

Modern Slavery statement.

under the *Modern Slavery Act 2018* (Cth)

Reporting period 01 July 2023 – 30 June 2024



Defence
Bank

Defence Bank Limited
ABN 57 087 651 385

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This Modern Slavery Statement has been approved by the Board of Directors of Defence Bank Limited as the reporting entity's principal governing body on 24 November 2024.

Pursuant to the requirements of the *Modern Slavery Act 2018 (Cth)*, the contents of this Statement have been reviewed and confirmed as accurate by a duly authorised person.

This statement is signed by Bruce Murphy in his role as the Chair of Defence Bank on 24 November 2024.

A handwritten signature in dark ink, appearing to read 'Bruce Murphy', is positioned above a horizontal line.

Signature

Bruce Murphy, Chair of Defence Bank

Name/Position

24 November 2024

Date

Reporting Criteria #1: The reporting entity.

This Statement is for **Defence Bank Limited** (ABN 57 087 651 385) (referred to throughout this Statement as “Defence Bank”, “we” and “our”), which is a mandatory reporting entity under the *Modern Slavery Act 2018* (“the Act”). This is only our second modern slavery statement, as we reached the statutory revenue threshold in the last financial year. This Statement covers the 2023-2024 financial year.

All numbers, statistics and facts described in this Statement are as at 30 June 2024, unless otherwise stated.

Reporting Criteria #2 & 6: Defence Bank’s structure, operations, supply chains and consultation.

Defence Bank is an Australian financial services provider that commenced operations in March 1975 as Defence Force Credit Union Limited (Defcredit). Our name changed to Defence Bank in 2012. Today, we have the most branches of any bank at Australian defence force bases all over Australia.

Many of the descriptions in this year’s statement about static aspects of the mandatory reporting criteria (our corporate structure, operations, core supply chains and response framework) remain the same, or substantially similar, to our inaugural statement last reporting period. Due to the consistency in our core business operations and procurement activities, these descriptions continue to accurately reflect the information required in meeting our reporting obligations under the Act.

Internal Structure and Wholly Owned Controlled Entity.

The principal governing body of Defence Bank is our Board of Directors. Two senior Australian Defence Force personnel serve on the Board. This governance requirement sets us apart as unique in Australia’s banking sector. As described below, our Board of Directors actively oversees Defence Bank’s modern slavery response.

With this being our second period as a reporting entity under the Act, the day-to-day responsibility for continuing the development and implementation of Defence Bank’s formal modern slavery response framework, including the compilation of information for in the preparation of this Statement, continues to be handled at the executive team level by our Chief Risk Officer and Chief Financial Officer.

The single controlled entity that Defence Bank’s wholly owns is **DBL Funding Trust No. 1**, which is the corporate structure through which we facilitate Residential Mortgage-Backed Securitisation (RMBS) transactions. As it is wholly integrated within, and dependent upon, Defence Bank’s operational leadership and processes, there is full consultation with, and coverage of, this Trust to implement our ongoing modern slavery response, and in relation to the descriptions provided in this Statement.

Operations.

Defence Bank is an Australian financial services provider that commenced operations in March 1975 as Defence Force Credit Union Limited. Renamed as Defence Bank in 2012, we have more branches at Australian defence force bases than any other financial institution.

Defence Bank is member-owned and focused on the financial needs of our customers. All profits are re-invested back into the Bank to maximise the service and competitive products offerings. Our **78,571** individual members are a combination of Australian Defence Force personnel and members of the public.

Defence Bank continues to offer a full range of retail finance products and services:

Loans. Personal loans, car loans, home loans and home loan offset accounts.	Savings and investment. Everyday banking, online savings accounts, term deposits, retirement savings	Cards. Credit cards, debit cards and digital wallet
Insurance. General insurance, Home and Contents insurance, Motor Vehicle insurance, Landlord Insurance, Barrack Room Insurance, Travel Insurance and Health Insurance	Travel. Cash passport, foreign currency exchange, telegraphic money transfers	

Defence Bank's head office is in Melbourne. We operate retail branches across **26 locations**, including many of Australia's Defence Bases. During the reporting period, previous Defence Bank branch locations in Tindal (Northern Territory), Swanbourne (Western Australia) and Canungra (Queensland) were closed.

