

Police & Nurses Limited

Trading as P&N Bank and bcu ABN 69 087 651 876

Modern slavery statement

Under the Modern Slavery Act 2018 (Cth)

1 July 2020 – 30 June 2021





We are an Australian customer-owned banking group. Through our mutual model, our members and shareholders are one and the same. This allows us to focus on and prioritise our members and place our people above profits. We are part of the thriving \$110 billion customer-owned banking sector in Australia and our Group aims to deliver a strong, sustainable, customer centric bank for all Australians.

This Modern Slavery Statement has been approved by the board of Police & Nurses Limited ABN 69 087 651 876 in their capacity as the principal governing body of Police & Nurses Limited on 13 December 2021.

Pursuant to the requirements of the Act, authorised persons have reviewed the contents of this Statement and confirmed its accuracy.

This statement is signed by Andrew Hadley in their role as the Chief Executive Officer on 13 December 2021.



Andrew Hadley
P&N Group CEO
13 December 2021

Contents

Part One: Mandatory reporting requirements – preliminary information	6
Part Two: Modern slavery risks in our operations and supply chains	8
Part Three: Ongoing action to address modern slavery risks	10
Part Four: Measuring the effectiveness of our modern slavery response	12
Part Five: Consultation with controlled entities and other relevant information	13
Appendix: Initial risk assessment methodology summary	14

About us

We are an Australian customer-owned banking group. Through our mutual model, our members and shareholders are one and the same. This allows us to focus on and prioritise our members and place our people above profits. We are part of the thriving \$110 billion customer-owned banking sector in Australia and our Group aims to deliver a strong, sustainable, customer centric bank for all Australians.

Our purpose is to enrich the lives of our members and their communities and an effective modern slavery response is important to us. We acknowledge the magnitude of the problem of modern slavery – with over 40 million people in slavery or slave-like conditions worldwide. We welcome the Act's regulatory regime to address modern slavery and are pleased to have embarked upon a long-term commitment to addressing the issue with this, our second Modern Slavery Statement.

Our key focus has been identifying any potential areas of elevated risks of modern slavery within our operations and supply chains, including those that may be in distant tiers, far-removed from the suppliers with whom we have a direct contractual relationship.

We have undertaken the following initiatives, which are explained in further detail on the following pages. These include:

- Investing in significant subject matter expertise to assist us in mapping our complex supply chain and carrying out comprehensive modern slavery risk assessment.
- Continuing development of our corporate governance policies and grievance procedures to ensure they are consistent with our human rights obligations, and specifically address issues relating to modern slavery due diligence and remediation.
- Undertaking targeted supplier due diligence based on individual supplier risk assessment outcomes.
- Training key staff and our leaders around modern slavery issues specifically including our financial crimes division on modern slavery.



Mandatory reporting requirements – preliminary information

This Modern Slavery Statement is made pursuant to the requirements of the *Modern Slavery Act 2018 (Cth)* (the Act).

The mandatory reporting entity is Police & Nurses Limited - ABN 69 087 651 876 (“PNL”).

PNL trades as two separate divisions, P&N Bank and bcu, (referred to collectively as “the Group”).

This is the second Modern Slavery Statement that Police & Nurses Ltd has lodged. It reports on our modern slavery risk during the subject reporting period and describes the progress of our efforts to continually assess and address modern slavery within our operations and supply chains, including our assessment of the effectiveness of our efforts.

Overall, our modern slavery risk profile has not materially changed between the first and second reporting periods. We attribute this to the fact that there has not been any significant changes either in our operations or in our supply chains.

Controlled entities that are not mandatory reporting entities

The following entities are owned and controlled entities of PNL, and form part of the Group. However, these entities are not, individually, mandatory reporting entities pursuant to the Act:

- Members Holding Company Pty Ltd – ABN 79 009 011 769;
- P&N Landreach Pty Ltd – ABN 89 082 440 702;
- P&N Management Pty Ltd – ABN 24 009 198 681;
- National Home Loans Pty Ltd – ABN 87 008 913 817;
- P&N Recruitment Pty Ltd – ABN 85 637 912 488; and
- Police & Nurses Financial Planning Pty Ltd – ABN 21 009 245 194.¹

PNL has consulted with all owned and controlled entities in preparing this Statement, and in relation to our modern slavery response generally. The listed subsidiaries remain subject to the governance and oversight of the Group.

