

Police & Nurses Limited

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

Modern slavery statement

Under The Modern Slavery Act 2018 (Cth)

1 July 2019 – 30 June 2020





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 to place our people above profits. We are part of the thriving \$110 billion customer-owned banking sector in Australia. Strong stability and customer satisfaction are amongst our key objectives.

Executive summary

This Modern Slavery Statement is made in accordance with the requirements of the *Modern Slavery Act 2018 (Cth)* (the Act).

The mandatory reporting entity under the Act is: Police & Nurses Limited ABN 69 087 651 876.

The reporting entity trades as P&N Bank and bcu, as two distinct divisions and brands forming part of the Police & Nurses Limited ('the Group').

Several further corporate entities are controlled by Police & Nurses Limited and form part of the Group. Although these entities are not, individually, mandatory reporting entities under the Act, this Statement covers these entities in accordance with the Act's requirements. These include:

- a. Members Holding Company Pty Ltd – ABN 79 009 011 769
- b. P&N Landreach Pty Ltd – ABN 89 082 440 702
- c. P&N Management Pty Ltd – ABN 24 009 198 681
- d. National Home Loans Pty Ltd – ABN 87 008 913 817
- e. Police & Nurses Financial Planning Pty Ltd – ABN 21 009 245 194
- f. P&N Recruitment Pty Ltd – ABN 85 637 912 488

The Group's Board of Directors has approved this statement. The entities listed above at paragraph [4], have been consulted in the preparation of this statement, and the key internal governance frameworks for these subsidiaries are subject to the Group's oversight.

This Modern Slavery Statement has been approved by the Board of Polices & Nurses Limited on 29 March 2021.



Andrew Hadley
P&N Group CEO

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. Strong stability and customer satisfaction are amongst our key objectives.

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 inaugural 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;
- Reviewing and updating 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;
- Developing our Action Advisory Plan to provide a framework for the modern slavery efforts within our organisation over coming reporting periods and well into the future; and
- Training key staff and our leaders around modern slavery issues specifically including our financial crimes division on modern slavery.¹

¹ All activities referred to in this statement have been undertaken between 1 July 2020 and the 5 March 2021. The delay in implementing these key activities were largely a result as the disruption to our operations as a result of COVID-19. Accordingly, we have included in this statement relevant activities implemented or resumed between the end of their reporting periods and the deadline for submitting our statement.

Mandatory reporting requirements under the Act

Identify the reporting entities

Police & Nurses Limited ABN 69 087 651 876 trading as:

- P&N Bank
- bcu.

Our structure, operations and supply chains

Corporate Structure

Police & Nurses Limited (PNL) is an Australian incorporated and domiciled company, limited by shares. The entity is the holder of an Authorised Deposit-taking Institution (ADI) license. It trades under the name and divisions of P&N Bank and bcu.

Our headquarters are located at Level 6, 556 Wellington Street Perth, WA 6000.

We operate a multi-brand model through our distinct divisions of P&N Bank and bcu. On 1 November 2019, PNL and Bananacoast Community Credit Union Ltd (BCCU Ltd) merged and constituted a new Board, which includes Directors from the former BCCU Ltd.

The following companies are controlled entities of P&N Bank:

Entity	Interest in controlled entity (2019–2020)
Members Holding Company Pty Ltd ABN 79 009 011 769	100%
P&N Landreach Pty Ltd ABN 89 082 440 702	100%
P&N Management Pty Ltd ABN 24 009 198 681	100%
National Home Loans Pty Ltd ABN 87 008 913 817	100%
Police & Nurses Financial Planning Pty Ltd ABN 21 009 245 194	65%
P&N Recruitment Pty Ltd ABN 85 637 912 488	100%

What we do and where we operate

We serve the interests of more than 156,000 members across Australia and have 550 staff working across the business.

Our distinctive brands of P&N Bank and bcu serve our customers across both the east and west coasts of Australia. Our branches are outlined below:

P&N Bank (WA)



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

bcu (NSW & QLD)



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

Our products and service offering are wide-ranging and include the following product areas across both our P&N Bank and bcu divisions.

