



Modern Slavery Statement for FY2021

May 2022



Adica Insurance

Modern Slavery Statement for FY2021

OUR 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 2021 and ending 31 December 2021 (FY 2021). This statement sets out the actions undertaken by ADICA to:

1. assess the risks of modern slavery in its operations and supply chain; and
2. 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:

1. preventing acts of modern slavery from occurring within in its operations and supply chains; and
2. 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.

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 has established a branch in Australia being Aioi Nissay Dowa Insurance Company Ltd, (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, however Aioi Japan has in place a Management Agreement with Adica pursuant to which Adica acts as the managing agent of Aioi Australia Branch.



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. In addition, 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 of its employees and contractors are paid in accordance with all applicable wage standards and employment awards.

To assist Adica to complete its inaugural FY 2020 Modern Slavery Statement, in 2021, Adica carried out a modern slavery risk focussed review of its workforce by conducting a modern slavery risk focused workshop with Adica's Human Resources department (**HR**). This review determined that Adica had a low level of modern slavery risk in relation to its own employees and operations.

Adica's overall workforce composition and the above determination was re-assessed in 2022 and it was determined that the level of modern slavery risk identified in the original modern slavery risk workshop remained accurate for FY2021.

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. Our Suppliers 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:

1. **Industry Risk** – the modern slavery risks associated with the industry that the Supplier operates in;
2. **Region Risk** – the modern slavery risks associated with the region that the Supplier operates in; and
3. **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; and
- 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.

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.

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.

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 and 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.

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

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.

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);
- Adica conducts bi-annual pay reviews to assess remuneration against changes in the market and applicable legislation;
- Adica manages employee overtime in line with its Overtime Policy which, amongst other things, requires appropriate management approval of all overtime and ensures adequate breaks are provided to employees; and
- Adica conducts a monthly review of completed overtime to ensure excessive overtime is not being completed. If excessive overtime is identified, the overtime is escalated to the appropriate leader to review and consider alternate options if required (including addressing resourcing needs).

ADDITIONAL ACTIONS TO COMBAT MODERN SLAVERY RISKS UNDERTAKEN IN FY 2021

In its FY2020 Modern Slavery Statement, Adica committed to further develop its modern slavery programme to help enhance Adica's ability to detect and combat modern slavery risk. During the FY 2021, Adica implemented the following additional safeguards:

1. delivery of modern slavery training;
2. enhanced modern slavery screening of Suppliers as part of the procurement process;
3. inclusion of modern slavery clauses within new or renewed supplier contracts;
4. risk culture uplift;
5. evaluation of the effectiveness of ADICA's modern slavery programme; and

6. updating the annual Overall Adica modern slavery risk assessment (Adica MS Assessment).

These actions are explained in more detail below.

1) Modern Slavery training:

During the FY 2021, Adica delivered modern slavery training to employees and contractors who carry out roles within Adica that present higher levels of modern slavery risk. For example, employees who are responsible for the procurement of Adica's IT hardware and other office equipment.

Adica considered whether any employees or contractors of other areas of the business who do not carry out roles within Adica that present higher levels of modern slavery risk, needed to be provided modern slavery training and determined that they did not. Adica has determined, however that further training may need to be provided to the staff involved in procurement (see Evaluating Effectiveness below).

2) Enhanced modern slavery screening of suppliers

Adica's procurement process was enhanced to include a modern slavery risk assessment of Suppliers. This assessment was required to be carried out on all new Suppliers and on all existing Suppliers at their contract renewal date or upon re-engagement.

The modern slavery risk assessment of Suppliers is based upon the same three factors outlined in Adica's Risk Analysis. New Suppliers are rated on a scale of low to high risk.

3) Inclusion of anti-modern slavery clauses included within new or renewed supplier contracts

Adica implemented a process to ensure anti-modern slavery clauses were included in all new and renewed contracts. This process enables Adica to set out the standards which it expects of its Suppliers with regards to modern slavery and further supports Adica to continue to combat modern slavery risks within its supply chain. These clauses also impose a contractual obligation on Adica's Suppliers to abide by these anti-modern slavery obligations and gives Adica contractual recourse against these Suppliers should they not abide by these obligations.

4) Risk Culture Uplift

Adica has been enhancing its risk management framework since its inception with continuous improvement occurring over a number of years. To ensure that Adica continued to meet stakeholder expectations it established a 3-year Risk Plan to further enhance Adica's risk management framework. In addition, the 3-year Risk Plan was developed with the desire to better articulate and document Adica's desired risk culture.

The first year of the Risk Plan had as its objective, to uplift awareness and improve risk culture across the organisation. The following actions have occurred which go directly towards achieving this goal:

- Role appropriate risk training provided to staff across Adica
- Uplifting of Adica's risk assessment tool
- Enhancement of the risk reporting to Adica's Risk & Compliance Committee.

These actions, along with delivering on the remaining two years of the 3-year Risk Plan, will continue to support Adica to enhance its risk culture, which will assist Adica to detect and combat modern slavery risks.

5) Evaluating Effectiveness

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 programme remains effective.

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

- Review and further enhance the procurement process to ensure that all Adica Suppliers are the subject of a modern slavery risk assessment prior to procuring their services;
- Provide further training on the procurement process and procedures to ensure they are embedded into daily practice; and
- Complete a review to understand if the current modern slavery risk training can be enhanced.

6) Updating of Adica MS Assessment

Adica has updated its MS Assessment; this assessment was completed using information provided by the Supplier relationship owners which was required to be gathered at the time of procurement. In updating the MS Assessment, Adica identified a small number of small suppliers (for example catering companies or tradesman engaged for small jobs), that were not the subject of a modern slavery risk assessment prior to Adica utilising their services. These suppliers were retrospectively reviewed and were all found to be low risk.

FUTURE ACTIONS TO BE UNDERSTAKEN IN THE NEXT REPORTING PERIOD

Adica remains committed to continuing to develop its modern slavery programme and, in addition to the improvement areas identified in Section 5. above, will implement the following actions during the next reporting period (FY 2022):

1. creation of a Modern Slavery Policy;

2. review of Adica's Procurement Policy;
3. review of Adica's Overtime Policy

These actions are explained in further detail below:

1) Creation of a Modern Slavery Policy

Adica will create and implement a Modern Slavery Policy which will articulate its commitment to detecting and combating modern slavery risks. This Modern Slavery Policy will set out the expectations for staff at all levels across Adica relating to modern slavery risks and will detail the most appropriate way for modern slavery risks to be reported, recorded and exemptions managed.

2) Review of Adica's Procurement Policy

Adica will review and if necessary, amend its Procurement Policy (and associated processes) to ensure that modern slavery risk assessments are completed for all relevant Suppliers. This will assist Adica to continue to meet Adica's objective to detect and combat modern slavery risks.

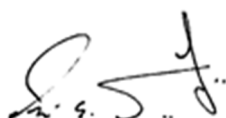
3) Review of Adica's Overtime Policy

Adica will review and, if required, amend its Overtime Policy to strengthen the existing controls in place to monitor employee overtime. This review will also consider additional controls around maximum overtime allowed within a period.

SIGNATURE

This statement was approved on 25 May 2022 by the Board of Directors of Aioi Nissay Dowa Insurance Company Australia Pty Ltd ACN 132 524 282.

Signature:

A handwritten signature in black ink, appearing to read 'P. S. J.', written in a cursive style.

Peter Daly, Chair of the Board a responsible member of Adica

