavery Statement (Statement) is made on behalf of The Hospitals Contribution Fund of Australia Ltd ABN 68 000 026 746 of 403 George Street, Sydney NSW 2000 (HCF) pursuant to the *Modern Slavery Act 2018 (Cth)* (the Act). For the purposes of this Statement, "HCF Group" refers to HCF and each of its subsidiaries.

This Statement provides background information on HCF Group's businesses and sets out the actions taken by HCF Group to identify, assess and address modern slavery risks across our operations and supply chains in the financial year ending 30 June 2020 (FY20).

HCF is a reporting entity for the purposes of the Act and is the only reporting entity within HCF Group. Although HCF is the only reporting entity in HCF Group for the purposes of the Act, the Board of HCF approved this Statement on behalf of HCF Group at its board meeting on 4 February 2021.



A handwritten signature in black ink, appearing to read 'Sheena Jack'.

Sheena Jack

Chief Executive Officer & Managing Director.

ABOUT HCF



Founded in 1932, HCF has a proud history as Australia's largest not-for-profit health fund. We have been putting our members and their health first for almost 90 years. Covering over 1.7 million members with health, life, travel and pet insurance, our vision is to make health care understandable, affordable, high quality and member centric.

As a not-for-profit insurer, we are focused on financial efficiency and stability, to ensure we can reinvest our earnings and have the resources to deliver on our commitment to members. This enables us to keep premiums affordable, reward members for their loyalty and make quality care more accessible to more people.

We don't have to choose between the interests of members and shareholders, allowing us to focus on meeting the needs and delivering the best for members - now and in the future.

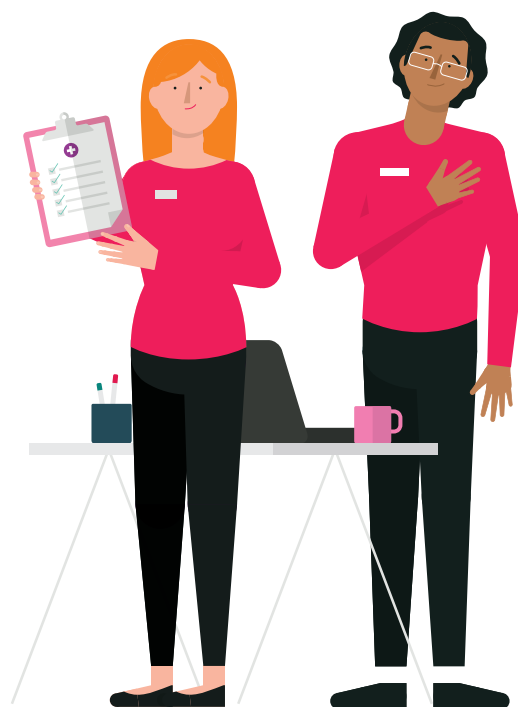
At HCF we put people first. We know that delivering a great experience for our members also means they have the right to expect that we do the right thing. Our values guide the way we do things. We believe in stepping forward when we see a need to be met, looking for the human in each other, standing up when things aren't right and getting there together.

Our commitment to identify and address the risks associated with modern slavery is one way we demonstrate these values. Our members have a right to expect that we're acting in their interests and holding ourselves to a high standard.

Importantly, as Australia's largest not-for-profit health fund, we take seriously our responsibility to care about the impact that our business has on our members, our people, the communities in which we operate and the environment. We know that we can drive sustainable growth, while also making a positive difference to our communities.

Our commitment

HCF Group is committed to the fair and humane treatment of people in its operations and supply chains and we have taken steps to develop policy and processes to ensure we can identify and address risks associated with modern slavery.



OUR STRUCTURE, OPERATIONS AND SUPPLY CHAIN

HCF is registered as a public company limited by guarantee under the *Corporations Act 2001 (Cth)*. It is also registered under the *Private Health Insurance Act 2007 (Cth)* and is Australia's largest not-for-profit health insurer.