P&N Bank Products and Services

- Everyday Accounts
- Savings Accounts
- Business Accounts
- Home Loans
- Personal Loans
- Reverse Mortgages
- Credit Cards
- Financial Planning
- Insurance

bcu 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

Our supply chains

We have over 590 direct suppliers that support our day-to-day operations and business functions. These direct contracts largely consist of technical and professional related goods and/or services, as well as services relating to our operation out of an extensive network of office and branch locations around Australia. We recognise that each of these 590 suppliers has in turn, their own complex web of supply chains.

We have over 590 direct suppliers that support our day-to-day operations and business functions.

All direct suppliers that were subject to our comprehensive modern slavery risk assessment are, themselves, based in Australia. A significant proportion of these suppliers are subsidiaries or associated entities of multinational companies, which may operate in multiple locations around the globe. Furthermore, we recognise that for the purpose of modern slavery risk assessment direct suppliers may, in turn, source their own products and services outside of Australia, including in areas with potential elevated modern slavery risks that may occur as early as the raw materials extraction stage.

We also acknowledge that country of operation is only one of an array of factors that may contribute to elevated modern slavery risks. Indeed, the risk assessment that has been undertaken factors in a complex matrix of considerations, in addition to geographical factors, including:

- Total supplier spend amounts (i.e. the value of our direct supplier contracts);
- Industry category, including industries that, in turn, feed into particular categories further down the supply chain; and
- Depth of tiering within the supply chain(s).

Of our total supplier contracts, our largest spend amounts are in the following three industry categories:

- Finance and investment services
- Market research and other business management and advertising services
- Computer and technical services including domestic telecommunication services.

The range of goods and services that we obtain from suppliers within these categories includes media and production services, supporting sponsorships or marketing, telephone and data services, lending and financial products, and IT products and services.

For the current reporting period, we have prioritised the further evaluation of our direct (Tier 1) suppliers. This approach is consistent with what we understand to be industry best practice, as our direct contractual relationships are where we have the most leverage.

Notwithstanding this focus, which is based upon our commitment to implementing pragmatic due diligence and remediation measures, we have also assessed potential modern slavery risks in our supply chains up to Tier 10 of our supply chains. This has been completed using external subject matter experts that have deployed proprietary supply chain analysis technology (see Part 3 and Appendix below).

A description of modern slavery risks in our supply chains and operations

As an organisation that operates in the Australian financial services industry, the overall risks of modern slavery occurring in our supply chains and operations have been assessed as being relatively low.

Consistent with standard industry practice, we ensure that we can verify the identity of potential customers, as per the requirements of anti-money laundering and counter-terrorism financing laws.

However, we acknowledge that merely being a provider of financial products and services does not make us not immune from the risk of modern slavery occurring deep within our supply chains. Simply put, as every one of our 590 direct suppliers have their own supply networks, even if these are of a quickly diminishing size (due to lower tiering), there are still, inevitably, thousands of unique points at which modern slavery can potentially occur.

We did not identify any actual or suspected instances of modern slavery in our supply chains and operations over the reporting period.

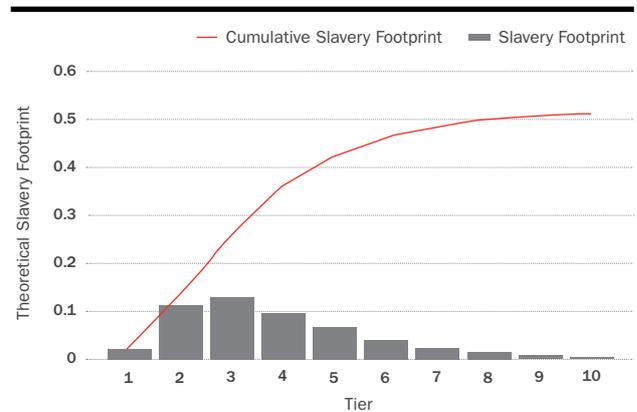
Areas of potential elevated risk in our supply chains

In relation to our supply chain, a significant proportion of the goods and services we procure are professional related services.