Our structure, operations and supply chains

We are a customer-owned banking services provider operating under a mutual model. Our members and our shareholders are one and the same, so our focus is to provide ongoing value for the benefit of our members and their local communities.

As a mutual bank, our aim is to serve our members and their communities. We are striving to implement positive change towards addressing modern slavery risk in our spheres of influence.

We are an Authorised Deposit Taking institution (ADI) and are regulated by various government bodies including APRA, ASIC, AUSTRAC, OAIC and the ACCC in relation to our provision of financial services.

PNL's headquarters are located in Perth, Western Australia.

We have over 160,000 members and employ over 570 staff.

We operate as a multi-brand model through our two independent divisions, P&N Bank and bcu. This operational model developed after the merger between P&N and bcu in 2019. Whilst we have separate divisions, our efforts to address modern slavery are unified across our entire organisation.

The Group, as a whole, has over 700 direct (first tier) suppliers that we have relationships with, and that provide support to our day-to-day operations.

¹ The net assets of Police & Nurses Financial Planning Pty Ltd - ABN 21 009 245 194 was sold at the year end June 2021.

P&N Bank

P&N Bank primarily operates and services our members in Western Australia, with branches in the following locations:



Ocean Keys	Midland
Whitfords	Maddington
Joondalup	Success
Innaloo	Rockingham
Warwick	Mandurah
Perth	Bunbury
Belmont	Bull Creek
Morley	

P&N Bank operates to provide the following products and services:

- Everyday Accounts
- Savings Accounts
- Business Account
- Home loans
- Personal loans
- Reverse Mortgages
- Credit Cards
- Insurance

bcu

Our bcu division operates in Australia's east coast, with branches in the following New South Wales and Queensland locations:



Ballina	Maclean
Bellingen	Maroochydore
Bowraville	Murwillumbah
Brisbane	Nambucca Heads
Coffs Harbour	Park Beach Plaza
Dorrigo	Port Macquarie
Grafton	Toormina
Illuka	Tweed Heads South
Lismore	Urunga
Macksville	Woolgoolga
	Yamba

bcu offers the following financial products and services:

Personal and Business Bank Accounts

- Access and Savings
- Term Deposits
- Loans and Finance: Business Loans and Agribusiness
- Student Accounts
- Scoot kids account

Insurance

- Home and Contents
- Motor vehicle
- Landlord
- Caravan and trailer

Loans and credit cards

- Home loans
- Investment loans
- Personal loans
- Car loans
- Credit Cards

The Group, as a whole, has over 700 direct (first tier) suppliers that we have relationships with, and that provide support to our day-to-day operations.

These direct suppliers operate across a range of fields, which are primarily covered by the following general industry categories:

- Printing and stationery
- Finance and investment services
- Market research & business management services
- Computer and technical services
- Property operations and developer services
- Telecommunication services
- Accounting
- Advertising
- Non-building construction
- Retail trade
- Legal services.

Our direct suppliers remain located almost exclusively within Australia.

Our investments

We have approximately 37 investment providers that are solely based within Australia. The Group's portfolio is comprised entirely of investments in Australian diversified banks.

Modern slavery risks in our operations and supply chains

The modern slavery risk areas identified and analysed in Part Three of our first Statement remain applicable to our ongoing modern slavery risk profile in the current reporting period.

The Group continues to operate within the financial services sector, which is, inherently, a lower risk industry for instances of modern slavery within our direct operations, and those of our direct suppliers.

Once again, no actual or suspected instances of modern slavery were identified in the Group’s operations or supply chains during the subject reporting period.

We have maintained our partnership with external subject matter experts to assist us with continual monitoring and assessment of our operational supply chains and investment portfolios for modern slavery risks over the current reporting period, and also for the purpose of monitoring any possible changes in the nature of our risk profile.

Our updated risk assessment has again assessed our supply chains beyond Tier 1 to examine the risks that are hidden deeper within our supply chain. The main risks that have been identified (and are discussed below) do not exist within the operations of our direct suppliers. Rather, as was the case in our Initial Statement, the most elevated risk of modern slavery in our supply chain is occurring at Tier 3 (and beyond), where the Group has a greatly reduced ability to exert direct influence. This is also the case for our investment portfolio.

