

Modern Slavery Statement.

FY20



“At HBF, we understand that as one of Australia’s largest health funds, we have an obligation to do the right thing by our members, stakeholders and the broader community, through operating responsibly and to the highest ethical standards.”

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 2020 and has been drafted pursuant to the requirements of the *Modern Slavery Act 2018* (Cth).

Message from the Chairman.

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.

At HBF, we understand that as one of Australia's largest health funds, we have an obligation to do the right thing by our members, stakeholders and the broader community, through operating responsibly and to the highest ethical standards.

We are committed, as stated in our **Corporate Social Responsibility (CSR) Statement**, to "Play our part in contributing to the UN Sustainable Development Goals (SDGs)" – including Goal 8 – Decent Work and Economic Growth, and will continue to support the advancement of these SDGs through our various initiatives and programs related to corporate social responsibility and supply chain improvement.

Through FY20, after having revisited our CSR priorities, we enhanced our capabilities, frameworks and processes of our procurement function, embarking on our journey to ensure HBF positively contributes to the abolishment of Modern Slavery practices globally.

This statement outlines the activities completed, and our approach and our priorities for FY21 to ensuring 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.

The Board of HBF is pleased to share, and has approved, this inaugural Modern Slavery Statement, and will provide annual updates of our progress to reduce Modern Slavery risk in our business operations and supply chain, to play our part in eradicating Modern Slavery more broadly.



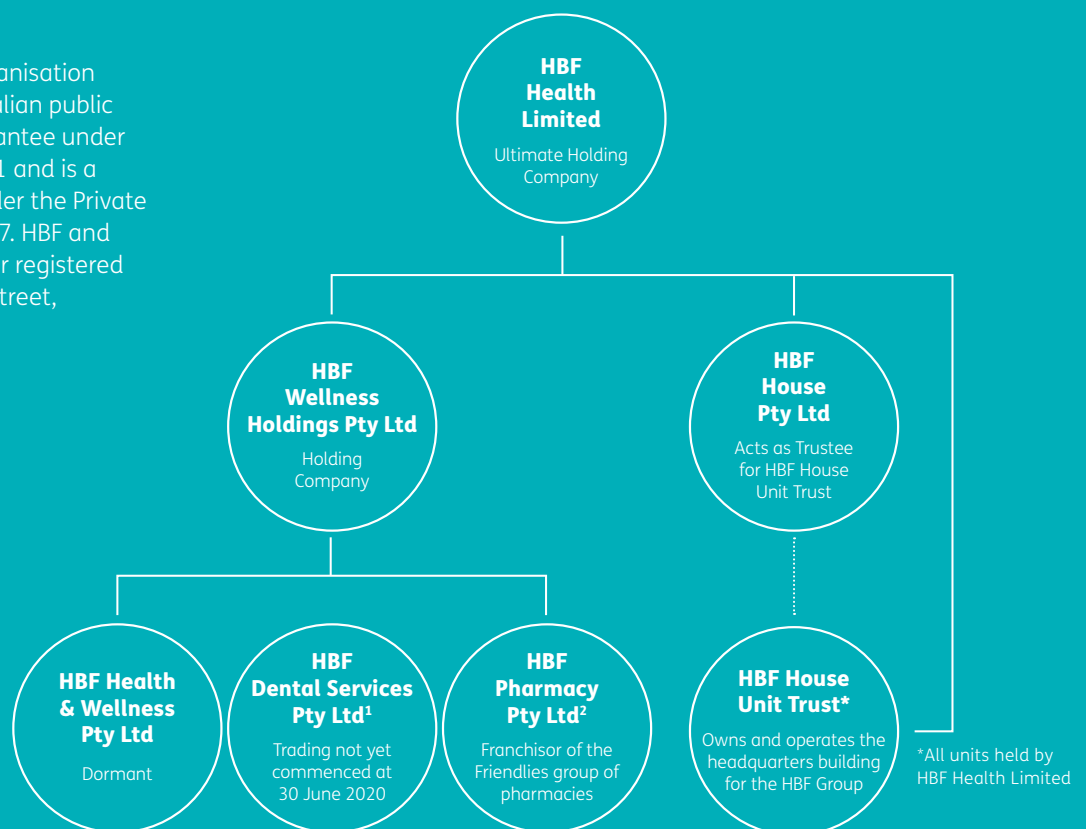
Tony Crawford
Chairman

About HBF.

Founded in Perth in 1941, HBF has provided private health insurance to generations of Western Australians. Today, HBF is Australia's second-largest not-for-profit health fund, providing health insurance and distributing general insurance to nearly one million members nationwide.

Our structure

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 subsidiaries maintain their registered office at 570 Wellington Street, Perth WA 6000.