However, we understand that modern slavery risks in our sector may be hidden well beyond our direct procurement relationships – at lower tiers of the supply chain where direct oversight and visibility is limited.

Figure 1.1 below highlights that the most elevated risk of modern slavery in our supply chains accumulate around Tier 3. The mapping of our supply chain also indicated that at least 33.8% of our total value chain for our high spend categories are represented only in the first three tiers of our supply chain and only account for 1.8% of the total relative slavery risk that may exist in these industries.

Figure 1.1 - Theoretical slavery footprint



This data highlights the reality that the areas, in which we do have clear visibility over our supply chains, are unlikely to reveal the hidden risks of modern slavery at those deeper levels. It also indicates that further due diligence may be required at deeper levels of the supply chain, difficult as that may be. This is particularly the case where inputs in these high spend industry categories are significantly dependent on inputs from higher risk sectors. A summary on what may be driving the relatively elevated risk results for these industry categories is provided below.

Computer and technical services

Computer and technical services are our third highest industry category for overall supplier spend amount. These include IT costs, asset purchases such as hardware (computers, printers, scanners), software, IT and data management services. Like many other financial services providers, these suppliers are essential to the functioning of our business operations and customers in an increasingly digitised world.

As there is significant reliance on high-skilled workers and professionals for these products and services, our modern slavery risks are, as with our overall risk profile, far more likely to be present at lower tiers of the supply chain for this industry category. These electronic products are highly dependent on inputs at lower tiers that often require the extraction of raw materials occurring in higher risk geographies.

Production of products with complex electronic componentry is often concentrated in the regions of Asia and South East Asia.² This was reflected in our risk assessment where a global 'heatmap' identified regions that were most likely to have the greatest risk of modern slavery.

The following risk factors may be associated with the production and sourcing of these products at lower tiers of the supply chain:³

- Vulnerable workers such as migrants, students or interns working in production factories
- Use of labour hire agencies that are at risk of exploiting workers, such as withholding worker passports
- Sourcing of goods such as tungsten, tin, tantalum (coltan) and gold from conflict-affected regions such as the Democratic Republic of the Congo, that are used extensively in the production process of electronic goods.

Whilst our day-to-day operations are well removed from electronic componentry suppliers that manufacture and source these products, we acknowledge that, as with virtually any modern service provider (or other business that has significant digital work and product flows), they nonetheless represent a real risk area within our supply chains.

Finance and investment services

This industry category represents the various financial products that we rely on, including credit-reporting services, products used for our lending services, and financing arrangement for property or motor vehicle hire services.

At the first-tier level, modern slavery risks in this industry category are assessed as being very low. However, the international flow of finance means that modern slavery risks may be concealed within, or indirectly connected to, a range of financial transactions, which may not necessarily be readily detectable.

Furthermore, significant labour inputs into technological products and services that are essential to the functioning of this industry category, as well as property assets and motor vehicles at lower tiers of the supply chain, are all factors that have the potential to elevate the potential risk within this industry category.

Market research and other business services and advertising services

This industry category returned a relatively elevated risk result due to the high proportion of spend on a concentrated number of suppliers identified in our supply chain mapping.

The suppliers in these categories mainly provide services in media and production. As with the above categories, those direct suppliers do not, themselves, have a high risk of modern slavery in the goods or services they directly supply. However, lower tiers of the supply chain may present greater risks of modern slavery. Such lower tier risks can exist where there is a reliance on industries that provide hardware or technological products, finance for media and production services, or other potentially high-risk service industries such as hotels, clubs, restaurants and cafes that are heavily reliant on hospitality or related low-skill services.

² Know the Chain, *Eradicating Forced Labour in Electronics: What do Company Statements under the UK Modern Slavery Act tell us?* (March 2018) 5. https://knowthechain.org/wp-content/uploads/KTC-ICT-MSA-Report_Final_Web.pdf

³ Ibid.

Actions to address risks of modern slavery

Risk assessment and supply chain mapping

We have, in partnership with external subject matter experts, undertaken the detailed mapping of our entire supply chain comprising over 590 suppliers.