OTHER HCF GROUP ENTITIES

HCF Life Insurance Company Pty Ltd (HCF Life) is a wholly-owned subsidiary of HCF, providing life insurance to HCF members. HCF Life outsources several of its operational services to HCF under an outsourced services agreement. As a result, its operations and supply chain are integrated within HCF and any actions set out in this Statement are also relevant to HCF Life.

Manchester Unity Australia Ltd (MU) is a wholly owned subsidiary of HCF, which primarily owns property for use by MU and HCF. Treytell Pty Ltd is a wholly owned subsidiary of MU that no longer has any active operations.

HCF Research Foundation Ltd is a public company limited by guarantee, with HCF being its sole member. HCF Research Foundation Ltd acts as the corporate trustee for the HCF Research Foundation (a charitable trust which sits outside HCF Group). The key business activity for the HCF Research Foundation trust is providing grants and support for research projects, for which there is minimal resource and cost to operate.

GOVERNANCE

HCF is committed to maintaining a high standard in its governance practices and seeks to:

- embrace the ASX Corporate Governance Principles and Recommendations (3rd Ed) as appropriate;
- take a leadership role in reform impacting the industries in which it operates (supported by active participation in Government/Regulator relations and contributing to debates on such reforms); and
- integrate best practice governance standards into its operations.

The governance practices across the HCF Group also comply with prudential standards applicable to HCF and HCF Life as Australian Prudential Regulation Authority (APRA) regulated entities. The Board of Directors of HCF has overall responsibility for the corporate governance of the HCF Group. The Board guides and monitors the business affairs of the HCF Group.

HCF's policy on corporate governance is to promote a culture, including appropriate values and behaviours, that underpins its everyday activities, that ensures transparency and accountability and that protects stakeholder interests. It includes a commitment to best practice governance standards, which the Board sees as fundamental to achieving its strategic objectives and the sustainability of HCF's businesses and performance.

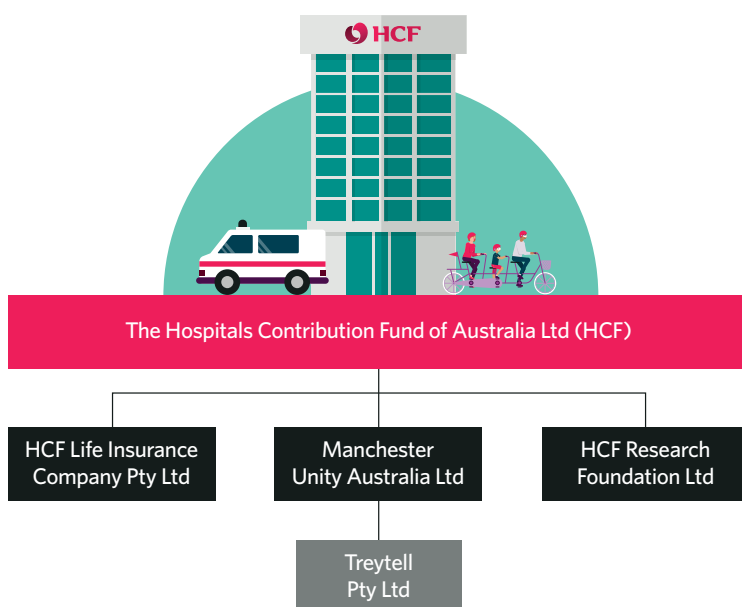
DEFINITIONS

Ancillary Providers - Professions including dentists, optometrists, physiotherapists and chiropractors, as well as natural therapists, Chinese medicine practitioners and remedial massage therapists.

Hospital Providers - Hospital and Hospital groups providing medical and surgical services to patients including HCF's members.

Medical Providers - Australian-based specialist doctors, primarily surgeons. HCF Group engages and manages these Providers as the need arises.

Providers - refers to the collective use of all Ancillary, Medical and Hospital Providers.





43
BRANCHES



7
EYECARE CENTRES



15
DENTAL CENTRES



1,235
EMPLOYEES



OPERATIONS

HCF provides health insurance products to over 1.7 million members, and HCF Group employs approximately 1,235 employees at locations across Australia. This includes its branch network (43 sites), dental centres (15 sites) and eyecare centres (7 sites), along with 2 call centres and the head office located in Sydney, with 1,215 of these employees being employed by HCF.