A more detailed summary of the proprietary initial risk assessment methodology is set out in the Appendix to this Statement.

Our updated risk assessment has again identified the same priority areas of potential modern slavery risk within the operations and supply chain of the Group, namely:

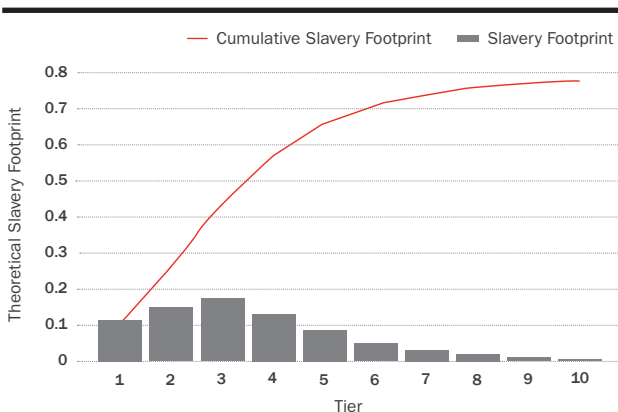
- Finance & Investment Services
- Market research & Other Business Services & Advertising services
- Computer & Technical services

Given that these priority areas have been identified over consecutive reporting periods, the Group remains committed to directing our due diligence effort towards these areas.

The updated risk assessment for this reporting period has also flagged a new priority area of potential modern slavery risk, the industry category of *Printing & Stationery and Domestic Telecommunication services*. The primary reason that this new risk area has been identified in this reporting period is because of a change in relative spend amount between the first and second reporting periods, rather than any material change in our business operations and supply chain inputs that would affect our overall modern slavery risk profile.

While this new risk area has arisen as a result of the change in our supplier spend, we remain aware that these risks are typically located deeper within the supply chains of this industry, in relation to the raw material inputs. For example, Australia imports a significant proportion of paper products from high risk locations, such as China, which is known as a global hot spot for elevated risks of modern slavery. Although our direct suppliers in paper-based and other stationery products are Australian, we acknowledge the real possibility that, at lower tiers of the supply chain, raw materials are being sourced from high-risk geographies.

Figure 1.1 - Theoretical slavery footprint



Computer & Technical Industry – direct supplier risks with forced labour practices in China

In our first Statement, we highlighted characteristic modern slavery risks associated with the supply chain and raw material inputs within the computer & technical services industry.

We acknowledge the growing international concern with widespread reports of state sanctioned forced labour transfer schemes occurring within the autonomous Xinjiang region of China, involving Uyghur and other Turkic Muslim minority people. We are particularly concerned by the mounting evidence of the linkages specifically between the electronics and computer industry with these forced labour schemes.

One measure that we have taken is to cross-reference our direct supplier list against the group of entities that are reported to allegedly have directly or indirectly supply chain links from Uyghur forced labour, as published in Australian Strategic Policy Institute's (ASPI) 2020 Report: *'Uyghurs for sale: Re-education, forced labour and surveillance beyond Xinjiang'* (ASPI Report). It is noted that many of the 83 companies named in this ASPI Report are significant, global-brands in electronics and other mainstream product categories.

Three direct computer & technical suppliers were named in the ASPI report. All of these suppliers are mandatory reporting entities under the Act, and equivalent foreign legislation. They have all published current statements that, in our assessment, describe comprehensive modern slavery risk mitigation and remediation frameworks.

Of the named suppliers, after the release of the ASPI report, one publicly acknowledged that it had historically benefited from linkages to one of the Chinese manufacturing factories accused of using forced labour. That supplier confirmed that it has stopped sourcing from this factory. The strong public response of this entity is supported by their modern slavery measures detailed in their Modern Slavery Statement, including increased supply chain transparency and numerous partnerships with industry organisations combatting forced labour.