A full list of our branch locations Australia-wide:

NSW.

Garden Island, HMAS Albatross, Singleton, Holsworthy, Richmond, Wagga Wagga, Kapooka, Williamtown

ACT.

ADFA, Brindabella, Russell, RMC Duntroon

QLD.

Amberley, Lavarack, Enoggera, Willows

VIC.

Bandiana, East Sale, Puckapunyal, Victoria Barracks, Watsonia, HMAS Cerberus

NT.

Darwin, Robertson Barracks

SA.

Edinburgh

WA.

HMAS Stirling

Workforce.

Our workforce is comprised of **205 full-time and 23 part-time employees**, a total of 220 full-time-equivalent positions. Approximately 85 of our team works in administrative positions, and 135 are in customer-facing roles.

Supply Chains (including investments).

Defence Bank procurement data indicated direct engagement with a total of **352 individual suppliers**. This represents a relatively small increase from the previous reporting period (314).

The industry categories covered by our procurement activities remain consistent with the description provided in last year's Statement. Core services and products that support our day-to-day operations are outlined in the following Table:

Business, consulting, legal and professional service providers	Cleaning Services	Computer, IT and software providers
Education providers	Financial services	Government services
Hotel and restaurant suppliers	Insurance providers	Loan settlement and mortgage brokering services
Membership organisations	Office maintenance and furniture suppliers	Post and telecommunication providers
Printing, advertising and media services	Promotional and marketing suppliers	Real estate services

In terms of the geographical breakdown, our direct suppliers remain entirely Australian based, except for the five (5) suppliers of **computer-related services and software** in the USA (2), the Netherlands (1), and Ireland (2).

Defence Bank continues to hold investments only in Australian entities, Australian branches of leading foreign financial entities, or Australian/State government investment bodies.

Reporting Criteria #3 & 4: Identifying, assessing and addressing potential modern slavery risk.

Supply chains (including investments).

From a modern slavery risk perspective, there was no material change in relation to our purchase of goods and services to facilitate our day-to-day core operations as a wholly Australian financial institution.

Despite this, we recognise that modern slavery risk assessment and mitigation is an ongoing process that should develop across reporting periods. Building upon the approach adopted for our first reporting period last year, we continued our engagement with external consultants who use proprietary technology to undertake a comprehensive modern slavery risk assessment of the full spectrum of our procurement activities. In performing this risk assessment, a balanced, global Multi-Regional Input-Output (**MRIO**) table drives supply chain mapping, which links data from 208 countries, and 37,318 unique industry/country combinations. Our external consultant's data universe comprises over 35,000 local industries categories, which represents more than 98% of global GDP.

The MRIO is regularly updated and draws from the most comprehensive and credible global data inputs available, including the United Nations' (UN) System of National Accounts; UN COMTRADE databases; Eurostat databases; the Institute of Developing Economies, Japan External Trade Organisation (IDE/JETRO); and official statistical data from many national agencies worldwide, including the Australian Bureau of Statistics. The synthesis of global economic supply chain data is overlaid, via a proprietary algorithm, with the leading research and estimates of modern slavery incidences at the national and industry levels, including the Walk Free Foundation's Global Slavery Index (last updated in May 2023); the International Labour Organisation's Global Estimates of Modern Slavery; official reports published by the United States on International Child Labour, Forced Labour and Human Trafficking, and our external consultant's internal database of modern slavery risk factors by country and sector.