HCF Group's core operations are the sale and underwriting of health insurance products and the provision of all health-related services to members, which includes member claims management through our health Provider network. Key products include Hospital and extras policies to members in Australia, health insurance to overseas visitors and life insurance policies to existing HCF Group members, which are sold through several channels (including directly and through 3rd parties). HCF Group also provides dental and optical services through its dental and eyecare operations, which require products sourced from overseas.

HCF Group's Hospital, Medical and Ancillary Provider network is complex, consisting of many health services Providers and entities across various subnetworks, each with differing arrangements and agreements governing the services and benefit payments delivered to members. In line with guidance provided on the Act (the Business and Government Engagement Section in the Australian Border Force's *Guidance for Reporting Entities*), HCF Group has deemed all Providers that are part of the HCF Group's Hospital, Medical and Ancillary Provider network to be classified under HCF Group operations. Any Provider outside of the HCF Group's Hospital, Medical and Ancillary Provider network, where HCF Group simply pays the Provider benefits on behalf of its members, are deemed not to be part of HCF Group's operations or its supply chain and are therefore not reported on in this Statement.

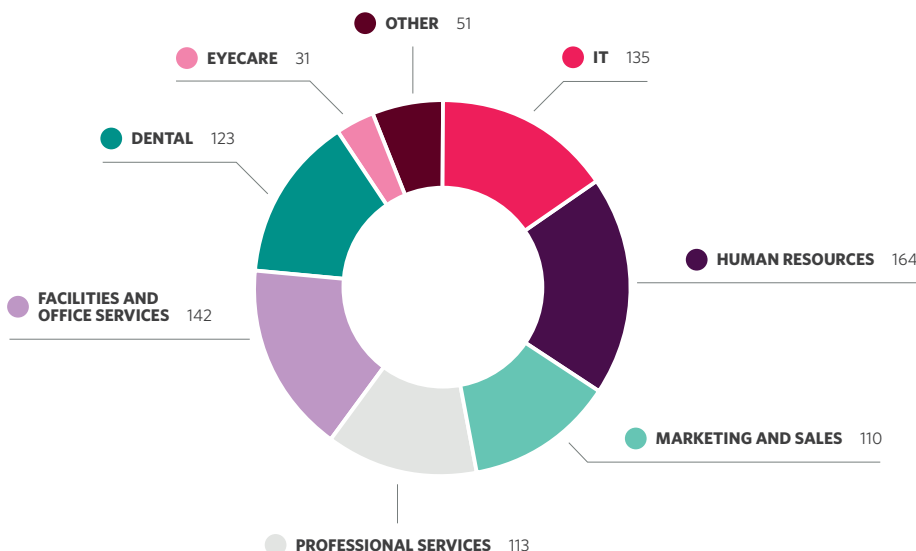
HCF GROUP INVESTMENTS

HCF Group investments are managed by a 3rd party supplier in line with the HCF Investment Policy and Strategy (approved by the HCF Board) which sets out the investment objectives, risk parameters and strategic asset allocation of HCF Group. HCF Group made the decision in 2016 to move 100% of its investment in international equities into a Socially Responsible Investment Trust.

SUPPLY CHAIN

HCF Group's supply chain is made up of ~850 suppliers comprising of services (90%) and goods (10%). Spend is apportioned across key categories (see chart below).

The majority of HCF Group's requirements are delivered by large, reputable suppliers based in Australia. In addition, there are a small number of overseas suppliers and suppliers with overseas operations. The majority of HCF Group's business is conducted in Australia including all services and goods received. All procurements are completed in line with HCF Group Procurement Policy and associated frameworks and procedures.



MODERN SLAVERY RISKS

Working with business leaders across HCF Group, an initial risk assessment was completed to identify the potential areas of modern slavery risks in the businesses of HCF Group. Initial findings were shared in executive forums and committees, which allowed for the appropriate input and review to ensure all key risks were captured. A more detailed assessment was then conducted by teams from the different business areas, focussing on each key risk area within the respective business.