The other two suppliers have not confirmed their position on the veracity of the alleged forced labour linkages detailed in the ASPI Report. However, they both have provided extensive descriptions of a comprehensive and (in many respects) 'best practice' modern slavery diligence and remediation framework. Of note, these two entities are transparent in relation to instances of forced labour identified in their supply chains through their comprehensive onsite factory audits and whistle-blower hotlines. They provide details of the corrective action taken including victim remediation

payments. This indicates that these named suppliers are acutely aware of their modern slavery risks and are implementing proactive risk mitigation strategies.

Through FairSupply, we will continue to closely monitor the latest development between the computer & technical services industry and the systematic exploitation of Uyghur people in the Xinjiang region in future reporting periods, and will revise our response insofar as direct suppliers are concerned accordingly.

Our investment portfolio

In keeping with the Group's commitment to continuous improvement in our modern slavery response, we have expanded our risk assessment during the current reporting period to a comprehensive review of our investment portfolio.

Our portfolio is solely vested held in Australian based diversified banks, which is low risk, especially in comparison to investments in areas such as emerging markets. The risk assessment of our portfolio reveals that in the first tier of our investment portfolio supply chain, the highest general industry categories based on spend amount are Banking; Non-banking finance; and Services to finance and investment.

These priority areas are considered to have an elevated risk of modern slavery, not because of any specific risk factors that we could address with specific due diligence, but rather, because these industries have a reliance upon computer and technical services further in the supply chain, occurring at the at the third tier, and beyond. This is confirmed by the fact that less than 5.9% of our total relative slavery risks is located within the general industry categories, identified above.

Therefore, our modern slavery approach in relation to our investment portfolio will be the same as any due diligence measures that we undertake to address the risks arising from computer and technical services category, with a particular focus upon monitoring the possibility of a reliance on electronic equipment with possible tainted inputs from Uyghur forced labour.

Ongoing action to address modern slavery risks

The Group remains committed to addressing the risks of modern slavery within our operations and supply chains. We have undertaken the following action to continue to build on the Group's modern slavery response, as established in our first reporting period.

Internal governance frameworks

In our first Statement, the Group outlined the results of our policy and document analysis, including the details of new policies we were in the process of creating and existing policies we were in the process of updating.

In the recent reporting period, we have made the following progress in instituting certain policies and similar:

- Our amended procurement and expense policy has been approved at our executive level and it is now operational and available on our company intranet.
- Our model modern slavery provisions for supplier contracts are nearing the implementation phase in order to be utilised by the Group's legal department and actively incorporated into new supplier agreements.

The framework will establish a team that will liaise with key contacts of each of our supplier agreements to ensure that the Group is undertaking regular and ongoing reviews and performance evaluations of our suppliers.

Vendor management policy

A key area of focus of this reporting period has been on developing our new Vendor Management Framework ("the framework"), which we began developing mid-way through the subject reporting period. We intend for this framework to assist with increasing our supplier due diligence and the consistent implementation of model slavery provisions for contracts.

The framework will establish a team that will liaise with key contacts of each of our supplier agreements to ensure that the Group is undertaking regular and ongoing reviews and performance evaluations of our suppliers, which will include a modern slavery risk assessment component, including a mandatory review of the modern slavery statements for all key third party suppliers that are reporting entities.

We also intend for the framework to embed a modern slavery due diligence process during the contract negotiation phase of onboarding all new suppliers.

Since a key component of the framework is establishing systems to ensure both our existing and new suppliers are subject to modern slavery reviews, we are creating a risk assessment threshold component for the framework, that will establish key performance indicators to determine which of our suppliers will be subject to further due diligence, primarily based on the risk of probable modern slavery, which will be centred around the spend value of the supplier. This means that we will be able to target our suppliers with whom we have the greatest commercial leverage due to the value of our procurement contracts.

We anticipate that the framework will be completed and rolled out during the next reporting period.

Given that the framework has created certain restructuring of our pre-existing internal governance system, the remaining modern slavery policies detailed in our first Statement are currently being updated to enable them to operate within the vendor management framework. The Group will finalise and operationalise these policies in tandem with the vendor management framework, in the next reporting period.

Training

Our first Statement set out a commitment on behalf of our financial crimes team to review the existing training for frontline workers. We have successfully completed an initial review and determined that the program was suitable.

However, given that our operations are almost exclusively within the financial industry, we are aware that the Group has unique vulnerabilities arising from our operations such as customer facing teams that may encounter victims of modern slavery.