Our ongoing due diligence activities have been developed based on the results of this risk assessment. Further details on the methodology for assessing modern slavery risks in our supply chain is available in the Appendix to this Statement.

Policy and document review

We have undertaken an in-depth policy and document review of our existing governance frameworks to ensure modern slavery is adequately addressed from the highest level of our organisation. We are in the process of the organisation-wide rollout of comprehensive additional policies that specifically address modern slavery including:

- Human Rights Policy;
- Supplier Code of Conduct;
- Model Modern Slavery Provisions for selected supplier contracts;
- Amending the Procurement and Expense Policy to address modern slavery;
- Human Rights Grievance Policy and Procedure.

Human Rights Policy

Our Human Rights Policy is based on internationally recognised human rights conventions and principles and outlines our overarching commitment to human rights and avoiding such abuses in our organisation and supply chains.

It outlines our commitment to undertake due diligence and proper risk identification procedures to ensure human rights are adequately protected, as well as our commitment to raise awareness and promote human rights through stakeholder engagement.

The Policy represents an overarching framework document, of which other policies that are more specifically designed to address modern slavery issues form an important part.

Supplier Code of Conduct

The Supplier Code of Conduct (the Code) sets out our expectations for our new suppliers. It specifically and substantively addresses key issues relating to modern slavery.

The Code reflects our commitment to internationally recognised standards such as the UN Guiding Principles on Business and Human Rights, the eight fundamental conventions of the International Labour Organisation and, Goals 8 and 12 of the Sustainable Development Goals.

Model Modern Slavery Provisions for selected supplier contracts

Provisions addressing modern slavery have been included in all new supplier contracts, requiring new suppliers to warrant that they are taking adequate steps to address modern slavery within their own operations and supply chains.

Human Rights Grievance Policy and Procedure

We have developed a human rights grievance policy and procedure to ensure that all external stakeholders have a mechanism to disclose any human rights issues including modern slavery.

Our Pre-Existing policies and grievances and remediation process

Procurement and Expense Policy

We also have a range of longstanding policies that have a potential nexus with modern slavery due diligence such as our Procurement and Expense Policy.

This is an internal policy that guides our employees working in the area of procurement or who are otherwise authorised to incur expenses on behalf of the company. This policy requires that due diligence is conducted as well as ensuring socially responsible practices in our procurement processes.

We have expressly defined 'socially responsible procurement' as it relates to all social impacts of products and services including health, safety, human rights, modern slavery, ethical production processes, social justice, fair trade, diversity, access and the purchasing of locally and domestically made products. This is to be balanced with our core considerations of achieving value for money in our procurement practices.

Internal education and training

We have developed our capability to assess and address modern slavery risks by engaging in bespoke modern slavery training within our organisation. Online training will be provided to staff who hold a delegation to engage suppliers and incur an expense, which includes the following topic areas:

- Compliance and reporting obligations under the Act;
- Types of modern slavery and what it entails;
- The risk factors increasing the potential for modern slavery;
- Responsibilities relating to modern slavery;
- Incidence of modern slavery in Australia;
- How to identify the existence of modern slavery; and
- Transparency within our supply chains and operations.

Additional training has been provided to specific groups within our organisation from external subject matter experts to the Executive Committee, staff that undertake significant procurement activities, and the financial crimes division in order to understand the Group's unique modern slavery risk profile and set the strategic direction to address it within our organisation.

Further due diligence

A desktop audit was performed on suppliers with the highest risk of modern slavery to ensure that although those risks were identified that they had taken adequate steps to address modern slavery within their operations and supply chains.

Action advisory plan

We seek to assess the effectiveness of our actions by ensuring that efforts align with key indicators set out in an action advisory plan that we have prepared. Operationalising all of the new initiatives we have recently undertaken to address modern slavery will be our focus for the next reporting period.

The financial crimes team will also be reviewing existing financial crimes training for frontline workers to determine if existing training sufficiently captures indicators of modern slavery.