ASSESSMENT APPROACH

The following approach was taken to scope HCF Group's modern slavery risks:

- Mapping out HCF Group's structure and its operations and supply chains.
- Assessing the types of potential modern slavery exploitation.
- Assessing the key risk areas in line with the Risk Indicators for modern slavery as outlined in the *Guidance for Reporting Entities*.
- Assessing suppliers against the Risk Indicators and Risk Matrix developed through the Private Healthcare Australia Community of Interest (CoI).
- Applying HCF Group's risk classification methodology as defined in the HCF Risk Management Strategy.

RISK SCOPING AND ASSESSMENT FINDINGS

HCF assessed there to be 5 key areas of risk, as outlined below. The initial assessment identified that HCF Group is 'low risk' in causing, contributing to or being deliberately linked to modern slavery practices. The risks associated with modern slavery practices (albeit assessed as low risk), will require HCF's influence to address across HCF Group's supply chain, Hospital, Medical and Ancillary Providers and investment portfolio decisions. None of the risk areas identified through the initial assessment presented as 'high-risk', due to the likelihood of any such risk occurring being low.



The table details the outcome from the initial risk assessment.

RISK AREA	KEY CONSIDERATIONS
HCF Group Operations HCF Risk Rating: Low	Sector and Industry Risk: Low Product and Service Risk: Low Geography Risks: Low Entity Risk: Low The following outlines the reasons for a low-risk rating: <ul style="list-style-type: none"> • HCF Group's operations are conducted within Australia and are governed by a robust legislative framework, including laws regulating employment such as the <i>Fair Work Act 2009</i> (Cth)(Fair Work Act) and by Modern Awards and Enterprise Agreements. • As an APRA regulated entity, HCF has strong governance procedures in place, which are led by the Board. Board Committees oversee People, Culture & Remuneration, Audit and Finance and Risk & Compliance. • HCF Group has several policies and procedures in place that relate to employment and employee treatment, including a Code of Conduct and a Whistleblower Policy. • HCF Group has a People & Culture business unit that manages employees including payroll, Human Resources Management, Remuneration & Benefits and Learning & Organisational Capability.
HCF Hospital and Medical Providers (1st tier) HCF Risk Rating: Low	Sector and Industry Risk: Low Product and Service Risk: Low Geography Risks: Low <ul style="list-style-type: none"> • Hospital and Medical Providers' operations are conducted within Australia and are governed by a robust legislative framework, including laws regulating employment such as the <i>Fair Work Act</i> and Modern Awards. • 2nd tier supply chain may have a moderate likelihood of risk due to products, such as PPE, medical consumables and medical instruments being sourced from countries with high risk of labour exploitation. As these risks are not directly connected to HCF, the impact to HCF is low.

HCF Ancillary Providers

HCF Risk Rating: **Low**

Sector and Industry Risk: **Low - Medium**

Product and Service Risk: **Low - Medium**

Geography Risks: **Low**

- Ancillary Providers' operations are mainly conducted within Australia and are governed by a robust legislative framework, including laws regulating employment such as the Fair Work Act and by Modern Awards.
- However, some may be small businesses with a potential lack of appropriate governance structures and policies that relate to employment and employee treatment.
- 2nd tier supply chain may have a moderate likelihood of risk due to products, such as PPE, medical consumables and medical instruments being sourced from countries with high risk of labour exploitation. As these risks are not directly connected to HCF, the impact to HCF is low.

HCF Supply Chain

HCF Risk Rating: **Medium**

Sector and Industry Risk: **Low - Medium**

Product and Service Risk: **Low - Medium**

Geography Risks: **Low**

- HCF Group uses approximately 850 suppliers, with the majority rated 'low risk' due to provision of services and goods from within Australia, and, as we understand it, using predominantly skilled workers.
- There is some use of direct suppliers providing products, such as IT peripherals and office products, from countries where there may be a high risk of labour exploitation. HCF also uses suppliers to deliver services such as cleaning, which have a potential risk of modern slavery practices occurring.
- 2nd tier supply chain has moderate likelihood of risk due to products such as dental equipment, cleaning equipment and IT peripherals being sourced from countries where there may be a high risk of labour exploitation.
- The 2019 HCF Group Procurement Policy and associated Risk Management Framework do not currently address Modern Slavery Risk specifically.