To ensure the Group is adequately training all our staff, our recently appointed Senior Manager Financial Crime is a financial crimes specialist, who will assist in the development of additional annual modern slavery training for all staff, particularly in relation to the nexus between modern slavery and financial crimes.

The training will also equip staff to better engage with suppliers in relation to modern slavery related issues.

We anticipate that this updated training program will incorporate content that is focused on identifying risks of modern slavery in our customer base. We expect that the training program will be in operation during the next reporting period.

Targeted supplier due diligence

In our Initial statement, we detailed our efforts to undertake a desktop audit of suppliers operating within our known high-risk industries (including computer and technical services, finance and investment services, market research and other business services and advertising services).

During the current reporting period, we used the results of the desktop audit to assist with implementing specific due diligence measures in relation to certain suppliers:

- One of the assessed suppliers was flagged in the audit as posing a medium to high risk of modern slavery. In response to this risk designation, the Group issued a self-assessment survey to this supplier, to seek further information that may mitigate the risk rating. However, we did not receive a response from this supplier. We have since ended our commercial relationship with this entity and have sourced an alternative supplier, as part of broader commercial interests.
- Another of our suppliers that was audited and deemed higher risk, by virtue of operating within a high-risk industry, had its contract due for renewal during the subject reporting period. As part of our contract renewal due diligence process, we reviewed the findings of the audit and also undertook a review of the supplier's modern slavery statement. Note that no major concerns were flagged through review of the statement and the contract was renewed.

Measuring the effectiveness of our modern slavery response

As a Group, we are committed to ensuring that our modern slavery efforts remain effective at assessing and addressing the risks within our operations and supply chains, especially as we grow and evolve as an organisation.

In our first Statement, one of the key aims outlined for this reporting period was to fully operationalise the new initiatives developed in the first reporting period.

The following is a summary our progress in relation to two significant initiatives:

- **Review of our financial crimes training** - has been completed and we are seeking to expand our use of training as a mechanism to improve our modern slavery response, as detailed above.
- **Implementing modern slavery internal governance policies and documents** - has been partially completed during the reporting period:
 - Our amended Procurement & Expense Policy has been approved and operationalised; and
 - Model Contract Provisions that expressly address modern slavery issues are to be included in our supplier agreements where necessary.

However, given that we have comprehensively re-evaluated our systems for dealing with suppliers in the current reporting period, and are developing an entirely updated 'Vendor Management Framework', we have not operationalised the remaining modern slavery policies to the extent that we otherwise would have. We are committed to ensuring that, for reasons of practical functionality, these policies are fit-for-purpose to ensure that they will operate effectively within our new framework.

We have also implemented an Action Advisory Plan to guide our modern slavery efforts over consecutive reporting periods. Our first Statement indicated that this action plan would play an integral role in assessing the effectiveness of our actions, including by establishing key indicators to measure our modern slavery progress, and to ensure that our action is successfully addressing our individual modern slavery risk profile.

Various key performance indicators are being further developed, with a particular focus on complimenting the operation of our vendor management framework. These indicators will be used to evaluate our modern slavery action in future reporting periods. Our current KPI's and more formal framework for evaluating our progress include:

- The risk threshold for probable modern slavery instances in our supply chain based on the spend value of our suppliers
- Number of modern slavery risk assessments carried out in relation to our new and existing suppliers
- Number of desktop audits undertaken for high risk suppliers or suppliers operating in high risk industries
- Number of self-assessment questionnaires issued to high risk suppliers or suppliers operating in high risk industries
- Percentage of staff that have completed modern slavery training, including successful completion of training assessment

We also plan to continue developing further KPI's and expand our evaluative framework in accordance with our expanding and evolving modern slavery response over future reporting periods, to ensure that we continue to refine our anti-slavery efforts.

In addition to continued implementation of action in relation to our KPI's, we have earmarked following specific key actions as our focus areas for the next reporting period:

- Finalising and operationalising the vendor management framework, including the modern slavery policies;
- Implementing and facilitating the new training program;
- Continuing our efforts to focus on supplier due diligence and further levels of assessment.

Consultation with controlled entities and other relevant information

PNL has actively engaged with and consulted with entities that the Group owns or controls, both for the purpose of the preparing of this statement, but also in relation to our modern slavery response across the Group during the reporting period.