Describe the process of consultation with any entity it owns or controls

We have consulted with the following entities that we own and control over this reporting period for the purposes of our addressing modern slavery:

- 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
- Police & Nurses Financial Planning Pty Ltd – ABN 21 009 245 194
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All the above entities are subject to the same executive oversight and control by Police & Nurses Limited Board and operate under the Group's corporate governance policies and procedures.

Any other relevant information – impact of COVID-19 pandemic

We are aware that the most vulnerable workers within our supply chain were impacted by COVID-19. As an essential service, we were not required to cease operations during the pandemic which meant that all operational expenses continued to be incurred to mitigate global supply chain disruption as much as possible. To ensure the safety of its stakeholders, we engaged extra cleaning services and undertook suitable due diligence during that time.

We have developed our capability to assess and address modern slavery risks by engaging in bespoke modern slavery training within our organisation.

Initial risk assessment methodology summary

An initial risk assessment was carried out to identify the elevated areas of modern slavery risk in our supply chains. This baseline exercise provides the foundation 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 3 suppliers, and so on, all the way to Tier 10 suppliers of the supply chain of the Group's top suppliers by spend. This was undertaken for over 590 of our suppliers.

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 for the Group.

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 the Group's supply chains or operations. Analysis was undertaken at the industry and country level. It does not account for variances at the entity, region or product level.

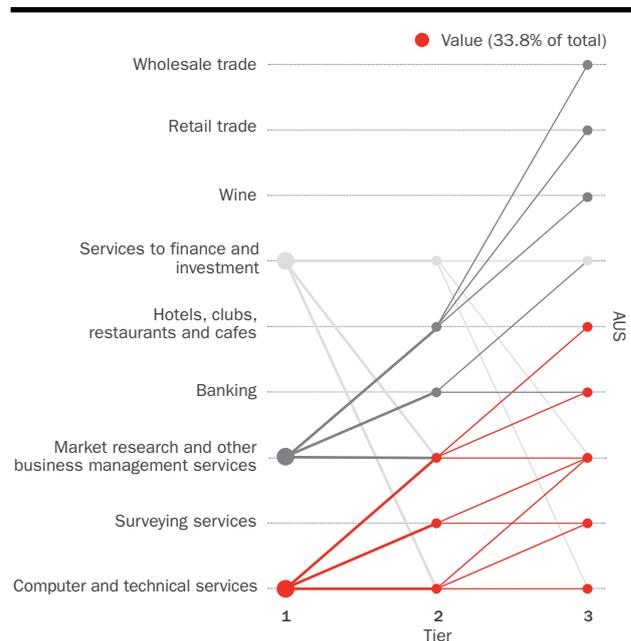
The multi-faceted approach to modern slavery risk assessment that we have undertaken has included examination and analysis of the following:

- The individual suppliers and industries with the most elevated risk of modern slavery
- Supply chain plots to provide a visual representation of the supply chain for the Group's top three first tier industries
- Plotting the relative slavery risk in the supply chain by tier, up to Tier 10
- Geographical depiction of the cumulative risk of modern slavery across the supply chain around the world
- An overview of the classification of the first tier of our supply chain by country and industry, including relative modern slavery risk

The top 50 suppliers in our supply chains and operations that posed the highest calculated risks in relation to modern slavery were identified.