The relevant industry categories assessed as having, in relative terms, the most elevated supply chain risk exposure were identical to the previous reporting period. These are all Australian industries in the following broad categories (with brief descriptions of the elevating risk factors in the deeper tiers of relevant supply chains):

- **Business, Insurance and Financial services.**

As is virtually ubiquitous with any professional service sector, there is an unavoidable reliance on higher-risk electronics and computers. These risks stem from the mining of key minerals including cobalt, gold and lithium, which are characterised by a high proportional reliance on forced and/or child labour at the extraction stage. There are also significantly elevated risks associated with the manufacture/assembly stage of essential electronic components in South-East Asian countries such as Malaysia, and in China. The Walk Free Foundation's updated 2023 Global Slavery Index confirmed that recognised that electronic products are the single highest risk product imported into Australia.¹

- **Computer related services.**

(As per the description above for high-risk electronics and computers).

- **Printed Media services.**

Areas of potentially elevated risks associated with this sector primarily stem from core material inputs and manufacturing processes.

¹ <https://www.walkfree.org/global-slavery-index/country-studies/australia/>

Paper and pulp are key raw materials used in the printing and packaging industry. The production of pulp and paper is highly dependent on the forestry industry, which is a sector characterised by predominantly informal workforces, especially in developing countries. Due to this informality and remoteness of worksites, workers may be practically unprotected by labour standards, and may have limited access to medical services and grievance mechanisms. Forced labour is often associated with illegal logging, including migrant workers without formal contracts, who are vulnerable to exploitation.

- **Garments and Apparel products.**

This category primarily covers Defence Bank's corporate uniform supplier. The garment manufacturing sector is widely regarded as high risk, from the harvesting of common inputs such as cotton, to the manufacturing of textiles and final stage of garment assembly.

Factors such as the use of factories in high-risk countries such as China and India, prevalence of migrant workers, the inherently low skilled nature of the sector and prevalence of authorised subcontracting all contribute to the risk.

The assessed areas of potentially elevated modern slavery risk within these supply chains continue to be almost entirely concentrated well beyond the first tier. Deep-tiered modern slavery risk inherent in computer-related services remains the most consistent feature across the reporting periods.

We consider that our investments continue to remain low risk from a modern slavery risk perspective, with continued holdings solely in Australian companies or Australian-based arms of global financial institutions.

Our operations.

Defence Bank did not become aware of any actual or suspected incidences of modern slavery in our supply chains or operations during the reporting period. We continue to be low risk for modern slavery - our operations are exclusively Australia-based and occur in a highly regulated, professional sector. Our workforce is directly employed, highly skilled, and is protected under written contracts and applicable Australian workplace laws and regulations.

We also recognise the potential indirect links between our financial products, and the commission of modern slavery related crimes, such as the electronic transferring of illegal recruitment fees or payments for online child exploitation.

Supplier engagement and due diligence.

Through our comprehensive supply chain risk assessment and analysis across our first two reporting periods, Defence Bank has laid the foundation to develop and improve our modern slavery risk mitigation measures over the longer term.

It is a logical next step to improve our understanding of our individual suppliers' level of awareness, existing risk mitigation frameworks and willingness to collaborate further on addressing modern slavery risk in partnership with Defence Bank.

Our baseline for recent targeted supplier engagement drew from the earlier key findings of our external anti-slavery consultant's desk-based audit of 13 specific suppliers identified by our initial assessment as having potentially elevated risks. The audited suppliers covered all potentially elevated risk categories identified and described above (along with other industry sectors where we have relatively significant procurement spend). Key examined characteristics of each supplier's approach to modern slavery issues included published policy and risk assessment and management frameworks, implemented supply chain visibility measures, procedures for receiving, investigating and responding to allegations of modern slavery, stakeholder engagement and education initiatives and details of key geographic and industry factors that influence inherent risk levels.

Defence Bank has subsequently² selected key suppliers and issued 26 targeted supplier assessment questionnaires (SAQs) as part of a process of periodically reviewing pre-existing vendors.

Based on the higher-risk sectors identified (as described above), we chose to focus particular attention on Australia print media suppliers. To protect commercial confidence and maintain trust for future potential collaborative efforts in positively addressing modern slavery risk, we have elected not to include detailed information about the responses received. However, as a general observation, one key finding was that suppliers with which Defence Bank has a relatively high spend in this industry sector is yet to implement any modern slavery-specific policies, procedures or risk mitigation measures. Rather than view this as a basis for restricting or terminating these supplier relationships, Defence Bank views this as an opportunity for positive and collaborative future supplier engagement to jointly address modern slavery risk.