Both divisions of PNL (P&N Bank and bcu) and all our subsidiaries are subject to the same executive oversight and control, by the Board of Police & Nurses Limited. Additionally, the Group, including our owned and controlled entities operate under a singular corporate governance framework and are subject to the same procedures.

The comprehensive modern slavery risk assessment has been undertaken for the supply chains and operations for the Group, together with all owned and controlled entities.

Finally, PNL notes that the continued COVID-19 pandemic did not materially impact upon either our operations, nor did it constrain or change our usual supply chains during the current reporting period. As a result, we are pleased to report that the COVID-19 pandemic did not affect our overall modern slavery risk profile or prevent us from implementing any specific modern slavery action.

We are committed to ensuring that, for reasons of practical functionality, these policies are fit-for-purpose to ensure that they will operate effectively within our new framework.

Initial risk assessment methodology summary

As discussed in Part 2 of this Statement, we continued our engagement with external subject matter experts to carry out the same comprehensive risk assessment in relation to new supplier categories that were not previous subject to assessment. This baseline exercise provides the basis 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 PNL's top suppliers and investments by spend.

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:

- 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
- Numerous National Agencies including the Australian Bureau of Statistics.

The MRIO is then examined against the following international standards:

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

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 and investment of PNL.

This analysis was performed for the purposes of risk identification under Section 16(1)(c) of the Act. No information confirms the actual existence of non-existence of slavery in PNL's supply chains, operations or investments. Analysis was undertaken at the industry and country level. It does not account for variances at the entity, region or product level.

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

- The individual suppliers, investments and industries with the most elevated risk of modern slavery;
- Supply chain and investment plots to provide a visual representation of the supply chain and investment supply chains for PNL's top three first tier industries;
- Plotting the relative slavery risk in the supply chain and investment by tier, up to tier 10;
- Geographical depiction of the cumulative risk of modern slavery across the supply chain and investments around the world; and
- An overview of the classification of the first tier of our supply chain and investments by country and industry, including relative modern slavery risk.
- Suppliers and investments in our supply chains and operations that posed any calculated risks in relation to modern slavery were identified.

The following plot depicts the supply chains of the industries in the first tier of our suppliers for the current reporting period. The plot indicates that 31.6% of the total value of the Group's supply chain is represented at the first three tiers of the supply chain. The top three industry risk categories plotted below including market research and other business management services, services to finance and investment, and printing and stationery. It includes the inputs that these industry categories depend on at Tier 2 and Tier 3.