HCF Investment Portfolio

HCF Risk Rating: **Low**

- HCF Group utilises a 3rd party supplier to manage the investment strategy and portfolio.

- HCF Group's investment portfolio is significant in value and complex. Given the number of different investments there is potential there could be modern slavery practices within these businesses.



ACTIONS COMPLETED TO ASSESS AND ADDRESS RISKS

To drive HCF Group's plan of action to address modern slavery risks, HCF Group has set up an internal working group that reports to the relevant internal Executive Committee and Board Committee. The focus for FY20 was to understand and assess the modern slavery risks within HCF Group and develop action plans in line with the severity of the risks identified. HCF Group has delivered on the actions outlined in the table below in the reporting year, FY20.

	<h3>GOVERNANCE AND PROGRAM</h3> <ul style="list-style-type: none">• Established cross functional working group and educated key staff on the Act. Established regular reporting and updates on modern slavery risks to both relevant Executive and Board Committees.• Actively engaged in an industry Col to develop a consistent approach to assessing and addressing modern slavery risk.• Implemented tracking of key actions.• Developed high level approach, involving a set of key actions, to tackle each key risk area.
	<h3>PROCESS AND POLICY</h3> <ul style="list-style-type: none">• Completed an external review of all our people related policies and identified the recommendations to implement in FY21.• Our existing HCF Group Equal Employment Opportunity (EEO) & Anti-Discrimination Policy addresses several modern slavery related risks.• Established reporting and grievance channels through the existing Incident Reporting Process and Whistle-blower hotline.• The HCF Group Procurement Policy and supporting frameworks include acknowledgement of modern slavery risks.
	<h3>SUPPLY CHAIN</h3> <ul style="list-style-type: none">• Supplier database developed, validated with business stakeholders and mapped by service or product category.• Developed modern slavery assessments for suppliers which are incorporated into the Procurement process.• Completed an initial risk assessment of HCF Group's suppliers, identifying those that have a Moderate to High potential for modern slavery risk, that will require further assessment in FY21.• All new and renewed supplier agreements now include modern slavery provisions where appropriate.• The HCF Group Procurement Policy and supporting frameworks and procedures set out the risk assessment and due diligence requirements for engaging all suppliers.
	<h3>OPERATIONS PROVIDERS</h3> <ul style="list-style-type: none">• Implemented modern slavery provisions in agreements with Medical and Hospital Providers and added provisions into HCF's Terms and Conditions for Ancillary Providers.• Workshops have been completed with relevant stakeholders to validate the risk and set the high-level approach by developing a set of key actions.
	<h3>INVESTMENTS</h3> <ul style="list-style-type: none">• HCF Group made the decision in 2016 to move 100% of its international equities into a Socially Responsible Investment Trust.• HCF's 3rd party investment management supplier has initiated a review to address modern slavery risk throughout HCF Group's investment portfolio.



ASSESSING OUR APPROACH

In assessing HCF Group's approach in our inaugural reporting year, HCF Group has focused on tracking the completion of key actions and reporting these to the relevant internal committees. As the approach to addressing modern slavery matures, HCF Group will continue to develop systems and processes to assess the effectiveness of its modern slavery risk management framework.

The HCF Executive Audit, Risk and Compliance Committee (EARCC) has been appointed with overall responsibility to monitor and oversee all activities necessary to mitigate the risk of modern slavery practices in the organisation's operations and supply chains. At each EARCC meeting (typically quarterly) progress reporting is provided on the program of activities, outcomes of any risk assessments and notification of any modern slavery incidents that occur or risks that have arisen. HCF Group internal audit will, in time include in its program of work the review of HCF's practices to address modern slavery risk.