Internal training and capacity building.

In last year's inaugural Statement, we acknowledged that the development of an effective and long-term modern slavery response framework requires, as an essential foundational step, increasing institutional awareness and capacity building within Defence Bank's entire workforce.

Defence Bank continues its established practice of annual, organisation-wide training on modern slavery issues.

Our comprehensive modern slavery training materials cover a broad range of topics from explaining the most common forms of modern slavery in private business and global supply chains, a practical overview of the Act and its core requirements, and affirmation of both Defence Bank's corporate responsibilities, and the expectations of our team members, as follows:

Corporate commitment.

Defence Bank supports the fight against modern slavery by:

- Having a solid understanding of modern slavery provisions.
- Fostering awareness about modern slavery.
- Ensuring our future material supply contracts contain provisions against modern slavery.
- Ensuring our team can disclose information about possible modern slavery risks in our supply chains in a safe and protected manner.
- Timely and compliant reporting under the Act.

² This action occurred shortly after the conclusion of the reporting period, but prior to the lodgement of this Statement.

Expectations of Defence Bank team members.

- Complete the training we provide on modern slavery.
- Comply with our policies, procedures and Code of Conduct.
- Report any suspicions you may have about modern slavery risks in our current supply chains.

In furthering our attitude that developing and continually improving a modern slavery response framework requires a top-down leadership approach, we are pleased to confirm that every member of Defence Bank's Board Directors, our Executive Leaders and Senior Leaders have all received our customised modern slavery training this reporting period.

Reporting Criteria #5: Measuring effectiveness.

Defence Bank has measured the effectiveness of our modern slavery approach by tracking the level of alignment between planned measures and initiatives that we foreshadowed for this reporting period compared to what we ultimately focused on and achieved. For Defence Bank, transparency about annual progress is a keyway to promote continual improvement.

The following summary table provides a comparative outline of this kind.

Foreshadowed action in our first statement.	Progress update.
Continue proprietary supply chain risk assessment, including with updated procurement data.	Complete.
Continue tracking completion rates of annual online module.	Complete.
Develop, roll out and track implementation of specific modern slavery clauses for new procurement contracts with suppliers that reach or exceed our materiality threshold.	N/A As described above, our procurement activity was very consistent and stable with the last reporting period. As an indication of this, no new material contracts were executed during the reporting period that triggered this internal requirement.
Maintain high levels of training at the Board and Executive levels.	Completed. 100% completion rate for our Board of Directors and the 25 members of our Senior Executive Leadership.
Issue self-assessment questionnaires to highest risk suppliers, identified through proprietary risk assessment.	Completed.
Review existing Whistleblower policy to ensure it is usable for reporting modern slavery concerns.	Completed. Whistleblower policy has been updated to enable reporting of modern slavery related complaints.

Reporting Criteria #7: Other information

This final part of the Statement contains descriptions which are “forward-looking”. These forward-looking statements reflect the expectations reasonably held by Defence Bank at the date of submitting this Statement. These are only predictions and are subject to inherent risks and uncertainties which can cause actual actions to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements are also based on Defence Bank’s current expectations and reflect assumptions and information available as at the date of submitting this Statement. Actual and future events may vary materially from any forward-looking statement.

For the next reporting period, Defence Bank plans to focus on the following key areas as part of our long-term efforts in seeking to continuously improve our overall modern slavery response:

- Develop a ‘Modern Slavery Due Diligence Checklist’ to assist relevant team members when selecting potential vendors and screening higher-risk vendors for modern slavery risk.
- Review all results of our supplier self-assessment questionnaire project, and directly engaging with suppliers to address shortcomings, as required.
- Engage with relevant industry bodies to broaden institutional awareness of modern slavery issues in our sector.
- Ensure modern slavery considerations and contract clauses are integrated into major upcoming procurement decisions.



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