1 HBF Pharmacy Pty Ltd including the Friendlies master franchise was sold to Pharmacy 777 in August 2019. As the franchisor to a group of community pharmacies, HBF Health Limited had limited direct involvement in procurement activities

2 HBF Dental Services Pty Ltd was registered on 18 June 2020 and as at 30 June 2020 had not yet commenced trading



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

HBF has 1,026 permanent employees across Western Australia, Victoria and New South Wales (as at 19 August 2020).



Overview of HBF operations and supply chain.

The principal activities of HBF are to:

- Provide health insurance
- Distribute general insurance and life insurance products, and
- Provide other health-related activities.

HBF's supply chain used 527 suppliers in FY20 in support of its Group operations. The annual spend with these suppliers was \$152 million.

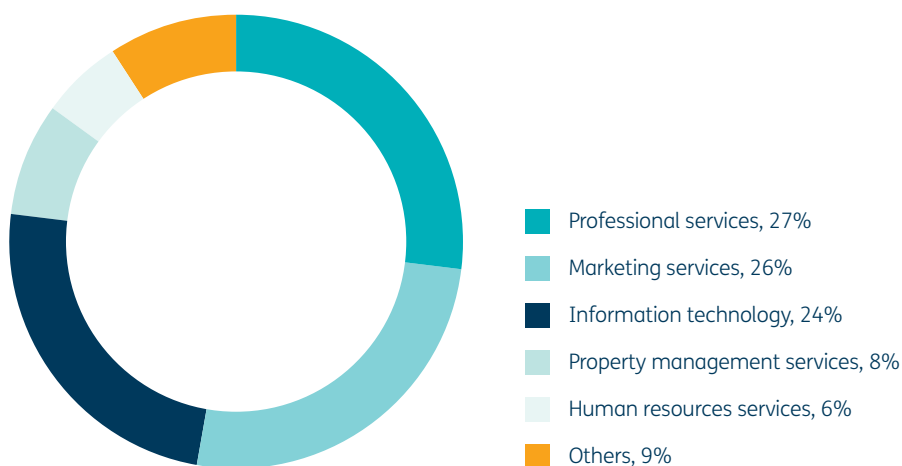
The HBF supplier spend profile highlights that HBF is predominantly a service-based organisation with 93 per cent of its supply chain made up of services. Key procurement categories in FY20 by spend were:

- Professional services
- Marketing services
- Information technology
- Human resources
- Property services

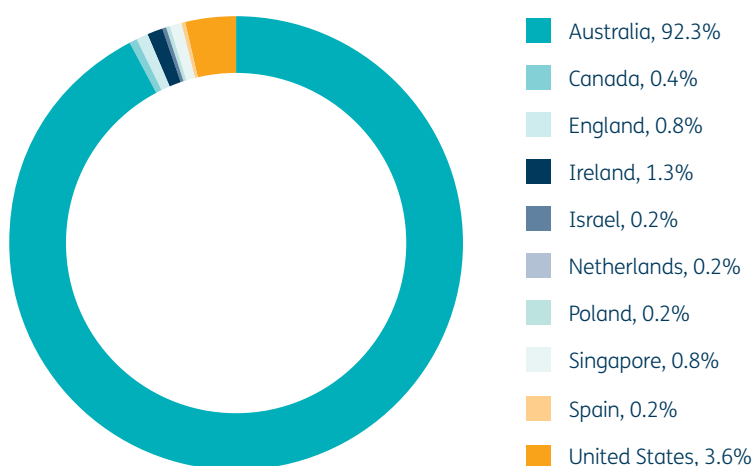
Other smaller spend categories included corporate expenses, stationery, travel, and government charges.

Geographical analysis of HBF's supply chain highlights that 92 per cent of suppliers are Australian-based and eight per cent are in other countries.

HBF procurement spend categories FY20



Geographical location of HBF supply chain (number of suppliers)



Governance of Modern Slavery risk.

HBF has implemented a robust risk governance framework which is commensurate with the size and complexity of the organisation. Like other risks which HBF faces, Modern Slavery risk is identified and monitored under this framework.



A suite of corporate documents supports our staff to operate with appropriate conduct, which, directly or indirectly, impacts the behaviour and approach HBF takes to addressing modern slavery risk. These include, but are not limited to:

- Code of Conduct
- Risk Management Framework (RMF)
- Risk Management Standard
- Risk Appetite Statement (RAS)
- Whistleblower Standard
- Procurement Policy and Standard

HBF's approach to identifying Modern Slavery risks.

Risks of Modern Slavery are dynamic, complex, and often hidden. HBF monitors and reviews Modern Slavery risk in accordance with our Risk Management Framework (RMF).

A Modern Slavery risk assessment of 527 suppliers forming our supplier base is supported by 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. Collectively, our approach considers:

- Sector and Industry - is there a high prevalence of modern slavery in the particular industry or sector (as guided by GSI)?
- Product and Service - is there a high prevalence of modern slavery associated with the particular goods or services (as guided by GSI)?