The formation of a cross functional working group to deliver the actions required to address modern slavery risks, provides the opportunity for a broad range of input to HCF Group's approach to managing modern slavery risks to ensure its effectiveness across the organisation. HCF Group has also engaged with a broad range of external stakeholders and attended briefings and education sessions led by experts in the field. The use of external advice from expert consultants and legal firms further strengthens the development of HCF Group's approach and actions.

HCF Group is satisfied that it has updated the relevant, existing 3rd party supplier and Provider agreements at their point of renewal to include appropriate modern slavery provisions. It has also included the relevant modern slavery terms when entering into new supplier and Provider agreements. In addition, an annual process has been established to review HCF Group's supplier engagements, to validate and assess the potential modern slavery risks.

As part of an industry Col, HCF has developed, in collaboration with other private health funds, a risk assessment methodology for identifying potential modern slavery risks within all suppliers and Providers. This methodology will utilise a common platform for assessment, driving a consistent and efficient process across suppliers and Providers which helps them support the actions private health funds are taking to address modern slavery risks. The Col is working to implement best practices, share learnings, and take a collective approach to influencing common supplier bases for changes and improvements.

CONSULTATION WITH REPORTING ENTITIES

HCF is the only reporting entity within the HCF Group. As such, although it is not required under the Act to consult with other reporting entities (as there are none), the operations and supply chains of HCF's subsidiaries are integrated within HCF. Therefore, all activities outlined in this statement also apply to HCF's subsidiaries. All HCF Group entities have representation on the relevant executive committees, ensuring they are included in all consultation and reporting on HCF Group's approach and actions to address modern slavery risks.

IMPACT OF COVID-19

HCF recognises the impact of the global pandemic on businesses and their supply chains. To date HCF has not experienced, nor is it aware of, any modern slavery incidents occurring, or risks being increased, within the HCF business as a result of COVID-19 and HCF Group will continue with its approach to ensure that HCF Group is adequately assessing and addressing any modern slavery risks across its operations and supply chain.

Where possible, HCF Group has supported suppliers affected by COVID-19 through early payments and its commitments to purchase volumes. We also supported our tenants through rent reductions. In addition, we also provided support to our employees, including providing them with increased leave due to COVID-19 and the provision of education, advice and PPE. We also expanded our member health and wellbeing programs for employee use.

LOOKING AHEAD

HCF Group is taking a pragmatic and progressive approach to addressing modern slavery risk across its operations, health Providers and suppliers. The complexity in relationships and fragmentation of the services delivered make modern slavery very challenging to address. The plan focuses on taking an industry wide approach and using this leverage with Providers and suppliers where necessary, to ensure accountability of the Providers and suppliers and alignment of the collective actions and remediation to effectively address modern slavery risks.

In FY21 HCF will assess the risk areas in further detail and begin to implement actions to address the risks associated. Key priorities for reporting year FY21:

POLICY & PROCESS

- Implement a Modern Slavery Policy across HCF Group.
- Launch modern slavery awareness training to all employees (and contractors).
- Review and update HCF Group's Corporate Social Responsibility Statement to address modern slavery.
- Implement a platform service to support 3rd party supplier and Provider assessments, monitoring and reporting.

SUPPLY CHAIN

- Complete assessments of all 1st tier suppliers (suppliers providing products or services directly to HCF Group) identified to have moderate potential for modern slavery risks and work collaboratively with those suppliers to implement remediation plans where required.
- Review and update all supplier agreements in line with any modern slavery risk identified.
- Develop an incident response and remediation framework.

OPERATIONS PROVIDERS

Engage with other private health funds through the Col to work together with Hospital and Professional Associations to raise awareness and develop policies and guidance for Providers.

Complete initial risk assessments of Hospital and Medical Providers.

Develop a plan to increase awareness and education around the Act to high-risk potential Ancillary Providers and Hospital and Medical Providers.

INVESTMENTS

Complete the review of HCF Group's financial investment activities to identify whether any action is required to address any identified risk of modern slavery practices within those investment activities.

Update HCF Group's Investment Policy & Strategy in line with any recommendations from HCF Group's investment management supplier.



To find out more about our approach to addressing modern slavery, contact:

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