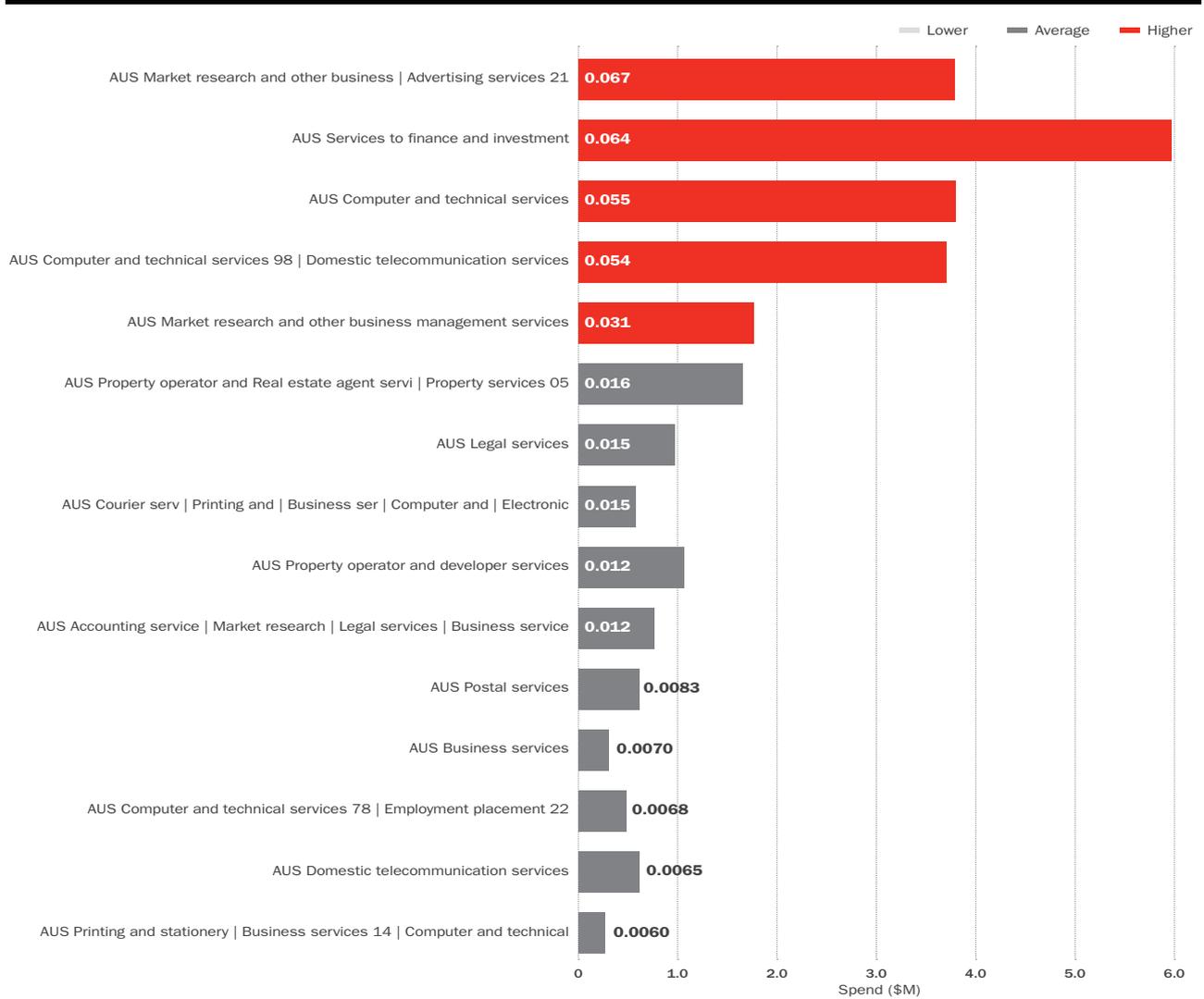
Further samples of results from our Initial Risk Assessment are provided below.

Figure 1.2 – The Group's supply chain



As explored in Part Three of our Statement, this supply chain plot indicates that 33.8% of the total value of its supply chain is represented at the first three tiers of the supply chain. Its top three industry risk categories are plotted below including computer and technical services, market research and other business management services, as well as services to finance and investment. It includes the inputs that these industry categories depend on at Tier 2 and Tier 3. Despite this however, it only accounts for 1.8% of the probable slaves in the supply chain.

Figure 1.3 – Top 15 Industry risk categories



As explored in Part Three of our Statement, this graph highlights the top 15 industry risk categories in the Group’s supply chain. The length of the bar represents the amount spent on that industry category, the colour represents the relative level of modern slavery risk for that industry category’s supply chain and the figure provides

a theoretical measure of slavery within that industry category’s supply chain. This neither confirms nor denies the actual instance 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