The HBF Procurement Standard prescribes the application of Modern Slavery risk controls for the sourcing and post-award management of suppliers providing products and services to HBF. As part of this process, suppliers and supply scopes are screened for Modern Slavery risks, with those suppliers identifying as higher risk being further screened using a pre-qualification questionnaire. Post-award controls are then embedded to identify and mitigate potential Modern Slavery risks.

Actions to address Modern Slavery completed in FY20.

The priority for HBF in FY20 was to design and embed the structures, policies, processes and detailed procedures to enable the organisation to adequately identify, assess, and control Modern Slavery risk in the supply chain. Due to restrictions imposed by COVID-19, HBF made modest progress towards embedding these processes with our supplier base – this is our priority for FY21.

A cross-functional team was formed to consider the broader requirements across HBF, such as to revisit and confirm our CSR priorities.

HBF also participated in and actively contributed to a private health insurance consortium featuring many Australian health insurance funds that are working together to address Modern Slavery risks across the industry. The consortium developed an industry supplier questionnaire and initial risk assessment methodology, from which HBF tailored its specific approach.

Potential risks within HBF's supply chain

During this year, HBF undertook an initial desktop review and screening of our active suppliers to identify those which may represent an inherently higher Modern Slavery risk, based on the products or services provided.

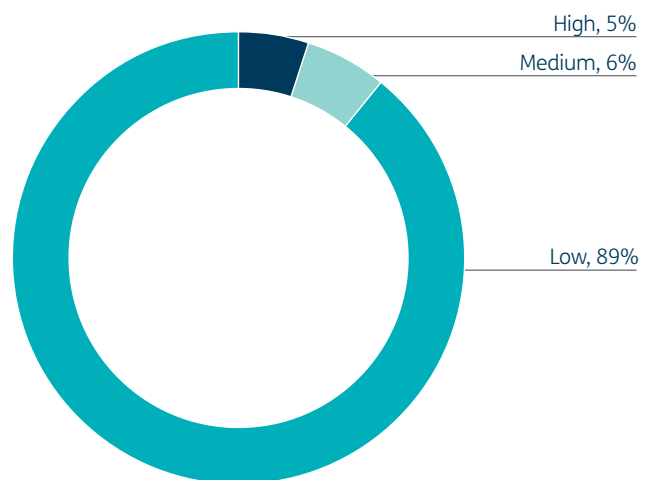
The desktop review highlighted the following procurement categories with potential Modern Slavery risk when assessed against our Modern Slavery indices:

- Marketing apparel and merchandise products
- Technology consumables and hardware products
- Technology software (offshored help desk or software development services)
- Personal Protective Equipment (PPE)
- Cleaning products and consumables used in our corporate office and branch network

Our initial screening assessments of 527 suppliers identified five per cent of our supply chain with a potential higher risk of modern slavery.

HBF supply chain modern slavery risk profile (by number of suppliers)

Breakdown of Modern Slavery assessed suppliers



Moderate to high risk suppliers within these categories were engaged to complete a modern slavery pre-qualification questionnaire to evidence their supply chain and risk control framework to manage potential Modern Slavery risks. As at the end of FY20, HBF had received 48 supplier responses to the questionnaire, with the remaining 10 responses to be expedited. Received questionnaires are assessed by HBF and risk rating updated. The application of appropriate modern slavery controls will be applied based upon the assessment findings.

Impact of COVID-19 on HBF's Modern Slavery risk profile

During the COVID-19 pandemic HBF made additional purchases of Personal Protective Equipment (PPE) for its branch network staff and for use within its head office and maintained cleaning services within these locations even when there were reduced staff on premise.

Following the assessment of suppliers used, we determined HBF's Modern Slavery risk profile did not increase as a result of the procurement activities undertaken in response to managing the health risks associated with the pandemic.

Priorities for the next financial year.

HBF is committed to identifying and remediating Modern Slavery risks in its operations and supply chains, and our priority this coming year is to:

- Establish an Ethical Supply Chain Policy
- Conclude the modern slavery supplier pre-qualification and risk assessment
- Engage with our suppliers identified as higher risk to better understand their Modern Slavery controls across their supply chains
- Embed our Procurement Standard and Procurement Procedures through training and awareness
- Include in renewed supplier contracts appropriate provisions for the management of Modern Slavery risk
- Implement our revised third-party risk management framework
- Initiate a project to replace our governance, risk and compliance management system, which we envisage will automate and mature many of the risk management and procurement processes which are currently manually performed when assessing Modern Slavery risk

Measuring the effectiveness of HBF's actions.

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 reports to the Risk Committee on a regular basis. This reporting includes notification of operational incidents which have fallen outside of legislative requirements or outside of the RAS. 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 includes 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

HBF is committed to identifying and remediating Modern Slavery risks in our operations and supply chains.