Figure 1.2 – The Group's supply chain

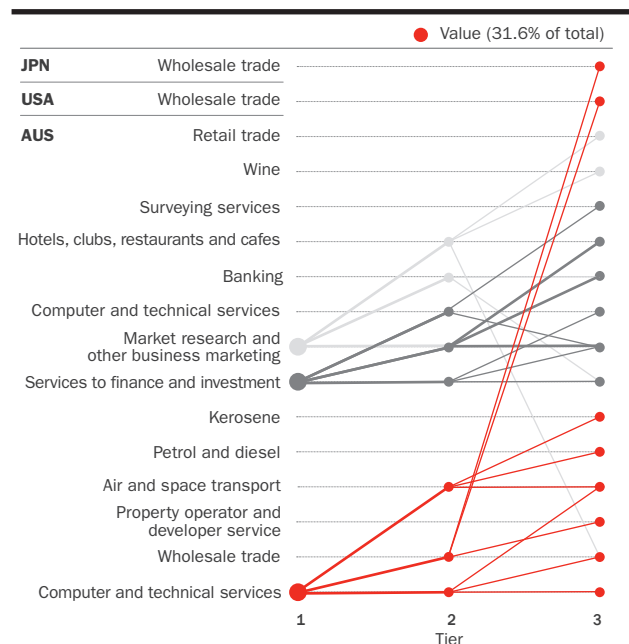
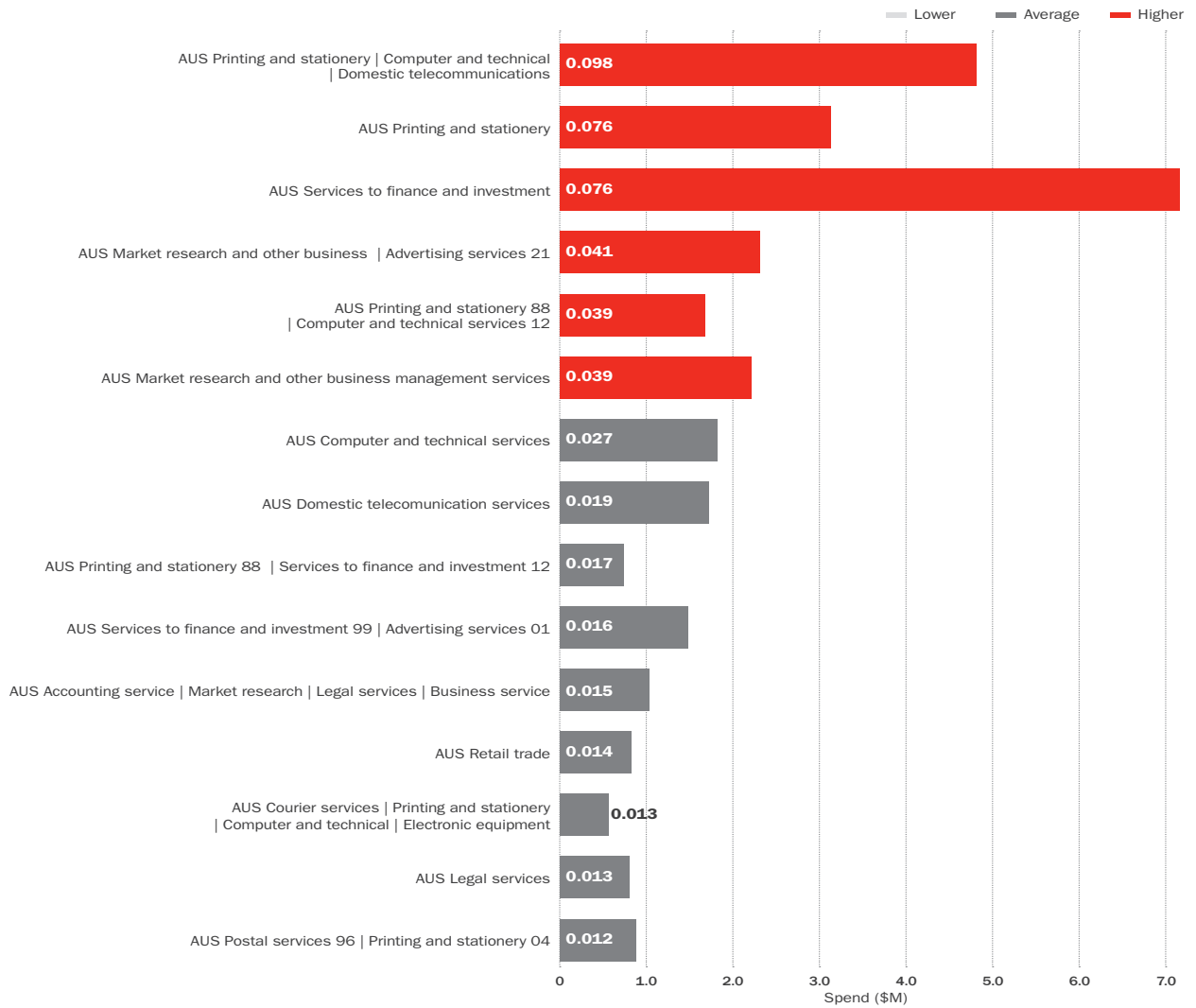


Figure 1.3 – Top 15 Industry risk categories



The above graph highlights the top 15 industry risk categories in PNL's supply chain. The length of the bar represents the amount spend on the industry category, the colour represents the relative level of modern slavery risk for the industry category's supply chain and the figure provides a theoretical measure of slavery within that industry category's supply chain.

This neither confirms or denies the actual instances of modern slavery but provides us with an overview of those industries that may be most susceptible to modern slavery risks.

Registered Office

Police & Nurses Limited

ABN 69 087 651 876

Level 6

556 Wellington Street

Perth 6000

Western Australia

